



## Alpha Star Holding V Limited

(an exempted company incorporated with limited liability under the laws of the Cayman Islands)

### U.S.\$400,000,000 Trust Certificates due 2023

The U.S.\$400,000,000 trust certificates due 2023 (the **Certificates**) of Alpha Star Holding V Limited (in its capacity as issuer and in its capacity as trustee, as applicable, the **Trustee**) will be constituted by a declaration of trust (the **Declaration of Trust**) dated 18 April 2018 (the **Issue Date**) entered into between the Trustee, Damac Real Estate Development Limited (the **Guarantor**) and Citibank N.A., London Branch as the delegate of the Trustee (the **Delegate**). The Certificates confer on the holders of the Certificates from time to time (the **Certificateholders**) the right to receive certain payments (as more particularly described herein) 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 the Trust Assets (as defined in the Conditions) 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 **Conditions**).

Periodic Distribution Amounts (as defined in the Conditions) shall be payable subject to and in accordance with the Conditions on the outstanding face amount of the Certificates from (and including) the Issue Date to (but excluding) 18 April 2023 (the **Scheduled Dissolution Date**) at a rate of 6.625 per cent. per annum. Payments on the Certificates will be made free and clear of, and without withholding or deduction for, any taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by the Cayman Islands, the Dubai International Financial Centre (the **DIFC**), the United Arab Emirates or the Emirate of Dubai or any authority therein or thereof having power to tax to the extent described under Condition 10.

The Certificates shall be redeemed on the Scheduled Dissolution Date but the Certificates may be redeemed before the Scheduled Dissolution Date (i) at the option of the Trustee in whole but not in part at their Dissolution Distribution Amount (as defined in the Conditions) in the event of certain changes affecting taxes of the Cayman Islands, the DIFC, the United Arab Emirates and/or the Emirate of Dubai; (ii) at the option of the relevant Certificateholder at the Change of Control Dissolution Distribution Amount following a Change of Control Event (each as defined in the Conditions); (iii) at the option of the Guarantor at the Dissolution Distribution Amount on the Clean Up Call Right Dissolution Date (as defined in the Conditions); or (iv) following a Dissolution Event (as defined in the Conditions).

Each payment of a Periodic Distribution Amount will be made by the Trustee provided that Priority Holding Limited (the **Service Agent**) shall have paid amounts equal to such Periodic Distribution Amount pursuant to the terms of the Service Agency Agreement (as defined in the Conditions).

*The Certificates will be limited recourse obligations of the Trustee. An investment in the Certificates involves certain risks. For a discussion of these risks, see "Risk Factors". Potential investors should be aware that the Government of Dubai is not guaranteeing the obligations of the Guarantor or the Trustee under, or in connection with, the Certificates.*

This Prospectus has been approved by the Central Bank of Ireland (the **Central Bank**) as competent authority under Directive 2003/71/EC, as amended (the **Prospectus Directive**). The Central Bank only approves this Prospectus as meeting the requirements imposed under Irish and European Union (EU) law pursuant to the Prospectus Directive. Such approval relates only to the Certificates which are to be admitted to trading on a regulated market for the purposes of Markets in Financial Instruments Directive (Directive 2014/65/EU) (**MiFID II**) or which are to be offered to the public in any Member State of the European Economic Area. Application has been made to the Irish Stock Exchange plc trading as Euronext Dublin ( **Euronext Dublin**) for the Certificates to be admitted to the official list (the **Official List**) and trading on its regulated market (the **Main Securities Market**). The Main Securities Market is a regulated market for the purposes of MiFID II. This Prospectus has been approved by the Dubai Financial Services Authority (the **DFSA**) under Rule 2.6 of the Markets Rules (the **Markets Rules**) of the DFSA and is therefore an approved prospectus for the purposes of Article 14 of the DIFC Law No. 1 of 2012 (the **Markets Law**). Application has also been made to the DFSA for the Certificates to be admitted to the official list of securities maintained by the DFSA and to Nasdaq Dubai for such Certificates to be admitted to trading on Nasdaq Dubai. References in this Prospectus to Certificates being **listed** (and all related references) shall mean that such Certificates have been admitted to listing on the Official List and the official list of securities maintained by the DFSA and have been admitted to trading on the Main Securities Market and on Nasdaq Dubai.

The Certificates are expected to be assigned a rating of "BB" by Standard and Poor's Credit Market Services Europe Limited (**Standard and Poor's**). Standard and Poor's is established in the European Union and is registered under Regulation (EC) No. 1060/2009 (as amended) (the **CRA Regulation**). As such, Standard and Poor's is included in the list of credit rating agencies published by the European Securities and Markets Authority on its website (at <http://www.esma.europa.eu/page/List-registered-and-certified-CRAs>) in accordance with the CRA Regulation. A rating is not a recommendation to buy, sell or hold the Certificates (or beneficial interests therein) and may be subject to revision, suspension or withdrawal at any time by the assigning rating organisation.

The Certificates will be represented by interests in a global certificate in registered form (the **Global Certificate**) deposited on or before the Issue Date with, and registered in the name of a nominee for a common depositary (the **Common Depositary**) for, Euroclear Bank SA/NV (**Euroclear**) and Clearstream Banking S.A. (**Clearstream, Luxembourg**). Interests in the Global Certificate will be shown on, and transfers thereof will be effected only through, records maintained by Euroclear and Clearstream, Luxembourg. Individual Certificates evidencing holdings of interests in the Certificates will be issued in exchange for interests in the Global Certificate only in certain limited circumstances described herein.

This Prospectus relates to an Exempt Offer in accordance with the Markets Rules. This Prospectus is intended for distribution only to persons of a type specified in the Markets Rules. It must not be delivered to, or relied on by, any other person. The DFSA does not accept any responsibility for the content of the information included in this Prospectus, including the accuracy or completeness of such information, nor has it determined whether the Certificates are Shari'a compliant. The liability for the content of this Prospectus lies with the Trustee and the Guarantor. The DFSA has also not assessed the suitability of the Certificates to which this Prospectus relates to any particular investor or type of investor. If you do not understand the contents of this Prospectus or are unsure whether the Certificates to which this Prospectus relates are suitable for your individual investment objectives and circumstances, you should consult an authorised financial adviser.

The Certificates may only be offered, sold or transferred in registered form in minimum face amounts of U.S.\$200,000 and integral multiples of U.S.\$1,000 in excess thereof.

#### Joint Global Coordinators

Barclays

HSBC

#### Joint Lead Managers

Barclays

Dubai Islamic Bank

Emirates NBD Capital

HSBC

KAMCO Investment Company K.S.C.P.

Mashreqbank P.S.C.

Sharjah Islamic Bank PJSC

The date of this Prospectus is 17 April 2018

This Prospectus complies with the requirements in Part 2 of the Markets Law and Chapter 2 of the Markets Rules and comprises a prospectus for the purposes of Article 5.4 of the Prospectus Directive and is for the purpose of giving information with regard to the Trustee, the Guarantor and the Certificates which, according to the particular nature of the Trustee, the Guarantor and the Certificates, is necessary to enable investors to make an informed assessment of the assets and liabilities, financial position, profit and losses and prospects of the Trustee and the Guarantor.

The Trustee and the Guarantor accept responsibility for the information contained in this Prospectus. To the best of the knowledge of each of the Trustee and the Guarantor, each having taken all reasonable care to ensure that such is the case, the information contained in this Prospectus is in accordance with the facts and does not omit anything likely to affect the import of such information.

This Prospectus contains information from various sources. Statistical information relating to Dubai and the United Arab Emirates included in this Prospectus has been derived from public sources, including the Organisation of the Petroleum Exporting Countries (**OPEC**), the International Monetary Fund (**IMF**), the Federal Competitiveness and Statistics Authority (the **FCSA**), the UAE Central Bank, the Dubai Statistics Centre, the Department of Tourism and Commerce Marketing of the Government of Dubai. All such statistical information may differ from that stated in other sources for a variety of reasons, including the fact that the underlying assumptions and methodology (including definitions and cut-off times) may vary from source to source. This data may subsequently be revised as new data becomes available and any such revised data will not be circulated by the Guarantor and its consolidated subsidiaries taken as a whole (the **Group**) to investors who have purchased the Certificates.

The statistical information in this Prospectus, including in relation to gross domestic product (**GDP**), have been obtained from public sources identified in this Prospectus. All statistical information provided in this Prospectus, and the component data on which it is based, may not have been compiled in the same manner as data provided by, and may be different from statistics published by, other sources. Accordingly, the statistical data contained in this Prospectus should be treated with caution by prospective investors.

Where information in this Prospectus has been sourced from third parties, this information has been accurately reproduced and as far as the Trustee and the Group are aware and are able to ascertain from the information published by such third parties, no facts have been omitted which would render the reproduced information inaccurate or misleading. Where information has not been independently sourced, it is the Group's own information.

Each of the Trustee and the Guarantor confirms that such information has been accurately reproduced and that, so far as it is aware, and is able to ascertain from information published by the relevant sources referred to, no facts have been omitted which would render the reproduced information inaccurate or misleading.

This Prospectus does not constitute an offer of, or an invitation by or on behalf of the Trustee, the Guarantor or any of the Joint Lead Managers to subscribe or purchase any of the Certificates. None of the Joint Lead Managers, the Trustee, the Delegate or the Agents (as defined in the Agency Agreement) has independently verified the information contained herein.

None of the Joint Lead Managers, the Trustee, the Delegate, the Agents or the Guarantor makes any representation to any investor in the Certificates regarding the legality of its investment under any applicable laws. Any investor in the Certificates should be able to bear the economic risk of an investment in the Certificates for an indefinite period of time.

The distribution of this Prospectus and the offering of the Certificates in certain jurisdictions may be restricted by law. Persons into whose possession this Prospectus comes are required by the Trustee, the Guarantor and the Joint Lead Managers to inform themselves about and to observe any such restrictions. None of the Trustee, the Delegate, the Agents, the Guarantor or the Joint Lead Managers represent that this Prospectus may be lawfully distributed, or that the Certificates may be lawfully offered, in compliance with any applicable registration or other requirements in any such jurisdiction, or pursuant to an exemption available thereunder, or assume any responsibility for facilitating any such distribution or offering. In particular, no action has been taken by the Trustee, the Delegate, the Agents, the Guarantor or any of the Joint Lead Managers which is intended to permit a public offering of the Certificates or distribution of this Prospectus in any jurisdiction where action for that purpose is required.

Accordingly, the Certificates may not be offered or sold, directly or indirectly, and neither this Prospectus nor any advertisement or other offering material may be distributed or published in any jurisdiction, except under circumstances that will result in compliance with any applicable laws and regulations.

Persons into whose possession this Prospectus or any Certificates may come must inform themselves about, and observe, any such restrictions on the distribution of this Prospectus and the offering and sale of the Certificates.

For a description of further restrictions on offers and sales of Certificates and distribution of this Prospectus, see "*Subscription and Sale*".

No person is authorised by the Trustee, the Delegate, the Agents, the Guarantor or any of the Joint Lead Managers to give any information or to make any representation not contained in this Prospectus and any information or representation not so contained must not be relied upon as having been authorised by or on behalf of the Trustee, the Delegate, the Agents, the Guarantor or any of the Joint Lead Managers. Neither the delivery of this Prospectus nor any sale made in connection herewith shall, under any circumstances, create any implication that there has been no change in the affairs of the Trustee or the Guarantor since the date hereof or the date upon which this Prospectus has been most recently amended or supplemented or that there has been no adverse change in the financial position of the Trustee or the Guarantor since the date hereof or the date upon which this Prospectus has been most recently amended or supplemented or that the information contained in it or any other information supplied in connection with the Certificates is correct as of any time subsequent to the date on which it is supplied or, if different, the date indicated in the document containing the same.

Neither this Prospectus nor any other information supplied in connection with the issue of the Certificates (a) is intended to provide the basis of any credit or other evaluation or (b) should be considered as a recommendation by the Trustee, the Delegate, the Agents, the Guarantor or any of the Joint Lead Managers that any recipient of this Prospectus or any other information supplied in connection with the issue of the Certificates should purchase any Certificates. Each investor contemplating purchasing any Certificates should make its own independent investigation of the financial condition and affairs, and its own appraisal of the creditworthiness, of the Trustee and the Guarantor. Furthermore, no comment is made or advice given by the Trustee, the Delegate, the Agents, the Guarantor or any of the Joint Lead Managers in respect of taxation matters relating to any Certificates or the legality of the purchase of Certificates by an investor under applicable or similar laws. None of the Joint Lead Managers undertakes to review the financial condition or affairs of the Trustee or the Guarantor during the life of the arrangements contemplated by this Prospectus nor to advise any investor or potential investor in the Certificates of any information coming to the attention of any of the Joint Lead Managers.

Each potential investor in the Certificates must determine the suitability of that investment in light of its own circumstances. In particular, each potential investor should:

- (i) have sufficient knowledge and experience to make a meaningful evaluation of the Certificates, the merits and risks of investing in the Certificates and the information contained in this Prospectus;
- (ii) have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Certificates and the impact such investment will have on its overall investment portfolio;
- (iii) have sufficient financial resources and liquidity to bear all of the risks of an investment in the Certificates, including where the currency of payments is different from the potential investor's currency;
- (iv) understand thoroughly the terms of the Certificates and be familiar with the behaviour of any relevant indices and financial markets; and
- (v) be able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic and other factors that may affect its investment and its ability to bear the applicable risks.

The Certificates are complex financial instruments. Sophisticated institutional investors generally do not purchase complex financial instruments as stand-alone investments. They purchase complex financial instruments as a way to reduce risk or enhance yield with an understood, measured, appropriate addition of risk to their overall portfolios. A potential investor should not invest in the Certificates unless it has the expertise (either alone or with the help of a financial adviser) to evaluate how the Certificates will perform under changing conditions, the resulting effects on the value of such Certificates and the impact this investment will have on the potential investor's overall investment portfolio.

No comment is made or advice given by the Trustee, the Guarantor, the Delegate, any of the Joint Lead Managers, or the Agents in respect of taxation matters relating to the Certificates or the legality of the purchase of the Certificates by an investor under any applicable law.

**EACH PROSPECTIVE INVESTOR IS ADVISED TO CONSULT ITS OWN TAX ADVISER, LEGAL ADVISER AND BUSINESS ADVISER AS TO TAX, LEGAL, BUSINESS AND RELATED MATTERS CONCERNING THE PURCHASE OF CERTIFICATES.**

To the fullest extent permitted by law, the Joint Lead Managers accept no responsibility whatsoever for the contents of this Prospectus, or for any other statement made or purported to be made by a Joint Lead Manager or on its behalf in connection with the Trustee, the Guarantor or the issue and offering of the Certificates. Each Joint Lead Manager accordingly disclaims all and any liability whether arising in tort or contract or otherwise (save as referred to above) which it might otherwise have in respect of this Prospectus or any such statement. No representation or warranty, expressed or implied, is made or given by or on behalf of any of the Joint Lead Managers, nor any person who controls them or any director, officer, employee or agent of them, or affiliate of any such person as to the accuracy, completeness or fairness of the information or opinions contained in this Prospectus and such persons do not accept responsibility or liability for any such information or opinions.

The Certificates have not been and will not be registered under the United States Securities Act of 1933, as amended (the **Securities Act**) or with any securities regulatory authority of any state or other jurisdiction of the United States and may not be offered or sold within the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and applicable state securities laws. Each purchaser of the Certificates is hereby notified that the offer and sale of Certificates to it is being made in reliance on the exemption from the registration requirements of the Securities Act provided by Regulation S under the Securities Act (**Regulation S**).

The transaction structure relating to the Certificates (as described in this Prospectus) has been approved by the Central Shariah Committee of HSBC Bank Middle East Limited. Prospective Certificateholders should not rely on such approvals in deciding whether to make an investment in the Certificates and should consult their own Shari'a advisers as to whether the proposed transaction described in such approvals is in compliance with their individual standards of compliance with Shari'a principles. None of the Trustee, the Guarantor, the Delegate, the Agents or any of the Joint Lead Managers makes any representation as to the Shari'a compliance of the Certificates and/or any trading thereof.

**Cautionary Note Regarding Forward-Looking Statements**

Some statements in this Prospectus may be deemed to be forward looking statements. The words "anticipate", "believe", "expect", "plan", "intend", "targets", "aims", "seeks", "estimate", "project", "will", "would", "may", "could", "continue", "should" and similar expressions are intended to identify forward looking statements. All statements other than statements of historical fact included in this Prospectus, including, without limitation, those regarding the financial position of the Group, or the business strategy, management plans and objectives for future operations of the Group, are forward looking statements. These forward looking statements involve known and unknown risks, uncertainties and other factors, which may cause the Group's actual results, performance or achievements, or industry results, to be materially different from those expressed or implied by these forward looking statements. These forward-looking statements are contained in the sections entitled "Risk Factors" and "Description of the Group" and other sections of this Prospectus. The Group has based these forward-looking statements on the current view of its management with respect to future events and financial performance. These forward looking statements are based on numerous assumptions regarding the Group's present, and future, business strategies and the environment in which the Group expects to operate in the future. Important factors that could cause the Group's actual results, performance or achievements to differ materially from those in the forward looking statements are discussed in this Prospectus (see "*Risk Factors*").

Forward-looking statements speak only as at the date of this Prospectus and, without prejudice to any requirements under applicable laws and regulations, the Trustee and the Group expressly disclaim any obligation or undertaking to publicly update or revise any forward-looking statements in this Prospectus to reflect any change in the expectations of the Trustee or the Group or any change in events, conditions or circumstances on which these forward-looking statements are based. Given the uncertainties of forward-looking statements, the Trustee and the Group cannot assure potential investors that projected results or events will be achieved and the Trustee and the Group caution potential investors not to place undue reliance on these statements.

## Presentation of Financial and Other Information - Financial Statements

### Financial Statements

The financial information relating to the Group and included in this Prospectus is derived as follows:

- (i) the financial information relating to the Group as of and for the financial year ended 31 December 2017 is derived from the audited consolidated financial statements of the Group as of and for the year ended 31 December 2017 (the **2017 Financial Statements**);
- (ii) the financial information relating to the Group as of and for the financial year ended 31 December 2016 is derived from the comparative financial information as at and for the year ended 31 December 2016 included in the 2017 Financial Statements; and
- (iii) the financial information relating to the Group as of and for the financial year ended 31 December 2015 is derived from the comparative financial information as at and for the year ended 31 December 2015 included in the audited consolidated financial statements of the Group as of and for the year ended 31 December 2016 (the **2016 Financial Statements**).

The 2017 Financial Statements and the 2016 Financial Statements (together, the **Annual Financial Statements**) have been prepared in accordance with International Financial Reporting Standards (**IFRS**) as issued by the International Accounting Standards Board (the **IASB**) and have been prepared in accordance with the basis of preparation as disclosed in Note 3.2 to the 2017 Financial Statements and Note 3.2 to the 2016 Financial Statements. The Annual Financial Statements have been audited in accordance with International Standards on Auditing by Deloitte & Touche (M.E.) (**Deloitte**) who have issued unqualified reports thereon.

### Presentation of Alternative Performance Measures

In this Prospectus, the Group uses the following metrics in the analysis of its business and financial position, which the Group considers to constitute Alternative Performance Measures as defined in the European Securities and Markets Authority Guidelines on Alternative Performance Measures (the **ESMA Guidelines**). For further information, see "*Selected Historical Financial and Operating Data*".

<b>Metric</b>	<b>Definition and method of calculation</b>	<b>Rationale for inclusion</b>
EBITDA	Calculated as the sum of (i) operating profit for the period, (ii) other income for that period, (iii) depreciation for that period and (iv) the gain or loss (which is added or subtracted, as the case may be) relating to the reversal of or provisioning for impairment on development properties (see reconciliation above).	The measure of overall operational profitability of the business.
EBITDA margin	Calculated as EBITDA divided by total revenue.	It represents the Group's ability to generate potential returns on its revenue.
Gross debt/EBITDA	Calculated as bank borrowings and sukuk certificates divided by EBITDA.	It signifies relative leverage levels and the Group's ability to manage its debt obligations.
EBITDA/interest	Calculated as EBITDA divided by finance costs.	It measures the Group's ability to service its debt obligations.
Loan to Value	Calculated as bank borrowings and sukuk certificates divided by development properties and cash and bank balances.	It provides relative use of proceeds and Group's strength to support its debt obligations.

These Alternative Performance Measures are not defined by, or presented in accordance with, IFRS. The Alternative Performance Measures are not measurements of the Group's operating performance under IFRS and

should not be considered as alternatives to any measures of performance under IFRS or as measures of the Group's liquidity.

### ***Presentation of Other Information***

In this Prospectus, references to:

- **Abu Dhabi** are to the Emirate of Abu Dhabi;
- **Dubai** are to the Emirate of Dubai;
- **GCC** are to the Gulf Cooperation Council, which comprises Bahrain, Kuwait, Oman, Qatar, Saudi Arabia and the UAE; and
- **UAE** are to the United Arab Emirates.

Certain financial and statistical amounts included in this Prospectus are approximations or have been subject to rounding adjustments. Accordingly, amounts shown as derivations or totals in certain tables may not be exact arithmetic derivatives or aggregations of the amounts that precede them.

The language of this Prospectus is English. Certain legislative references and technical terms have been cited in their original language in order that the correct technical meaning may be ascribed to them under applicable law. Information contained in any website referred to herein does not form part of this Prospectus.

In this Prospectus, unless otherwise specified or the context otherwise requires, references to:

- **AED** and **dirham** are to the lawful currency for the time being of the United Arab Emirates; and
- **U.S. dollars, US\$** and **U.S.\$** are to United States dollars, being the legal currency for the time being of the United States of America.

The dirham currently is, and since 22 November 1980, has been, pegged to the U.S. dollar at a fixed exchange rate of AED 3.6725 per U.S.\$1.00. Certain figures and percentages included in this Prospectus have been subject to rounding adjustments. Accordingly, figures shown in the same category presented in different tables may vary slightly and figures shown as totals in certain tables may not be an arithmetic aggregation of the figures which precede them.

Save where the context otherwise requires, references in this Prospectus to:

- **2015** are to the 12 months ended 31 December 2015;
- **2016** are to the 12 months ended 31 December 2016;
- **2017** are to the 12 months ended 31 December 2017; and
- **billion** are to a thousand million.

### **VOLCKER RULE**

The Volcker Rule, which became effective on 1 April 2014, but was subject to a conformance period for certain entities that concluded on 21 July 2015, generally prohibits "banking entities" (which is broadly defined to include U.S. banks and bank holding companies and many non-U.S. banking entities, together with their respective subsidiaries and other affiliates) from (i) engaging in proprietary trading, (ii) acquiring or retaining an ownership interest in or sponsoring a "covered fund", and (iii) entering into certain relationships with "covered funds". The general effects of the Volcker Rule remain uncertain; any prospective investor in the Certificates and any entity that is a "banking entity" as defined under the Volcker Rule which is considering an investment in the Certificates should consult its own legal advisors and consider the potential impact of the Volcker Rule in respect of such investment. If investment by "banking entities" in the Certificates is prohibited or restricted by the Volcker Rule, this could impair the marketability and liquidity of such Certificates. No assurance can be made as to the effect of the Volcker Rule on the ability of certain investors subject thereto to acquire or retain an interest in the Certificates, and accordingly none of the Trustee, the Guarantor, the Joint Lead Managers, the Delegate or the Agents, or any of their respective affiliates makes any representation regarding (a) the status of the Trustee under the Volcker Rule (including whether it is a "covered fund" for their purposes) or (b) the ability of any purchaser to acquire or hold the Certificates, now or at any time in the future.

## NOTICE TO U.K. RESIDENTS

The Certificates constitute "alternative finance investment bonds" within the meaning of Article 77A of the Financial Services and Markets Act 2000 (Regulated Activities) Order 2001 as amended by the Financial Services and Markets Act 2000 (Regulated Activities) (Amendment) Order 2010. This Prospectus is not being distributed to, and must not be passed on to, the general public in the United Kingdom.

The distribution in the United Kingdom of this Prospectus and any other marketing materials relating to the Certificates is being addressed to, or directed at, only the following persons: (i) persons who are Investment Professionals as defined in Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (the **Financial Promotion Order**); (ii) persons falling within any of the categories of persons described in Article 49 of the Financial Promotion Order; and (iii) any other person to whom it may otherwise lawfully be made in accordance with the Financial Promotion Order. Persons of any other description in the United Kingdom may not receive and should not act or rely on this Prospectus or any other marketing materials in relation to the Certificates.

Potential investors in the United Kingdom in the Certificates are advised that all, or most, of the protections afforded by the United Kingdom regulatory system will not apply to an investment in the Certificates and that compensation will not be available under the United Kingdom Financial Services Compensation Scheme.

Any individual intending to invest in the Certificates should consult his professional adviser and ensure that he fully understands all the risks associated with making such an investment and that he has sufficient financial resources to sustain any loss that may arise from such investment.

## NOTICE TO RESIDENTS OF THE CAYMAN ISLANDS

No invitation, whether directly or indirectly, may be made to any member of the public of the Cayman Islands to subscribe for the Certificates and this Prospectus shall not be construed as an invitation to any member of the public of the Cayman Islands to subscribe for the Certificates.

## NOTICE TO RESIDENTS OF THE KINGDOM OF SAUDI ARABIA

This Prospectus may not be distributed in the Kingdom of Saudi Arabia except to such persons as are permitted under the Rules on the Offer of Securities and Continuing Obligations issued by the Capital Market Authority of the Kingdom of Saudi Arabia (the **Capital Market Authority**).

The Capital Market Authority does not make any representations as to the accuracy or completeness of this Prospectus, and expressly disclaims any liability whatsoever for any loss arising from, or incurred in reliance upon, any part of this Prospectus. Prospective purchasers of the Certificates should conduct their own due diligence on the accuracy of the information relating to the Certificates. If a prospective purchaser does not understand the contents of this Prospectus he or she should consult an authorised financial adviser.

## NOTICE TO RESIDENTS OF THE KINGDOM OF BAHRAIN

In relation to investors in the Kingdom of Bahrain, securities issued in connection with this Prospectus and related offering documents may only be offered in registered form to existing account holders and accredited investors as defined by the Central Bank of Bahrain (the **CBB**) in the Kingdom of Bahrain where such investors make a minimum investment of at least U.S.\$100,000 or any equivalent amount in another currency or such other amount as the CBB may determine.

This Prospectus does not constitute an offer of securities in the Kingdom of Bahrain pursuant to the terms of Article (81) of the Central Bank and Financial Institutions Law 2006 (decree Law No. 64 of 2006). This Prospectus and related offering documents have not been and will not be registered as a prospectus with the CBB. Accordingly, no Certificates may be offered, sold or made the subject of an invitation for subscription or purchase nor will this Prospectus or any other related document or material be used in connection with any offer, sale or invitation to subscribe or purchase Certificates, whether directly or indirectly, to persons in the Kingdom of Bahrain, other than to accredited investors for an offer outside the Kingdom of Bahrain. The CBB has not reviewed, approved or registered this Prospectus or related offering documents and it has not in any way considered the merits of the Certificates to be offered for investment, whether in or outside the Kingdom of Bahrain.

Therefore, the CBB assumes no responsibility for the accuracy and completeness of the statements and information contained in this Prospectus and expressly disclaims any liability whatsoever for any loss howsoever arising from reliance upon the whole or any part of the content of this Prospectus. No offer of Certificates will be made to the public in the Kingdom of Bahrain and this Prospectus must be read by the addressee only and must not be issued, passed to, or made available to the public generally.

#### **NOTICE TO RESIDENTS OF THE STATE OF QATAR**

This Prospectus is not intended to constitute an offer, sale or delivery of bonds or other debt financing instruments under the laws of the State of Qatar. The Certificates have not been and will not be authorised by the Qatar Financial Markets Authority, the Qatar Financial Centre Regulatory Authority or the Qatar Central Bank in accordance with their regulations or any other regulations in the State of Qatar. The Certificates and interests therein will not be offered to investors domiciled or resident in the State of Qatar and do not constitute debt financing in the State of Qatar under the Commercial Companies Law No. (5) of 2002 or otherwise under any laws of the State of Qatar.

#### **NOTICE TO RESIDENTS OF MALAYSIA**

The Certificates may not be offered for subscription or purchase and no invitation to subscribe for or purchase the Certificates in Malaysia may be made, directly or indirectly, and this Prospectus or any document or other materials in connection therewith may not be distributed in Malaysia other than to persons falling within the categories set out in Schedule 6 or Section 229(1)(b), Schedule 7 or Section 230(1)(b) and Schedule 8 or Section 257(3) of the Capital Market and Services Act 2007 of Malaysia.

The Securities Commission of Malaysia shall not be liable for any non-disclosure on the part of the Trustee or the Guarantor and assumes no responsibility for the correctness of any statements made or opinions or reports expressed in this Prospectus.

#### **MIFID II PRODUCT GOVERNANCE / PROFESSIONAL INVESTORS AND ECPS ONLY TARGET MARKET**

Solely for the purposes of each manufacturer's product approval process, the target market assessment in respect of the Certificates has led to the conclusion that: (i) the target market for the Certificates is eligible counterparties and professional clients only, each as defined in MiFID II; and (ii) all channels for distribution of the Certificates to eligible counterparties and professional clients are appropriate. Any person subsequently offering, selling or recommending the Certificates (a distributor) should take into consideration the manufacturers' target market assessment; however, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of the Certificates (by either adopting or refining the manufacturers' target market assessment) and determining appropriate distribution channels.

#### **STABILISATION**

In connection with the issue of the Certificates, HSBC Bank plc (the **Stabilisation Manager**) (or persons acting on behalf of the Stabilisation Manager) may effect transactions with a view to supporting the market price of the Certificates at a level higher than that which might otherwise prevail. However, stabilisation may not necessarily occur. Any stabilisation action may begin on or after the Issue Date and, if begun, may cease at any time, but it must end no later than the earlier of 30 days after the Issue Date and 60 days after the date of the allotment of the Certificates. Any stabilisation action must be conducted by the Stabilisation Manager (or persons acting on behalf of the Stabilisation Manager) in accordance with all applicable laws and rules.



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## RISK FACTORS

*The purchase of the Certificates may involve substantial risks and is suitable only for sophisticated investors who have the knowledge and experience in financial and business matters necessary to enable them to evaluate the risks and merits of an investment in the Certificates. Before making an investment decision, prospective purchasers of Certificates should consider carefully, in the light of their own financial circumstances and investment objectives, all of the information in this Prospectus.*

*Each of the Trustee and the Guarantor believes that the factors described below represent the principal risks inherent in investing in the Certificates, but the inability of the Trustee to pay any amounts on or in connection with any Certificate and/or the inability of the Guarantor to pay any amounts under the Guarantee, respectively may occur for other reasons and neither the Trustee nor the Guarantor represents that the statements below regarding the risks of holding any Certificate are exhaustive. There may also be other considerations, including some which may not be presently known to the Trustee or the Guarantor or which the Trustee or the Guarantor currently deems immaterial, that may impact any investment in the Certificates.*

*Prospective investors should also read the detailed information set out elsewhere in this Prospectus and reach their own views prior to making any investment decision. Words and expressions defined in "Structure Diagram and Cash Flows" and "Terms and Conditions of the Certificates" shall have the same meanings in this section.*

### **Factors that may affect the Trustee's ability to fulfil its obligations under the Certificates**

***The Trustee has no material assets and will depend on receipt of payments from the Guarantor and the Service Agent to make payments to Certificateholders***

The Trustee is a newly formed entity and has no operating history. The Trustee will not engage in any business activity other than the issuance of the Certificates, the acquisition of the Trust Assets as described herein, acting in its capacity as Trustee, and other activities incidental or related to the foregoing as required under the Transaction Documents.

The Trustee's only material assets will be the Trustee's rights, title, interest and benefit, present and future, in, to and under the Transaction Documents and the Sukuk Contracts (the latter which will be comprised of a series of Ijara Agreements (and the related Sale and Purchase Agreements, Purchase Undertakings and Ijara Service Agency Agreements) and a Murabaha Agreement (the counterparties to which will be subsidiaries of the Guarantor)), and the corresponding Sukuk Assets. The Trustee's only material source of income will be: (i) its rights under the Transaction Documents (as defined in the Conditions) to receive periodic payments generated under the Sukuk Contracts and the payment of the proceeds upon liquidation of the Sukuk Contracts and the Sukuk Assets; or (ii) in the event that such payments are insufficient to pay Periodic Distribution Amounts, the Dissolution Distribution Amount and/or (if applicable) the Change of Control Dissolution Distribution Amount due to Certificateholders, payments from the Guarantor pursuant to the Guarantee to make-up the shortfall. Therefore, the Trustee is subject to all the risks to which the Guarantor is subject to the extent that such risks could negatively affect the Guarantor's ability to satisfy in full and on a timely basis its obligations under the Transaction Documents to which it is a party. See "*Risks relating to the Guarantor and the Group*" below for a further description of these risks.

### **Risks relating to the Guarantor and the Group**

***The Group's business is highly concentrated in the real estate sector in Dubai and any adverse developments in the real estate sector or in the Dubai market may have a material adverse effect on the Group's business and financial results***

The Group's operations are principally located in Dubai, where it generated the majority of its revenue in the three financial years ended 31 December 2015, 2016 and 2017. For the year ended 31 December 2017, the Group generated 86 per cent. of its revenue in Dubai, with the remaining revenue in Abu Dhabi, Qatar, Saudi Arabia and Lebanon. As at 31 December 2017, 87 per cent. of the Group's completed units and 98 per cent. of its saleable area in progress were located in Dubai. The Group is thus exposed to a high level of concentration risk and adverse developments in Dubai in general and in the real estate market in Dubai which may have a material adverse effect on the Group's business, financial condition, results of operations and prospects.

Since late 2008, property and construction markets in the UAE and a number of other countries in the Middle East region have been significantly adversely affected by macroeconomic factors that are beyond the Group's

control, such as real estate market conditions generally, changes in interest rates, consumer spending, inflation rates, real estate taxes, other operating expenses and the availability and cost of financing.

Although the real estate market in Dubai has seen a resurgence in demand during the period from 2011 to mid-2014, resulting in increased real estate sales for the Group's projects compared to similar periods in 2009 to 2011, the real estate market in Dubai slowed down in the last few years and as at the date of this Prospectus remains a soft market. There can be no assurance that the current demand for real estate in the UAE or the other markets in which the Group operates will continue. Any decrease in demand or deterioration in the Dubai market to which the Group is highly exposed due to high concentration in such market could cause the Group's financial performance to deteriorate in the future and financial resources required to sustain growth in other markets may not be available.

As an increasing number of developments are launched and reach completion, the number of properties available in the Dubai market may exceed the demand for such properties leading to "saturation". Saturation in the Dubai real estate market could result in both (or either) an increase in vacancy rates and a decrease in market rental rates and sale prices. Likewise, demand for properties in Dubai could decrease as a result of a range of possible factors, including changes in law, macroeconomic conditions, events in neighbouring countries or factors inherent to the Dubai property market. For example, the Dubai Land Department (the **DLD**) transfer fee to register a transfer of ownership (the **DLD Transfer Fee**) was increased to four per cent. in 2013 and any further increase may result in a decrease in demand for properties in Dubai. Furthermore, if a large number of the Group's customers were to terminate their purchase contracts with the Group due to macroeconomic or other factors and the Group were unable to sell these units, this could add to any actual or perceived oversupply of residential property in the Dubai real estate market. If the property market in Dubai were to become saturated, or the demand for properties, in particular residential properties, in Dubai were to decline or to be lower than expected, the Group may have to sell its properties at reduced prices, or at a loss, or may not be able to sell them at all. In addition, a portion of the Group's customers may purchase properties as investments, generally with a view to selling them for profit or leasing them for rental income. Any perceived or actual oversupply of properties in Dubai, or a decrease in demand for rental space in Dubai, may result in potential customers having experienced or experiencing, difficulty selling properties purchased from the Group, either for an expected profit or at all and/or lower rental rates. This could result in a decrease in demand for the Group's properties among customers who expect to receive revenue from the part-time rental of their properties or who purchase properties for the explicit purpose of rental.

As the Group's revenue is derived almost exclusively from sales of its properties, principally in Dubai, any adverse change in the demand for the Group's properties for the reasons described above or otherwise (including, but not limited to, events similar to the global financial crisis that began in the latter half of 2007 and intensified in 2008 (the **Global Financial Crisis**)) may result in the Group being unable to realise the expected prices on the sale of its properties or being unable to sell its properties at all, which may have a material adverse effect on the Group's business, financial condition, results of operations and prospects.

***The continued success of the Group's business is dependent in part upon the wealth of domestic and international property purchasers and investors***

The Group's business is highly dependent on levels of disposable income and disposable capital of high net worth and other affluent individuals and investors in the UAE and in various international jurisdictions, including from such fast growing emerging markets as China, India and certain GCC countries. Since many of these individuals and investors operate in the global financial markets, their levels of wealth depend, to some extent, on the performance of the international property, financial and consumer markets. In addition, the disposable income levels of such individuals and investors are affected by factors in their home countries, such as the availability to them of financing and mortgages as well as general interest rates, inflation and tax rates. The Global Financial Crisis had a material adverse effect on levels of disposable income and wealth of individuals world-wide and therefore also on demand for properties in the Dubai market. The Group expects that demand for its properties will continue to depend, to some extent, on the condition of the global markets and that any further international or regional financial crises or economic downturns could have a material adverse effect on the Group's business, financial condition, results of operations and prospects.

***The Group's business may be materially affected by the cyclical nature of the real estate market***

In addition to general macroeconomic factors, the Group's operations are affected generally by the cyclical nature of the real estate industry in Dubai and in other jurisdictions in which the Group undertakes its developments. Property values and rents are affected by, among other factors, supply and demand of

comparable properties, interest rates, unemployment rates, inflation, the rate of economic growth, tax laws and political and economic developments in the countries in which the Group operates. The Group's business is also affected by seasonal trends in the real estate industry in Dubai and in other locations in which the Group operates. A downturn in demand for the Group's developments due to any such factors could have a material adverse effect on the Group's business, financial condition, results of operations and prospects.

***The Group's projects may be delayed, suspended, terminated or materially changed in scope, resulting in increased costs to the Group and damage to the Group's reputation, which may materially adversely affect the Group's business***

Real estate development activities in general are subject to significant risks of delay, suspension, termination and material changes in scope due to, among other factors, the following:

- the Group's inability to sell its properties on acceptable terms, if at all;
- the unavailability of, or shortages of, contractors, construction materials, equipment and labourers;
- strikes and work stoppages or other labour disputes or disturbances affecting the Group, its contractors, its sub-contractors or its suppliers;
- the unavailability or insufficiency of utilities and infrastructure, including sourcing of fresh water and provision of wastewater disposal, electricity supply and roads;
- the failure of contractors to meet agreed timetables, in particular with respect to more complex or technically challenging developments (for example, due to the scale, height or complex design of a development);
- delays or failure to obtain all necessary land use, building, occupancy and other required permits, authorisations, general licences and regulatory certificates (including "no objection" letters from government-linked master developers and the civil aviation authority and fire and safety certificates from civil defence);
- physical obstructions, adverse weather and unforeseen ground conditions;
- accidents on construction sites;
- major accidents, including chemical or other material environmental contamination;
- "force majeure" events including, but not limited to, natural disaster, fire and civil unrest;
- major epidemics affecting the health of persons in the region and travel in the region;
- delays in receiving and obtaining access to purchased land including delays by or failures of government-linked master developers to commence master developments;
- the Group's inability to obtain customer financing through sales of units prior to their completion or to obtain external financing on commercially acceptable terms, if at all; and
- default or delayed payment by customers under the unit sale and purchase agreements.

The Group's ability to manage risks in its home market of Dubai could change. In addition, the Group may encounter any or all of these risks in other markets in which it operates, or may operate in the future, and may find its ability to manage these risks to be limited.

Construction of the Group's projects by its contractors is highly dependent on the sourcing of raw materials such as cement, steel, glass and aluminium from third party suppliers and on the availability of specialised equipment and other resources. The Group's contractors may experience shortages of raw materials, equipment or other resources as a result of increased demand for, or production difficulties relating to, these materials or equipment. A shortage of raw materials, equipment or other such resources could delay the completion of projects which, ultimately, could require the Group to pay penalties to its customers, including interest payments and refunds. In addition, such shortages often contribute to an increase in the price of raw materials, equipment and other resources. Although historically the Group's contractors have often been required to bear any such increase in the price of raw materials, under a number of its construction contracts the Group has been required to bear some or all of such price increases, typically when the price of raw materials exceeds a pre-agreed threshold commonly benchmarked to a stated price index. As a result, an increase in the cost of raw materials could

increase the Group's project costs and adversely affect the Group's profit margins, which, in turn, could have a material adverse effect on the Group's business, financial condition, results of operation and prospects.

The Group's financial performance is particularly sensitive to delays to the Group's projects, as the Group recognises revenue in its accounts with respect to a particular project upon a certain percentage completion of construction in the relevant project. Accordingly, any delay in the construction of a development will result in a delay in the Group being able to recognise revenue with respect to that property, which would negatively impact the Group's cash flows. Additionally, any delay in a project would result in a delay in the Group's ability to access funds paid to the Group that is held in escrow pursuant to Law No. 8 of 2007 concerning guarantee accounts of real estate developments of Dubai (the **Escrow Law**), (see "*Regulatory Information–Relevant Real Estate Legislation–RERA and Escrow Accounts*"). Significant delays to the Group's projects may also adversely affect the Group's reputation and, in certain circumstances (including if the development of a project were suspended or terminated), could require the Group to pay penalties to its customers. Any delay to the Group's projects, or any suspension, termination or material change in scope of any of the Group's projects, could increase the Group's costs, which may materially adversely affect the Group's business, financial condition, results of operations and prospects.

### ***The Group faces competition in its property development, hospitality and investment property businesses***

The property market in Dubai is competitive despite increasingly strict regulation of the real estate sector creating barriers to entry to the market. The Group's competitors include a number of "government-linked master developers" (see "*Description of the Group–Operating Environment*" for further information on government-linked master developers) that, compared to the Group have had and may continue to have: (i) preferential access to land at little or no cost; (ii) preferential access to land in prime locations; and (iii) easier access to financing for projects.

The Group faces competition for the development of properties also from other property developers in Dubai and internationally. In particular, the population growth of Dubai from 1.3 million in 2005 to an estimated 2.7 million in 2016 (as estimated by the Dubai Statistics Centre), along with the growth in business and leisure travel to Dubai, contributed to the opening and announced development of a number of new developments (including new residential buildings, hotels and retail spaces) by other property developers over this period. Such competition may affect the Group's ability to sell development land or completed properties at expected prices, if at all, or, in relation to investment properties, attract and retain tenants, resulting in lower than expected rents. The Group's competitors may lower their pricing, rental rates or operating costs for properties which are comparable to those being sold or leased by the Group, which may result in downward pressure on the Group's pricing and rental rates. In addition, the Government of Dubai could decide to support new entrants or other property development companies to implement its development strategy, which would further increase competition. In addition, the Group faces the risk that competitors may anticipate and capitalise on certain potential investment opportunities in advance of the Group doing so. Certain of the Group's competitors may have greater financial, technical, marketing or other resources and, therefore, may be able to withstand price competition and volatility more successfully than the Group. Additionally, as a result of the Global Financial Crisis in recent years, consumer demand for real estate properties has decreased. Any oversupply or competition in any region in which the Group operates (either as a result of new developments or a decrease in the number of tenants or other occupants due to a decline in economic activity) may adversely affect the Group's business, financial condition, results of operations and prospects.

In response to the adverse market conditions described above, there is a possibility that other property developers will merge in order to achieve economies of scale in their businesses. If consolidation in the Dubai real estate market were to occur, there is a risk that the Group would have to operate against larger competitors than it has historically. Furthermore, given economic downturns in recent years and the strategy of investors to diversify their investments and re-examine the robustness of various real estate markets in the region, Dubai may see demand for its real estate market decrease in favour of other real estate markets in the region. These circumstances, either alone or in combination, could have a material adverse effect on the Group's business, financial condition, results of operations and prospects.

There are also a number of hospitality venues in Dubai that are comparable to the Group's hospitality offerings which may affect the ability of the Group to attract customers and lead to downward pressure on the prices the Group is able to charge. In the event that such competition has the effects described, there may be an adverse effect on the Group's business, financial condition, results of operations and prospects.

The Group may also face competition in respect of its investment business in Dubai going forward. There are a number of retail, residential and commercial investment properties in Dubai which may, in the future, compete with the Group's future retail, residential and commercial investment properties for tenants. Such competition may affect the Group's ability to attract and retain tenants, resulting in lower than expected rents. The Group's competitors may also lower their rental rates for properties which are comparable to that being offered by the Group, which may result in downward pressure on the Group's rental rates. Competitors may also compete to attract tenants based upon location, condition or unique or attractive features of the relevant property.

***The construction of new developments involves health and safety risks***

A significant health and safety incident at one of the Group's developments or a general deterioration in the Group's health and safety standards could place the Group's employees, contractors and/or the general public at risk and lead to penalties or significant damage to the Group's reputation. Compliance with health and safety regulatory requirements and the management of health and safety performance at all of the Group's developments are critical to the success of the Group's business. The imposition of stricter health and safety regulations or enforcement policies in the UAE and, in particular, in Dubai, could result in substantial costs and liabilities to the Group and could subject the Group's developments to more rigorous scrutiny than is currently the case. Any failure in health and safety performance, including any delay in responding to changes in health and safety regulations, may result in penalties for non-compliance. Moreover, the Group could incur significant liabilities in the event that any such failure results in a major or significant health and safety incident. Such a failure or incident could result in financial liability in case of litigation arising as a result of such incident, generate significant adverse publicity and have a negative impact on the Group's reputation and its ability to attract future business, which may have a material adverse effect on the Group's business, financial condition, results of operations and prospects.

***The Group's projects could be exposed to catastrophic events or acts of terrorism over which the Group has no control***

The Group's business operations and development and construction projects could be adversely affected or disrupted by natural disasters (such as earthquakes, floods, tsunamis, hurricanes, volcanoes, fires or typhoons) or other catastrophic events, including, but not limited to:

- changes to predominant natural weather, hydrologic and climatic patterns, including sea levels;
- major accidents, including chemical, radioactive or other material environmental contamination;
- major epidemics affecting the health of persons in the region and travel into the region; and/or
- criminal acts (such as unlawful demonstration or civil unrest) or acts of terrorism.

The occurrence of any of these events at one or more of the Group's development or construction projects or in any city where the Group operates may cause disruptions to the Group's operations in part or in whole, which would have a material adverse effect on the Group's business, financial condition, results of operations and prospects. In addition, such an occurrence or the risk of such an occurrence due to the high profile nature of the Group's projects and the Group's associations with well known brands and individuals and public figures associated therewith may increase the costs associated with the Group's development and construction projects, may subject the Group to liability or impact its brand and reputation and may otherwise hinder the normal operation of the Group's facilities.

***Real estate valuation is inherently subjective and uncertain and based on assumptions which may prove to be inaccurate or affected by factors outside of the Group's control***

Property assets are inherently difficult to value. The judgement of the Group's management, as well as the independent valuers who perform valuations on the Group's behalf in accordance with valuation standards of the Royal Institution of Chartered Surveyors (**RICS**), significantly impact the determination of the market value of the Group's properties, particularly with respect to development land and projects. As a result, valuations of the Group's properties are dated as at a certain (historic) date and subject to substantial uncertainty. In addition, in valuing properties, the Group's management and valuers are required to make certain assumptions, including, but not limited to, the existence of willing buyers, title, condition of structure and services, environmental matters, legal matters, regulatory requirements and planning and other information. Such assumptions may prove to be inaccurate and could negatively affect the value of the Group's properties. Another key component of determining the market value of the Group's property is based on an assessment by management or the independent valuers of real estate market conditions in the city or country where the project is located. The real

estate market is also affected by general economic conditions, the availability of financing, interest rates and various other factors, including supply and demand, that are beyond the Group's control and may adversely impact projects after their most recent valuation date. The valuations of the Group's properties included in this Prospectus should not be taken as an indication of the proceeds that the Group could achieve in the sale of any of its completed projects, its land bank or developments in progress or planning and neither should they be taken as an indication of the availability of financing for them or an indication of continuing demand for any of the Group's properties.

### **Risks relating to the Group's business**

***The Group relies on certain key management personnel, in particular its Executive Chairman and Chief Executive Officer, the loss of whom could have an adverse effect on the Group's business, financial condition, results of operations and prospects***

The Group's future growth and success depends in part upon the knowledge and continuing service of certain of the Directors and key senior management. The Directors and management possess experience, relationships and knowledge that are important to the operation of the Group's business, as well as its profitability and future growth. In particular, the Group is highly dependent upon the Guarantor's Executive Chairman and Chief Executive Officer, Mr. Hussain Ali Habib Sajwani, who founded the Group and has remained an integral part of the business over the past 14 years. The Group believes that the success of the Group's business depends in part on his experience, his knowledge of the industry in which the Group operates and his in-depth knowledge of the Group itself as well as his contacts and business relationships in Dubai and the Middle East region. If the Executive Chairman and Chief Executive Officer or certain other Directors or key senior management were unable to perform their duties or were to leave the Group or if the Group were unable to develop an effective succession plan to ensure that such experience and knowledge is not lost to the Group or the Group were unable to attract and retain suitable replacements, this could have a material adverse effect on the Group's business, financial condition, results of operations and prospects.

As at the date of this Prospectus, the Guarantor's Executive Chairman and Chief Executive Officer, Hussain Ali Habib Sajwani, has provided personal guarantees in relation to certain of the Group's existing guarantee facility financings as described in "*Operating and Financial Review-Description of Certain Line Items from the Consolidated Income Statement-Off-balance sheet and contingent obligations*" but no personal guarantees have been provided with respect to the funded financing facilities described in "*Operating and Financial Review-Liquidity and Capital Resources-Financing arrangements*". The Group does not believe that such personal guarantees will be required for the purpose of obtaining any new guarantee facility financings. Although the Group believes that it will, as a listed company, be able to secure attractive guarantee facility financing in the absence of such personal guarantees, the Group cannot assure investors that the Group will be able to secure guarantee facility financing on terms that are as favourable as those previously obtained. To the extent the Group is unable to obtain adequate guarantee facility financing on terms that are acceptable to it, it may, from time to time, wish to continue to benefit from such personal guarantees for the purpose of obtaining any new guarantee facility financings or renewing or extending any existing guarantee facility financings. To the extent that the Group is unable to obtain such personal guarantees, it may only be able to secure guarantee facility financings at higher costs.

***The Group's business model relies on cash from off-plan sales to fund construction and any significant decrease in the level of these sales or any significant increase in defaulting customers or cancelled purchases could result in the Group postponing or cancelling projects and/or result in the Group needing to forgo land acquisition opportunities***

The Group's principal business of developing and constructing luxury mixed-use community developments and mixed-use towers requires a significant amount of capital expenditure at the start of the construction process and the Group typically funds this from pre-sales of property units at the under construction stage.

In Dubai, purchasers pay purchase price instalments for such pre-sales directly into a discrete escrow account with a bank approved by the Real Estate Regulatory Authority (**RERA**) pursuant to the Escrow Law. An escrow agent, also approved by RERA, determines when a developer is permitted to make withdrawals from the escrow account to pay consultants and contractors for the project (such withdrawals are usually permitted in stages as specified construction milestones are completed). The developer is also permitted to use five per cent. of the escrow funds for "soft costs" such as advertising and sales costs. If there are insufficient escrow funds, RERA may require the developer to top up the escrow account. Subject to the requirement to retain certain funds for remedial works for one year following the date of receipt of the completion certificate issued by the DLD to

the developer, the remainder of the escrow funds (after previous permitted withdrawals) are released to the developer only upon completion of the project or, in certain circumstances, before completion where certain requirements are satisfied and RERA approval is obtained.

Furthermore, should the Group prove unable to obtain the funds required for property acquisitions through profits generated from completed projects, or if it should receive insufficient funds from pre-sales of units, it may need to generate cash through the sale of land and properties in the longer term. Land and properties can be relatively illiquid, meaning that they may not be easily sold and converted into cash and that any sale may not be capable of being completed quickly without accepting a lower price than may be otherwise achievable. Such illiquidity may affect the Group's ability to value, or dispose of or liquidate part of, its land portfolio in a timely fashion and at satisfactory prices in response to changes in economic, property market or other conditions, which could have a material impact on the Group's business, financial condition, results of operations and prospects.

If, due to a worsening economic outlook, falling property prices or otherwise, the Group suffers a decline in its level of pre-sales or experience a significant number of cancellations and is unable to locate additional funds through sales of property assets from its land bank, it may be required to forgo other property development opportunities and/or be forced to postpone or cancel projects. Any such development could materially adversely affect its reputation and its business, financial condition, operating results and prospects.

***The Group has grown rapidly and any inability to manage its future internal growth or to manage its product diversification plans effectively may have a material adverse effect on the Group's business and/or its reputation***

The Group has grown rapidly since its establishment, with 20,236 units completed in the period from beginning its first residential project in 2002 up to 31 December 2017, and with 2,304 units completed in 2017 and with over 4,000 units scheduled to be completed in 2018. The Group's assets increased from US\$6,699.2 million as at 31 December 2016 to US\$6,894.2 million as at 31 December 2017.

A principal component of the Group's strategy is to continue to grow the Group's business by executing its business model and delivering its existing pipeline of projects while securing land bank, diversification of risk and maximising value by enhancing its product and services line and enhancing and building on its brand. The Group's primary focus is on the development of mixed-use community developments such as Damac Hills (formerly known as the Akoya by Damac and Akoya Park developments) (**Damac Hills**) and Akoya Oxygen (**Akoya Oxygen**, Damac Hills and Akoya Oxygen together, the **A&D Projects**), the development of mixed-use towers and the management and operation of serviced apartments and hotels (see "*Description of the Group–The Group's Projects and Pipeline–Projects in progress*").

Damac Hills was the Group's first project as a community developer and represents approximately 20 per cent. of the Group's pipeline, by number of units, as at 31 December 2017. Akoya Oxygen was the Group's second project as a community developer and represents approximately 43 per cent. of the Group's pipeline, by number of units, as at 31 December 2017. Further launches of additional units and villas in the A&D Projects took place in 2017. As part of its hospitality business, the Group has also designed Damac Towers by Paramount which comprises four 250-metre high towers and will offer one, two and three bedroom luxury serviced branded apartments, developed by the Group in collaboration with Paramount Hotel and Resorts. In addition, the Group has added to its hospitality portfolio by launching its new hospitality brand, NAIA by Damac in 2015 and Paramount Hotel & Resorts branded serviced residences in Riyadh in Saudi Arabia. In 2014, the Group also launched its first Shari'a compliant hotel apartments development in Dubai. In addition, the Group has launched Aykon City comprising of four towers offering a five-star hotel and serviced residences, luxury hotel apartments, residences and boutique office space linked by a central podium with retail and hospitality offerings to extend its hospitality portfolio which includes as at the date of this Prospectus six operational serviced apartment projects (see "*Description of the Group–The Group's Projects and Pipeline–Projects in progress*").

There can be no guarantee that the Group will find purchasers and tenants for its A&D Projects and/or Aykon City developments and other properties on terms and conditions that are satisfactory to it. In addition, the Group's customers of the A&D Projects and Aykon City units may be adversely affected by a range of factors, which may therefore adversely affect the financial performance of the properties serviced or leased by the Group and the cash flows generated by them. With respect to expansion into hospitality, this may subject the Group to various risks and challenges, including those relating to: (i) its lack of experience operating hospitality developments; (ii) potential inability to meet customers' preferences and demands with respect to hospitality



offerings; (iv) potential difficulties in staffing and managing such new operations; and (v) a potential lack of brand recognition and reputation in this area. Also, to the extent the overall economy of Dubai deteriorates, as it did during the Global Financial Crisis, the Group may also not be able to collect anticipated operating revenues from its hospitality businesses in Dubai.

With respect to mixed-use community developments and the management and operation of serviced apartments and hotels, the Group has over the course of 2015 to 2017 gained experience in mixed-use community developments such as Damac Hills and providing ongoing owners' association services to such community projects and managing and operating serviced apartments and hotels. However, these areas of its offering may be still subject to various risk and challenges such as the potential inability to meet customers' preferences and demands and a potential lack of brand recognition and reputation given the Group's only recent involvement in such activities. In particular, community developments such as the A&D Projects, the operation of concierge-type support for serviced apartments and its hospitality offering represent a considerable divergence from the Group's traditional business model. Any lack of customer satisfaction with the ambience of the community, serviced apartments and hotels or with the quality of the ongoing services being provided by the Group, may result in considerable harm to the Group's branding and reputation. The provision of such ongoing services would also entail additional liability to the Group, whether arising out of health and safety issues or otherwise. The Group's experience in developing mixed-use community developments and managing and operating serviced apartments and hotels and in providing ongoing services is limited and the costs involved in entering new product segments and expanding operations may be higher than expected. The Group may also face significant competition or it may not be able to capitalise on its brand recognition in new product markets.

The Group's product expansion also includes branding arrangements with Versace Home, FENDI Casa, Paramount Hotels & Resorts, Bugatti and the Trump Organization. The Group may enter into additional branding arrangements in the future. Any deterioration in the relationships between the Group and these entities, any negative sentiment or publicity surrounding such brands or entities, business or individuals associated with such brands or any failure of these branded products to achieve the level of customer satisfaction expected by the Group's customers, could have a material adverse impact on the Group's reputation.

Should the Group be unable to complete and deliver substantial parts of the integrated lifestyle community plan for the A&D Projects as planned, customers who have acquired villas in community developments may not be able to enjoy the additional amenities (such as schools, spas and the golf course) or the overall environment. In addition, with respect to the Aykon City development, if the Group is unable to complete and deliver substantial parts of the integrated hospitality plan for such development, customers who have acquired units in this development may not be able to enjoy such hospitality amenities. These, singly or together with any perceived or actual failure to achieve the expected high quality in the services to be provided by the Group, or otherwise meet customers' expectations, could result in significant harm to the Group's reputation and brand, which in turn could have a material adverse effect on the Group's business, financial condition, results of operation and prospects.

The Group's rapid growth, including the increase in the number of the Group's developments and employees, has placed and will continue to place significant demands on the Group's management and infrastructure, in particular the Group's project management, human resources and accounting functions.

The Group's ability to manage its existing business and future growth depends on a number of factors, in particular its ability to recruit, train and retain suitably qualified employees and management who have the expertise to ensure the Group's in-house functions can be performed effectively and to a high standard on a larger scale. Even if the Group is able to manage its current growth, it cannot give any assurance that its recent growth rate will be maintained in the future.

Any inability of the Group to manage or grow its business effectively may adversely affect its ability to complete current or future developments on schedule and within budget (if at all) and may prevent the Group from achieving the projected revenue or profits associated with such projects. A failure to manage the Group's business growth effectively could have a material adverse effect on its business, financial condition, results of operations and prospects.

***The Group relies on third party service providers and the lack of availability of suitable contractors and sub-contractors for the Group's projects, the failure of any contractors or sub-contractors to perform in a***

***timely manner, if at all, or the need to find replacements could have a material adverse effect on the Group's business, financial condition, results of operations and prospects***

The Group outsources the construction of its projects to third party contractors who, in turn, outsource certain aspects of the construction process, such as mechanical, engineering and plumbing works, to third party sub-contractors. Following a number of years of economic downturn associated with the Global Financial Crisis, which placed increased financial pressure on suppliers, contractors and sub-contractors in the UAE, there has been a significant increase in the number of property developments in Dubai, particularly over the past two years. If the renewed growth of the Dubai market continues and accelerates in the future, this may place limitations on the number of contractors and sub-contractors available to meet demand. A lack of suitably qualified contractors in a given market or an increase in the demand for contractors could enhance their bargaining power.

This may result in the Group outsourcing construction of the Group's developments to contractors on terms more advantageous to the contractors and at higher prices. With respect to the Group's developments which have more complex designs or which are more technically demanding (for example, buildings in excess of 40 floors), the number and availability of suitably qualified contractors to construct such developments is even more limited.

The completion of the Group's developments could be delayed if the Group is unable to appoint suitable contractors, or if one or more of the appointed contractors is unable to meet the development timetable or otherwise defaults on their construction obligations, including as a result of: (i) labour shortages or disputes; (ii) the failure of any sub-contractors to provide the standard of construction expected or required; (iii) delays arising due to the complexity or technical demands of certain developments; (iv) bankruptcy; and/or (v) insolvency. Any such delay or default by a contractor or sub-contractor could result in damage to the Group's relationships with its customers and could cause disruptions to the Group's business. If it becomes necessary for the Group to replace any contractor or sub-contractor, the search for a suitable replacement and the transition to such replacement contractor may take time and increase costs. The process of replacing a contractor may take two to four months or, in certain cases, up to one year, due to a combination of factors, including that the original contractor typically must grant a letter of "no objection" to the hiring of the new contractor before the replacement contractor is permitted to commence work, that building permits must be revised and declared and the limited availability of contractors. Furthermore, any such replacement contractor would need time to familiarise itself with the relevant development, such time increasing the further along a project is when the replacement contractor is hired.

Any difficulty in sourcing qualified contractors, any failure by a contractor or sub-contractor to fulfil its obligations, any difficulty by the Group in seeking remedies or enforcing obligations under its arrangements with contractors, any need to replace a significant contractor or sub-contractor and any resulting delays to the completion of the Group's projects could have a material adverse effect on the Group's business, financial condition, results of operations and prospects.

***The Group's ability to deliver its projects on schedule is dependent on infrastructure support provided by governments or other persons responsible for its provision, and any failure of this infrastructure support to materialise could cause the Group to incur delay-related costs and damages***

Access to some of the Group's projects is dependent on the completion of connecting infrastructure, such as roads connecting a project with the city and the main regional road network and utilities, for which third parties are responsible. There can be no assurance that material delays in delivering the Group's projects will not occur as a result of delays in the connection of infrastructure. For example, in Dubai, the demand for electricity, water and gas has substantially increased and may continue to increase if the population of Dubai grows. The Group's international projects, especially (but not limited to) those located in fast-growing cities (such as Riyadh) or in more underdeveloped countries, may be exposed to similar risks. As a result, the Group's current projects may be delayed and future projects may be hindered due to the inability of utility providers to provide the required levels of water and power generation and connections for these utilities in a timely manner. In addition, a breakdown in the Group's relationships with third party utility and road infrastructure providers, such as the government linked master developers in Dubai, could cause further delays. Any delays in delivery of project units, even if due to circumstances outside the Group's control, could adversely affect the Group's brand and reputation and could also result in costly litigation with its customers and, potentially, monetary damages being payable to customers which could in turn materially adversely affect the Group's business, financial condition, results of operations and prospects.

***Any expansion into new markets will subject the Group to various challenges, including those relating to its lack of familiarity with the culture and economic conditions of new countries, difficulties in staffing and management and its lack of brand recognition and reputation in these markets***

Although the vast majority of the Group's business activity is based in Dubai, the Group has undertaken limited expansion geographically to other parts of the Middle East. Its limited pipeline of projects currently under development and land from its land bank outside the UAE scheduled for development is located in Qatar. As at 31 December 2017, of its pipeline of over 28 projects in progress or projects scheduled for development, 3 were located outside the UAE.

In the event of any further expansion, the Group will be subject to various challenges, including those relating to its lack of familiarity with the culture and economic conditions of any new countries, difficulties in staffing and managing such operations and lack of brand recognition and reputation in these markets.

Additionally, the method of land purchasing is jurisdiction-specific and the Group may be unable to source land outside Dubai at prices comparable to those achieved by the Group when purchasing land from government-linked master developers in Dubai. The costs involved in entering new markets and expanding operations may be higher than expected, and the Group may face significant competition.

With its expansion into any new markets, the Group could be subject to additional risks associated with establishing and conducting operations outside the UAE, including:

- currency fluctuations;
- compliance with a wide range of laws, regulations and practices, including uncertainties associated with changes in laws, regulations and practices and their interpretation;
- taxes;
- trade restrictions, exchange controls and currency restrictions;
- exposure to expropriation or other government actions; and
- political, economic and social instability, particularly in such jurisdictions as Lebanon.

Since the Group's experience in developing properties outside the UAE is limited, it may not be successful in operating in new markets and it may prove more difficult for it to capitalise on its brand recognition than expected. Any of these factors could have an adverse effect on the Group's business, financial condition, results of operations and prospects.

***The success of the Group's business depends on its ability to locate and acquire land suitable for development at attractive prices***

The Group's growth and profitability have been attributable in part to the Group's ability to locate and acquire land in prime locations at attractive prices and on favourable terms and conditions. Nearly all of the Group's developments in Dubai are located on land that has been designated by the Government of Dubai as land which can be acquired and owned by non-UAE nationals. All title in property in Dubai emanates from the Government of Dubai. The principal source of land for the Group's developments in Dubai is land owned by government-linked master developers (see "*Description of the Group-Operating Environment*") and the success of the Group's business strategy and its future profitability will depend upon it being able to acquire land in prime locations and at attractive prices from such government-linked master developers. The Group's long-term growth also depends on, among other things, its ability to maintain its level of development in Dubai while also locating and acquiring land suitable for development in other parts of the UAE. The Group may not be able to identify suitable sites for new projects or negotiate attractive terms for such acquisitions or developments from government-linked master developers, the Government of Dubai or property owners in other parts of the UAE. The number of attractive expansion opportunities may be limited and such opportunities may command high prices. In addition, the Group may be unable to enter into strategic partnerships with other governments and local companies in other parts of the UAE that may be necessary to source land in prime locations.

If the Group fails to acquire additional land suitable for development in prime locations, the Group may not be able to develop new projects in accordance with the Group's business strategy. Paying higher prices for land in the future could adversely affect the profitability of the Group's business. In addition, any adverse change in any of the relationships between the Group and the Government of Dubai, the government-linked master developers or any of the Group's strategic partners in other parts of the UAE in which the Group operates may

affect its ability to acquire land or the prices the Group pays for such land. Any inability to obtain additional suitable land for development in the future on commercially viable terms and prices could result in a material adverse effect on the Group's business, financial condition, results of operations and prospects.

***Claims under the Group's warranties to customers relating to the construction of the Group's properties may lead to the incurrence of substantial costs and harm the Group's reputation***

The Group provides customers with a one year warranty relating to defects liability and a ten year warranty relating to structural matters, in each case commencing from the date of delivery of the relevant property. The defect and structural warranties the Group provides to its customers are supported by warranties given to the Group by the consultant and contractor to whom the Group had outsourced the design and construction of the relevant development, respectively. Pursuant to the terms of the Group's construction contracts, however, the Group's contractors are not required to maintain insurance beyond one year from the date of completion of construction. If a customer were to make a claim under such warranties, the Group could incur significant costs to satisfy such a claim if the relevant consultant and/or contractor disputes or is unable to meet the claim (whether as a result of insolvency, lack of insurance coverage or otherwise), including the costs of defending against the claim or seeking reimbursement from the relevant contractor, which could materially adversely affect the Group's operations, financial condition, results of operations and prospects. The Group does not make provisions in its financial statements for any contingent liabilities arising out of such warranties.

Furthermore, widespread defects, which are not addressed in a timely manner or at all by the contractor could generate significant adverse publicity and have a negative impact on the Group's reputation and ability to sell its properties, which in turn would have a material adverse effect on the Group's business, financial condition, results of operations and prospects.

***The Group and its contractors may be unable to recruit or retain experienced and/or qualified personnel***

The Group's current operations and continued growth depend, in part, on the Group's ability to attract and retain experienced and/or qualified personnel. Additionally, given the Group relies on contractors for its developments, the Group's contractors ability to attract and retain experienced and/or qualified personnel is also of significance to the Group. In particular, the Group depends on experienced and qualified personnel for the Group's sales, design, project management and finance functions. The Group also depends on technically skilled third parties such as architects and engineers. The contractors that the Group engages for the construction of its projects depend on both skilled and unskilled labourers. The Group also depends on senior management, operational personnel and sales employees who are non-UAE nationals. Recruitment from these countries may become more difficult or costly if their respective currencies appreciate against the AED or if the standard of living in such countries increases compared to that of Dubai. Other factors beyond the Group's control, such as inflation, the cost of living, more onerous or restrictive visa requirements and changes to the legal and tax regime which could make living and working in Dubai less attractive, may also affect the ability of the Group and its contractors to attract and retain expatriate personnel to Dubai.

With regard to its operations outside Dubai, the Group and its contractors may face significant competition from within the industry for labourers or qualified personnel. In many of these jurisdictions, there may be legal restrictions, language restrictions or other practical difficulties in recruiting or importing the requisite talent. Any such difficulties may increase the cost or feasibility of the Group's expansion plans.

There can be no assurance that the Group or its contractors will be able to attract or retain the personnel on which the Group's business depends. Any increased competition for or shortage of qualified and/or skilled personnel, or skilled or unskilled labour, could materially increase the Group's costs, impede or delay the completion of its existing projects and the Group's ability to take on new projects and could have a material adverse effect on the Group's business, financial condition, results of operations and prospects.

***The Group may be exposed to certain environmental liabilities and compliance costs***

The environmental laws of the countries of the Middle East are not as developed or as detailed as those of Western Europe and the United States. Although the Group has no reason to believe that it is not in compliance with all applicable environmental laws, there can be no assurance that the Group is not subject to potential environmental liability. If environmental issues arise in relation to any project owned or developed by the Group, this could have a material adverse effect on the relevant project by increasing construction or clean up costs, preventing, delaying or restricting the development of such property and, possibly, involving of the Group in claims or legal proceedings and therefore making the project less economically viable or not viable at all. In circumstances where an environmental liability arises as a result of the actions of a contractor and/or

sub-contractor of the Group, the Group may be unable to recoup any sums that it has paid in connection with the relevant environmental liability from the relevant contractor and/or sub-contractor. The occurrence of any such circumstances, including any adverse outcome of any claims or legal proceedings, could have a material adverse effect on the Group's business, financial condition, results of operations and prospects.

The environmental laws of the UAE impose actual and potential obligations to conduct remedial action on sites contaminated with hazardous or toxic substances. Such laws often impose liability without regard to whether the owner of such site knew of, or was responsible for, the presence of such contaminating substances. These obligations may relate to sites that the Group currently owns or on which the Group is developing its projects. In such circumstances, the owner's liability is generally not limited under such laws and the costs of any required removal, investigation or remediation can be substantial. The presence of such substances on, or in, any of the Group's properties, or the liability for failure to remedy property contamination from such substances, could adversely affect the Group's ability to develop or sell such property.

The Group also seeks to comply with non-binding environmental policies and guidelines implemented by the governments of Dubai and the UAE. Over time, such governments may codify such policies and guidelines, or issue laws relating to the environment, which may be binding on the Group and other participants in the Dubai property development sector. The imposition of stricter environmental laws or enforcement policies in the jurisdictions in which the Group operates (and, in particular, in Dubai) could result in substantial costs and liabilities to the Group and could subject the Group's developments to more rigorous scrutiny than is currently the case, which could have a material adverse effect on the Group's business, financial condition, results of operations and prospects.

***The continued success of the Group's businesses is dependent in part upon disposable income and consumer spending and the continued appeal of Dubai as a tourist and business destination***

Dubai has exhibited economic growth across key sectors following the Global Financial Crisis and despite the challenging geopolitical phase coupled with low oil prices during 2016, with Dubai exhibiting 2.9 per cent. of real GDP growth in 2016 as compared to 4.1 per cent. GDP growth in 2015, according to the Dubai Economic Report 2017 issued by Dubai's Department of Economic Development. Dubai also saw a significant increase in tourism in 2017 (an increase of 6.2 per cent. from the number of international visitors recorded in 2016), which may have been due to the general perception that Dubai is a safe and stable jurisdiction in the GCC. According to the Department of Tourism and Commerce Marketing of the Government of Dubai, Dubai recorded 15.8 million visitors in 2017 and 14.9 million visitors for 2016. Dubai International Airport reported that it handled 83.7 million passengers in 2016. The strong growth experienced in the Dubai economy has resulted in an increase in disposable income and consumer spending in the Emirate, which has benefited a number of the Group's businesses. A downturn in general economic conditions, rising cost of living in the Emirate, loss of jobs, a decline in the expansion of the expatriate population in the region or other factors that result in a decline in consumer spending could have an adverse effect on the Group's operations including its hospitality and future investment property operations. A decline in tourism to Dubai, resulting from factors including increases in airline travel costs, threats or events of terrorism, or a reduction in travel by foreigners due to the impact of the global financial crisis on leisure travellers and business activity in the region, could also have a material adverse effect on the Group's business, financial condition, results of operations and prospects, particularly given the concentration of the Group's business in Dubai.

***The Group may not be able to maintain sufficient insurance coverage for the risks associated with the operation of its business***

While the Group maintains insurance against standard risks, including fire or accidental damage to property all risk insurance, public liability insurance and workmen's compensation insurance, the terms of such insurance are likely to be less comprehensive, provide for lower levels of compensation and be more expensive than might be expected in more developed markets, such as the United States and Western Europe. The Group's insurance may not fully compensate it for losses associated with damage to its land and projects. There are also certain types of losses, generally of a catastrophic nature, including force majeure events such as earthquakes, floods, hurricanes, political risk, civil unrest, terrorism or acts of war, as well as certain key man, business interruptions, delays to the Group's projects and labour disputes, that are not economically insurable or generally insured. There may also be other risks which the Group has not foreseen and for which the Group has not obtained insurance cover. In addition, the Group could lose insurance coverage if its existing policies were allowed to expire without being renewed. Furthermore, if a large number of the Group's customers were to bring claims against the Group, any legal costs arising from defending such claims, or any damages it may be required to pay if any such claims against the Group were to be successful, may not be covered adequately

by insurance. The Group cannot provide any assurance that its insurance coverage will be sufficient to cover the losses resulting from any or all of such events or that the Group will be able to renew existing coverage on commercially reasonable terms, if at all. Other factors, such as inflation, changes in building codes and applicable ordinances and environmental considerations, may also result in insurance proceeds being insufficient to repair or replace a property if it is damaged or destroyed. In the event that the Group suffers losses or damages relating to the Group's land or projects that are not adequately insured, the Group's business, financial condition, results of operations and prospects may be materially adversely affected.

***The Group may be liable for certain maintenance costs for its investment properties and unsold development properties***

The Group bears the risk of repairing fair wear and tear to its unsold development properties and will bear such risks with respect to its future investment properties, together with paying for the cost of its maintenance. As a result, the Group must use its own resources to carry out such work which may necessitate operational and maintenance capital expenditure. The Group's capital expenditure could increase as a result of a number of factors, including but not limited to, an increase in subcontracted costs, labour costs, repair and maintenance costs, insurance premiums and/or utility costs. In the case of investment properties, not all of these expenses would be capable of being passed on to tenants. In addition, unforeseen maintenance or repair may result in business interruption, payment of damages or other obligations to third parties.

Furthermore, the Group may have limited (if any) control over the operation and maintenance by third parties of properties that are handed over upon completion and sold and that are therefore not managed by the Group as investment properties. Failure to maintain properties, either by third parties or by the Group, could result in customer dissatisfaction and affect the Group's reputation and brand and the value or marketability of its properties. The occurrence of any of these factors could have an adverse effect on the Group's business, financial condition, results of operations and prospects as it relates to its investment properties.

***The Group's ability to generate desired returns on its hospitality offering and investment properties will depend on its ability to manage and/or dispose of those properties on appropriate terms***

The Group's ability to achieve returns on its hospitality offering and investment properties will be affected by its ability to generate demand for those properties on terms that are attractive to the Group. The Group's investment properties may in the future include retail, residential and commercial spaces for which it may seek to attract tenants and its hospitality offering includes certain hotels and serviced apartments (which have not been sold to investors) for which it seeks to attract guests. From time to time, the Group may also seek to sell hospitality offering and investment properties owned by it.

Revenue earned from, and the value of, the investment properties held by the Group may be materially adversely affected by a number of factors, including:

- in relation to its retail properties, an inability to fully let the properties or to achieve target rental returns;
- in relation to its serviced apartments and hospitality properties, an inability to achieve target occupancy rates;
- the Group's inability to adequately manage its communities' maintenance services on commercial terms or at all;
- the Group's inability to collect rent and service charge payments from tenants and owners and other contractual payments on a timely basis or at all;
- tenants seeking the protection of bankruptcy laws which could result in delays in receipt of rental and other contractual payments or the termination of a tenant's lease, all of which could hinder or delay the re-letting of a property;
- the amount of rent and the terms on which lease renewals and new leases are agreed being less favourable than current leases;
- a competitive rental market, which may affect rental levels or occupancy levels at the Group's properties;
- the reputation of the Group within the real estate markets it operates; and

- changes in laws and governmental regulations in relation to real estate, including those governing permitted and planned usage, taxes and government charges. Such changes may lead to an increase in management expenses or unforeseen capital expenditure to ensure compliance.

Any of these factors may have a material adverse effect on the Group's business, financial condition, results of operations and prospects as it relates to its hospitality and investment property businesses.

***The rental revenues from the Group's investment property business may depend upon its ability to find tenants, the ability of such tenants to fulfil their lease obligations and the duration of their rental contracts***

The Group's future investment property business may depend on its ability to lease space in its properties including re-leasing space in properties where leases are expiring, optimising its tenant mix and leasing properties on economically favourable terms. There can be no guarantee that the Group will find or be able to retain suitable retailers to lease space in its retail spaces or an appropriate mix of tenants in its retail spaces on the terms and conditions it seeks. Financial, economic and political developments in or affecting Dubai and the UAE more generally may impact demand for units, the rental rates the Group is able to agree with its tenants for those units and the footfall throughout its properties. Poor economic conditions generally result in decreased consumer spending, and have in the past resulted, and may in the future result, in tenants seeking to renegotiate the terms of their leases in their favour. Downward rent adjustments may be required to attract certain tenants and maintain occupancy levels, thus reducing rental income. In addition, the financial stability of these tenants may change over time due to factors affecting such tenants directly, such as a downgrading of their credit ratings or broader macroeconomic factors. The Group's results of operations and cash flows relating to its investment property business in the future may be dependent on its tenants' liquidity, solvency, financial performance and their ability to meet their financial obligations. Adverse developments in the Group's tenants' financial health and credit standing, or any inability of such tenants to pay rent for a period of time, with or without cause, may affect, going forward, the financial performance of the Group's investment property business and the cash flows generated by them.

In addition, the laws of Dubai restrict the annual amount by which a landlord is legally able to increase rental charges on commercial premises. Currently, the permitted rent increase is zero per cent., five per cent., 10 per cent., 15 per cent. or 20 per cent. The actual percentage of the permitted rent increase (between the aforementioned range of zero per cent. and 20 per cent.) is dependent on how low the existing rent of the unit is compared to the average market rent applicable to the unit as determined by RERA.

Although the Group can adjust rents to prevailing market rates, if its anchor or other tenants decide not to renew their leases upon expiration, it may need to expend significant time and money attracting replacement tenants and there is no guarantee that potential new tenants could be sourced or that such tenants would accept the then market rates. New leases could be on terms less favourable than those contained in the expiring leases and a loss of certain tenants may adversely affect the Group's ability to optimise the tenant mix. In addition, in connection with any renewal or re-letting, the Group may incur costs to renovate or remodel the relevant rental space. Any of the foregoing factors could affect footfall levels, rental income and/or occupancy rates in the Group's future investment properties which would reduce the Group's cash flow with respect to its investment property business offering and could have an impact on the Group's business, financial condition, results of operations and prospects.

***The Group's future retail properties within the investment property business may depend on anchor stores or major tenants to attract shoppers and could be adversely affected by the loss of, or a store closure by, one or more of these tenants***

Retail areas are typically anchored by key stores which are nationally or internationally recognised tenants. Furthermore, the Group's retail business in the future may depend on its relationships with key retail groups that franchise prominent brands that may lease units in its properties. The Group's business and results of operations could be adversely affected if an anchor tenant or any of these other retail groups experiences financial difficulties or is subject to business restructurings, reorganisations and changes in corporate strategy and, as a result, fails to comply with their contractual obligations, seek concessions in order to continue operations, or cease or reduce their operations. In addition, anchor tenants and retail groups often have significant bargaining power when negotiating rent and these lease terms. In particular, should a conflict or a breakdown in commercial relations arise between the Group and one of its anchor tenants or retail groups, the Group may face delays in receiving rental payments or have difficulty in negotiating extensions to leases for many or all of the affected units going forward. The Group may in the future agree to lease adjustments to retain retail groups or anchor tenants thus reducing the Group's retail cash flows.

In addition, major tenant closures may result in decreased customer traffic, which could lead to decreased sales at other stores. If the sales of stores operating in the Group's properties were to decline significantly due to closing of anchor tenants, economic conditions or other reasons, tenants may be unable to pay their minimum rents or service charges. Rental income and/or occupancy rates could decline and, to the extent that there is vacant space, rental rates could decline for all tenants. In the event of default by a tenant or anchor store, the Group may experience delays and costs in enforcing its rights as landlord to recover amounts due to it under the terms of its agreements with those parties, which may, in the future, have a material adverse effect on the Group's business, financial condition, results of operations and prospects within the retail part of the Group.

***Infringement of the Group's trademarks and other intellectual property could materially adversely affect its business***

The Group relies on brand recognition and the goodwill associated with it. Therefore, the name "Damac" and its associated brand and trading names and trademarks are key to the Group's business. Substantial erosion in the value of the brands on which the Group relies, whether due to project related issues, customer complaints, adverse publicity, legal action, third party dealings or other factors, could materially adversely affect the Group's business, financial condition, results of operations and prospects.

Although the Group's management believes that it has taken appropriate steps to protect its trademark and other intellectual property rights, such steps may be insufficient, and third parties could infringe or challenge such rights, either of which could materially adversely affect the Group's business, results of operations, cash flows or financial condition.

***Certain of the Group's businesses are required to maintain and renew numerous licences and permits to operate their businesses, the violation of which could adversely affect their business, financial condition, results of operations and prospects***

The Group's operation of its hospitality and leisure facilities, requires it to comply with numerous laws and regulations, both at the local and national level, and require the maintenance and renewal of commercial licences and permits to conduct its various businesses in each of the jurisdictions in which it operates. It is the responsibility of the relevant operating entity that is undertaking the activity requiring the licence (with the assistance of the Group) to obtain and maintain such licences. Because of the complexities involved in procuring and maintaining numerous licences and permits, as well as in ensuring continued compliance with different and sometimes inconsistent local and national licensing regimes, the Group cannot give any assurance that it will at all times be in compliance with all of the requirements imposed on each of its businesses and properties. The Group's potential failure to comply with applicable laws and regulations or to obtain and maintain requisite approvals, certifications, permits and licences, whether intentional or unintentional, could lead to substantial sanctions, including criminal, civil or administrative penalties, revocation of its licences and/or increased regulatory scrutiny, and liability for damages. It could also trigger a default under one or more of its financing agreements, result in contracts to which a Group entity is party being deemed to be unenforceable or invalidate or increase the cost of the insurance that the Group maintains for its businesses (assuming it is covered for any consequential losses). For the most serious violations, it could also be forced to suspend operations until it obtains required approvals, certifications, permits or licences or otherwise brings its operations into compliance. In addition, any adverse publicity resulting from any compliance failure, particularly as regards the safety of any of its retail and leisure offerings, could have a material adverse effect on the Group's business, financial condition, results of operations and prospects.

Furthermore, changes to existing, or the introduction of new, laws or regulations or licensing requirements in the jurisdictions in which the Group operates are beyond its control and may be influenced by political or commercial considerations not aligned with the Group's interests. Any such laws, regulations or licensing requirements could adversely affect its business by reducing its revenue and/or increasing its operating costs, and the Group may be unable to mitigate the impact of such changes. Any of these occurrences could have a material adverse effect on the Group's business, financial condition, results of operations and prospects.

**Risks relating to Dubai, the UAE and the Middle East region**

***The Group is subject to risks arising from unlawful or arbitrary governmental action***

In many of the jurisdictions, other than Dubai, in which the Group operates or plans to operate, such as Qatar, government authorities may have more onerous requirements or a high degree of discretion and, at times, act selectively or arbitrarily, without hearing or prior notice, and sometimes in a manner that is contrary to law or is influenced by political or commercial considerations. Such governmental action could include, amongst



other things: (i) the withdrawal of building permits; (ii) the expropriation of property without adequate compensation; or (iii) the forced recapitalisation, merger or sale of Group companies. Any such action taken in respect of the Group could have a material adverse effect on the Group's business, financial condition, results of operations and prospects.

#### ***The UAE has recently introduced VAT***

The UAE implemented value added tax (VAT) on the sale of goods and services at the rate of five per cent. on 1 January 2018, pursuant to a GCC wide framework agreement on the implementation of VAT. The UAE national legislation implementing this framework agreement was published on 23 August 2017 (UAE Federal Decree Law No. 8 of 2017). On 1 October 2017, the Ministry of Finance also published executive legislation for the implementation of excise tax with immediate effect. On 27 November 2017, the Ministry of Finance announced that the VAT implementing regulations were officially adopted and signed by Highness Sheikh Mohammed bin Rashid Al Maktoum, the Vice President and Prime Minister of the UAE, and Ruler of Dubai. This is considered to be the first phase of the new tax system in the UAE.

Under the current VAT laws and regulations in the UAE, commercial real estate (including hotels, hotel apartments and retail) and residential real estate is treated differently. VAT is applicable at the standard 5 per cent. rate on sales of, and rental income from, commercial real estate whereas no VAT is generally applicable on sales of and rental income from residential real estate.

The current imposition of VAT on revenue from hotels and restaurants increases the pricing of the Group's hotels, food and beverages. Further, VAT may increase the pricing of the Group's non-residential property assets and other services provided by the Group, making the Group's UAE properties less attractive within the global property market. Furthermore, the recent introduction of VAT could have more widespread economic impact, for example, reducing the levels of disposable income of investors and individuals who are end-users, which could negatively impact on the demand for the Group's units. See also "*Risks relating to the Guarantor and the Group—The continued success of the Group's business is dependent in part upon the wealth of domestic and international property purchasers and investors*" above. Accordingly, it is difficult to assess the effect of the new VAT system on the business, financial condition, results of operations and prospects of the Group. However, investors should be aware that the effects could have an adverse impact on the Group's business, financial condition, results of operations and prospects.

#### ***The UAE may introduce corporation tax***

The Group is not currently subject to corporation tax on its earnings within the UAE, although there is no guarantee that this will continue to be the case. If the UAE authorities impose new tax regimes on the Group (whether related to corporation tax or otherwise), or introduce any other changes in tax laws which make doing business in Dubai less attractive, this may have a material adverse effect on the Group's business, financial condition, results of operations and prospects. In addition, any imposition of a tax on earnings would reduce the amount of funds which would ordinarily be distributed to the Group's shareholders through dividends.

#### ***Investments in emerging markets are subject to greater risks than more developed markets including significant political, social and economic risks***

The vast majority of the Group's developments are located in Dubai and therefore the Group's business is sensitive to any change in the political, regulatory and economic environment in the UAE and in Dubai in particular, as well as any weakness in the local real estate market. Also, a number of other Middle East countries in which the Group does business, such as Qatar, do not have firmly established legal and regulatory systems and any other emerging market countries in which the Group may undertake its activities may experience economic, social or political instability. In addition, any such number of these countries may experience higher levels of bribery and corruption (as well as terrorism and organised crime) than more developed jurisdictions. Although the Group has adopted and implemented anti-money laundering and anti-bribery policies, the Group could find itself involved in a transaction or a business relationship originating from criminal activity, without any wrongdoing on its part. Furthermore, non-compliance with any anti-money laundering or anti-bribery obligations imposed by law might lead to the imposition of fines and other penalties, and the Group cannot guarantee that it is in compliance with all applicable anti-money laundering and anti-bribery rules at all times or that its anti-money laundering or anti-bribery policies are being effectively applied by its employees in all circumstances. Any violation of any anti-money laundering rules or even a suggestion of involvement in any money laundering or bribery activity may have severe legal and/or reputational consequences for the Group and may adversely affect its business, financial condition, results of operations and prospects.

The economies of the UAE and the wider Middle East region as a whole, like those of many emerging markets, have been characterised by significant government involvement through direct ownership of enterprises including, but not limited to, the property development sector, and extensive regulation of market conditions, including foreign investment, foreign trade and financial services. While the policies of the governments of Dubai and the UAE have generally resulted in stable economic performance in the years following the Global Financial Crisis, there can be no assurance that these levels of performance can be sustained or will not worsen or that other, less developed countries in which the Group operates will reach this level of economic and political stability. Similarly, while in recent years Dubai and the UAE have enjoyed economic and relative political stability which has contributed to investment in, and the expansion of, development projects across the region, and has led to sustained demand for the Group's properties and the developments in which they are located, there can be no assurance that such growth or stability will continue.

To the extent that economic growth or performance or market demand in Dubai slows or declines, the Group's business, financial condition, results of operations and prospects may be adversely affected. In addition: (i) the implementation by the governments of Dubai or the UAE of restrictive fiscal or monetary policies or regulations, including in respect of interest rates, new legal interpretations of existing regulations, changes in regulations relating to free zones, property ownership or customs and immigration; (ii) the introduction of taxation or exchange controls, reductions in infrastructure development or funding; or (iii) the abandonment of, or changes to, current governmental strategic objectives could have a material adverse effect on the Group's business, financial condition, results of operations and prospects. Dubai's reliance on a workforce that is comprised significantly of expatriates may exacerbate the risks associated with any of the foregoing circumstances to the extent that foreigners are deterred from living and working in Dubai.

Any change in government policy relating to the Dubai real estate sector or which limits or otherwise has an adverse effect on foreign investment in Dubai could have a material adverse effect on the Group's business, financial condition, results of operations and prospects.

***Continued political and economic instability and unrest in the Middle East could adversely affect the Group's business***

The Middle East has experienced varying degrees of political instability over the past 75 years. Since early 2011, there has been political and civil unrest in a range of countries in the Middle East and North Africa (MENA), including Egypt, Libya, Saudi Arabia, Syria and Lebanon. This unrest has ranged from public demonstrations to, in extreme cases, armed conflict and has given rise to increased political uncertainty across the region. Further, the UAE, along with other Arab states, is currently participating in the Saudi Arabian led intervention in Yemen which began in 2015 in response to requests for assistance from the Yemeni government against the Al Houthi militia. The UAE is also a member of another Saudi Arabian led coalition formed in December 2015 to combat Islamic extremism and, in particular, Islamic State. Additionally, in June 2017 a number of MENA countries including the UAE, the Kingdom of Saudi Arabia, the Kingdom of Bahrain and the Arab Republic of Egypt severed diplomatic relations with the State of Qatar, citing Qatar's alleged support for terrorism and accusing Qatar of creating instability in the region. The termination of diplomatic relations included the withdrawal of ambassadors and imposing trade and travel bans.

Such continuing instability and unrest in the MENA region may significantly affect the economies in which the Group does business, including the financial markets and the real economy generally, as well as the Dubai real estate market. Such impacts could occur through a decrease in foreign direct investment into the region, capital outflows or increased volatility in the global and regional financial markets. Although Dubai and the UAE have not been directly affected by the unrest in the broader region and have enjoyed economic growth and relative political stability, it remains unclear what long-term impact this unrest may have on Dubai or any of the countries in which the Group does business or will do business in the future. There can be no assurance that such growth or stability will continue, or that potential customers of the Group will not be deterred from purchasing properties in Dubai due to the political environment in or around the UAE. Moreover, while the Government of Dubai's policies have generally resulted in improved economic performance, there can be no assurance that this level of performance can be sustained. The Group's business, financial condition, results of operations and prospects may be materially adversely affected if and to the extent that regional volatility has an impact upon the UAE.

Additionally, changes in investment policies or shifts in the prevailing political climate in any of the countries in the MENA region in which the Group operates, or seeks to operate, could result in the introduction of increased government regulations with respect to, among other things:

- price controls;
- export and import controls;
- income and other taxes;
- government intervention, including expropriation or nationalisation of assets;
- increased protectionism and the introduction of tariffs and subsidies;
- more stringent application of foreign ownership restrictions;
- arbitrary and inconsistent government action (including potential loss of land assets, fines or other penalty action);
- foreign exchange and currency controls; and
- labour and welfare benefit policies.

Any unexpected changes in the political, social, economic or other relevant conditions in such countries, or in neighbouring countries, could also have a material adverse effect on the Group's business, financial condition, results of operations and prospects.

***The GCC economies are dependent on the price of oil, which has been volatile***

The UAE economy as a whole, and the economies of other countries in the GCC, are exposed to oil price volatility and are affected by the level of government spending. Oil represents a sizeable segment of the economies of countries in the GCC, including the UAE, and has contributed to the increase in economic activity in the region, including the demand for properties and property development. Oil prices are highly volatile and extremely sensitive to political and economic turmoil. In addition, the price of oil and its volatility depend on factors including global economic and weather conditions; actions by OPEC; government regulations, both domestic and foreign; price inflation of raw materials; regional conflicts in the oil producing nations; the price of foreign imports of oil and gas; the cost of exploring for, producing, and delivering oil and gas; the discovery rate of new oil and gas reserves; the rate of decline of existing and new oil and gas reserves; the ability of oil and gas companies to raise capital; and the overall supply and demand for oil and gas.

In 2017, approximately 38 per cent. of the Group's customers in terms of sales value were nationals of the GCC region and, accordingly, should there be a significant decrease in oil prices negatively affecting the economies of the region, this could limit the interest or ability of customers and potential customers who are based in the GCC region to buy the Group's properties. Any decrease in the rate of growth of the economies in the region could also result in a reduction in investment in infrastructure, which directly affects the value of the Group's properties and the Group's ability to undertake new projects. The slowing of these economies could also negatively affect investment in and demand for the Group's properties, which could result in a material adverse effect on the Group's business, financial condition, results of operations and prospects.

***Dubai and the Middle East region in which the Group primarily operates is characterised by a lack of transparency in the real estate market***

According to the 2016 Global Real Estate Transparency Index published by Jones Lang LaSalle, many of the real estate markets in which the Group operates are categorised as semi-transparent (Dubai, Abu Dhabi and Saudi Arabia) and low-transparent (Qatar). In addition, other markets in which the Group has operations may also be subject to issues relating to transparency of information. The degree of transparency of a real estate market is determined by reference to a number of factors, including comparable transactions, the accessibility of information relating to counterparties and land title, the reliability of market data, the clarity of regulations relating to all matters of real estate conveyance and access to government agencies able to verify information provided by counterparties in connection with real estate transactions. There can be no assurance that the factors described above will not result in the discovery of information or liabilities that could affect the value, expected purpose or returns on investment of the Group's investments.

***The Group may be negatively affected by changes in laws and regulations in Dubai and the UAE generally, in particular with respect to the real estate market and taxation, and some of the laws and regulations are relatively new or under development, giving rise to uncertainty in their interpretation and application***

The laws and regulations to which the Group is subject in the UAE can limit its activities and ability to realise returns, and any new laws or regulations or changes to existing laws and regulations could materially affect the

Group's business, financial condition, results of operations and prospects. For example, the introduction of the Escrow Law resulted in the Group having to change the way it funds construction costs.

The real estate market of Dubai and of the UAE generally has been open to investment by non-UAE nationals for a relatively short time. Compared to more mature real estate markets, such as those in Western Europe and North America, the Dubai real estate market is more exposed to risks relating to the involvement of, or intervention by, the Government of Dubai. For instance, the Government of Dubai controls the supply of land available to government-linked master developers and the rate at which infrastructure for such land is implemented, giving it control over the amount and rate of property development. In addition, the laws and regulations that currently regulate the real estate market in the region are relatively new or under development and, accordingly, there is uncertainty surrounding their interpretation and application. Further risks may develop if these laws are modified or if new laws are enacted, including any change to the law permitting non-UAE residents to own real estate in Dubai. In particular, those laws and regulations that are applicable to the Group's activities in countries outside the UAE pertaining to foreign investment and trade, taxation, title to securities, and transfer of title can change quickly, sometimes with retroactive effect and in a manner more volatile or extreme than in developed market economies. Any change in the regulatory framework may require a considerable amount of time for the Group, as well as other participants in the real estate industry, to interpret and may lead to unfavourable market conditions, and could have a material adverse effect on the Group's business, financial condition, results of operations and prospects. For example, the Dubai Land Department Transfer Fee was increased to four per cent. in 2013 and mortgage rules were introduced (See "*Relevant Real Estate Legislation–Property Mortgage Rules*") also in 2013. In addition, the new VAT law which came into effect from 1 January 2018 may affect the demand for the Group's commercial properties in Dubai, and has impacted the Group's costs and pricing (See *Risks relating to Dubai, the UAE and the Middle East region - The UAE has recently introduced VAT*). In addition to the risk of change of law or regulation, there is a risk of change in interpretation of existing laws and regulations by the authorities. These changes could result in a requirement for the Group to restructure its operations in a particular country to comply with any such changes. While the Group will take measures to mitigate the effect of any such changes, there can be no assurance that it will be able to do so.

The laws in Dubai relating to real property and real property rights were adopted within the last ten years. The manner in which those laws and related regulations are applied is still evolving. No assurance can be given that the current laws will be enforced or interpreted in a manner that will not have a material adverse effect on the Group's business, financial condition, results of operations and prospects.

Other changes that may have a material adverse effect on the Group include:

- changes to the UAE planning and construction laws and regulations;
- changes in the UAE building and construction codes (which could increase construction costs);
- changes to the Escrow Law or any other laws restricting the Group's ability to sell units off-plan;
- changes to the laws relating to real estate brokerage;
- changes to UAE visa laws restricting or prohibiting the influx of expatriate workers;
- changes to, or the revocation of, the laws allowing ownership of land by non-UAE nationals; and
- the introduction of limits or restrictions on mortgage financing.

If any of these factors were to occur, they could, singly or in aggregate, have a material adverse effect on the Group's business, financial condition, results of operations and prospects.

***The Guarantor is incorporated in the DIFC, which is a relatively newly established jurisdiction whose legal framework is untested***

The DIFC is a relatively newly established jurisdiction and as a result the legal and regulatory regimes applicable to the Guarantor and other companies domiciled in the DIFC, including the relevant companies' laws, are still being developed and are largely untested. Similarly, the courts of the DIFC have yet to issue any substantive decisions, which may lead to ambiguities, inconsistencies and anomalies in the interpretation and enforcement of the laws and regulations applicable to the Guarantor, including with respect to rights of holders of the Certificates. These uncertainties could affect investors' abilities to enforce their rights or the Guarantor's ability to defend itself against claims by others, including regulators, judicial authorities and third parties who may challenge its compliance with applicable laws, rules, decrees and regulations.

***Disclosure obligations, financial controls and corporate governance requirements and protections for holders of securities in publicly-traded companies incorporated in the DIFC may be less extensive than those of jurisdictions with major securities markets***

The Guarantor's corporate affairs are governed by the applicable companies laws of the DIFC and the rights of holders of the Certificates and the responsibilities of members of the Board under such laws are different in certain respects from those applicable to corporations organised in the United States, the United Kingdom and other jurisdictions. In particular, because regulations concerning reporting requirements and auditing standards for DIFC companies may be less extensive than those applicable to companies incorporated in the United States or the United Kingdom, there is generally less information available about the Guarantor and other DIFC companies than is regularly published by or about listed companies in other jurisdictions. Similarly, legal protections against such practices as market manipulation and insider trading are less developed in the DIFC because the DIFC is a relatively newly-established jurisdiction and, consequently, securities laws and regulations in the DIFC generally are not as comprehensive, and have not received as much judicial or regulatory interpretation or review, as those in the United States, the United Kingdom and other countries with established securities markets. As a result of these factors, investors may have greater difficulties in protecting their interests as a holder of securities.

***Foreign exchange policy, inflation and exchange rates may adversely affect the Group's business, financial condition, results of operations and prospects***

Prices for the Group's units are mainly quoted and paid for in AED or in local currencies which are also pegged to the U.S. dollar. The AED has been "pegged" at a fixed exchange rate to the U.S. dollar since 22 November 1980. The relative weakness of the U.S. dollar over the past decade has made investment into the UAE more attractive to investors whose base currency is not, or is not pegged to, the U.S. dollar. Accordingly, the Group's ability to sell properties to customers purchasing in currencies other than the AED or another currency pegged to the U.S. dollar may be materially adversely affected if the U.S. dollar strengthens against the currencies of such customers' jurisdictions, as demand from such customers would likely fall. Similarly, if the AED/U.S. dollar peg were removed or altered, and were to result in a strengthening of the AED against the currencies of jurisdictions in which a significant number of the Group's customers are based, the Group's properties may become less attractive to such customers, which may result in a decrease in demand for the Group's properties and require the Group to realise smaller margins or losses on units sold. Many of the Group's customers are based outside the UAE in jurisdictions whose currencies are not pegged to the U.S. dollar and, accordingly, the Group is exposed to the potential impact of any change to, or abolition of, the exchange rate peg between the U.S. dollar and the AED.

Inflation and foreign currency exchange rates in the UAE have historically been contained and stable. Monetary policy is set by the Central Bank of the UAE and fiscal policy is set by the Federal Ministry of Finance for the federal budget, and by each of the individual Emirates for the respective Emirate budgets; however, change in monetary policy is to some extent restricted due to the AED being pegged to the U.S. dollar. In the event of excessive inflation, devaluation in the local currency, or an elimination of the AED/U.S. dollar peg which allows for greater change in UAE monetary policy, the results of operations of UAE companies, including the Group, would be materially adversely affected.

**Factors which are material for the purpose of assessing the market risks associated with the Certificates**

**Risks Relating to the Certificates and the Guarantee**

***The Certificates are unsecured obligations and the claims of the Trustee or the Delegate (on behalf of the Certificateholders) under the Guarantee will rank behind the claims of the Guarantor's secured creditors***

Investors should be aware that, if the Guarantor becomes insolvent, any of the Guarantor's assets which are the subject of a valid security arrangement will not be available to satisfy the claims of any of the Guarantor's unsecured creditors, including the Trustee or the Delegate (on behalf of holders of the Certificates, or such Certificateholders following a failure by the Delegate to proceed as provided in the Conditions) under the Guarantee, and the claims of the Guarantor's secured creditors will rank ahead of the claims of such parties accordingly.

***The Guarantee will be structurally subordinated to the obligations of certain of the Guarantor's subsidiaries***

The Guarantee is being provided by the Guarantor which is a holding company that is reliant on the cash flows of its subsidiaries to service any actual liabilities under the Guarantee. None of the Guarantor's subsidiaries will guarantee the Certificates. Certificateholders will therefore not have any direct claim on the cash flows or assets

of the Guarantor's subsidiaries and the Guarantor's subsidiaries have no obligation, contingent or otherwise, to pay amounts due under the Guarantee or to make funds available to the Guarantor for those payments. Generally claims of creditors of the Guarantor's subsidiaries, including lenders and trade creditors, will have priority with respect to the assets and earnings of the relevant subsidiary over the claims of its ordinary shareholders, including the claims of the Guarantor. Accordingly, claims of creditors of the Guarantor's subsidiaries will also generally have priority over the claims of creditors of the Guarantor. In the event of any foreclosure, dissolution, winding-up, liquidation, reorganisation, administration or other bankruptcy or insolvency proceedings of any of the Guarantor's subsidiaries, the trade creditors and other creditors of such subsidiaries will generally be entitled to payment of their claims from the assets of those subsidiaries before any assets are made available for distribution or payment to the Guarantor. The Guarantee will be structurally subordinated to the claims of creditors (including lenders and trade creditors) of the Guarantor's subsidiaries.

***The Certificates are limited recourse obligations***

The Certificates are not debt obligations of the Trustee. Instead, the Certificates represent an undivided ownership interest solely in the Trust Assets. Recourse to the Trustee in respect of the Certificates is limited to the Trust Assets and the proceeds of such Trust Assets are the sole source of payments on the Certificates. Upon receipt by the Trustee of a Dissolution Notice in accordance with the terms of Condition 12, the sole rights of each of the Trustee and/or the Delegate (acting on behalf of the Certificateholders), will be against each of the Guarantor and the Service Agent to perform its respective obligations under the Transaction Documents to which it is a party.

No Certificateholder shall be entitled to proceed directly against the Trustee, the Guarantor or the Service Agent unless the Delegate, having become bound so to proceed, (i) fails to do so within a reasonable period, or (ii) is unable by reason of an order of a court having competent jurisdiction to do so, and the failure or inability shall be continuing. Under no circumstances shall the Delegate or any Certificateholder have any right to cause the sale or other disposition of any of the Trust Assets (other than as expressly contemplated in the Transaction Documents) and the sole right of the Delegate and the Certificateholders against the Trustee, the Guarantor and the Service Agent shall be to enforce their respective obligations under the Transaction Documents to which they are a party. There can be no assurance that the net proceeds of the realisation of, or enforcement with respect to, the Trust Assets will be sufficient to make all payments due in respect of the Certificates.

Following the enforcement, realisation and ultimate distribution of the net proceeds of the Trust Assets in accordance with the Conditions and the Declaration of Trust, the Trustee shall not be liable for any further sums and, accordingly, Certificateholders may not take any action against the Trustee, the Delegate, the Agents or any other person (including the Guarantor and the Service Agent to the extent they fulfil their respective obligations under the Transaction Documents to which they are a party) to recover any such sum in respect of the Certificates or the Trust Assets.

After enforcing the Trust Assets and distributing the net proceeds of such Trust Assets in accordance with Condition 5(b), the obligations of the Trustee in respect of the Certificates shall be satisfied and no Certificateholder may take any further steps against the Trustee (or any steps against the Delegate or any Agent) to recover any further sums in respect of the Certificates and the right to receive any such sums unpaid shall be extinguished. In particular, no Certificateholder shall be entitled in respect thereof to petition or to take any other steps for the winding-up of the Trustee.

***No diligence will be conducted in respect of any Leased Assets***

No investigation or enquiry will be made and no due diligence will be conducted in respect of any Leased Assets (as defined below) comprised within the Sukuk Assets. Such Leased Assets will be selected by the Guarantor. The Certificateholders, the Trustee and the Delegate will have no ability to influence such selection and only limited representations will be obtained from the Guarantor or the relevant subsidiary of the Guarantor in respect of the Leased Assets comprising part of the Sukuk Assets. No investigation will be made to determine if the relevant Sale and Purchase Agreements will have the effect of validly transferring the Leased Assets and no steps will be taken to perfect the transfer of the ownership interest (including registration) in the Leased Assets with any relevant regulatory authority in the UAE.

***Certificates which have a denomination that is not an integral multiple of U.S.\$200,000 may be illiquid and difficult to trade***

The denomination of the Certificates is U.S.\$200,000 and integral multiples of U.S.\$1,000 in excess thereof. Therefore, it is possible that the Certificates may be traded in amounts in excess of U.S.\$200,000 that are not

integral multiples of U.S.\$200,000. In such a case, a Certificateholder who, as a result of trading such amounts, holds a face amount of less than U.S.\$200,000 would need to purchase a face amount of Certificates such that it holds an amount equal to at least U.S.\$200,000 to be able to trade such Certificates. Certificateholders should be aware that Certificates which have a denomination that is not an integral multiple of U.S.\$200,000 may be illiquid and difficult to trade.

***Legal investment considerations may restrict certain investments***

The investment activities of certain investors are subject to investment laws and regulations, or review or regulation by certain authorities. Each potential investor should consult its legal advisers to determine whether and to what extent (i) Certificates are legal investments for it, (ii) Certificates can be used as collateral for various types of borrowing and (iii) other restrictions apply to its purchase or pledge of any Certificates. Financial institutions should consult their legal advisers or the appropriate regulators to determine the appropriate treatment of Certificates under any applicable risk-based capital or similar rules.

***Absence of secondary market / limited liquidity***

The Certificates may have no established trading market when issued, and one may never develop. If a market does develop, it may not be liquid. Therefore, investors may not be able to sell their Certificates easily or at prices that will provide them with a yield comparable to similar investments that have a developed secondary market. Illiquidity may have a severely adverse effect on the market value of Certificates.

***Admission to listing and trading on the Main Securities Market and/or Nasdaq Dubai cannot be assured***

The Trustee and the Guarantor have applied for the Certificates to be admitted to listing with Euronext Dublin and the DFSA and to trading on the Main Securities Market and Nasdaq Dubai. However, prospective investors should note that there can be no assurance that such admission to listing and trading will occur or, if it occurs, can be maintained. The absence of admission to listing and trading on Nasdaq Dubai and the Main Securities Market stock exchange, or a delisting of the Certificates from such markets, may have an adverse effect on a Certificateholder's ability to hold, or resell, the Certificates.

***The Certificates are subject to modification by a majority of Certificateholders without the consent of all Certificateholders***

The Conditions of the Certificates contain provisions for calling meetings of Certificateholders to consider matters affecting their interests generally. These provisions permit defined majorities to bind all Certificateholders including Certificateholders who did not attend and vote at the relevant meeting and/or did not sign the Written Resolution or provide the relevant Electronic Consent and Certificateholders who voted in a manner contrary to the majority. The Delegate and the Trustee may agree to modify the Conditions of the Certificates and/or the Transaction Documents without the consent of the Certificateholders in cases of, *inter alia*, manifest error. For further details of such matters and the relevant majorities required at meetings of Certificateholders, see Condition 14 and the corresponding provisions of the Declaration of Trust.

***Investors may not be able to reinvest redemption proceeds of the Certificates at the same or a higher rate than the profit rate applicable to the Certificates***

The Certificates may be redeemed prior to the Scheduled Dissolution Date if: (i) the Trustee has or will become obliged to pay additional amounts under the Certificates; (ii) the Service Agent has or will become obliged to pay additional amounts to the Trustee pursuant to the Service Agency Agreement; (iii) one or more Sukuk Contract Counterparties has or will become obliged to pay additional amounts pursuant to the relevant Sukuk Contract; or (iv) the Guarantor has or will become obliged to pay additional amounts to the Trustee pursuant to the Guarantee, in each case (x) as a result of any change in, or amendment to, the laws or regulations of the Cayman Islands, the DIFC, the United Arab Emirates or the Emirate of Dubai or any political subdivision or, in each case, any authority thereof or therein having power to tax, or any change in the application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after the Signing Date, and (y) such obligation cannot be avoided by the Trustee, the Service Agent, the relevant Sukuk Contract Counterparty or the Guarantor, as the case may be, taking reasonable measures available to it.

The Certificates may also be redeemed prior to the Scheduled Dissolution Date at the option of the Guarantor if less than 25 per cent. in face amount of the Certificates originally issued remain outstanding after the occurrence of a Change of Control Event and the corresponding redemption of Certificates on the Change of Control Put Right Date pursuant to Condition 8.

If the Certificates are redeemed as described above, an investor may not be able to reinvest the redemption proceeds at an effective profit rate as high as the profit rate on the Certificates being redeemed and may only be able to do so at a significantly lower rate. Potential investors should consider reinvestment risk in light of other investments available at that time.

#### ***Exchange rate risks and exchange controls***

The Trustee will make all payments on the Certificates in U.S. dollars. This presents certain risks relating to currency conversions if an investor's financial activities are denominated principally in a currency or currency unit (the **Investor's Currency**) other than U.S. dollars. These include the risk that exchange rates may significantly change (including changes due to devaluation of U.S. dollars or revaluation of the Investor's Currency) and the risk that authorities with jurisdiction over the Investor's Currency may impose or modify exchange controls. An appreciation in the value of the Investor's Currency relative to U.S. dollars would decrease: (i) the Investor's Currency-equivalent yield on the Certificates; (ii) the Investor's Currency equivalent value of the principal payable on the Certificates; and (iii) the Investor's Currency equivalent market value of the Certificates.

Government and monetary authorities may impose (as some have done in the past) exchange controls that could adversely affect an applicable exchange rate. As a result, investors may receive less amounts under the Certificates than expected, or no such amounts.

#### **Risks relating to enforcement**

##### ***There can be no certainty as to the outcome of any application of DIFC bankruptcy law***

In the event of the Guarantor's insolvency, DIFC bankruptcy laws may adversely affect the Guarantor's ability to perform its obligations under the Guarantee and, consequently, the Trustee's ability to make payments to Certificateholders. There is little precedent to predict how a claim on behalf of Certificateholders against the Guarantor upon its insolvency would be resolved.

These uncertainties and lack of precedent make it difficult to predict the exact outcome with respect to possible contractual and payment issues and may materially adversely affect Certificateholders' ability to enforce their rights with respect to the Certificates and any other contractual or performance related remedies that might otherwise be available.

##### ***The Guarantor and certain of its subsidiaries are incorporated in, and the majority of its assets are located in, the DIFC and the UAE respectively, and it may be difficult for Certificateholders to enforce judgments against the Guarantor, those subsidiaries or the Directors and senior management.***

The Guarantor is incorporated in the DIFC and has its headquarters in Dubai. Its operating assets are held by companies incorporated in, and governed by, the laws of the UAE. The majority of the Group's assets are located in the UAE and the Middle East. In addition, a majority of the Directors and senior management of the Group reside in Dubai and all or a substantial portion of their personal assets may be located within the UAE. As such, it may be difficult or impossible to effect service of process in jurisdictions outside of the UAE, including in the United Kingdom (**UK**), upon the Group's subsidiaries or the Directors or such persons, or to recover on judgments of courts outside of the UAE, including in the UK, or against them, including judgments predicated upon civil liability provisions of UK laws, as the case may be.

The courts of the DIFC and the UAE would not enforce judgments of UK courts obtained in actions against the Group, the Directors or senior management, predicated upon the civil liability provisions of US federal securities laws. Nor will the courts of the DIFC and the UAE entertain original actions brought in the DIFC and the UAE against such persons predicated solely upon US federal securities laws or equivalent UK laws. Further, the Group has been advised by its counsel that there is no treaty in effect between either the United States or the UK and the DIFC or the UAE providing for the enforcement of judgments of US or UK courts in civil and commercial matters. Some remedies available under the laws of the UK may not be allowed in the courts of the DIFC and the UAE on public policy grounds. Since judgments of UK courts are not automatically enforceable in the DIFC and the UAE, it may be difficult for investors to recover against the Group based upon such judgments. In addition, notwithstanding that the UAE acceded to the United Nations Convention on the Recognition and Enforcement of Arbitral Awards (New York 1958) in 2006, investors may also have difficulties in enforcing arbitration awards in the UAE against the Group or the Directors or senior management.



### *There may be limitations on the effectiveness of guarantees in the UAE*

As described below, the UAE courts are unlikely to enforce an English judgment without re-examining the merits of the claim, including the validity of the obligations of the parties contained in the underlying documentation. If a UAE court were to re-examine the merits of a claim made against the Guarantor for payment under the Guarantee, notwithstanding that the Guarantee is governed by English law, the UAE court may interpret the Guarantee in light of UAE law principles rather than English law principles.

In order to enforce a guarantee in the UAE courts, the underlying debt obligation may need to be proved before the UAE courts and the obligations of a guarantor are incidental to the obligations of the principal debtor. Accordingly, the obligations of a guarantor will only be valid to the extent of the continuing obligations of the principal debtor. UAE law does not contemplate a guarantee by way of indemnity of the obligations of the debtor by the guarantor and instead contemplates a guarantee by way of suretyship. Accordingly, it is not possible to state with any certainty whether a guarantor could be obliged by the UAE courts to pay a greater sum than the debtor is obliged to pay or to perform an obligation that the debtor is not obligated to perform.

There is a risk that a UAE court may apply UAE law provisions applicable to guarantees of civil obligations to guarantees of commercial obligations, including guarantees of commercial loans. If a UAE court were to do so, a guarantor may be released from its obligations under a guarantee if the creditor fails to make a claim against the guarantor within six months of the date that the underlying debt obligation became due in accordance with Article 1092 of the Federal Law No. 5 of 1985 (the **Civil Code**). In a number of cases before it, the Dubai Court of Cassation has held that it is permissible for a guarantor to agree to extend its obligation under the guarantee for longer than six months from the date that the underlying debt obligation became due. However, these decisions are not binding on courts in the UAE, and a UAE court may well reach a different conclusion in any future proceedings.

### *A change of law may adversely affect the Certificates*

The structure of the issue of the Certificates is based on English law, the laws of the Emirate of Dubai and, to the extent applicable in Dubai, the federal laws of the UAE, the laws of the DIFC, and administrative practices in effect as at the date of this Prospectus, and the Certificates and the Transaction Documents are governed by English law. No assurance can be given as to the impact of any possible change to English, Dubai, UAE or DIFC law or administrative practices after the date of this Prospectus, nor can any assurance be given as to whether any such change could adversely affect the ability of the Trustee to make payments under the Certificates or of the Guarantor or the Service Agent to comply with its respective obligations under the Transaction Documents.

### *Investors may experience difficulty in enforcing arbitral awards and foreign judgments in Dubai*

Ultimately, the payments under the Certificates are dependent upon the Guarantor making payments to the Trustee in the manner contemplated under the Transaction Documents. If the Guarantor fails to do so, it may be necessary to bring an action against the Guarantor to enforce its obligations and/or to claim damages, as appropriate, which could be both time consuming and costly.

The Guarantor has irrevocably agreed that the Transaction Documents will be governed by English law and that any dispute arising from such Transaction Documents will, unless the option to litigate is exercised, be referred to arbitration in London under the Rules of the London Court of International Arbitration (the **LCIA**). Under the Conditions, any dispute arising from the Conditions or any non-contractual obligations arising out of or in connection with them may be referred to arbitration in London under the Rules of the LCIA.

The 1958 New York Convention on the Recognition and Enforcement of Foreign Arbitral Awards (the **New York Convention**) entered into force in the UAE on 19 November 2006. In the absence of any other multilateral or bilateral enforcement convention, any arbitration award rendered in London should therefore be enforceable in Dubai (being the jurisdiction in which many of the Guarantor's assets are located) in accordance with the terms of the New York Convention. Under the New York Convention, the UAE has an obligation to recognise and enforce foreign arbitration awards, unless the party opposing enforcement can prove one of the grounds under Article V of the New York Convention to refuse enforcement, or the Dubai courts find that the subject matter of the dispute is not capable of settlement by arbitration or enforcement would be contrary to the public policy of the UAE. There have been limited instances where the UAE courts, most notably the Fujairah Court of First Instance and the Dubai Court of Cassation, have ratified or ordered the recognition and enforcement of foreign arbitration awards under the New York Convention. It should be noted that only the Dubai Court of Cassation decision was a final decision. The uncertainty regarding the interpretation and

application of the New York Convention provisions by the courts is further reinforced by the lack of a system of binding judicial precedent in the UAE and the independent existence of different Emirates within the UAE, some with their own court systems, whose rulings may have no more than persuasive force within other Emirates. There is therefore no guarantee that the Dubai courts will take the same approach in similar proceedings in the future.

Under the Conditions and the Transaction Documents, at the option of the Delegate, any dispute may also be referred to the courts in England or the DIFC courts (or such other court with jurisdiction which the Delegate may elect).

Where an English judgment, or any other foreign judgment, has been obtained, there is no assurance that the Guarantor has or would at the relevant time have assets in the United Kingdom against which such a judgment could be enforced. The Guarantor is incorporated in the DIFC under DIFC Law No. 2 of 2009 and many of its assets are located in the UAE. Under current UAE federal law, the courts in the UAE are unlikely to enforce an English judgment, or such other foreign judgment, without re-examining the merits of the claim and may not observe the choice by the parties of English law as the governing law of the Transaction Documents or the Certificates. In the UAE, foreign law is required to be established as a question of fact and the interpretation of English law by a court in the UAE may not accord with the interpretation of an English court. In principle, courts in the UAE recognise the choice of foreign law if they are satisfied that an appropriate connection exists between the relevant transaction agreement and the foreign law which has been chosen. In addition, even if English law is accepted as the governing law, this will only be applied to the extent that it is compatible with the laws of Dubai and the UAE, and public policy, order or morals in the UAE. This may mean that the UAE courts may seek to interpret English law governed documents as if they were governed by UAE law and there can therefore be no certainty that in those circumstances the UAE courts would give effect to such documents in the same manner as the parties may intend.

As the UAE judicial system is based on a civil code, judicial precedents in the UAE have no binding effect on subsequent decisions. In addition, there is no formal system of reporting court decisions in the UAE. These factors create greater judicial uncertainty. The enforcement of a foreign judgment or arbitral award may be a lengthy process in the UAE.

In the case of any dispute under the Conditions and/or the Transaction Documents, at the option of the Delegate, referred to the DIFC Courts, under Article 7 of Law No. 16 of 2011 (as defined below), any final and unappealable judgment, order or award made by the DIFC Courts in favour of the Delegate (on behalf of the Certificateholders) must, upon application by the Delegate to the Dubai Court of Execution, be enforced against an obligor and/or its assets situated in Dubai by the Dubai Court of Execution without that court being able to reconsider the merits of the case.

Dubai Law No. 16 of 2011 on Amending Some Provisions of Law No. 12 of 2004 Concerning the Dubai International Financial Centre Courts (**Law No. 16 of 2011**) came into force in the Emirate of Dubai on 31 October 2011 and extended the jurisdiction of the DIFC Courts to include all civil and commercial disputes where the parties to the relevant dispute have expressly agreed to submit to the jurisdiction of the DIFC Courts.

Investors should note however that, as at the date of this Prospectus, Law No. 16 of 2011 remains relatively untested and there is therefore no certainty as to how the DIFC Courts intend to exercise their jurisdiction under the new law should any party dispute the right of the DIFC Courts to hear a particular dispute where any party is unconnected to the DIFC, nor is there any certainty that the Dubai Court of Execution will enforce the judgment of the DIFC Court without reconsidering the merits of the case.

## **Additional Risk Factors**

### ***Credit ratings may not reflect all risks***

One or more independent credit rating agencies may assign credit ratings to the Guarantor or the Certificates. The ratings may not reflect the potential impact of all risks related to the transaction structure, the market, the additional factors discussed above or any other factors that may affect the value of the Certificates. A credit rating is not a recommendation to buy, sell or hold securities and may be revised, suspended or withdrawn by the rating agency at any time.

In general, European regulated investors are restricted under the CRA Regulation from using credit ratings for regulatory purposes, unless such ratings are issued by a credit rating agency established in the EU and registered under the CRA Regulation (and such registration has not been withdrawn or suspended, subject to transitional provisions that apply in certain circumstances). Such general restriction will also apply in the case of credit

ratings issued by non-EU credit rating agencies, unless the relevant credit ratings are endorsed by an EU-registered credit rating agency or the relevant non-EU rating agency is certified in accordance with the CRA Regulation (and such endorsement action or certification, as the case may be, has not been withdrawn or suspended, subject to transitional provisions that apply in certain circumstances). The list of registered and certified rating agencies published by ESMA on its website in accordance with the CRA Regulation is not conclusive evidence of the status of the relevant rating agency included in such list, as there may be delays between certain supervisory measures being taken against a relevant rating agency and the publication of the updated ESMA list. Certain information with respect to the credit rating agencies and ratings is set out on the cover of this Prospectus.

***Investors in the Certificates must rely on Euroclear and Clearstream, Luxembourg procedures***

The Certificates will be represented on issue by a Global Certificate that will be deposited with a common depository for Euroclear and Clearstream, Luxembourg. Except in the circumstances described in the Global Certificate, investors will not be entitled to receive Certificates in definitive form. Each of Euroclear and Clearstream, Luxembourg and their respective direct and indirect participants will maintain records of the ownership interests in the Global Certificate. While the Certificates are represented by the Global Certificate, investors will be able to trade their ownership interests only through Euroclear and Clearstream, Luxembourg and their respective participants.

While the Certificates are represented by the Global Certificate, the Trustee will discharge its payment obligation under the Certificates by making payments through the relevant clearing systems. A holder of an ownership interest in the Global Certificate must rely on the procedures of the relevant clearing system and its participants to receive payments under the Certificates. The Trustee has no responsibility or liability for the records relating to, or payments made in respect of, ownership interests in the Global Certificate.

Holders of ownership interests in the Global Certificate will not have a direct right to vote in respect of the Certificates so represented. Instead, such holders will be permitted to act only to the extent that they are enabled by the relevant clearing system and its participants to appoint appropriate proxies.

***No assurance can be given as to Shari'a rules***

The Central Shariah Committee of HSBC Bank Middle East Limited has confirmed that the Transaction Documents are, in its view, Shari'a compliant. However, there can be no assurance that the Transaction Documents or the issue and trading of the Certificates will be deemed to be Shari'a compliant by any other Shari'a board or Shari'a scholars. None of the Trustee, the Guarantor, the Delegate, the Agents or any of the Joint Lead Managers makes any representation as to the Shari'a compliance of the Certificates and/or any trading thereof and potential investors are reminded that, as with any Shari'a views, differences in opinion are possible. Potential investors should obtain their own independent Shari'a advice as to the compliance of the Transaction Documents and the issue and trading of the Certificates with their individual standards of compliance with Shari'a principles.

In addition, potential investors are reminded that the enforcement of any obligations of any of the parties would be, if in dispute, the subject of arbitration in London under the LCIA Rules. The Guarantor has also agreed under certain of the Transaction Documents to submit to the exclusive jurisdiction of the courts of England or the DIFC courts, at the option of the Trustee or the Delegate. In such circumstances, the arbitrator or judge, as the case may be, will first apply the relevant law of the relevant Transaction Document in determining the obligation of the parties.

***Shari'a requirements in relation to interest awarded by a court***

In accordance with applicable Shari'a principles, each of the Trustee and the Delegate will waive all and any entitlement it may have to interest awarded in its favour by any court in connection with any dispute under any of the Transaction Documents. Should there be any delay in the enforcement of a judgment given against the Guarantor, judgment interest may accrue in respect of that delay and, as a result of the waiver referred to above, Certificateholders will not be entitled to receive any part of such interest.

**Risk Factors relating to taxation**

***Taxation risks on payments***

Payments made by the Guarantor and the Service Agent to the Trustee under the Transaction Documents or by the Trustee in respect of the Certificates could become subject to taxation. The Guarantee requires the Guarantor to pay additional amounts in the event that any withholding or deduction is required by UAE law to be made in

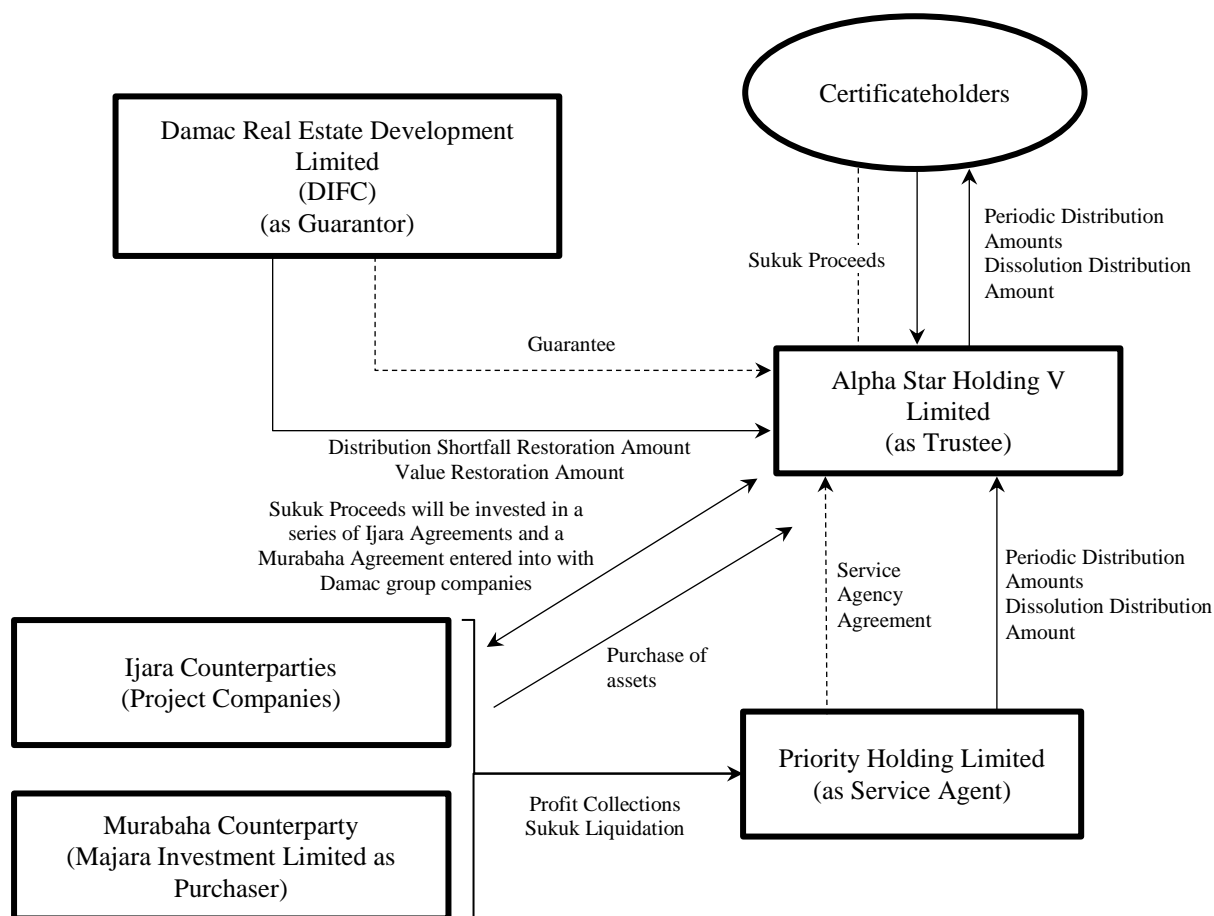
respect of payments made by it to the Trustee under that document. Furthermore, Condition 10 provides that the Trustee is required to pay additional amounts in respect of any such withholdings or deductions imposed by the Cayman Islands, the DIFC, the United Arab Emirates or the Emirate of Dubai or any other authority thereof having power to tax in certain circumstances. If the Trustee fails to gross-up for any such withholding or deduction on payments due in respect of the Certificates to Certificateholders, the Guarantor has, pursuant to the Declaration of Trust, unconditionally and irrevocably undertaken (irrespective of the payment of any fee), as a continuing obligation, to pay to the Trustee (for the benefit of the Certificateholders) an amount equal to the liabilities of the Trustee in respect of any and all additional amounts required to be paid in respect of the Certificates pursuant to Condition 10 in respect of any withholding or deduction in respect of any tax as set out in that Condition.

The circumstances described above may entitle the Guarantor and the Trustee to redeem the Certificates pursuant to Condition 8(b). See "*Risks Relating to the Certificates and the Guarantee—Investors may not be able to reinvest redemption proceeds of the Certificates at the same or a higher rate than the profit rate applicable to the Certificates*" for a description of the consequences thereof.

## STRUCTURE DIAGRAM AND CASH FLOWS

Set out below is a simplified structure diagram and description of the principal cash flows relating to the Certificates. This does not purport to be complete and is qualified in its entirety by reference to, and must be read in conjunction with, the more detailed information appearing elsewhere in this Prospectus. Potential investors are referred to the Conditions and the detailed descriptions of the relevant Transaction Documents set out elsewhere in this Prospectus for a fuller description of certain cash flows and for an explanation of the meaning of certain capitalised terms used below. Potential investors should read this entire Prospectus carefully, especially the risks of investing in the Certificates discussed under "Risk Factors".

### Structure Diagram



### Principal cash flows

#### Payments by the Certificateholders and the Trustee

On the Issue Date, the Trustee will apply the proceeds of the issue of the Certificates (the **Sukuk Proceeds**) toward the entry into of the following series of contracts (the **Sukuk Contracts**) (together with the purchase of the relevant assets in connection therewith, the **Sukuk Assets**):

- a series of ijara agreements (the **Ijara Agreements**) (and the related Sale and Purchase Agreements, Purchase Undertakings and Ijara Service Agency Agreements) to be entered into between the Trustee (acting through the Service Agent) and one or more subsidiaries of the Guarantor, together with any further and/or replacement Ijara Agreements (and the related Sale and Purchase Agreements and if required, the related Purchase Undertakings and Ijara Service Agency Agreements) entered into from time to time by the Trustee (acting through the Service Agent) and such subsidiaries; and
- a murabaha agreement (the **Murabaha Agreement**) to be entered into between the Trustee (acting through the Service Agent) as seller and Majara Investment Limited as purchaser,

all in accordance with the Sukuk Proceeds Application Requirements (as defined below) and the provisions of the Service Agency Agreement (as defined below).

Pursuant to the terms of a service agency agreement (the **Service Agency Agreement**) to be entered into between the Trustee and Priority Holding Limited as service agent (the **Service Agent**), the Trustee will appoint the Service Agent as its agent to execute all documents and perform all acts in its name and on its behalf in connection with the Sukuk Contracts, the Sukuk Assets and the Sukuk Proceeds Application Requirements. The Service Agent will be a wholly-owned subsidiary of the Guarantor.

The **Sukuk Proceeds Application Requirements** means the requirement for the Service Agent (i) to apply the Sukuk Proceeds (in the name and on behalf of the Trustee) toward the entry into of a series of contracts (together with the purchase of the relevant assets in connection therewith) which (as a whole) generates returns at least equal to each relevant Periodic Distribution Amount over a period which is equal to or greater than the remaining duration of the Certificates which are outstanding at the time of the relevant investment; and (ii) to ensure satisfaction of the Underlying Sukuk Conditions (as defined in the Conditions) related to the preservation of value of the Sukuk Contracts and the Sukuk Assets.

The Service Agency Agreement provides that a minimum amount corresponding to 33 per cent. of the value of the Sukuk Assets must be comprised of Leased Assets at all times (the **Tangibility Threshold**), except during the period necessary for the replacement of any Ijara Agreement which is terminated as a result of the occurrence of a total loss relating to the asset underlying that Ijara Agreement (a **Total Loss**).

The assets that will be the subject of the Ijara Agreements will comprise real estate assets held by one or more subsidiaries of the Guarantor. On the Issue Date (or, in the case of any further and/or replacement Ijara Agreement, on the date of such agreement), the relevant subsidiary of the Guarantor will sell its rights, interests and legal title in the relevant assets (the **Leased Assets**) to the Trustee (acting through the Service Agent) under a sale and purchase agreement (the **Sale and Purchase Agreement**). The Trustee (acting as the lessor) will in turn lease the Leased Assets to the subsidiary (acting as the lessee) under the terms of an Ijara Agreement. At the same time:

- (a) the Trustee (acting through the Service Agent) will appoint such subsidiary as ijara servicing agent (the **Ijara Servicing Agent**) in respect of, amongst other things, major repair and maintenance of the Leased Assets and obtaining and maintaining Takaful insurance for the Leased Assets under the terms of the ijara service agency agreement (the **Ijara Service Agency Agreement**); and
- (b) the relevant subsidiary will undertake to purchase the Leased Assets from the Trustee (acting through the Service Agent) (the **Purchase Undertaking**) in the circumstances set out in the Purchase Undertaking (including if the Ijara Agreement is terminated in accordance with its terms prior to the Scheduled Dissolution Date of the Certificates).

Each Sale and Purchase Agreement, Ijara Agreement, Purchase Undertaking and Ijara Service Agency Agreement will be entered into substantially on the terms set out in the Service Agency Agreement.

Pursuant to the Murabaha Agreement, the Trustee (acting through the Service Agent) will agree to buy commodities from a commodities broker, and then sell the commodities on to the Murabaha counterparty (being Majara Investment Limited as purchaser) in consideration for payment of a deferred sale price, comprising the cost price and a mark up (profit). The profit element of the deferred sale price will be paid by the purchaser at regular intervals coinciding with the Periodic Distribution Dates (as defined in the Conditions), with the remainder of the deferred sale price (representing the cost price) payable upon termination of the Murabaha Agreement and coinciding with redemption of the Certificates. The Murabaha Agreement will be entered into substantially on the terms set out in the Service Agency Agreement.

Each Periodic Distribution Amount will be funded proportionately from amounts payable under the Ijara Agreements and amounts payable under the Murabaha Agreement (together with any payments due under the Guarantee), as described in more detail below. The Dissolution Distribution Amount and/or any Change of Control Dissolution Distribution Amount will be funded from the proceeds of liquidation of the relevant Sukuk Contracts and Sukuk Assets (together with any payments due under the Guarantee), as described in more detail below.

#### ***Periodic Distribution Payments***

The revenues generated from each of the Ijara Agreements (and the related Ijara Service Agency Agreements and Purchase Undertakings) will comprise the following:

- (a) *Rental payments* – received periodically from the relevant lessee under the Ijara Agreement during the lease term, and will include: (i) a fixed rental amount corresponding to profit; and (ii) a supplemental rental element that will be set off against any services charge amount (the **Services Charge Amount**) incurred by the Ijara Servicing Agent during the same period;
  - (b) *Insurance proceeds* – received by the relevant lessee and payable to the Trustee (acting through the Service Agent) pursuant to the relevant Ijara Service Agency Agreement following the occurrence of certain loss or damage in respect of the relevant Leased Assets;
  - (c) *Insurance shortfall indemnity* – under the relevant Ijara Service Agency Agreement, if there is a Total Loss of the relevant Leased Assets and the insurance proceeds received are less than the outstanding fixed rental (principal) amount of the Ijara Agreement plus accrued but unpaid rental (representing profit) and supplemental rental under the relevant Ijara Agreement up to the date of occurrence of the Total Loss, the Ijara Servicing Agent agrees to indemnify the Trustee for failing in its responsibility to properly insure the Leased Assets, as contemplated by the Ijara Service Agency Agreement;
- Such amounts referred to in (b) and (c) above: (i) to the extent that they represent principal, will be applied by the Service Agent (in the name and on behalf of the Trustee) in new real estate assets in accordance with the terms of the Service Agency Agreement; and (ii) to the extent that they represent profit, will be deposited into the Profit Collection Account and then paid by the Service Agent into the Transaction Account (each such account as defined below) for payment to the Certificateholders on the next Periodic Distribution Date; and
- (d) *Proceeds from the exercise of any Purchase Undertaking by the Trustee (acting through the Service Agent)* – proceeds received by the Service Agent (in the name and on behalf of the Trustee) from the relevant lessee in connection with the sale by the Trustee of the relevant Leased Assets back to that subsidiary pursuant to the exercise of the Purchase Undertaking.

In addition, as noted above, the profit element of the deferred sale price under the Murabaha Agreement will be paid by the purchaser at regular intervals coinciding with the Periodic Distribution Dates.

The Ijara Agreement rental amounts corresponding to profit, relevant insurance or indemnity proceeds (if any) generated from the Ijara Agreements (to the extent that they represent profit) and relevant proceeds (if any) from the exercise of any Purchase Undertakings (to the extent that they represent profit) and the Murabaha profit amounts generated from the commodities purchased under the Murabaha Agreement will be paid by the relevant Sukuk Contract Counterparties (as defined in the Conditions) into a profit collection account registered in the Service Agent's name (the **Profit Collection Account**). Prior to each Periodic Distribution Date, the Service Agent will transfer the relevant sums from the Profit Collection Account into a separate account maintained in London in the Trustee's name with the Principal Paying Agent (the **Transaction Account**) in an aggregate amount equal to the Periodic Distribution Amount payable to the Certificateholders pursuant to the Conditions. This will enable the Trustee to meet its payment obligations under the Certificates on each Periodic Distribution Date.

To the extent that there is a shortfall between: (a) the profit collections deposited in the Transaction Account and available for distribution to the Certificateholders on a Periodic Distribution Date; and (b) the Periodic Distribution Amount due to and scheduled for distribution to Certificateholders on that date (including where such shortfall arises from the negligence of or a failure by the Service Agent to comply with its obligations under the relevant Transaction Documents), the Guarantor will, pursuant to the terms of a guarantee issued by it in favour of the Trustee and the Delegate (the **Guarantee**), undertake to make up that shortfall (the **Distribution Shortfall Restoration Amount**) by paying such Distribution Shortfall Restoration Amount into the Transaction Account on or before the relevant Periodic Distribution Date for payment to the Certificateholders.

#### ***Dissolution Payments***

Prior to the Scheduled Dissolution Date, the Service Agent (acting in the name and on behalf of the Trustee) will liquidate the Sukuk Contracts and the Sukuk Assets in accordance with the Service Agency Agreement and pay the proceeds of such liquidation (the **Sukuk Liquidation Proceeds**) to the Principal Paying Agent by depositing the same in the Transaction Account, upon which the trust constituted by the Declaration of Trust will be dissolved.

The Service Agent shall establish and maintain a principal collection account (the **Principal Collection Account**) for the purposes of depositing the Sukuk Liquidation Proceeds received from the Sukuk Contract Counterparties. The Sukuk Liquidation Proceeds will consist of amounts representing: (i) the cost price

(principal) from the Murabaha Agreement; (ii) relevant insurance or insurance shortfall indemnity proceeds (if any) generated from the Ijara Agreements; (iii) relevant proceeds (if any) from the exercise of Purchase Undertakings; and (iv) any accrued but unpaid rental amounts (representing profit) in respect of the Ijara Agreements and accrued but unpaid profit amount in respect of the Murabaha Agreement. The Service Agent shall transfer such sums from the Principal Collection Account into the Transaction Account in accordance with the Service Agency Agreement in order to enable the Trustee to meet the payment obligations under the Certificates on the Scheduled Dissolution Date.

The Trust may be dissolved prior to the Scheduled Dissolution Date for any of the following reasons: (a) redemption following a Dissolution Event; (b) an early redemption for tax reasons; (c) at the option of the Certificateholders following a Change of Control Event; and (d) at the option of the Guarantor if less than 25 per cent. in face amount of the Certificates originally issued remain outstanding after the occurrence of a Change of Control Event and the corresponding redemption of Certificates on the Change of Control Put Right Date pursuant to Condition 8(c).

In the case of (a), (b) and (d) above, the amounts payable by the Trustee on the due date for dissolution will be funded in a similar manner as for the payment of the Dissolution Distribution Amount on the Scheduled Dissolution Date. In the case of (c) above, the Trustee will redeem the Certificates on the Change of Control Put Right Date at the Change of Control Dissolution Distribution Amount. Any such redemption will be funded through the Service Agent (acting in the name and on behalf of the Trustee) liquidating a *pro rata* proportion of the Sukuk Contracts and Sukuk Assets corresponding to the face amount of the Certificates to be redeemed (in such proportions (as between different Sukuk Contracts and Sukuk Assets) as the Service Agent may select, provided that the Tangibility Threshold continues to be met and the Underlying Sukuk Conditions continue to be satisfied following such liquidation). The Service Agent will effect such liquidation by: (i) exercising (in the name and on behalf of the Trustee) the rights under each Sukuk Contract (including the rights under each Purchase Undertaking); and (ii) crediting (or procuring the crediting of) all Sukuk Liquidation Proceeds received in connection with the Murabaha Agreement, the Ijara Agreements, the Ijara Service Agency Agreements and the Purchase Undertakings to the Principal Collection Account.

To the extent that there is a shortfall between the Sukuk Liquidation Proceeds deposited in the Transaction Account and the principal amount payable to Certificateholders on the relevant Dissolution Date (including where such shortfall arises from the negligence of or a failure by the Service Agent to comply with its obligations under the relevant Transaction Documents), the Guarantor shall make up that shortfall (the **Value Restoration Amount**) under the terms of the Guarantee by crediting such Value Restoration Amount into the Transaction Account for payment to the Certificateholders.



## OVERVIEW OF THE OFFERING

*The following overview should be read as an introduction to, and is qualified in its entirety by reference to, the more detailed information appearing elsewhere in this Prospectus. This overview does not contain all of the information that an investor should consider before investing in the Certificates. Each investor should read the entire Prospectus carefully, especially the risks of investing in the Certificates discussed under "Risk Factors".*

*Words and expressions defined in the Conditions shall have the same meanings in this overview.*

<b>Certificates</b>	U.S.\$400,000,000 trust certificates due 2023.
<b>Trustee</b>	Alpha Star Holding V Limited, an exempted company with limited liability incorporated on 28 February 2018 under the laws of the Cayman Islands with registered number 333559 and with its registered office at Walkers Fiduciary Limited, Cayman Corporate Centre, 27 Hospital Road, George Town, Grand Cayman, KY1-9008, Cayman Islands.
<b>Trustee Legal Entity Identifier (LEI)</b>	635400QNJTVSEX2BBS97
<b>Ownership of the Trustee</b>	The authorised share capital of the Trustee is U.S.\$50,000 consisting of 50,000 ordinary shares of U.S.\$1.00 each, of which 250 of the Trustee's shares have been fully-paid and issued. The Trustee's entire issued share capital is held on trust for charitable purposes by Walkers Fiduciary Limited as share trustee under the terms of the Share Declaration of Trust.
<b>Administration of the Trustee</b>	The affairs of the Trustee are managed by Walkers Fiduciary Limited (the <b>Administrator</b> ), who provide, amongst other things, certain administrative services for and on behalf of the Trustee pursuant to a corporate services agreement dated 15 April 2018 between the Administrator, the Guarantor and the Trustee (the <b>Corporate Services Agreement</b> ).
<b>Guarantor</b>	Damac Real Estate Development Limited, incorporated in the DIFC under DIFC Law No. 2 of 2009 (the <b>DIFC Companies Law</b> ) with registered no 1476.
<b>Service Agent</b>	Priority Holding Limited, an exempted company with limited liability incorporated on 24 January 2012 under the laws of the Cayman Islands with registered number 265789 and its registered office at Maples Corporate Services Limited, P.O. Box 304, Ugland House, South Church Street, George Town, Grand Cayman, KY1-1104, Cayman Islands. The Service Agent is a wholly-owned subsidiary of Maksab Holding Limited, a wholly-owned subsidiary of the Guarantor.
<b>Risk Factors</b>	Certain factors may affect the Trustee's ability to fulfil its obligations under the Certificates and the Guarantor's ability to fulfil its obligations under the Transaction Documents to which it is a party. In addition, certain factors are material for the purpose of assessing the market risks associated with the Certificates. These are set out under " <i>Risk Factors</i> ".
<b>Joint Global Coordinators</b>	Barclays Bank PLC and HSBC Bank plc.
<b>Joint Lead Managers</b>	Barclays Bank PLC, Dubai Islamic Bank PJSC, Emirates NBD PJSC, HSBC Bank plc, KAMCO Investment Company K.S.C.P., Mashreqbank P.S.C. and Sharjah Islamic Bank PJSC.
<b>Delegate</b>	Citibank N.A., London Branch.  Pursuant to the Declaration of Trust, the Trustee shall delegate to the Delegate certain of the present and future powers, trusts, rights, authorities and discretions vested in the Trustee by certain provisions of the Declaration of Trust. In particular, the Delegate shall be entitled to (and, in certain circumstances, shall, subject to being indemnified and/or secured

	and/or pre-funded to its satisfaction, be bound to) take enforcement action in the name of the Trustee against the Guarantor and/or the Service Agent following a Dissolution Event.
<b>Principal Paying Agent and Transfer Agent</b>	Citibank N.A., London Branch.
<b>Registrar</b>	Citigroup Global Markets Deutschland AG.
<b>Irish Listing Agent</b>	Walkers Listing Services Limited.
<b>Summary of the transaction structure and Transaction Documents</b>	An overview of the structure of the transaction and the principal cash flows is set out under " <i>Structure Diagram and Cash Flows</i> " and a description of the principal terms of certain of the Transaction Documents is set out under " <i>Summary of the Principal Transaction Documents</i> ".
<b>Issue Date</b>	18 April 2018.
<b>Issue Price</b>	100 per cent. of the aggregate face amount of the Certificates.
<b>Scheduled Dissolution Date</b>	Unless the Certificates are previously redeemed or purchased and cancelled, in full, the Certificates shall be redeemed by the Trustee at the Dissolution Distribution Amount on the Scheduled Dissolution Date (being 18 April 2023) and the Trust will be dissolved by the Trustee.
<b>Dissolution Date</b>	The Dissolution Date shall be, as the case may be: (i) the Scheduled Dissolution Date; (ii) the Dissolution Event Redemption Date; (iii) the Early Tax Dissolution Date; (iv) any Change of Control Put Right Date; or (v) the Clean Up Call Right Dissolution Date.
<b>Periodic Distribution Dates</b>	18 April and 18 October every year, commencing on 18 October 2018.
<b>Periodic Distributions</b>	A profit distribution shall be payable in arrear in respect of the Certificates on each Periodic Distribution Date, in respect of the Return Accumulation Period ending on such date, calculated in accordance with Condition 7.
<b>Return Accumulation Period</b>	The period from and including the Issue Date to but excluding the first Periodic Distribution Date and each successive period from and including a Periodic Distribution Date to but excluding the next succeeding Periodic Distribution Date or, if earlier, the relevant Dissolution Date.
<b>Optional Redemption by the Trustee</b>	<p>The Certificates may be redeemed prior to the Scheduled Dissolution Date at the option of the Trustee, at any time, in whole but not in part if: (i) the Trustee has or will become obliged to pay additional amounts under the Certificates; (ii) the Service Agent has or will become obliged to pay additional amounts to the Trustee pursuant to the Service Agency Agreement; (iii) one or more Sukuk Contract Counterparties has or will become obliged to pay additional amounts pursuant to the relevant Sukuk Contract; or (iv) the Guarantor has or will become obliged to pay additional amounts to the Trustee pursuant to the Guarantee, in each case (x) as a result of any change in, or amendment to, the laws or regulations of the Cayman Islands, the DIFC, the United Arab Emirates or the Emirate of Dubai or any political subdivision or, in each case, any authority thereof or therein having power to tax, or any change in the application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after the Signing Date, and (y) such obligation cannot be avoided by the Trustee, the Service Agent, the relevant Sukuk Contract Counterparty or the Guarantor, as the case may be, taking reasonable measures available to it.</p> <p>The Certificates may also be redeemed prior to the Scheduled Dissolution Date if less than 25 per cent. in face amount of the Certificates originally issued remain outstanding after the occurrence of a Change of Control Event and the corresponding redemption of Certificates on the Change of</p>

<b>Optional Redemption by Certificateholders upon a Change of Control Event</b>	<p>Control Put Right Date pursuant to Condition 8(c).</p> <p>The Conditions contain a provision for optional redemption by any Certificateholder of all or part of the Certificates held by it, at the Change of Control Distribution Amount, upon the occurrence of a Change of Control Event. A <b>Change of Control Event</b> shall occur if at any time (i) the Sajwani Family together cease to own, directly or indirectly, more than 30 per cent. of the issued share capital of the Guarantor; or (ii) the Sajwani Family together cease to control, directly or indirectly, the Guarantor.</p>
<b>Form of Certificates</b>	<p>The terms of exercise are further described in Condition 8(c).</p> <p>The Certificates will be issued in registered form only as described in "Global Certificate". The Certificates will be represented on issue by ownership interests in a Global Certificate which will be deposited with, and registered in the name of a nominee of, a common depository for Euroclear and Clearstream, Luxembourg. Ownership interests in the Global Certificate will be shown on, and transfers thereof will only be effected through, records maintained by each relevant clearing system and its participants. Individual Certificates evidencing holdings of Certificates will be issued in exchange for interests in the Global Certificate only in limited circumstances described under "<i>Global Certificate</i>".</p>
<b>Clearance and Settlement</b>	<p>Certificateholders must hold their interest in the Global Certificate in book-entry form through Euroclear or Clearstream, Luxembourg. Transfers within and between Euroclear and Clearstream, Luxembourg will be in accordance with the usual rules and operating procedures of the relevant clearing systems.</p>
<b>Denomination of the Certificates</b>	<p>The Certificates will be issued in registered form in face amounts of U.S.\$200,000 and integral multiples of U.S.\$1,000 in excess thereof.</p>
<b>Status of the Certificates</b>	<p>Each Certificate will represent an undivided ownership interest in the Trust Assets, will be a limited recourse obligation of the Trustee and will rank <i>pari passu</i> without any preference or priority with all other Certificates; see Condition 4.</p>
<b>Trust Assets</b>	<p>The Trust Assets comprise:</p> <ul style="list-style-type: none"> <li>(a) all of the interest, rights, title, benefits and entitlements, present and future, of the Trustee in, to and under the Sukuk Contracts and the Sukuk Assets;</li> <li>(b) all of the interest, rights, benefits and entitlements, present and future, of the Trustee in, to and under the Transaction Documents (excluding (A) any representations given by the Guarantor to the Trustee and/or the Delegate pursuant to any of the Transaction Documents and (B) the covenant given to the Trustee pursuant to Clause 18.1 of the Declaration of Trust); and</li> <li>(c) all moneys standing to the credit of the Transaction Account from time to time,</li> </ul> <p>and all proceeds of the foregoing.</p>
<b>Dissolution Events</b>	<p>The Trustee shall hold the Trust Assets upon trust absolutely for and on behalf of the Certificateholders <i>pro rata</i> according to the face amount of Certificates held by each holder in accordance with the Declaration of Trust and the Conditions.</p> <p>Subject to Condition 12, upon the occurrence of a Dissolution Event, and upon being requested in writing by the holders of at least 25 per cent. of the then aggregate face amount of the Certificates outstanding or if so directed by an Extraordinary Resolution in accordance with Condition 12(a) the</p>

Trustee and/or the Delegate shall take the actions referred to in Condition 12.

**Withholding Tax**

Subject to Condition 9(b) and Condition 10, all payments in respect of the Certificates by or on behalf of the Trustee shall be made free and clear of, and without withholding or deduction for or on account of any present or future taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by the Cayman Islands, the DIFC, the United Arab Emirates or the Emirate of Dubai or any political subdivision or any authority thereof or therein having power to tax, unless such withholding or deduction is required by law. In such event (and subject as aforesaid), the Trustee will pay such additional amounts as shall be necessary in order that the net amounts received by the Certificateholders after such withholding or deduction shall equal the respective amounts which would otherwise have been receivable by them had no such withholding or deduction been required.

The Transaction Documents provide that payments thereunder by the Guarantor and/or the Service Agent (as applicable) shall be made free and clear of, and without withholding or deduction for, or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or within the DIFC, the United Arab Emirates or the Emirate of Dubai or any political subdivision or any authority thereof or therein having power to tax, unless such withholding or deduction is required by law. Where any such withholding or deduction is required by law, the Transaction Documents provide for the payment by the Guarantor and/or the Service Agent (as applicable) of additional amounts so that the full amount which would otherwise have been due and payable is received by the Trustee.

**Trustee Covenants**

The Trustee has agreed to certain restrictive covenants as set out in Condition 6(a).

**Guarantor Negative Pledge and Other Covenants**

The Guarantor has agreed to certain covenants as set out in Condition 6(b).

**Cancellation of Certificates purchased by the Guarantor, any Subsidiary of the Guarantor and/or the Trustee**

Pursuant to Condition 8(e), the Guarantor, any subsidiary of the Guarantor and/or the Trustee may at any time purchase Certificates in the open market or otherwise. Certificates purchased by or on behalf of the Trustee, the Guarantor or any of the Guarantor's subsidiaries will be delivered to the Principal Paying Agent for cancellation.

**Ratings**

Upon issue, the Certificates are expected to be assigned a rating of "BB" by Standard and Poor's Credit Market Services Europe Limited. A rating is not a recommendation to buy, sell or hold the Certificates (or beneficial interests therein) and may be subject to revision, suspension or withdrawal at any time by the assigning rating organisation.

**Certificateholder Meetings**

A summary of the provisions for convening meetings of the Certificateholders to consider matters relating to their interests as such is set out in Condition 14.

**Tax Considerations**

See "*Taxation*" for a description of certain tax considerations applicable to the Certificates.

**Listing and Admission to Trading**

Application has been made to Euronext Dublin for the Certificates to be admitted to listing on the Official List and for such Certificates to be admitted to trading on the Main Securities Market.

Application has also been made to the DFSA for the Certificates to be admitted to the official list of securities maintained by the DFSA and to Nasdaq Dubai for such Certificates to be admitted to trading on Nasdaq Dubai.

<b>Transaction Documents</b>	The Declaration of Trust, the Agency Agreement, the Guarantee and the Service Agency Agreement are referred to herein as the <b>Transaction Documents</b> .
<b>Governing Law and Dispute Resolution</b>	<p>The Certificates and any non-contractual obligations arising out of or in connection with the Certificates will be governed by, and construed in accordance with, English law.</p> <p>The Declaration of Trust, the Agency Agreement, the Guarantee, the Service Agency Agreement, the Murabaha Agreement, each Purchase Undertaking and each Ijara Service Agency Agreement and any non-contractual obligations arising out of or in connection with each of them will be governed by English law. In respect of any dispute under any such agreement or deed to which it is a party, the Guarantor has agreed to arbitration in London under the LCIA Rules. The Guarantor has also agreed to submit to the exclusive jurisdiction of the courts of England or the DIFC courts, at the option of the Trustee, in respect of any dispute under the Declaration of Trust, the Agency Agreement or the Guarantee (subject to the right of the Trustee and/or the Delegate (as applicable) to require any dispute to be resolved by any other court of competent jurisdiction).</p> <p>Each Sale and Purchase Agreement and Ijara Agreement will be governed by the laws of the Emirate of Dubai and, to the extent applicable in Dubai, the federal laws of the UAE, and will be subject to the non-exclusive jurisdiction of the Dubai courts.</p> <p>The Corporate Services Agreement and Share Declaration of Trust are governed by the laws of the Cayman Islands and are subject to the non-exclusive jurisdiction of the courts of the Cayman Islands.</p>
<b>Limited Recourse</b>	The proceeds of the Trust Assets are the sole source of payments on the Certificates. Save as otherwise provided in Condition 4(b), the Certificates do not represent an interest in or obligation of any of the Trustee, the Delegate, the Guarantor, the Service Agent, any of the Agents or any of their respective affiliates. Subject to Condition 12, if the proceeds of the Trust Assets are insufficient to make all payments due in respect of the Certificates, Certificateholders will have no recourse to any assets of the Trustee (and/or its directors, officers, shareholders or corporate services provider in each of their respective capacities as such) (other than the Trust Assets) or of the Delegate or the Agents or any of their respective affiliates, in each case in respect of any shortfall or otherwise. See Condition 4(b) for further details.
<b>Selling Restrictions</b>	There are restrictions on the distribution of this Prospectus and the offer or sale of Certificates in the United States, the United Kingdom, the Cayman Islands, the United Arab Emirates (excluding the DIFC), the DIFC, the Kingdom of Saudi Arabia, the Kingdom of Bahrain, the State of Qatar, Hong Kong, Singapore and Malaysia. See " <i>Subscription and Sale</i> " for further details.
<b>Use of Proceeds</b>	The proceeds of the issue of the Certificates will be applied by the Trustee toward the entry into of the Sukuk Contracts (together with the purchase of the Sukuk Assets in connection therewith) in accordance with the Sukuk Proceeds Application Requirements and the other provisions of the Service Agency Agreement. The Guarantor shall use the net proceeds of the issue of the Certificates for general corporate purposes (which may include the acquisition of an additional land bank) and to fund the partial repurchase of certain trust certificates due 2019 issued on 7 April 2014 through the special purpose vehicle, Alpha Star Holding Limited, as described in " <i>Use of Proceeds</i> ".

## TERMS AND CONDITIONS OF THE CERTIFICATES

*The following is the text of the Terms and Conditions of the Certificates which (subject to modification and except for the text in italics) will be endorsed on each Certificate in definitive form and will apply to the Global Certificate.*

Alpha Star Holding V Limited (in its capacity as issuer and in its capacity as trustee, as applicable, the **Trustee**) has issued trust certificates (the **Certificates**) in an aggregate face amount of U.S.\$400,000,000.

The Certificates are constituted by a declaration of trust dated 18 April 2018 (the **Issue Date**) between the Trustee, Damac Real Estate Development Limited (the **Guarantor**) and Citibank N.A., London Branch as the Trustee's delegate (the **Delegate**, which expression shall include all persons for the time being the delegate or delegates under the Declaration of Trust) (the **Declaration of Trust**).

An agency agreement dated the Issue Date (the **Agency Agreement**) has been entered into in relation to the Certificates between the Trustee, the Guarantor, the Delegate, Citibank N.A., London Branch as initial principal paying agent and the other agents named in it. The principal paying agent, the other paying agents, the registrar and the transfer agents are referred to below respectively as the **Principal Paying Agent**, the **Paying Agents** (which expression shall include the Principal Paying Agent), the **Registrar** and the **Transfer Agents** (which expression shall include the Registrar), and together the **Agents**.

These terms and conditions (the **Conditions**) include summaries of, and are subject to, the detailed provisions of the Declaration of Trust, which includes the form of Certificates referred to below, the Agency Agreement and the remaining Transaction Documents (as defined below). The Certificateholders are bound by, and are deemed to have notice of, all the provisions applicable to them in the Transaction Documents. Copies of the Transaction Documents are available for inspection and collection during usual business hours at the principal office of the Delegate and of the Principal Paying Agent.

Each initial Certificateholder, by its acquisition and holding of its interest in a Certificate, shall be deemed to authorise and direct the Trustee, on behalf of the Certificateholders: (a) to apply the proceeds of the issue of the Certificates toward the entry into of the Sukuk Contracts (together with the purchase of the Sukuk Assets in connection therewith) in accordance with the Sukuk Proceeds Application Requirements and the other provisions of the Service Agency Agreement (each as defined below), and (b) to enter into each Transaction Document to which it is a party, subject to the terms and conditions of the Declaration of Trust and these Conditions.

### 1 Interpretation

Unless defined herein or the context otherwise requires, capitalised words and expressions used but not defined herein shall have the meaning given to them in the Declaration of Trust and the Agency Agreement. In addition, for the purposes of these Conditions, the following expressions have the following meanings:

**Administrator** means Walkers Fiduciary Limited as registered office provider of the Trustee;

**Affiliate** means, with respect to any specified Person: (i) any other Person directly or indirectly controlling or controlled by or under direct or indirect common control with such specified Person; or any other Person that owns, directly or indirectly through one or more Subsidiaries, 20 per cent., or more of any class of such specified Person's Capital Stock, and, for the purposes of this definition, **control**, when used with respect to any specified Person, means the power to direct the management and policies of such Person, directly or indirectly, whether through the ownership of voting securities, by contract or otherwise; and the terms **controlling** and **controlled** have meanings correlative to the foregoing;

**Asset Sale** means any sale, lease, sale and lease back, transfer or other disposition by any member of the Group of all or any of the legal or beneficial interest in any Capital Stock or any property or assets of any member of the Group (either in one transaction or in a series of related transactions at the same time or over a period of time) to any Person who is not a member of the Group; provided that the sale, lease, sale and lease back, transfer or other disposition of inventory, property, receivables, other current assets, Investment Properties and/or development properties by any member of the Group in the ordinary course of business (whether or not for cash consideration) shall not be **Asset Sales** for these purposes;

**Authorised Signatory** means any person who: (a) is a director of the Guarantor; or (b) is duly authorised and in respect of whom a certificate has been provided to the Delegate signed by a director or another duly authorised person of the Guarantor setting out the name and signature of such person and confirming such person's authority to act;

**Average Life** means, as of the date of determination with respect to any Financial Indebtedness, the quotient obtained by dividing:

- (a) the sum of the products of:
  - (i) the numbers of years from the date of determination to the date or dates of each successive scheduled principal payment of such Financial Indebtedness; and
  - (ii) the amount of each such principal payment;

by

- (b) the sum of all such principal payments;

**Borrowings** means, at any time, the aggregate outstanding principal, capital or nominal amount of, and any fixed or minimum premium payable on prepayment or redemption of, any indebtedness for or in respect of Financial Indebtedness as determined by reference to the most recently available consolidated financial statements of the Guarantor prepared in accordance with IFRS;

**Business Day** means a day (other than a Saturday or a Sunday) on which commercial banks and foreign exchange markets settle payments in U.S. dollars;

**Calculation Amount** means U.S.\$1,000;

**Calculation Date** means 30 June and 31 December in each year (provided that if the Guarantor were to change its financial year then such dates would be adjusted accordingly);

**Call Date** means, with respect to any Financial Indebtedness, the date specified in the relevant documentation as the date on which the entire aggregate amount of principal in respect thereof may become due and payable at the option of the issuer thereof (where such option is only available to the issuer upon a specified date or dates or upon the occurrence of any contingency which has occurred, but excluding circumstances where such option forms part of a general right of repayment or prepayment);

**Capital Stock** means, with respect to any Person, any and all shares, interests, participations or other equivalents (however designated, whether voting or non-voting) of such Person's equity, including any preferred stock of such Person, whether outstanding at the Issue Date or issued after the Issue Date, including without limitation, all series and classes of such Capital Stock;

**Certificateholder** or **holder** has the meaning given to it in Condition 2;

**Change of Control Dissolution Distribution Amount** means, in relation to each Certificate to be redeemed pursuant to Condition 8(c), the sum of:

- (a) the outstanding face amount of such Certificate; and
- (b) any due and unpaid Periodic Distribution Amounts for such Certificate;

**Change of Control Event** shall occur if at any time:

- (a) the Sajwani Family together cease to own, directly or indirectly, more than 30 per cent. of the issued share capital of the Guarantor; or
- (b) the Sajwani Family together cease to control, directly or indirectly, the Guarantor,

and **control** for these purposes shall be the power to appoint and/or remove the majority of the members of the board of directors or other governing body of the Guarantor or to control or have the power to control the affairs and policies of the Guarantor (in each case whether by the ownership of share capital, the possession of voting power, contract, trust or otherwise);

**Change of Control Exercise Notice** has the meaning given to it in Condition 8(c);

**Change of Control Notice** has the meaning given to it in Condition 8(c);

**Change of Control Put Period** has the meaning given to it in Condition 8(c);

**Change of Control Put Right** means the right exercisable by Certificateholders pursuant to Condition 8(c);

**Change of Control Put Right Date** shall be the tenth Business Day after the expiry of the Change of Control Put Period;

**Clean Up Call Right Dissolution Date** has the meaning given to it in Condition 8(c);

**Consolidated Net Interest Expense** means, for any Measurement Period, the aggregate amount of the accrued interest/profit, commission, fees, discounts, prepayment fees, premiums or charges and other finance payments in respect of Financial Indebtedness (whether, in each case, paid or payable by any member of the Group (calculated on a consolidated basis)) less the aggregate amount of any finance income accrued to any member of the Group (calculated on a consolidated basis) in respect of that Measurement Period, as determined by reference to the most recently available consolidated financial statements of the Guarantor prepared in accordance with IFRS;

**Consolidated Net Income** means the consolidated net income or loss of the Guarantor determined in accordance with IFRS by reference to the most recently available consolidated financial statements of the Guarantor;

**Consolidated Total Net Indebtedness** means, for any Measurement Period, the aggregate amount of all obligations of the Group for or in respect of Borrowings, less cash on hand, bank balances and fixed deposits, as at the last day of such Measurement Period, as determined by reference to the most recently available consolidated financial statements of the Guarantor prepared in accordance with IFRS;

**Corporate Services Agreement** means the corporate services agreement entered into between the Trustee, the Guarantor and the Administrator on or before the Issue Date;

**Customer Deposits** means any amounts collected from potential or actual purchasers of real estate (or from a person acting on behalf of such purchasers) of any member of the Group in the ordinary course of its day to day real estate and development activities, provided that no member of the Group has entered into or is subject to any obligation to repurchase the corresponding real estate from the relevant potential or actual purchaser;

**Day Count Fraction** has the meaning given to it in Condition 7(b);

**Delegation** has the meaning given to it in Condition 15(a);

**DIFC** means the Dubai International Financial Centre;

**Dispute** has the meaning given to it in Condition 19(b);

**Dissolution Date** means, as the case may be,

- (a) the Scheduled Dissolution Date;
- (b) any Early Tax Dissolution Date;
- (c) any Change of Control Put Right Date;
- (d) any Dissolution Event Redemption Date; or
- (e) the Clean Up Call Right Dissolution Date;

**Dissolution Distribution Amount** means the sum of:

- (a) the outstanding face amount of such Certificate; and
- (b) any due and unpaid Periodic Distribution Amounts for such Certificate;

**Dissolution Event** means a Guarantor Event or a Trustee Event;

**Dissolution Event Redemption Date** has the meaning given to it in Condition 12(a);

**Dissolution Notice** has the meaning given to it in Condition 12(a)(ii);

**Early Tax Dissolution Date** has the meaning given to it in Condition 8(b);



**EBIT** means, in respect of any Measurement Period, the consolidated operating profit of the Group before taxation:

- (a) before deducting any interest/profit, commission, fees, discounts, prepayment fees, premiums or charges and other finance payments whether paid, payable or capitalised by any member of the Group (calculated on a consolidated basis) in respect of that Measurement Period;
- (b) not including any accrued interest/profit owing to any member of the Group;
- (c) before taking into account any Exceptional Items;
- (d) before taking into account any unrealised gains or losses on any financial instrument (other than any derivative instrument which is accounted for on a hedge accounting basis); and
- (e) before taking into account any gain or loss arising from an upward or downward revaluation of any other asset,

in each case, to the extent added, deducted or taken into account, as the case may be, for the purposes of determining operating profits of the Group before taxation,

and:

- (i) including the operating profit of a member of the Group or business or assets acquired during that Measurement Period for the part of that Measurement Period when it was not a member of the Group and/or the business or assets were not owned by a member of the Group; but
- (ii) excluding the operating profit attributable to any member of the Group or to any business or assets sold during that Measurement Period;

**EBITDA** means, in respect of any Measurement Period, EBIT for that Measurement Period after adding back any amount attributable to the amortisation, depreciation or impairment of assets of members of the Group, as determined by reference to the most recently available consolidated financial statements of the Guarantor prepared in accordance with IFRS;

**EBITDA to Consolidated Net Interest Expense Ratio** has the meaning given to it in Condition 6(b)(ii);

**Exceptional Items** means any exceptional, one off, non-recurring or extraordinary items;

**Extraordinary Resolution** has the meaning given to it in the Declaration of Trust;

**Fair Market Value** mean with respect to any Capital Stock, asset or property, the sale value or aggregate rent amount (as the case may be) that would be paid in an arm's-length transaction between an independent, informed and willing seller or lessor (as the case may be) under no compulsion to sell and an independent, informed and willing buyer or lessee (as the case may be) under no compulsion to buy or lease (as the case may be);

**Financial Indebtedness** means any indebtedness for or in respect of:

- (a) moneys borrowed and debit balances at banks or other financial institutions;
- (b) any amount raised by acceptance under any acceptance credit or bill discount facility (or dematerialised equivalent);
- (c) any amount raised pursuant to any note purchase facility or the issue of bonds, notes, debentures, loan stock or any similar instrument;
- (d) the amount of any liability in respect of any lease or hire purchase contract which would, in accordance with IFRS, be treated as a finance or capital lease;
- (e) receivables sold or discounted (other than any receivables to the extent they are sold on a non-recourse basis except for recourse by reference to a breach by the selling company of any standard representations relating to the relevant receivables (but not as to the creditworthiness of the debtor or the collectability of the receivables));
- (f) any counter-indemnity obligation in respect of a guarantee, indemnity, bond, standby or documentary letter of credit or any other instrument issued by a bank or financial institution

by way of support for borrowings under paragraphs (a) to (e) (inclusive) and (g) to (k) (inclusive) of this definition;

- (g) shares which are expressed to be redeemable shares or any amount raised by the issue of such shares which are redeemable on or prior to the Scheduled Dissolution Date;
- (h) any amount of any liability under an advance or deferred purchase agreement if one of the primary reasons behind the entry into the agreement is to raise finance or to finance the acquisition or construction of an asset or service;
- (i) any amount raised under any other transaction (including any forward sale or purchase agreement, sale and leaseback arrangement, sale and saleback arrangement or securitisation) having the commercial effect of a borrowing;
- (j) any derivative transaction entered into in connection with protection against or benefit from fluctuation in any rate or price (and, when calculating the value of any derivative transaction, only the marked to market value shall be taken into account);
- (k) obligations incurred in respect of any Islamic financing arrangement; and
- (l) the amount of any liability in respect of any guarantee or indemnity for any of the items referred to in paragraphs (a) to (k) (inclusive) above,

but shall not include any indebtedness owed by one member of the Group to another member of the Group, and provided always that any indebtedness in respect of Customer Deposits shall not constitute Financial Indebtedness;

**Fitch** means Fitch Ratings Ltd;

**GDRs** means any global depositary receipts issued from time to time in respect of the Guarantor's ordinary shares;

**Group** means the Guarantor and its Subsidiaries;

**Guarantee** means the guarantee dated the Issue Date made by the Guarantor in favour of the Trustee and the Delegate;

**Guarantor Event** shall mean each of the following events:

- (a) **Non-payment:** the Guarantor (acting in any capacity) fails to pay an amount in the nature of profit payable by it pursuant to any Transaction Document to which it is a party and the failure continues for a period of 14 days, or the Guarantor (acting in any capacity) fails to pay an amount in the nature of principal payable by it pursuant to any Transaction Document to which it is a party and the failure continues for a period of seven days; or
- (b) **Breach of specified covenants:** the Guarantor does not perform or comply with any one or more of its covenants or other obligations under Conditions 6(b) (i) to (vi) and (viii) to (x); or
- (c) **Breach of other obligations:** the Guarantor (acting in any capacity) does not perform or comply with any one or more of its covenants or other obligations under Conditions 6(b) (vii) and (xi) to (xiii) or any of its other covenants or other obligations in the Transaction Documents to which it is a party, which failure: (i) is, in the opinion of the Delegate, incapable of remedy; or (ii) (if, in the opinion of the Delegate, such failure is capable of remedy) is not, in the opinion of the Delegate, remedied within the period of 30 days after written notice of such failure shall have been given to the Guarantor by the Trustee (or the Delegate) requiring the same to be remedied; or
- (d) **Cross-default:** (i) the holders of any Indebtedness of the Guarantor or any Subsidiary of the Guarantor accelerate such Indebtedness or declare such Indebtedness to be due and payable or required to be prepaid, or any such Indebtedness becomes capable of being declared due and payable (in each case, other than by a regularly scheduled required prepayment or pursuant to an option granted to the holders by the terms of such Indebtedness), prior to the stated maturity thereof; or (ii) the Guarantor or any Subsidiary of the Guarantor fails to pay in full any principal of, or interest or profit, as the case may be, on, any of its Indebtedness when due (after expiration of any originally applicable grace period) or any guarantee of any Indebtedness of others given by the Guarantor or any Subsidiary of the Guarantor is not

honoured when due and called upon; provided that the aggregate amount of the relevant Indebtedness or guarantee in respect of which one or more of the events mentioned above in this paragraph (d) has occurred equals or exceeds U.S.\$25,000,000 (or its equivalent in any other currency or currencies); or

- (e) **Order for dissolution:** any order is made by any competent court or resolution passed for the winding-up or dissolution of the Guarantor, the Service Agent or any Material Subsidiary, save in connection with a Permitted Reorganisation; or
- (f) **Cessation of business:** the Guarantor, the Service Agent or any Material Subsidiary ceases or threatens to cease to carry on all or substantially all of its business, save, in each case, in connection with a Permitted Reorganisation or, in the case of a Material Subsidiary only, as a result of any Asset Sale permitted under Condition 6(b)(iv); or
- (g) **Order to pay specified amount:** one or more judgments or orders for the payment of any sum in excess of U.S.\$50,000,000 (or its equivalent in any currency or currencies), whether individually or in aggregate, is (or are) rendered against the Guarantor, the Service Agent and/or any Subsidiary of the Guarantor and continue(s) unsatisfied, unstayed and unappealed for a period of 30 days after the date thereof (or, if appealed, the appeal is unsuccessful and thereafter the judgment continues unsatisfied and unstayed for a period of 30 days after the date thereof (or, in the case of a judgment or order issued by the Court of Appeal in Dubai, thereafter the judgment continues unappealed for a period of 60 days)); or
- (h) **Liquidation or enforcement proceedings:** (i) the Guarantor, the Service Agent or any Material Subsidiary takes any corporate action or any steps are taken or any court or other proceedings are initiated against the Guarantor, the Service Agent or any Material Subsidiary under any applicable liquidation, insolvency, composition, reorganisation or other similar laws, or an application is made (or documents filed with a court) for the appointment of a liquidator, administrative or other receiver, manager, administrator or other similar official (and such proceedings are not being actively contested in good faith by the Guarantor, the Service Agent or the relevant Material Subsidiary, as the case may be), or a liquidator, administrative or other receiver, manager, administrator or other similar official is appointed, in relation to the Guarantor, the Service Agent or any Material Subsidiary or, as the case may be, in relation to all or substantially all of the undertaking, assets or revenues of the Guarantor, the Service Agent or any Material Subsidiary (save, in all cases, in connection with a Permitted Reorganisation); or (ii) an encumbrancer takes possession of all or substantially all of the undertaking or assets of the Guarantor, the Service Agent or any Material Subsidiary, or a distress, attachment, execution or other legal process is levied, enforced or sued out on or against any part of the property, assets or revenues of the Guarantor, the Service Agent or any Material Subsidiary save for such distress, attachment, execution or other legal process that relates to, or is the result of, a final and non-appealable judgment or order for the payment of any sum in excess of U.S.\$50,000,000 (or its equivalent in any currency or currencies); and (iii) any such event, as is mentioned in (i) and (ii) above (other than the appointment of an administrator) is not discharged within 30 days; or
- (i) **Insolvency:** (i) the Guarantor, the Service Agent or any Material Subsidiary stops or threatens to stop payment of, or is unable to, or admits inability to, pay, its debts (or any class of its debts) as they fall due, or is deemed unable to pay its debts pursuant to or for the purposes of any applicable law, or is adjudicated or found bankrupt or insolvent; or (ii) the Guarantor, the Service Agent or any Material Subsidiary initiates or consents to judicial proceedings relating to itself under any applicable liquidation, insolvency, composition, reorganisation or other similar laws (including the obtaining of a moratorium) or makes a conveyance or assignment for the benefit of, or enters into any composition or other arrangement with, its creditors generally (or any class of its creditors) or any meeting is convened to consider a proposal for an arrangement or composition with its creditors generally (or any class of its creditors) save, in all cases, in connection with a Permitted Reorganisation; or
- (j) **Analogous events:** any event occurs which under the laws of the DIFC, the United Arab Emirates or any Emirate thereof or any other relevant jurisdiction has an analogous effect to any of the events referred to in paragraphs (e), (h) and (i) above; or

- (k) **Security Interest:** any one or more Security Interests, present or future, created or assumed by the Guarantor and/or any Subsidiary of the Guarantor and securing an amount which equals or exceeds U.S.\$25,000,000 (or its equivalent in any other currency or currencies), whether individually or in aggregate, become(s) enforceable and any step is taken to enforce such Security Interest(s) (including the taking of possession or the appointment of a receiver, manager or other similar person) unless the full amount of the debt(s) which is (or are) secured by the relevant Security Interest(s) is (or are) discharged within 45 days of the later of the first date on which: (i) a step is taken to enforce the relevant Security Interest(s); or (ii) the Guarantor and/ or the relevant Subsidiary of the Guarantor, as the case may be, is notified that a step has been taken to enforce the relevant Security Interest(s); or
- (l) **Further assurance:** any action, condition or thing (including the obtaining or effecting of any necessary consent, approval, authorisation, exemption, filing, licence, order, recording or registration) at any time required to be taken, fulfilled or done in order: (i) to enable the Guarantor or the Service Agent (as applicable) lawfully to enter into, exercise its respective rights and perform and comply with its respective obligations under the Transaction Documents to which it is party; (ii) to ensure that those obligations are legally binding and enforceable; and to make the Transaction Documents to which it is party admissible in evidence in the courts of England, the DIFC or the United Arab Emirates is not taken, fulfilled or done; or
- (m) **Repudiation:** the Guarantor or the Service Agent repudiates or does or causes to be done any act or thing evidencing an intention to repudiate these Conditions or any (or any part of any) Transaction Document to which it is a party; or
- (n) **Lawful obligations:** at any time it is or becomes unlawful or impossible for the Guarantor or the Service Agent to perform any or all of its obligations under or in respect of the Transaction Documents to which it is a party or any of the obligations of the Guarantor or the Service Agent thereunder are not or cease to be legal, valid, binding or enforceable; or
- (o) **Assets seized:** (i) all or substantially all of the undertaking, assets and revenues of the Guarantor, the Service Agent or any Material Subsidiary is condemned, seized or otherwise appropriated by any Person acting under the authority of any national, regional or local government; or (ii) the Guarantor, the Service Agent or any Material Subsidiary is prevented by any such Person from exercising normal control over all or substantially all of its undertaking, assets and revenues;

**IFRS** means International Financial Reporting Standards as published by the International Accounting Standard Board;

**Ijara Agreements** means the ijara agreements to be entered into between the Trustee (acting through the Service Agent) and one or more Subsidiaries of the Guarantor in connection with the Certificates (each substantially in the form scheduled to the Service Agency Agreement) and **Ijara Agreement** means any one of them;

**Ijara Service Agency Agreement** means, in respect of each Ijara Agreement, the ijara service agency agreement in connection with such Ijara Agreement to be entered into between the Trustee (acting through the Service Agent) and the relevant Subsidiary of the Guarantor (substantially in the form scheduled to the Service Agency Agreement);

**Incur** or, as appropriate, an **Incurrence** has the meaning given to it in Condition 6(b)(ii);

**Indebtedness** means all obligations, and guarantees or indemnities in respect of obligations, for moneys borrowed or raised (whether or not evidenced by bonds, debentures, notes or other similar instruments) or any Shari'a-compliant alternative of the foregoing other than any such obligations, guarantees or indemnities owing or given by one member of the Group to another member of the Group;

**Independent Appraiser** means (i) for the purposes of assets comprising interests in real estate and/or leases, an independent registered firm of chartered surveyors; and (ii) for the purposes of any assets other than those described in (i), any independent firm of appraisers or internationally recognised investment banking firm or firm of public accountants, in the case of (i) and (ii) being of international standing, selected by the Guarantor;

**Investment** in any Person means any direct or indirect advance, loan or other extension of credit (including by way of guarantee or similar arrangement) or capital contribution to (by means of any transfer of cash or other property to others or any payment for property or services for the account or use of others), or any purchase or acquisition of Capital Stock, Financial Indebtedness or other similar instruments issued by, such Person; For the avoidance of doubt, the purchase by the Guarantor of any trust certificates issued by Alpha Star Holding Limited on 9 April 2014 shall not be an Investment for these purposes;

**Investment Property** means any property or asset identified as an "investment property" (or similar property) in the most recently available audited or auditor reviewed consolidated financial statements of the Guarantor or the most recently available (if applicable, audited or auditor reviewed) financial statements of its relevant Subsidiary (as the case may be) and classified as such for financial reporting purposes in accordance with IFRS from time to time;

**Investment Grade Rating** means a rating equal to or higher than: (i) Baa3 (or the equivalent) by Moody's; (ii) BBB- (or the equivalent) by Standard & Poor's; and (iii) BBB- (or the equivalent) by Fitch;

**Investment Grade Status** means that the Certificates have an Investment Grade Rating from any Rating Agency;

**Liability** means any loss, damage, cost, charge, claim, demand, expense, fee, judgment, action, proceeding or other liability whatsoever (including, without limitation, in respect of taxes) and including any value added tax or similar tax charged or chargeable in respect thereof and legal or other fees and expenses on a full indemnity basis and references to **Liabilities** shall mean all of these;

**Material Subsidiary** means any Subsidiary of the Guarantor:

- (a) whose EBITDA (consolidated in the case of a Subsidiary of the Guarantor which itself has Subsidiaries) or whose total assets (consolidated in the case of a Subsidiary of the Guarantor which itself has Subsidiaries) represent in each case (or, in the case of a Subsidiary of the Guarantor acquired after the end of the financial period to which the then latest audited consolidated accounts of the Guarantor and its Subsidiaries relate, are equal to) not less than 10 per cent. of EBITDA or, as the case may be, consolidated total assets of the Guarantor and its Subsidiaries taken as a whole, all as calculated respectively by reference to the then latest audited accounts (consolidated or, as the case may be, unconsolidated) of such Subsidiary and the then latest audited consolidated accounts of the Guarantor and its Subsidiaries, provided that in the case of a Subsidiary of the Guarantor acquired after the end of the financial period to which the then latest audited consolidated accounts of the Guarantor and its Subsidiaries relate, the reference to the then latest audited consolidated accounts of the Guarantor and its Subsidiaries for the purposes of the calculation above shall, until consolidated accounts for the financial period in which the acquisition is made have been prepared and audited as aforesaid, be deemed to be a reference to such first-mentioned accounts as if such Subsidiary had been shown in such accounts by reference to its then latest relevant audited accounts, adjusted as deemed appropriate by the Guarantor;
- (b) to which is transferred the whole or substantially the whole of the undertaking and assets of a Subsidiary of the Guarantor which immediately prior to such transfer is a Material Subsidiary, provided that the transferor Subsidiary shall upon such transfer forthwith cease to be a Material Subsidiary and the transferee Subsidiary shall cease to be a Material Subsidiary pursuant to this paragraph (b) on the date on which the consolidated accounts of the Guarantor and its Subsidiaries for the financial period current at the date of such transfer have been prepared and audited as aforesaid but so that such transferor Subsidiary or such transferee Subsidiary may be a Material Subsidiary on or at any time after the date on which such consolidated accounts have been prepared and audited as aforesaid by virtue of the provisions of paragraph (a) above or, prior to or after such date, by virtue of any other applicable provision of this definition; or
- (c) to which is transferred an undertaking or assets which, taken together with the undertaking or assets of the transferee Subsidiary, generated (or, in the case of the transferee Subsidiary being acquired after the end of the financial period to which the then latest audited consolidated accounts of the Guarantor and its Subsidiaries relate, generate EBITDA equal to) not less than

10 per cent. of EBITDA, or represent (or, in the case aforesaid, are equal to) not less than 10 per cent. of the consolidated total assets, of the Guarantor and its Subsidiaries taken as a whole, all as calculated as referred to in paragraph (a) above, provided that the transferor Subsidiary (if a Material Subsidiary) shall upon such transfer forthwith cease to be a Material Subsidiary unless immediately following such transfer its undertaking and assets generate (or, in the case aforesaid, generate EBITDA equal to) not less than 10 per cent. of EBITDA, or its assets represent (or, in the case aforesaid, are equal to) not less than 10 per cent. of the consolidated total assets of the Guarantor and its Subsidiaries taken as a whole, all as calculated as referred to in paragraph (a) above, and the transferee Subsidiary shall cease to be a Material Subsidiary pursuant to this paragraph (c) on the date on which the consolidated accounts of the Guarantor and its Subsidiaries for the financial period current at the date of such transfer have been prepared and audited but so that such transferor Subsidiary or such transferee Subsidiary may be a Material Subsidiary on or at any time after the date on which such consolidated accounts have been prepared and audited as aforesaid by virtue of the provisions of paragraph (a) above or, prior to or after such date, by virtue of any other applicable provision of this definition.

A report signed by two Authorised Signatories of the Guarantor (whether or not addressed to the Delegate) that in their opinion a Subsidiary of the Guarantor is or is not or was or was not at any particular time or throughout any specified period a Material Subsidiary may be relied upon by the Delegate without further enquiry or evidence (without any liability to any person for so relying) and, if relied upon by the Delegate, shall, in the absence of manifest error, be conclusive and binding on all parties;

**Measurement Period** means each period of 12 months ending on a Calculation Date;

**Moody's** means Moody's Investors Service, Inc.;

**Murabaha Agreement** means the murabaha agreement to be entered into between the Trustee (acting through the Service Agent), Majara Investment Limited and the commodity arranger named therein in connection with the Certificates (substantially in the form scheduled to the Service Agency Agreement);

**Net Cash Proceeds** means, with respect to any issuance or sale of Capital Stock, means the cash proceeds of such issuance or sale net of legal fees, underwriters' or placement agents' fees, discounts or commissions and brokerage, consultant and other fees actually incurred in connection with such issuance or sale and net of taxes paid or payable as a result thereof;

**Non-recourse Project Financing** means any financing of all or part of the costs of the acquisition, construction or development of any project, provided that: (a) any Security Interest given by the Guarantor or the relevant Material Subsidiary or Subsidiary of the Guarantor (as the case may be) is limited solely to assets of the project; (b) the person providing such financing expressly agrees to limit its recourse to the project financed and the revenues derived from such project as the principal source of repayment for the moneys advanced; and (c) there is no other recourse to the Guarantor or the relevant Material Subsidiary or Subsidiary of the Guarantor (as the case may be) in respect of any default by any person under the financing;

**Officers Certificate** means a certificate substantially in the form scheduled to the Declaration of Trust, duly signed by at least one of the chief executive officer, the Group chief finance officer and the managing director of the guarantor;

**Opinion of Counsel** means a written opinion from legal counsel who is acceptable to the Trustee and the Delegate. The counsel may be an employee of or counsel to the Guarantor, the Trustee or the Delegate;

**outstanding** has the meaning given to it in the Declaration of Trust;

**Periodic Distribution Amount** has the meaning given to it in Condition 7(a);

**Periodic Distribution Date** means 18 April and 18 October in each year, commencing on 18 October 2018, and subject to Condition 7(c);

**Permitted Financial Indebtedness** means any one or more of the following:

- (a) any Financial Indebtedness outstanding on the Signing Date;
- (b) Financial Indebtedness owed by the Guarantor or any Subsidiary of the Guarantor to the Guarantor or any other Subsidiary of the Guarantor; provided, however, that any subsequent disposition, pledge or transfer of such Financial Indebtedness (other than to the Guarantor or a Subsidiary of the Guarantor) shall be deemed, in each case, to constitute the Incurrence of such Financial Indebtedness by the obligor thereof;
- (c) Financial Indebtedness of the Guarantor or a Subsidiary of the Guarantor Incurred and outstanding on or prior to the date on which such Subsidiary became a Subsidiary of the Guarantor (other than any Financial Indebtedness Incurred in connection with, or to provide all or any portion of the funds or credit support utilised to consummate, the transaction or series of related transactions pursuant to which the Subsidiary became a Subsidiary of the Guarantor);
- (d) Refinancing Financial Indebtedness Incurred by the Guarantor in respect of Financial Indebtedness incurred by the Guarantor pursuant to Condition 6(b)(ii) or pursuant to paragraphs (b) or (c) above;
- (e) Refinancing Financial Indebtedness Incurred by a Subsidiary of the Guarantor in respect of Financial Indebtedness incurred by such Subsidiary pursuant to paragraphs (b) or (c) above;
- (f) any amounts owed to suppliers, contractors, sub-contractors and/or project consultants in respect of goods supplied and/or services provided, in each case in the ordinary course of business;
- (g) any Non-recourse Project Financing of the Guarantor or a Subsidiary of the Guarantor (provided that the Financial Indebtedness in respect of which, when taken together with all other Financial Indebtedness of the Group in respect of Non-recourse Project Financing on the date of the relevant Incurrence referred to in Condition 6(b)(ii) or (iii) (as the case may be), does not exceed an amount equal to 10 per cent. of the Total Assets);
- (h) any Financial Indebtedness arising for, or in respect of, performance bonds, bank guarantees, bid bonds and/or letters of credit, where such Financial Indebtedness is incurred by the Guarantor or any Subsidiary of the Guarantor in the ordinary course of business (and provided that such Financial Indebtedness shall not be Permitted Financial Indebtedness if such performance bonds, bank guarantees, bid bonds and/or letters of credit are drawn or called upon and such drawing or calling is not reimbursed or otherwise satisfied within 10 Business Days thereafter);
- (i) any Financial Indebtedness arising for, or in respect of, working capital facilities which are fully cash collateralised and which are incurred by the Guarantor or any Subsidiary of the Guarantor in the ordinary course of business;
- (j) Financial Indebtedness arising in the form of deferred payment obligations of the Guarantor or a Subsidiary in respect of the acquisition of any business, assets or Capital Stock, in each case in the ordinary course of business;
- (k) Financial Indebtedness arising from agreements of the Guarantor or a Subsidiary of the Guarantor providing for indemnification, adjustment of purchase price or similar obligations, in each case, incurred or assumed in connection with the acquisition or disposition of any business, assets or Capital Stock of the Guarantor or any Subsidiary of the Guarantor; provided that (A) the maximum aggregate liability in respect of all such Financial Indebtedness shall at no time exceed the gross proceeds (including the Fair Market Value of non-cash consideration) actually received by (or held in escrow as a collateral for such Financial Indebtedness for later release to) the Guarantor and its Subsidiaries in connection with such disposition (without giving effect to any subsequent changes in value) and (B) such Financial Indebtedness is not, on the date of its Incurrence, reflected on the balance sheet of the Guarantor or any Subsidiary of the Guarantor (contingent obligations referred to in a footnote to financial statements and not otherwise reflected on the balance sheet shall not be deemed to be reflected on such balance sheet for the purposes of this paragraph (k));

- (l) any Financial Indebtedness for or in respect of any derivative transaction entered into in connection with the Certificates (provided that such derivative transaction is designed solely to protect the Guarantor from fluctuations in the profit rate payable in connection therewith and/or fluctuations in the value of the United States dollar and is not for speculation);
- (m) any Financial Indebtedness incurred or arising for, or in respect of, the acquisition, development, maintenance, operation and/or leasing of Investment Properties (the **Leasing Business**) (provided that such Financial Indebtedness, when taken together with all other Financial Indebtedness of the Group incurred or arising for, or in respect of, the Leasing Business on the date of the relevant Incurrence referred to in Conditions 6(b)(ii) or (iii) (as the case may be), does not exceed an amount equal to 67 per cent. of the market value of such Investment Properties as reported in either (i) the most recently available audited or auditor reviewed consolidated financial statements of the Guarantor or the most recently available audited or auditor reviewed financial statements of the relevant Subsidiary (as the case may be) prepared in accordance with IFRS, or (ii) (at the discretion of the Guarantor) in the most recently available property valuations prepared by an Independent Appraiser procured by the Guarantor or the relevant Subsidiary (as the case may be); and
- (n) Financial Indebtedness of the Guarantor or any Subsidiary of the Guarantor in an aggregate principal amount which, when taken together with all other Financial Indebtedness of the Group outstanding on the date of the relevant Incurrence referred to in Condition 6(b)(ii) or (iii) (as the case may be) (other than Financial Indebtedness otherwise permitted under any other paragraph of this definition), does not exceed an amount equal to 10 per cent. of EBITDA for the most recent Measurement Period;

**Permitted Investment** means any one or more of the following:

- (a) demand or time deposits, certificates of deposit (including for the avoidance of doubt any monies on deposit in any bank account) and other short-term unsecured debt obligations provided that, in each case, at the time the deposit is made or the certificate or obligation is acquired the institution with whom the deposit is made or whose certificate or obligation is acquired (or, where the investment in question is guaranteed, the guaranteeing institution) is an institution which is licensed and regulated by the central banking regulatory and/or supervisory authority of the jurisdiction in which it is incorporated; or
- (b) short-term unsecured debt obligations (including commercial paper) issued by a body corporate provided that the then current rating of the unsecured and unguaranteed debt obligations of that body corporate (or where the debt obligations in question are guaranteed, of the guaranteeing institution) is at least equal to an Investment Grade Rating as affirmed by any Rating Agency; or
- (c) any Investment in another Person if, as a result of such Investment, such other Person is merged or consolidated with or into, or transfers or conveys all or substantially all its assets to, the Guarantor or a Subsidiary of the Guarantor; provided, however, that such Person's primary business is a Related Business; or
- (d) payroll, travel and similar advances to cover matters that are expected at the time of such advances ultimately to be treated as expenses for accounting purposes and that are made in the ordinary course of business; or
- (e) loans or advances to employees made in the ordinary course of business consistent with past practices of the Guarantor or the relevant Subsidiary of the Guarantor; or
- (f) stock, obligations or securities received in settlement of debts created in the ordinary course of business and owing to the Guarantor or the relevant Subsidiary of the Guarantor or in satisfaction of judgments; or
- (g) any Investment in a Person solely for the purposes of facilitating the conduct by the Guarantor or the relevant Subsidiary of the Guarantor of its real estate and property development activities in the ordinary course of business, including the acquisition of land, and whether through a joint venture arrangement or otherwise; or



- (h) any Investment in a Person to the extent such Investment exists on the Signing Date, and any extension, modification or renewal of any such Investments existing on the Signing Date, but only to the extent not involving additional advances, contributions or other Investments of cash or other assets or other increases thereof (other than as a result of the accrual or accretion of interest or original issue discount or the issuance of pay-in-kind securities, in each case, pursuant to the terms of such Investment as in effect on the Signing Date);

**Permitted Reorganisation** means:

- (a) (i) any winding-up or dissolution of a Material Subsidiary whereby the undertaking and assets of that Material Subsidiary are transferred to or otherwise vested in the Guarantor and/or any of the Guarantor's other Subsidiaries; or (ii) any winding up or dissolution of the Guarantor whereby the undertaking and assets of the Guarantor are transferred to or otherwise vested in one of its Subsidiaries, provided that, in the case of (ii) only, at the same time or prior to any such transfer or vesting, all amounts payable by the Guarantor under each Transaction Document to which it is a party have been assumed by such other Subsidiary on terms previously approved by an Extraordinary Resolution; or
- (b) any composition or other similar arrangement on terms previously approved by an Extraordinary Resolution;

**Permitted Restriction** means any one or more of the following:

- (a) with respect to Condition 6(b)(viii)(i), (ii) and (iii):
  - (i) any encumbrance or restriction pursuant to an agreement in effect at or entered into on the Signing Date;
  - (ii) any encumbrance or restriction existing at the time that the relevant Person is merged into, or consolidated with, the Guarantor or the relevant Subsidiary of the Guarantor, as the case may be, provided that such encumbrance or restriction was not created in contemplation of such merger or consolidation;
  - (iii) any encumbrance or restriction pursuant to any Refinancing Financial Indebtedness Incurred pursuant to an agreement referred to in paragraph (i) above or an arrangement referred to in paragraph (ii) above or contained in any amendment to an agreement referred to in paragraph (i) above or an arrangement referred to in paragraph (ii) above; provided, however, that the encumbrances and restrictions with respect to the Guarantor or the relevant Subsidiary of the Guarantor contained in any such refinancing agreement or amendment are no less favourable to the Certificateholders than encumbrances and restrictions, taken as a whole, with respect to the Guarantor or such Subsidiary contained in such predecessor agreements;
  - (iv) any encumbrance or restriction with respect to a Subsidiary of the Guarantor imposed pursuant to an agreement entered into for the sale or disposition of all or substantially all the Capital Stock or assets of such Subsidiary pending the closing of such sale or disposition;
  - (v) any encumbrance or restriction contained in the terms of any Financial Indebtedness permitted to be Incurred pursuant to Condition 6(b)(ii) and/or (iii) or any agreement pursuant to which such Financial Indebtedness was issued if (x) either (i) the encumbrance or restriction applies only in the event of and during the continuance of a payment default or a default with respect to a financial covenant contained in such Financial Indebtedness or agreement or (ii) the Guarantor determines at the time any such Financial Indebtedness is Incurred (and at the time of any modification of the terms of any such encumbrance or restriction) that any such encumbrance or restriction will not adversely affect the Guarantor's ability to fulfil its payment obligations under the Transaction Documents and any other Financial Indebtedness that is an obligation of the Guarantor; and (y) the encumbrance or restriction is not materially more disadvantageous to the holders of the Certificates than is customary in comparable financings or agreements (as determined by the Guarantor in good faith);

- (vi) any encumbrance or restriction that is as a result of applicable law or regulation; and
  - (vii) any encumbrances or restrictions imposed by any amendments, modifications, restatements, renewals, increases, supplements, refundings, replacements or refinancings of the contracts, instruments or obligations referred to in paragraphs (i) through (v)(iv) above; provided that such amendments, modifications, restatements, renewals, increases, supplements, refundings, replacements or refinancings are, in the good faith judgment of the Board of Directors of the Guarantor, not materially more restrictive, taken as a whole, with respect to such dividend and other payment restrictions than those contained in the dividends or other payment restrictions prior to such amendment, modification, restatement, renewal, increase, supplement, refunding, replacement or refinancing; and
- (b) with respect to Condition 6(b)(viii)(iii) only:
- (i) any encumbrance or restriction consisting of customary non-assignment provisions in leases governing leasehold interests to the extent such provisions restrict the transfer of the lease or the property leased thereunder; and
  - (ii) any encumbrance or restriction contained in security agreements or mortgages securing Indebtedness of a Subsidiary of the Guarantor to the extent such encumbrance or restriction restricts the transfer of the property subject to such security agreements or mortgages;

**Permitted Security Interest** means any one or more of the following:

- (a) any Security Interest existing on the Signing Date;
- (b) any Security Interest granted by a Person where such Security Interest exists at the time that such Person is merged into, or consolidated with, the Guarantor or the relevant Material Subsidiary, provided that such Security Interest was not created in contemplation of such merger or consolidation and does not extend to any other assets or property of the Guarantor or the relevant Material Subsidiary;
- (c) any charge or lien arising by operation of law and in the ordinary course of trading and not as a result of any default or omission by any member of the Group;
- (d) any Security Interest arising in respect of Financial Indebtedness which comprises Permitted Financial Indebtedness within paragraphs (h),(i) and (m) of the definition thereof;
- (e) (subject as provided in paragraph (h) below) any Security Interest granted to secure any Non-recourse Project Financing of the Guarantor or a Material Subsidiary;
- (f) any Security Interest existing on any property or assets prior to the acquisition thereof by the Guarantor or the relevant Material Subsidiary, provided that: (x) such Security Interest was not created in contemplation of such acquisition and does not extend to other assets or property (other than the proceeds of such acquired assets or property); and (y) the maximum amount of Financial Indebtedness thereafter secured by such Security Interest does not exceed the purchase price of such assets or property or the Financial Indebtedness incurred solely for the purpose of financing the acquisition of such assets or property;
- (g) any renewal of or substitution for any Security Interest permitted by any of paragraphs (a) to (f) (inclusive) of this definition, provided that with respect to any such Security Interest the principal amount secured has not increased and the Security Interest has not been extended to any additional assets (other than the proceeds of such assets); and
- (h) any other Security Interest(s) not otherwise permitted under any other paragraph of this definition, provided that (i) the aggregate of all outstanding amounts secured by all such Security Interests and by any Security Interests permitted under paragraph (e) of this definition shall not at any time exceed an amount equal to 20 per cent. of the Total Assets and (ii) Security Interests in respect of Relevant Indebtedness and/or Relevant Sukuk Obligations shall not comprise Permitted Security Interests pursuant to this paragraph (h);

**Person** means any individual, company, corporation, firm, partnership, joint venture, association, organisation, state or agency of a state or other entity, whether or not having separate legal personality;

**Potential Dissolution Event** means any condition, event or act which, with the giving of notice, lapse of time, declaration, demand, determination or fulfilment of any other applicable condition (or any combination of the foregoing) could constitute a Dissolution Event;

**Proceedings** has the meaning given to it in Condition 19(e);

**Profit Rate** means 6.625 per cent. per annum;

**Prospectus** means the prospectus dated the Signing Date and published by the Guarantor and the Trustee in connection with the issue and offering of the Certificates;

**Purchase Undertaking** means, in respect of each Ijara Agreement, the purchase undertaking in connection with such Ijara Agreement to be entered into by the relevant Subsidiary of the Guarantor as obligor in favour of the Trustee (acting through the Service Agent) (substantially in the form scheduled to the Service Agency Agreement);

**Rating Agency** means Fitch, Moody's or Standard & Poor's or any of their successors;

**Record Date** has the meaning given to it in Condition 9(a);

**Refinancing** means, in respect of any Financial Indebtedness, to refinance, extend, renew, refund, repay, prepay, purchase, redeem, defease or retire, or to issue other Financial Indebtedness in exchange or replacement for, such Financial Indebtedness, and **Refinances** and similar terms are to be construed accordingly;

**Refinancing Financial Indebtedness** means Financial Indebtedness that Refinances any Financial Indebtedness of the Guarantor or any Subsidiary of the Guarantor, including Financial Indebtedness that Refinances Refinancing Financial Indebtedness; provided, however, that:

- (a) such Refinancing Financial Indebtedness has a Stated Maturity no earlier than the Stated Maturity of the Financial Indebtedness being Refinanced;
- (b) such Refinancing Financial Indebtedness has an Average Life at the time such Refinancing Financial Indebtedness is Incurred that is equal to or greater than the Average Life of the Financial Indebtedness being Refinanced;
- (c) such Refinancing Financial Indebtedness has an aggregate principal amount (or if Incurred with original issue discount, an aggregate issue price) that is equal to or less than the aggregate principal amount (or if Incurred with original issue discount, the aggregate accreted value) then outstanding (plus fees and expenses, including any premium) under the Financial Indebtedness being Refinanced; and
- (d) if the Financial Indebtedness being Refinanced is subordinated in right of payment to the Guarantor's payment obligations under the Transaction Documents, such Refinancing Financial Indebtedness is subordinated in right of payment to the Guarantor's payment obligations under the Transaction Documents at least to the same extent as the Financial Indebtedness being Refinanced,

provided further, however, that Refinancing Financial Indebtedness shall not include Financial Indebtedness of a Subsidiary of the Guarantor that Refinances Financial Indebtedness of the Guarantor;

**Register** has the meaning given to it in Condition 2;

**Regulated Market** means a regulated market for the purposes of the Markets in Financial Instruments Directive (Directive 2014/65/EU);

**Related Business** means any business in which the Guarantor and/or any of its Subsidiaries was engaged on the Signing Date and any businesses related, ancillary or complementary to such business (which shall include, for the avoidance of doubt, hospitality, retail and leasing activities);

**Relevant Date** has the meaning given to it in Condition 10;

**Relevant Indebtedness** means any present or future indebtedness which is in the form of, or which is represented or evidenced by, bonds, notes, debentures, loan stock or other securities which for the time being are, or are intended to be or are capable of being, quoted, listed or dealt in or traded on any stock exchange or over-the-counter or other securities market;

**Relevant Powers** has the meaning given to it in Condition 15(a);

**Relevant Sukuk Obligation** means any present or future undertaking or other obligation to pay any money given in connection with any issue of trust certificates or other securities intended to be issued in compliance with the principles of Shari'a, whether or not in return for consideration of any kind, which for the time being are, or are intended to be or are capable of being, quoted, listed or dealt in or traded on any stock exchange or over-the-counter or other securities market;

**Restricted Payments Measurement Period** means the five-year period (taken as one accounting period) ending on the final date of the Guarantor's most recently ended semi-annual period for which financial statements are available at the time of the Restricted Payment first mentioned in paragraph (D) of Condition 6(b)(v) (which, for the avoidance of doubt, shall include the Guarantor's annual consolidated financial statements which cover a semi-annual period ending on 31 December in any relevant year);

**Return Accumulation Period** means the period beginning on (and including) the Issue Date and ending on (but excluding) the first Periodic Distribution Date and each successive period beginning on (and including) a Periodic Distribution Date and ending on (but excluding) the next succeeding Periodic Distribution Date;

**Sajwani Family** means (i) Mr. Hussain Ali Habib Sajwani and his spouse and their respective siblings and such siblings' spouses; (ii) the respective lineal descendants of the persons mentioned in (i); and (iii) Mr. Hussain Ali Habib Sajwani's mother and mother-in-law;

**Sale and Purchase Agreement** means, in respect of each Ijara Agreement, the sale and purchase agreement in connection with such Ijara Agreement to be entered into between the Trustee (acting through the Service Agent) and the relevant Subsidiary of the Guarantor (substantially in the form scheduled to the Service Agency Agreement);

**Scheduled Dissolution Date** means 18 April 2023;

**Security Interest** means any mortgage, charge, pledge, lien or other security interest including, without limitation, anything analogous to any of the foregoing under the laws of any jurisdiction;

**Service Agency Agreement** means the service agency agreement dated the Issue Date between the Trustee and the Service Agent;

**Service Agent** means Priority Holding Limited;

**Signing Date** means 18 April 2018;

**Standard & Poor's** means Standard & Poor's Rating Services, a division of the McGraw-Hill Companies Inc.;

**Stated Maturity** means, with respect to any Financial Indebtedness, the date specified in the relevant documentation as the fixed date on which the final payment of principal in respect thereof is due and payable, including pursuant to any mandatory redemption provision (but excluding any provision providing for the repurchase of such Financial Indebtedness at the option of the holder thereof upon the happening of any contingency unless such contingency has occurred);

**Subsidiary** means, in relation to any Person (the **first Person**) at any particular time, any other Person (the **second Person**) whose affairs and policies the first Person controls or has the power to control, whether by ownership of share capital, contract, or the power to appoint or remove members of the governing body of the second Person;

**Sukuk Assets** means the Leased Assets (as defined in the relevant Ijara Agreement) and the rights under the Murabaha Agreement purchased by or transferred to the Trustee (acting through the Service Agent), as the case may be, in connection with the entry into of the Sukuk Contracts from time to time but excluding any Leased Asset which is the subject of an Ijara Agreement which has been terminated in accordance with its terms;

**Sukuk Contract Counterparties** means the counterparties to the Sukuk Contracts (other than the Trustee), and **Sukuk Contract Counterparty** means any one of them;

**Sukuk Contracts** means a series of contracts entered into in connection with the Certificates and comprising:

- (a) a series of Ijara Agreements (and the related Sale and Purchase Agreements, Purchase Undertakings and Ijara Service Agency Agreements) to be entered into between the Trustee (acting through the Service Agent) and one or more Subsidiaries of the Guarantor (together with any further and/or replacement Ijara Agreements (and the related Sale and Purchase Agreements, Purchase Undertakings and Ijara Service Agency Agreements) entered into from time to time between the Trustee (acting through the Service Agent) and one or more Subsidiaries of the Guarantor in accordance with the terms of the Service Agency Agreement); and
- (b) a Murabaha Agreement to be entered into between the Trustee (acting through the Service Agent), Majara Investment Limited and the commodity arranger named therein,

and **Sukuk Contract** means any one of them;

**Sukuk Proceeds** means the proceeds of the issue of the Certificates;

**Sukuk Proceeds Application Requirements** means the requirement for the Service Agent: (i) to apply the Sukuk Proceeds (in the name and on behalf of the Trustee) toward the entry into of a series of Sukuk Contracts (together with the purchase of the Sukuk Assets in connection therewith) which (as a whole) generates returns at least equal to each relevant Periodic Distribution Amount over a period which is equal to or greater than the remaining duration of the Certificates which are outstanding at the time of the relevant investment; and (ii) to ensure satisfaction of the Underlying Sukuk Conditions;

**Total Assets** means the total assets of the Group as shown in the most recently available consolidated financial statements of the Guarantor prepared in accordance with IFRS;

**Total Net Indebtedness to EBITDA Ratio** has the meaning given to it in Condition 6(b)(ii);

**Transaction Account** means the account maintained in London in the Trustee's name held with the Principal Paying Agent, into which the Service Agent and the Guarantor (as the case may be) will deposit all amounts due to the Trustee under the Transaction Documents;

**Transaction Documents** means:

- (a) the Declaration of Trust;
- (b) the Agency Agreement;
- (c) the Guarantee; and
- (d) the Service Agency Agreement;

**Trust Assets** has the meaning given to it in Condition 5(a);

**Trustee Certificate** means a certificate substantially in the form scheduled to the Declaration of Trust, duly signed by a director or an authorised signatory of the Trustee;

**Trustee Event** means any of the following events:

- (a) **Non-Payment:** default is made for more than seven days in the payment of the Dissolution Distribution Amount and/or the Change of Control Dissolution Distribution Amount (or any other amount in the nature of principal) following the date fixed for payment thereof or default is made for more than 14 days in the payment of any Periodic Distribution Amount following the due date for payment thereof; or
- (b) **Breach of Other Obligations:** the Trustee does not perform or comply with any one or more of its other duties, obligations or undertakings in the Certificates or the Transaction Documents to which it is a party, which failure is, in the opinion of the Delegate, incapable of remedy or, if in the opinion of the Delegate is capable of remedy, is not, in the opinion of the Delegate, remedied within the period of 30 days after written notice of such failure shall have been given by the Delegate to the Trustee requiring the same to be remedied; or
- (c) **Enforcement Proceedings:** any distress, attachment, execution or other legal process is levied, enforced or sued out on or against any part of the property, assets or revenues of the Trustee and is not discharged or stayed within 45 days; or

- (d) **Insolvency:** the Trustee is insolvent or bankrupt or unable to pay its debts as they fall due, proposes or makes a general assignment or an arrangement or composition with or for the benefit of the relevant creditors in respect of any of such debts or a moratorium is agreed or declared or comes into effect in respect of or affecting all or any part of (or of a particular type of) the debts of the Trustee; or
- (e) **Winding-up:** an administrator is appointed, an order is made or an effective resolution passed for the winding-up or dissolution or administration of the Trustee, or the Trustee applies or petitions for a winding-up or administration order in respect of itself or ceases or through an official action of its board of directors threatens to cease to carry on all or substantially all of its business or operations, in each case except for the purpose of and followed by a reconstruction, amalgamation, reorganisation, merger or consolidation on terms approved by an Extraordinary Resolution; or
- (f) **Authorisation and Consents:** any action, condition or thing (including the obtaining or effecting of any necessary consent, approval, authorisation, exemption, filing, licence, order, recording or registration) at any time required to be taken, fulfilled or done in order: (x) to enable the Trustee lawfully to enter into, exercise its rights and perform and comply with its duties, obligations and undertakings under the Certificates and the Transaction Documents to which it is party; (y) to ensure that those duties, obligations and undertakings are legally binding and enforceable; or (z) to make the Certificates and the Transaction Documents to which it is a party admissible in evidence in the courts of the Cayman Islands, England and the DIFC is not taken, fulfilled or done; or
- (g) **Illegality:** it is or will become unlawful for the Trustee to perform or comply with any one or more of its duties, obligations and undertakings under any of the Certificates or the Transaction Documents or any duties, obligations or undertakings of the Trustee under the Certificates or the Transaction Documents are not or cease to be legal, valid, binding and enforceable; or
- (h) **Repudiation:** the Trustee repudiates any Certificate or any Transaction Document or does or causes to be done any act or thing evidencing an intention to repudiate any Certificate or any Transaction Document; or
- (i) **Analogous Events:** any event occurs that under the laws of the Cayman Islands has an analogous effect to any of the events referred to in paragraph (d) or (e) above.

For the purpose of paragraph (a) above, all amounts payable in respect of the Certificates shall be considered due and payable (including any amounts expressed to be payable under Condition 7) notwithstanding that the Trustee has at the relevant time insufficient funds or Trust Assets to pay such amounts (whether as a result of the application of Condition 5(b) or otherwise); and

**Underlying Sukuk Conditions** means the following conditions to be met by the Service Agent pursuant to the terms of the Service Agency Agreement:

- (a) proper application of the Sukuk Proceeds in appropriate revenue-generating Sukuk Contracts in accordance with the Service Agency Agreement;
- (b) proper monitoring and timely enforcement of the performance by each Sukuk Contract Counterparty of its obligations under such Sukuk Contracts;
- (c) ensuring that each such Sukuk Contract remains in full force and effect whilst any Certificates remain outstanding, unless it expires or is terminated in accordance with its terms;
- (d) to the extent that a Sukuk Contract expires or is terminated prior to the Scheduled Dissolution Date (and no other Dissolution Date (other than any Change of Control Put Right Date where some, but not all, of the Certificates then outstanding are to be redeemed) has occurred), ensuring that such Sukuk Contract is replaced by a contract of equal or greater aggregate value (as determined by reference to the amounts payable under the relevant Sukuk Contract by the relevant Sukuk Contract Counterparty and which contract complies with limb (i) of the definition of Sukuk Proceeds Application Requirements) on the same day of such expiry or termination of the relevant Sukuk Contract, save where (i) an Ijara Agreement has been terminated as a result of a Total Loss or a Loss Event (each as defined in the Ijara Agreement),

in which case a replacement Ijara Agreement (including the related Sale and Purchase Agreement and, if required, the related Purchase Undertaking and Ijara Service Agency Agreement) will be entered into as soon as practicable using the proceeds of Insurance pursuant to the Ijara Service Agency Agreement and/or if applicable, any indemnity amounts payable in connection with a Total Loss Shortfall Amount (as defined in the Ijara Service Agency Agreement) thereof; (ii) any Certificates have been purchased by the Guarantor and/or any Subsidiary thereof and are to be cancelled pursuant to Condition 8(f), in which case such Sukuk Contract must be replaced only if and to the extent required to ensure compliance with the terms of the Sukuk Proceeds Application Requirements; or (iii) a Change of Control Event has occurred and some, but not all, of the Certificates then outstanding are to be redeemed on the corresponding Change of Control Put Right Date, in which case such Sukuk Contract must be replaced only if and to the extent required to ensure compliance with the terms of the Sukuk Proceeds Application Requirements; and

- (e) not waiving or forgiving the obligation of any Sukuk Contract Counterparty under any such Sukuk Contract and not entering into any arrangement to dispose at a discount of any rights under any such Sukuk Contract.

All references to the "face amount" of a Certificate shall be deemed to include the Dissolution Distribution Amount, the Change of Control Dissolution Distribution Amount, any additional amounts (other than relating to Periodic Distribution Amounts) which may be payable under Condition 10 and any other amount in the nature of face amounts payable pursuant to these Conditions.

All references to "Periodic Distribution Amounts" shall be deemed to include any additional amounts in respect of profit distributions which may be payable under Condition 10 and any other amount in the nature of a profit distribution payable pursuant to these Conditions.

All references to **U.S.\$, U.S. dollars** and **\$** are to the lawful currency of the United States of America.

## **2 Form, Denomination and Title**

The Certificates are issued in registered form in denominations of U.S.\$200,000 and integral multiples of U.S.\$1,000 in excess thereof.

Certificates are represented by registered certificates and, save as provided in Condition 3(b), each Certificate shall represent the entire holding of Certificates by the same holder.

Title to the Certificates shall pass by registration in the register that the Trustee shall procure to be kept by the Registrar outside the United Kingdom in accordance with the provisions of the Agency Agreement (the **Register**). Each Certificate will be numbered serially with an identifying number which will be recorded on the relevant Certificate and in the Register. Except as ordered by a court of competent jurisdiction or as required by law, the registered holder of any Certificate shall be deemed to be and may be treated as its absolute owner for all purposes whether or not it is overdue and regardless of any notice of ownership, trust or an interest in it, any writing on it or its theft or loss and no person shall be liable for so treating the holder. The registered holder of a Certificate will be recognised by the Trustee as entitled to his Certificate free from any equity, set-off or counterclaim on the part of the Trustee against the original or any intermediate holder of such Certificate.

In these Conditions, **Certificateholder** or **holder** means the person in whose name a Certificate is registered.

## **3 Transfers**

- (a) **Transfer of Registered Certificates:** Subject to Condition 3(d), one or more Certificates may be transferred upon the surrender (at the specified office of the Registrar or any Transfer Agent) of the Certificate representing such Certificates to be transferred, together with the form of transfer endorsed on such Certificate, (or another form of transfer substantially in the same form and containing the same representations and certifications (if any), unless otherwise agreed by the Trustee), duly completed and executed and any other evidence as the Registrar or Transfer Agent may reasonably require. In the case of a transfer of part only of a holding of Certificates represented by one Certificate, a new Certificate shall be issued to the transferee in respect of the part transferred and a further new Certificate in respect of the balance of the holding not transferred shall be issued to the transferor. In the case of a transfer of Certificates to a person who is already a holder of Certificates, a new Certificate representing the

enlarged holding shall only be issued against surrender of the Certificate representing the existing holding. All transfers of Certificates and entries on the Register will be made subject to the detailed regulations concerning transfers of Certificates scheduled to the Agency Agreement. The regulations may be changed by the Trustee, the Guarantor and the Registrar. A copy of the current regulations will be made available by the Registrar to any Certificateholder upon request.

- (b) **Delivery of New Certificates:** Each new Certificate to be issued pursuant to Condition 3(a) shall be available for delivery within five business days of receipt of the form of transfer and surrender of the Certificate for exchange. Delivery of the new Certificate(s) shall be made at the specified office of the Transfer Agent or of the Registrar (as the case may be) to whom delivery or surrender of such form of transfer or Certificate shall have been made or, at the option of the holder making such delivery or surrender as aforesaid and as specified in the relevant form of transfer or otherwise in writing, be mailed by uninsured post at the risk of the holder entitled to the new Certificate to such address as may be so specified. In this Condition 3(b), **business day** means a day, other than a Saturday or Sunday, on which banks are open for business in the place of the specified office of the relevant Transfer Agent or the Registrar (as the case may be).
- (c) **Transfers Free of Charge:** Transfers of Certificates on registration or transfer shall be effected without charge by or on behalf of the Trustee, the Registrar or the Transfer Agents, except that the Trustee may require payment of a sum to it to cover any stamp duty, tax or other governmental charges that may be imposed in relation to the registration (or the giving of such indemnity as the Registrar or the relevant Transfer Agent may require).
- (d) **Closed Periods:** No Certificateholder may require the transfer of a Certificate to be registered: (i) during the period of 15 days ending on the due date for payment of the Dissolution Distribution Amount, Change of Control Dissolution Distribution Amount or Periodic Distribution Amount or any other date on which any payment of the face amount or payment of any profit in respect of that Certificate falls due; (ii) after any such Certificate has been called for redemption pursuant to Condition 8(b) or the last paragraph of Condition 8(c); or (iii) during the period of seven days ending on (and including) any Record Date.

#### **4 Status**

- (a) **Status of Certificates:** The Certificates represent an undivided ownership interest in the Trust Assets and are limited recourse obligations of the Trustee. Each Certificate will constitute unsecured obligations of the Trustee and shall at all times rank *pari passu* and without any preference or priority with all other Certificates. The payment obligations of the Guarantor (in any capacity) under the Transaction Documents shall, save for such exceptions as may be provided by applicable legislation and subject to the negative pledge provisions described in Condition 6(b)(i), at all times rank at least equally with all other unsecured and unsubordinated obligations of the Guarantor, present and future.
- (b) **Limited Recourse and Agreement of Certificateholders:** Save as provided in this Condition 4(b), the Certificates do not represent an interest in or obligation of any of the Trustee, the Delegate, the Guarantor, the Service Agent, any of the Agents or any of their respective affiliates.

The proceeds of the Trust Assets are the sole source of payments on the Certificates. The net proceeds of the realisation of, or enforcement with respect to, the Trust Assets may not be sufficient to make all payments due in respect of the Certificates. Subject to Condition 12, Certificateholders, by subscribing for or acquiring the Certificates, acknowledge that notwithstanding anything to the contrary contained in these Conditions or any Transaction Document:

- (i) no payment of any amount whatsoever shall be made by the Trustee or the Delegate or any of their respective directors, officers, employees or agents on their behalf except to the extent funds are available therefor from the Trust Assets and further acknowledge and agree that no recourse shall be had for the payment of any amount due and owing hereunder or under any Transaction Document, whether for the payment of any fee, indemnity or other amount hereunder or any other obligation or claim arising out of or based upon the Transaction Documents, against the Trustee to the extent the Trust Assets have been exhausted, following which all obligations of the Trustee shall be extinguished;



- (ii) the Trustee may only realise or deal with its interest, rights, benefit and entitlements, present and future in, to and under the Sukuk Contracts and the Sukuk Assets in the manner expressly permitted by the Transaction Documents;
- (iii) if the proceeds of the Trust Assets are insufficient to make all payments due in respect of the Certificates, Certificateholders will have no recourse to any assets of the Trustee (and/or its directors, officers, shareholders or corporate services provider in each of their respective capacities as such) (other than the Trust Assets) or of the Delegate or the Agents or any of their respective directors, officers, employees, agents, shareholders or affiliates, in each case in respect of any shortfall or otherwise;
- (iv) no Certificateholders will be able to petition for, institute, or join with any other person in instituting proceedings for, the reorganisation, arrangement, liquidation, bankruptcy, winding-up or receivership or other proceedings under any bankruptcy or similar law against the Trustee (and/or its directors), the Delegate, the Agents or any of their respective directors, officers, employees, agents, shareholders or affiliates as a consequence of such shortfall or otherwise;
- (v) no recourse (whether by institution or enforcement of any legal proceedings or assessment or otherwise) in respect of any breaches of any duty, obligation or undertaking of the Trustee or the Delegate arising under or in connection with the Declaration of Trust by virtue of any customary law, statute or otherwise shall be had against any shareholder, officer, director or corporate services provider of the Trustee and/or the Delegate in each of their respective capacities as such. The obligations of the Trustee and the Delegate under the Certificates and the Transaction Documents are corporate or limited liability obligations of the Trustee and/or the Delegate, as the case may be, and no personal liability shall attach to or be incurred by the shareholders, members, officers, agents, directors or corporate services provider of the Trustee and/or the Delegate (in each of their respective capacities as such); and
- (vi) it shall not be entitled to claim or exercise any right of set-off, counterclaim, abatement or other similar remedy which it might otherwise have, under the laws of any jurisdiction, in respect of such Certificate. No collateral is or will be given for the payment obligations under the Certificates (without prejudice to the negative pledge provisions described in Condition 6(b)(ii)).

Pursuant to the terms of the Transaction Documents, each of the Guarantor and the Service Agent is obliged to make payments in certain circumstances under the relevant Transaction Documents to which it is a party directly to or to the order of the Trustee. Such payment obligations form part of the Trust Assets and the Trustee and the Delegate will thereby have direct recourse against the Guarantor or the Service Agent (as applicable) to recover payments due to the Trustee from the Guarantor or the Service Agent (as applicable) pursuant to such Transaction Documents notwithstanding any other provision of this Condition 4(b). Any such right of the Trustee and the Delegate against the Guarantor shall (subject to the negative pledge provisions described in Condition 6(b)(ii)) constitute an unsecured claim against the Guarantor. None of the Certificateholders, the Trustee or the Delegate shall be entitled to claim any priority right in respect of any specific assets of the Guarantor in connection with the enforcement of any such claim.

## 5 The Trust

- (a) **Trust Assets:** Pursuant to the Declaration of Trust, the Trustee holds the Trust Assets upon trust absolutely for and on behalf of the Certificateholders *pro rata* according to the face amount of Certificates held by each holder. The term **Trust Assets** means:
  - (i) all of the interest, rights, title, benefits and entitlements, present and future, of the Trustee in, to and under the Sukuk Contracts and the Sukuk Assets;
  - (ii) all of the interest, rights, benefits and entitlements, present and future, of the Trustee in, to and under the Transaction Documents (excluding (A) any representations given by the Guarantor to the Trustee and/or the Delegate pursuant to any of the Transaction Documents and (B) the covenant given to the Trustee pursuant to Clause 18.1 of the Declaration of Trust); and
  - (iii) all moneys standing to the credit of the Transaction Account from time to time,

and all proceeds of the foregoing.

- (b) **Application of Proceeds from Trust Assets:** On each Periodic Distribution Date and on any Dissolution Date, the Principal Paying Agent shall apply the monies standing to the credit of the Transaction Account in the following order of priority (in each case only if and to the extent that payments of a higher priority have been made in full):
- (i) **first**, (to the extent not previously paid) to the Delegate in respect of all amounts owing to it under the Transaction Documents in its capacity as Delegate and to any receiver, manager or administrative receiver or any other analogous officer and any agent appointed in respect of the Trust by the Delegate in accordance with the Declaration of Trust;
  - (ii) **second**, only if such payment is due on a Periodic Distribution Date (to the extent not previously paid) to pay *pro rata* and *pari passu* (i) the Trustee in respect of all amounts properly incurred and documented owing to it under the Transaction Documents in its capacity as Trustee; (ii) the Administrator in respect of all amounts owing to it under the Transaction Documents and the Corporate Services Agreement in its capacity as administrator for the Trustee; and (iii) each Agent in respect of all amounts owing to such Agent on account of its fees, costs, charges and expenses and the payment or satisfaction of any liability incurred by such Agent pursuant to the Agency Agreement or the other Transaction Documents in its capacity as Agent;
  - (iii) **third**, only if such payment is due on a Periodic Distribution Date, to the Principal Paying Agent for application in or towards payment *pari passu* and rateably of all Periodic Distribution Amounts due but unpaid;
  - (iv) **fourth**, only if such payment is due on a Dissolution Date, to the Principal Paying Agent for application in or towards payment *pari passu* and rateably of the Dissolution Distribution Amount (or the Change of Control Dissolution Distribution Amount, as the case may be); and
  - (v) **fifth**, only on the Scheduled Dissolution Date and provided that all amounts required to be paid on the Certificates hereunder have been discharged in full, in payment of any residual amount to the Service Agent.

## 6 Covenants

- (a) **Trustee Covenants:** The Trustee covenants that, for so long as any Certificate is outstanding, it shall not (without the prior written consent of the Delegate):
- (i) incur any indebtedness in respect of borrowed money or in respect of financing raised in accordance with the principles of Shari'a, or give any guarantee or indemnity in respect of any obligation of any person or issue any shares (or rights, warrants or options in respect of shares or securities convertible into or exchangeable for shares) except, in all cases, as contemplated in the Transaction Documents;
  - (ii) secure any of its present or future indebtedness by any lien, pledge, charge or other security interest upon any of its present or future assets, properties or revenues (other than those arising by operation of law (if any) and other than under or pursuant to any of the Transaction Documents);
  - (iii) sell, lease, transfer, assign, participate, exchange or otherwise dispose of, or pledge, mortgage, hypothecate or otherwise encumber (by security interest, lien (statutory or otherwise), preference, priority or other security agreement or preferential arrangement of any kind or nature whatsoever or otherwise) (or permit such to occur or suffer such to exist), any part of its interests in any of the Trust Assets except pursuant to any of the Transaction Documents;
  - (iv) except as provided in Condition 14, amend or agree to any amendment of any Certificate, any Transaction Document to which it is a party (other than in accordance with the terms thereof) or its constitutional documents;
  - (v) except as provided in the Declaration of Trust, act as trustee in respect of any trust other than the Trust or in respect of any parties other than the Certificateholders;
  - (vi) have any subsidiaries or employees;

- (vii) redeem any of its shares or pay any dividend or make any other distribution to its shareholders;
- (viii) use the proceeds of the issue of the Certificates for any purpose other than as stated in the Transaction Documents;
- (ix) put to its directors or shareholders any resolution for, or appoint any liquidator for, its winding-up or any resolution for the commencement of any other bankruptcy or insolvency proceeding with respect to it; or
- (x) enter into any contract, transaction, amendment, obligation or liability other than the Certificates and the Transaction Documents to which it is a party or as expressly contemplated, permitted or required thereunder or engage in any business or activity other than:
  - (A) as contemplated, provided for or permitted in the Certificates and the Transaction Documents;
  - (B) the ownership, management and disposal of the Trust Assets as provided in the Certificates and the Transaction Documents; and
  - (C) such other matters which are incidental thereto.

The Trustee further covenants that, for so long as any Certificate is outstanding:

- (i) it will furnish to the Delegate a Trustee Certificate together with each copy of the Guarantor's financial statements referred to in Condition 6(b)(vii) and otherwise promptly upon request by the Delegate (and in any event within 10 Business Days of such request): (a) certifying compliance with the provisions of this Condition 6(a); and (b) stating whether since the date of the last Officers Certificate or (if none) the Issue Date, any Dissolution Event, Potential Dissolution Event or Change of Control Event has occurred and, if any such event shall have occurred, providing details in respect thereof and stating what action the Trustee is taking or proposes to take with respect thereto; and
- (ii) it will use all reasonable endeavours to maintain the listing and/or quotation of the Certificates on at least one of Euronext Dublin and/or Nasdaq Dubai, provided that if (a) it is unable to do so having used all reasonable endeavours or the maintenance of such listing or trading is impracticable or unduly onerous and (b) the Delegate is of the opinion that to do so would not be materially prejudicial to the interests of the Certificateholders, it will obtain and maintain a quotation or listing of the Certificates on a Regulated Market.

(b) **Guarantor Covenants:** The Guarantor covenants that, for so long as any Certificate is outstanding:

- (i) **Negative pledge:** it will not, and it will procure that no Material Subsidiary will, create, or have outstanding, any Security Interest, other than a Permitted Security Interest, upon the whole or any part of its present or future undertaking, assets or revenues, without at the same time or prior thereto (x) securing all amounts payable by it to the Trustee under the Transaction Documents to which it is a party (in whatever capacity) equally and rateably therewith or (y) providing such other security for the payment of such amounts as either: the Delegate shall in its absolute discretion deem not materially less beneficial to the interests of the Certificateholders; or (B) shall be approved by an Extraordinary Resolution;
- (ii) **Limitation on indebtedness (Guarantor):** it will not create, issue, incur, assume, guarantee or in any manner become directly or indirectly liable with respect to or otherwise become responsible for, contingently or otherwise, the payment of (individually and collectively, to **Incur** or, as appropriate, an **Incurrence**) any Financial Indebtedness (other than Permitted Financial Indebtedness); provided that the Guarantor will be permitted to Incur such Financial Indebtedness if on the date of such Incurrence and after giving effect thereto on a *pro forma* basis:
  - (a) no Potential Dissolution Event or Dissolution Event has occurred and is continuing or would occur as a consequence of such Incurrence;

- (b) the ratio of Consolidated Total Net Indebtedness to EBITDA (the **Total Net Indebtedness to EBITDA Ratio**) for the immediately preceding Measurement Period does not exceed 2.75:1; and
- (c) the ratio of EBITDA to Consolidated Net Interest Expense (the **EBITDA to Consolidated Net Interest Expense Ratio**) for the immediately preceding Measurement Period is not less than 2.5:1;
- (iii) **Limitation on indebtedness (Subsidiaries):** it will procure that none of its Subsidiaries will Incur any Financial Indebtedness (other than Permitted Financial Indebtedness);
- (iv) **Disposals:** it will not, and will ensure that none of its Subsidiaries will, directly or indirectly enter into an Asset Sale, unless the consideration received by the Guarantor or its Subsidiary (as the case may be) is at least equal to the Fair Market Value of the assets sold or disposed of.

In the case of each of (a), (b) and (c) below, the determination as to whether such Asset Sale complies with this Condition 6(b)(iv) shall be made by an Independent Appraiser at the time of such Asset Sale (which, for the avoidance of doubt, shall in the case of paragraph (c) below also require a determination of the Fair Market Value of the non-cash consideration received):

- (a) any Asset Sale other than to an Affiliate of the Guarantor in respect of an asset with a book value (as determined by reference to the most recently available consolidated financial statements of the Guarantor or the most recently available consolidated financial statements of its relevant Subsidiary (as the case may be) prepared in accordance with IFRS) that exceeds 3 per cent. of the Total Assets at the time of any such proposed Asset Sale;
- (b) any Asset Sale to any Affiliate of the Guarantor (other than a Subsidiary of the Guarantor) in respect of any asset with a book value (as determined by reference to the most recently available consolidated financial statements of the Guarantor or the most recently available consolidated financial statements of its relevant Subsidiary (as the case may be) prepared in accordance with IFRS) that, when aggregated with all other Asset Sales to any Affiliate of the Guarantor (other than a Subsidiary of the Guarantor) during the calendar year in which the date of the relevant Asset Sale occurs, exceeds U.S.\$10,000,000 (or its equivalent in any other currency or currencies) in aggregate; and
- (c) any Asset Sale where the consideration is other than in the form of cash and where the asset has a book value (as determined by reference to the most recently available consolidated financial statements of the Guarantor or the most recently available consolidated financial statements of its relevant Subsidiary (as the case may be) prepared in accordance with IFRS) that, when aggregated with all other Asset Sales where the consideration is other than in the form of cash during the calendar year in which the date of the relevant Asset Sale occurs, exceeds U.S.\$2,500,000 (or its equivalent in any other currency or currencies) in aggregate;
- (v) **Restricted Payments:** it will not, and will ensure that none of its Subsidiaries will, directly or indirectly:
  - (a) declare or pay any dividend, in cash or otherwise, or make any other payment or distribution (whether by way of redemption, acquisition or otherwise) in respect of its share capital (other than dividends, payments or distributions payable to the Guarantor or any of its Subsidiaries and other than dividends or distributions payable in the form of shares of the Guarantor); or
  - (b) voluntarily purchase, redeem or otherwise acquire or retire for value any Capital Stock of the Guarantor or any of its Affiliates; or
  - (c) make any payment on or with respect to, or purchase, redeem, defease or otherwise acquire or retire for value any Financial Indebtedness of the Guarantor that is contractually subordinated to the obligations of the Guarantor under the Transaction Documents (excluding any intercompany Financial Indebtedness between or among the Guarantor and any of its Subsidiaries), except a payment of interest or principal

(or equivalent amounts) at either the Stated Maturity thereof or on any Call Date in respect thereof; or

(d) make any Investment (other than a Permitted Investment) in any Person,

(all such payments and other actions set out in (a) to (d) (inclusive) above being together referred to herein as **Restricted Payments**), unless at the time of and after giving effect to such Restricted Payment:

(A) no Potential Dissolution Event or Dissolution Event has occurred and is continuing or would occur as a consequence of such Restricted Payment;

(B) the Total Net Indebtedness to EBITDA Ratio for the immediately preceding Measurement Period does not exceed 2.75:1;

(C) the EBITDA to Consolidated Net Interest Expense Ratio for the immediately preceding Measurement Period is not less than 2.5:1; and

(D) such Restricted Payment when aggregated with all other Restricted Payments declared or made during the relevant Restricted Payments Measurement Period is less than the sum of:

(A) 66 per cent. of the Consolidated Net Income of the Guarantor for such Restricted Payments Measurement Period (for the purposes of calculating 66 per cent. of the Consolidated Net Income for such period, 66 per cent. of the Consolidated Net Income for each semi-annual period falling within such Restricted Payments Measurement Period will be aggregated, provided that where the Consolidated Net Income for any such semi-annual period is a deficit, 100 per cent. of such deficit shall be subtracted from the total); and

(B) 100 per cent. of the aggregate Net Cash Proceeds received by the Guarantor from the issuance or sale of its Capital Stock during such Restricted Payments Measurement Period and 100 per cent. of any cash capital contribution received by the Guarantor from its shareholders during such Restricted Payments Measurement Period,

save that no provision of this Condition 6(b)(v) shall prevent any exchange or cancellation of GDRs in connection with the listing (if any) of the Guarantor (or any other entity owning substantially all of the Guarantor's assets and which is incorporated for such purpose) on any securities exchange after the Issue Date;

(vi) **Transactions with Affiliates:**

(a) it will not, and will ensure that none of its Subsidiaries will, directly or indirectly, conduct any business, enter into or permit to exist any transaction or series of related transactions (including, without limitation, the purchase, sale, transfer, assignment, lease, conveyance or exchange of any property or the rendering of any service) with, or for the benefit of, any Affiliate (an **Affiliate Transaction**) including, without limitation, intercompany loans, unless the terms of such Affiliate Transaction are no less favourable to such entity than those that could be obtained (at the time of such transaction or, if such transaction is pursuant to a written agreement, at the time of the execution of the agreement providing therefor) in a comparable arm's length transaction with a Person that is not an Affiliate of such entity;

(b) Condition 6(b)(vi)(a) above does not apply to:

(A) any Affiliate Transaction between the Guarantor and its Subsidiaries and/or between the Guarantor's Subsidiaries; or

(B) any Affiliate Transaction which, when aggregated with all other Affiliate Transactions in the calendar year in which the date of the relevant Affiliate Transaction occurs, involves payments or value over time of less than

U.S.\$10,000,000 (or its equivalent in any other currency or currencies) in aggregate (provided that such exception shall be without prejudice to the requirements of Condition 6(b)(iv) in respect of Asset Sales which are also Affiliate Transactions); or

- (C) compensation or employee benefit arrangements with any employee, officer or director of the Guarantor or any of its Subsidiaries arising as a result of their employment contract; or
  - (D) any other arrangement existing on the Signing Date and disclosed in the Prospectus;
- (vii) **Financial information:** it will: (i) provide its latest reviewed semi-annual consolidated financial statements prepared in accordance with IFRS to the Delegate within a period of 60 days from the end of each relevant period; (ii) provide its audited annual consolidated financial statements prepared in accordance with IFRS to the Delegate within a period of 120 days from the end of each financial year; and (iii) arrange for all such financial statements and reports to be published in accordance with the listing rules of Euronext Dublin and the Market Rules of the Dubai Financial Services Authority;
- (viii) **Limitation on Restrictions on Distributions from Subsidiaries:** it will not, and will ensure that none of its Subsidiaries will, create or otherwise cause or permit to exist or become effective any consensual encumbrance or restriction on the ability of any Subsidiary of the Guarantor to: (i) pay dividends or make any other distributions on its Capital Stock to the Guarantor or a Subsidiary of the Guarantor or pay any Financial Indebtedness owed to the Guarantor or a Subsidiary of the Guarantor; (ii) make any loans or advances to the Guarantor or a Subsidiary of the Guarantor; or (iii) transfer any of its property or assets to the Guarantor or a Subsidiary of the Guarantor, except for a Permitted Restriction;
- (ix) **Limitation on Conduct of Business of Service Agent:** it will ensure that the Service Agent does not enter into any transaction or conduct any activities (including the incurrence of any Financial Indebtedness) other than as may be permitted under, or contemplated by, the Service Agency Agreement and each Sukuk Contract save that it may enter into the subscription agreement (howsoever named) and related documents in connection with the issue of Certificates;
- (x) **Merger and Consolidation:** it will not consolidate with or merge with or into, or convey, transfer or lease, in one transaction or a series of transactions, directly or indirectly, all or substantially all its assets to, any Person, unless:
- (a) the resulting, surviving or transferee Person (the **Successor Company**) shall be a Person organised and existing under the laws of the DIFC, the United Arab Emirates, any state which is a member of the European Union (other than the United Kingdom, as the case may be), the United Kingdom, Canada, the United States, any state thereof or the District of Columbia and the Successor Company (if not the Guarantor) shall expressly assume, by a guarantee supplemental thereto, executed and delivered to the Trustee and the Delegate, in form satisfactory to Trustee and the Delegate, all the obligations of the Guarantor under the Transaction Documents to which it is a party;
  - (b) immediately after giving *pro forma* effect to such transaction (and treating any Financial Indebtedness which becomes an obligation of the Successor Company or any Subsidiary of the Guarantor as a result of such transaction as having been Incurred by such Successor Company or such Subsidiary at the time of such transaction), no Potential Dissolution Event or Dissolution Event has occurred and is continuing or would occur as a result;
  - (c) the Total Net Indebtedness to EBITDA Ratio for the immediately preceding Measurement Period does not exceed 2.75:1;
  - (d) the EBITDA to Consolidated Net Interest Expense Ratio for the immediately preceding Measurement Period is not less than 2.5:1; and

- (e) the Guarantor shall have delivered to the Trustee and the Delegate an Officers Certificate and an Opinion of Counsel, each stating that such consolidation, merger or transfer and such supplemental guarantee (if any) comply with the foregoing,

provided, however, that sub-paragraph (a) above will not be applicable to: (A) a Subsidiary of the Guarantor consolidating with, merging into or transferring all or part of its properties and assets to the Guarantor (so long as no Capital Stock of the Guarantor is distributed to any Person); or (B) the Guarantor merging with an Affiliate of the Guarantor solely for the purpose and with the sole effect of reincorporating the Guarantor in another jurisdiction.

For the purposes of this Condition 6(b)(x), the sale, lease, conveyance, assignment, transfer or other disposition of all or substantially all of the properties and assets of one or more Subsidiaries of the Guarantor, which properties and assets, if held by the Guarantor instead of such Subsidiaries, would constitute all or substantially all of the properties and assets of the Guarantor on a consolidated basis, shall be deemed to be the transfer of all or substantially all of the properties and assets of the Guarantor.

The Successor Company will be the successor to the Guarantor and shall succeed to, and be substituted for, and may exercise every right and power of, the Guarantor under the Transaction Documents to which the Guarantor is a party, and the predecessor Guarantor, except in the case of a lease, shall be released from the obligation to pay all amounts in respect of the principal of and Periodic Distribution Amounts on the Certificates.

- (xi) **Officers Certificate:** it will furnish to the Delegate an Officers Certificate together with each copy of its financial statements referred to in Condition 6(b)(vii) and otherwise as soon as reasonably practicable following a request by the Delegate (and in any event within 10 Business Days of such request): (a) certifying compliance with the provisions of Condition 6(b); (b) listing its Material Subsidiaries (if any) as at such date; (c) setting out the Total Net Indebtedness to EBITDA Ratio for the immediately preceding Measurement Period; (d) setting out the EBITDA to Consolidated Net Interest Expense Ratio for the immediately preceding Measurement Period; and (e) stating whether since the date of the last Officers Certificate or (if none) the Issue Date, any Dissolution Event, Potential Dissolution Event or Change of Control Event has occurred and, if any such event shall have occurred, providing details in respect thereof and stating what action the Guarantor is taking or proposes to take with respect thereto;
- (xii) **Rating:** it will maintain a corporate rating with at least one Rating Agency; and
- (xiii) **Listing:** it will use all reasonable endeavours to maintain the listing and/or quotation of the Certificates with at least one of Euronext Dublin and/or Nasdaq Dubai, provided that if it is unable to do so having used all reasonable endeavours or the maintenance of such listing or trading is impracticable or unduly onerous, it will obtain and maintain a quotation or listing of the Certificates on a Regulated Market.

(c) **Investment Grade Status**

The provisions of Conditions 6(b)(vii) to 6(b)(xiii) (inclusive) shall cease to apply immediately upon the Certificates having Investment Grade Status, provided that no Dissolution Event or Potential Dissolution Event shall have occurred and be continuing. However, such Conditions shall immediately apply again if and for so long as the Certificates subsequently fail to have Investment Grade Status. For the purposes of this Condition 6(c) only, the expressions **Permitted Restriction** and **Related Business** shall each be construed to refer to the date on which the provisions of Conditions 6(b)(vii) to 6(b)(xiii) (inclusive) reapply in accordance with this Condition 6(c) rather than the Signing Date.

(d) **Delegate Reliance**

The Trustee and the Guarantor have respectively undertaken in the Declaration of Trust to deliver Trustee Certificates and Officers Certificates (as applicable) to the Delegate in certain circumstances. The Delegate will be entitled to rely on any such Officers Certificate or Trustee Certificate without liability to any person and shall not be obliged to independently monitor compliance by the Trustee or the Guarantor with the covenants set forth in this Condition 6 or any other covenants or obligations of the Trustee or Guarantor under these Conditions or under any Transaction Document (and will not be

liable to any person for not so doing) and need not enquire further as regards the circumstances existing on the date of any such Officers Certificate or Trustee Certificate.

## 7 Periodic Distribution Amounts

- (a) **Periodic Distribution Amounts:** A profit distribution shall be payable in arrear in respect of the Certificates on each Periodic Distribution Date, in respect of the Return Accumulation Period ending on such date, shall accrue at the Profit Rate and the amount of which shall be calculated as provided in Condition 7(b) (each such distribution being referred to in these Conditions as a **Periodic Distribution Amount**). Periodic Distribution Amounts shall be distributed to Certificateholders by the Principal Paying Agent on behalf of the Trustee, *pro rata* to their respective holdings, out of amounts transferred to the Transaction Account and subject to Condition 5(b) and Condition 9.
- (b) **Calculations:** The amount of profit payable per Calculation Amount in respect of any Certificate for any period shall be equal to the product of the Profit Rate, the Calculation Amount, and the Day Count Fraction for such period, with the result being rounded to the nearest U.S.\$0.01, U.S.\$0.005 being rounded upwards. For these purposes, **Day Count Fraction** means, in respect of the calculation of an amount of profit on any Certificate for any period (whether or not constituting a Return Accumulation Period, the **Calculation Period**), the number of days in the Calculation Period divided by 360 (the number of days in such period to be calculated on the basis of a year of 360 days with 12 30-day months and, in the case of an incomplete month, the number of days elapsed).
- (c) **Entitlement to Profit:** Profit shall cease to accumulate in respect of each Certificate on the due date for redemption unless, upon due presentation, payment is improperly withheld or refused, in which event profit shall, subject to the terms of the Transaction Documents, continue to accumulate at the Profit Rate in the manner provided in this Condition 7 to the Relevant Date.

## 8 Redemption and Dissolution of the Trust

- (a) **Dissolution on the Scheduled Dissolution Date:** Unless previously redeemed, or purchased and cancelled, in full, as provided below, each Certificate shall be finally redeemed on the Scheduled Dissolution Date at its Dissolution Distribution Amount, and the Trust shall be dissolved by the Trustee on the Scheduled Dissolution Date following the payment of all such amounts in full. Upon such dissolution as aforesaid and the termination of the Trust, the Certificates shall cease to represent interests in the Trust Assets and no further amounts shall be payable in respect thereof and the Trustee shall have no further obligations in respect thereof.
- (b) **Early Dissolution for Taxation Reasons:** The Certificates may be redeemed at the option of the Trustee in whole, but not in part, at any time (such date being an **Early Tax Dissolution Date**), on giving not less than 30 nor more than 60 days' notice to the Certificateholders in accordance with Condition 17 (which notice shall be irrevocable) at their Dissolution Distribution Amount if the Trustee satisfies the Delegate immediately before the giving of such notice that:
- (i) the Trustee has or will become obliged to pay additional amounts as described under Condition 10;
  - (ii) the Trustee has received notice from the Service Agent that: (A) the Service Agent has or will become obliged to pay additional amounts to the Trustee pursuant to the Service Agency Agreement; or (B) one or more Sukuk Contract Counterparties has or will become obliged to pay additional amounts pursuant to the relevant Sukuk Contract; or
  - (iii) the Trustee has received notice from the Guarantor that it has or will become obliged to pay additional amounts to the Trustee pursuant to the Guarantee,

in each case (x) as a result of any change in, or amendment to, the laws or regulations of the Cayman Islands, the DIFC, the United Arab Emirates or the Emirate of Dubai or any political subdivision or, in each case, any authority thereof or therein having power to tax, or any change in the application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after the Signing Date, and (y) such obligation cannot be avoided by the Trustee, the Service Agent, the relevant Sukuk Contract Counterparty or the Guarantor, as the case may be, taking reasonable measures available to it; and provided in each case that no such notice of dissolution shall be given earlier than 90 days prior to the earliest date on which, in the case of paragraph (i) above, the Trustee would be obliged to pay such additional amounts were a payment in respect of the Certificates then due



or, in the case of paragraph (ii)(A) above, the Service Agent would be obliged to pay such additional amounts were a payment in respect of the Service Agency Agreement then due, or, in the case of paragraph (ii)(B) above, the relevant Sukuk Contract Counterparty would be obliged to pay such additional amounts were a payment in respect of the relevant Sukuk Contract then due, or, in the case of paragraph (iii) above, the Guarantor would be obliged to pay such additional amounts were a payment in respect of the Guarantee then due, as the case may be.

Prior to the publication of any notice of dissolution pursuant to this Condition 8(b), the Trustee shall deliver to the Delegate:

- (A) a certificate signed by one director of the Trustee (in the case of Condition 8(b)(i)), a certificate signed by two directors of the Service Agent (in the case of Condition 8(b)(ii)(A)), a certificate signed by two directors of the relevant Sukuk Contract Counterparty (in the case of Condition 8(b)(ii)(B)) or a certificate signed by two directors of the Guarantor (in the case of Condition 8(b)(iii)), in each case stating that the obligation referred to in Condition 8(b)(i), Condition 8(b)(ii)(A), Condition 8(b)(ii)(B) or Condition 8(b)(iii), as the case may be, cannot be avoided by the Trustee, the Service Agent, the relevant Sukuk Contract Counterparty or the Guarantor, as the case may be, taking reasonable measures available to it; and
- (B) an opinion of independent legal advisers of recognised standing to the effect that the Trustee, the Service Agent, the relevant Sukuk Contract Counterparty or the Guarantor, as the case may be, has or will become obliged to pay additional amounts as a result of such change or amendment.

The Delegate shall be entitled to accept and rely on (without further investigation) such certificate and legal opinion as sufficient evidence of the satisfaction of the relevant conditions precedent set out in this Condition 8(b), in which event it shall be conclusive and binding on Certificateholders. For the avoidance of doubt, the Delegate shall have no liability to any person for accepting and acting on such certificate and/or opinion.

Upon expiry of any such notice of dissolution given in accordance with this Condition 8(b) and payment of the Dissolution Distribution Amount to Certificateholders, the Trustee shall be bound to dissolve the Trust. Upon such dissolution as aforesaid and the termination of the Trust, the Certificates shall cease to represent interests in the Trust Assets and no further amounts shall be payable in respect thereof and the Trustee shall have no further obligations in respect thereof.

- (c) **Dissolution at the Option of the Certificateholders (Change of Control Put Right):** The Guarantor has agreed in the Guarantee to notify the Trustee and the Delegate forthwith upon the occurrence of a Change of Control Event and to provide a description of the Change of Control Event. The Trustee, upon receipt of such notice from the Guarantor or otherwise upon becoming aware of the occurrence of a Change of Control Event, shall promptly give notice (a **Change of Control Notice**) of the occurrence of a Change of Control Event to the Delegate and the Certificateholders in accordance with these Conditions. The Change of Control Notice shall provide a description of the Change of Control Event and shall require Certificateholders to elect within the period of 30 days from and including the date on which the Change of Control Notice is given (the **Change of Control Put Period**) if they wish all or any of their Certificates to be redeemed.

If a Change of Control Event occurs, and provided that Certificateholders elect to redeem their Certificates, in whole or in part, in accordance with this Condition 8(c), the Trustee shall redeem such Certificates on the Change of Control Put Right Date at the Change of Control Dissolution Distribution Amount and shall require the Service Agent (on behalf of the Trustee) to liquidate a *pro rata* proportion of the Sukuk Contracts and the Sukuk Assets corresponding to the face amount of the Certificates to be redeemed.

To elect to redeem all or any of its Certificates in accordance with this Condition 8(c), a Certificateholder must deposit its Certificate(s) with the Registrar or any Transfer Agent at its specified office, together with a duly completed change of control put right exercise notice (a **Change of Control Exercise Notice**) in the form obtainable from any Paying Agent, the Registrar or any Transfer Agent (as applicable). No Certificate so deposited and right exercised may be withdrawn (except if the condition referred to in the previous paragraph is not satisfied and as otherwise provided in the Agency Agreement).

If less than 25 per cent. in face amount of the Certificates originally issued remain outstanding after the Change of Control Put Right Date, the Guarantor may, in its sole discretion, give to the Trustee irrevocable notice of its intention to redeem the Certificates in accordance with this Condition 8(c) and, upon receipt of such notice, the Trustee shall, on giving not less than 30 nor more than 60 days' irrevocable notice to the Delegate and the Certificateholders, redeem all of the Certificates on the date specified in such notice, which shall be a date falling no later than 80 days after the Change of Control Put Right Date (the **Clean Up Call Right Dissolution Date**). Any such redemption of Certificates shall be at their Dissolution Distribution Amount and upon payment in full of the Dissolution Distribution Amount to all Certificateholders, the Trustee shall be bound to dissolve the Trust.

- (d) **Dissolution following a Dissolution Event:** Upon the occurrence of a Dissolution Event, the Certificates may be redeemed at the Dissolution Distribution Amount and the Trustee shall dissolve the Trust, in each case as more particularly specified in Condition 12.
- (e) **Purchases:** Each of the Trustee, the Guarantor and the Guarantor's Subsidiaries may at any time purchase Certificates in the open market or otherwise at any price.
- (f) **Cancellation:** Certificates purchased by or on behalf of the Trustee, the Guarantor or any of the Guarantor's Subsidiaries shall be cancelled in accordance with the terms of the Declaration of Trust and the Agency Agreement. Any Certificates so cancelled may not be reissued or resold and the obligations of the Trustee in respect of any such Certificates shall be discharged.
- (g) **No other Dissolution:** The Trustee shall not be entitled to redeem the Certificates or dissolve the Trust other than as provided in this Condition 8 and Condition 12.

## 9 Payments

- (a) **Method of Payment:** Payments of the Dissolution Distribution Amount and/or (if applicable) the Change of Control Dissolution Distribution Amount shall be made against presentation and surrender of the relevant Certificates at the specified office of any of the Transfer Agents or of the Registrar and in the manner provided below.

Payments of Periodic Distribution Amounts, the Dissolution Distribution Amount and/or (if applicable) the Change of Control Dissolution Distribution Amount in respect of each Certificate shall be paid to the person shown on the Register at the close of business on the fifteenth day before the due date for payment thereof (the **Record Date**).

Payments of the Dissolution Distribution Amount and/or (if applicable) the Change of Control Dissolution Distribution Amount in respect of each Certificate shall be made in U.S. dollars by transfer to an account in U.S. dollars maintained by the payee with a bank that processes payments in U.S. dollars notified by the holder to the specified office of the Registrar or any Transfer Agent before the Record Date.

- (b) **Payments subject to Fiscal Laws:** All payments are subject in all cases to (i) any applicable fiscal or other laws, regulations and directives in the place of payment, but without prejudice to the provisions of Condition 10 and (ii) any withholding or deduction required pursuant to an agreement described in Section 1471(b) of the U.S. Internal Revenue Code of 1986 (the **Code**) or otherwise imposed pursuant to Sections 1471 through 1474 of the Code, any regulations or agreements thereunder, official interpretations thereof, or (without prejudice to the provisions of Condition 10) law implementing an intergovernmental approach thereto. No commission or expenses shall be charged to the Certificateholders in respect of such payments.
- (c) **Payment Initiation:** Where payment is to be made by transfer to an account in U.S. dollars, payment instructions (for value the due date, or if that is not a Business Day, for value the first following day which is a Business Day) will be initiated on the last day on which the Principal Paying Agent is open for business preceding the due date for payment or, in the case of payments of the Dissolution Distribution Amount and/or (if applicable) the Change of Control Dissolution Distribution Amount, where the relevant Certificate has not been surrendered at the specified office of the Registrar or any Transfer Agent, on a day on which the Principal Paying Agent is open for business and on which the relevant Certificate is surrendered.
- (d) **Appointment of Agents:** The Principal Paying Agent, the Paying Agent, the Registrar and the Transfer Agent initially appointed by the Trustee and the Guarantor and their respective specified

offices are listed below. The Principal Paying Agent, the Paying Agent, the Registrar and the Transfer Agent act solely as agents of the Trustee and the Guarantor (and, in certain limited circumstances as more fully specified in the Transaction Documents, the Delegate) and do not assume any obligation or relationship of agency or trust for or with any Certificateholder. The Trustee reserves the right at any time with the approval of the Delegate to vary or terminate the appointment of the Principal Paying Agent, any other Paying Agent, the Registrar or any Transfer Agent and to appoint additional or other Paying Agents or Transfer Agents, provided that the Trustee shall at all times maintain: (i) a Principal Paying Agent; (ii) a Registrar; (iii) a Transfer Agent; (iv) a Paying Agent (which may be the Principal Paying Agent) having a specified office in a major European city; and (v) such other agents as may be required by any stock exchange on which the Certificates may be listed.

Notice of any such change or any change of any specified office shall promptly be given to the Certificateholders.

- (e) **Non-Business Days:** If any date for payment in respect of any Certificate is not a business day, the holder shall not be entitled to payment until the next following business day nor to any profit or other sum in respect of such postponed payment. In this paragraph, **business day** means a day (other than a Saturday or a Sunday) on which banks and foreign exchange markets are open for business in the place in which the specified office of the Registrar is located and, where payment is to be made by transfer to an account maintained with a bank in U.S. dollars, on which foreign exchange transactions may be carried on in U.S. dollars in New York.

## 10 Taxation

All payments in respect of the Certificates by or on behalf of the Trustee shall be made free and clear of, and without withholding or deduction for or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by the Cayman Islands, the DIFC, the United Arab Emirates or the Emirate of Dubai or any political subdivision or any authority thereof or therein having power to tax, unless such withholding or deduction is required by law. In that event, the Trustee shall pay such additional amounts as shall be necessary in order that the net amounts received by the Certificateholders after such withholding or deduction shall equal the respective amounts which would otherwise have been receivable by them had no such withholding or deduction been required, except that no such additional amounts shall be payable:

- (a) **Other connection:** to a holder who is liable to such taxes, duties, assessments or governmental charges in respect of such Certificate by reason of his having some connection with the Cayman Islands, the DIFC, the United Arab Emirates or the Emirate of Dubai, other than the mere holding of the relevant Certificate; or
- (b) **Surrender more than 30 days after the Relevant Date:** if the relevant Certificate is surrendered for payment more than 30 days after the Relevant Date except to the extent that the holder of it would have been entitled to such additional amounts on surrendering the Certificate for payment on the last day of such period of 30 days assuming that day to have been a business day (as defined in Condition 9(e)).

As used in these Conditions, **Relevant Date** in respect of any Certificate means the date on which payment in respect of it first becomes due or (if any amount of the money payable is improperly withheld or refused) the date on which payment in full of the amount outstanding is made or (if earlier) the date seven days after that on which notice is duly given to the Certificateholders that, upon further presentation of the Certificate being made in accordance with the Conditions, such payment will be made, provided that payment is in fact made upon such presentation. References in these Conditions to Periodic Distribution Amounts, the Dissolution Distribution Amount and the Change of Control Dissolution Distribution Amount shall be deemed to include any additional amounts that may be payable under this Condition 10 or any undertaking given in addition to or in substitution for it under the Declaration of Trust.

## 11 Prescription

Claims against the Trustee for payment in respect of the Certificates shall be prescribed and become void unless made within 10 years (in the case of the Dissolution Distribution Amount and/or, as the

case may be, the Change of Control Dissolution Distribution Amount) or five years (in the case of Periodic Distribution Amounts) from the appropriate Relevant Date in respect of them.

## 12 Dissolution Events

(a) **Dissolution Event:** Upon the occurrence of a Dissolution Event:

- (i) the Delegate, upon receiving notice thereof under the Declaration of Trust, shall (subject to it being indemnified and/or secured and/or prefunded to its satisfaction) promptly give notice of the occurrence of the Dissolution Event to the Certificateholders in accordance with Condition 17 with a request to the Certificateholders to indicate to the Trustee and the Delegate if they wish the Certificates to be redeemed and the Trust to be dissolved; and
- (ii) the Delegate in its sole discretion may, and shall if so requested in writing by the holders of at least 25 per cent. of the then aggregate face amount of the Certificates outstanding or if so directed by an Extraordinary Resolution, subject in each case to being indemnified and/or secured and/or prefunded to its satisfaction, give notice (a **Dissolution Notice**) to the Trustee, the Guarantor and the Certificateholders in accordance with Condition 17 that the Certificates are immediately due and payable at the Dissolution Distribution Amount, whereupon they shall become so due and payable. A Dissolution Notice may be given pursuant to this paragraph (ii) whether or not notice has been given to Certificateholders as provided in paragraph (i) above.

Upon receipt of such Dissolution Notice, the Trustee (failing which the Delegate) shall exercise its rights under the Service Agency Agreement and (if required) the Guarantee and shall use the proceeds of liquidation of the Sukuk Contracts and the Sukuk Assets and (if applicable) sums received under the Guarantee to redeem the Certificates at the Dissolution Distribution Amount on the date specified in the relevant Dissolution Notice (the relevant **Dissolution Event Redemption Date**). The trust constituted by the Declaration of Trust shall be dissolved on the day after the last outstanding Certificate has been so redeemed in full.

Upon payment in full of such amounts and dissolution of the trust constituted by the Declaration of Trust as aforesaid, the Certificates shall cease to represent interests in the Trust Assets and no further amounts shall be payable in respect thereof and the Trustee shall have no further obligations in respect thereof.

(b) **Enforcement and Exercise of Rights:** If following a Dissolution Event any amount payable in respect of the Certificates has not been paid in full (notwithstanding the provisions of Condition 12(a)), the Trustee or the Delegate, subject to it being indemnified and/or secured and/or prefunded to its satisfaction, shall (if so requested in writing by the holders of at least 25 per cent. of the then aggregate face amount of the Certificates outstanding or if so directed by an Extraordinary Resolution) take one or more of the following steps:

- (i) enforce the provisions of the Guarantee against the Guarantor; and/or
- (ii) enforce the provisions of the Service Agency Agreement against the Service Agent; and/or
- (iii) take other actions, steps or proceedings to recover amounts due to the Certificateholders.

## 13 Realisation of Trust Assets

(a) The Delegate shall not be bound in any circumstances to take any action, step or proceeding to enforce or to realise the Trust Assets or take any action or steps or proceedings against the Trustee, the Guarantor and/or the Service Agent under any Certificate or any Transaction Document to which any of the Trustee, the Guarantor and/or the Service Agent is a party unless directed or requested to do so: (i) by an Extraordinary Resolution; or (ii) in writing by the holders of at least 25 per cent. of the then outstanding aggregate face amount of the Certificates and in either case then only if it shall be indemnified and/or secured and/or prefunded to its satisfaction.

(b) No Certificateholder shall be entitled to proceed directly against the Trustee, the Service Agent or the Guarantor unless the Delegate, having become bound so to proceed, (i) fails to do so within a reasonable period, or (ii) is unable by reason of an order of a court having competent jurisdiction to do so, and the failure or inability is continuing. Under no circumstances shall the Delegate or any Certificateholder have any right to cause the sale or other disposition of any of the Trust Assets (other

than as expressly contemplated in the Transaction Documents) and the sole right of the Delegate and the Certificateholders against the Trustee, the Service Agent and the Guarantor shall be to enforce their respective obligations under the Certificates and the Transaction Documents to which they are a party.

- (c) The foregoing paragraphs in this Condition 13 are subject to this paragraph (c). After enforcing or realising the Trust Assets and distributing the net proceeds of the Trust Assets in accordance with Condition 5(b), the obligations of the Trustee and the Delegate in respect of the Certificates shall be satisfied and no Certificateholder may take any further steps against the Trustee (or any steps against the Delegate) to recover any further sums in respect of the Certificates and the right to receive any such unpaid sums shall be extinguished. In particular, no Certificateholder shall be entitled in respect thereof to petition or to take any other steps for the winding-up of the Trustee or the Delegate.

#### **14 Meetings of Certificateholders, Modification, Waiver and Substitution**

- (a) **Meetings of Certificateholders:** The Declaration of Trust contains provisions for convening meetings of Certificateholders to consider any matter affecting their interests, including the sanctioning by Extraordinary Resolution of a modification of any of these Conditions or any provisions of the Declaration of Trust. Such a meeting may be convened by Certificateholders holding not less than 10 per cent. in face amount of the Certificates for the time being outstanding. The quorum for any meeting convened to consider an Extraordinary Resolution shall be one or more persons holding or representing a clear majority in face amount of the Certificates for the time being outstanding, or at any adjourned meeting one or more persons being or representing Certificateholders whatever the face amount of the Certificates held or represented, unless the business of such meeting includes consideration of proposals, *inter alia*: (i) to amend the Scheduled Dissolution Date or any date on which Certificates are to be redeemed or any date for payment of Periodic Distribution Amounts in respect of the Certificates; (ii) to reduce or cancel or vary the method for calculating the amount of any payment due in respect of the Certificates; (iii) to amend the covenant given by the Trustee and the Delegate in Clause 15.1 of the Declaration of Trust; (iv) to change any of the Guarantor's covenants set out in the Transaction Documents to which it is a party or any of the Service Agent's obligations under the Service Agency Agreement; (v) to vary the currency of payment or denomination of the Certificates; (vi) to modify the provisions concerning the quorum required at any meeting of Certificateholders or the majority required to pass the Extraordinary Resolution; or (vii) to amend the above list, in which case the necessary quorum shall be one or more persons holding or representing not less than 75 per cent., or at any adjourned meeting not less than 25 per cent., in face amount of the Certificates for the time being outstanding. Any Extraordinary Resolution duly passed shall be binding on Certificateholders (whether or not they were present at the meeting at which such resolution was passed).

The Declaration of Trust provides that: (i) a resolution in writing signed by or on behalf of the holders of not less than 75 per cent. in aggregate face amount of the Certificates then outstanding (a **Written Resolution**); or (ii) where the Certificates are held by or on behalf of a clearing system or clearing systems, approval of a resolution proposed by the Trustee, the Guarantor or the Delegate (as the case may be) given by way of electronic consents communicated through the electronic communications systems of the relevant clearing system(s) in accordance with their operating rules and procedures by or on behalf of the holders of not less than 75 per cent. in aggregate face amount of the Certificates then outstanding (an **Electronic Consent**), shall for all purposes be as valid and effective as an Extraordinary Resolution passed at a meeting of Certificateholders duly convened and held. Such a Written Resolution may be contained in one document or several documents in like form, each signed by or on behalf of one or more Certificateholders. Such a Written Resolution and/or Electronic Consent will be binding on all Certificateholders whether or not they participated in such Written Resolution or Electronic Consent.

- (b) **Modification of the Declaration of Trust, any Certificate or any Transaction Document:** The Delegate may, without the consent or sanction of the Certificateholders: (A) agree to any modification of any of the Declaration of Trust, these Conditions or any other Transaction Document or the Trustee's memorandum and articles of association if, in the opinion of the Delegate: (a) such modification is of a formal, minor or technical nature; or (b) such modification is made to correct a manifest error; or (c) such modification is not materially prejudicial to the interests of the Certificateholders, provided that such modification is other than in respect of a matter which requires a special quorum resolution (as defined in the proviso to paragraph 2 of Schedule 3 to the Declaration of Trust), provided that such modification is not in contravention of any express direction by Extraordinary Resolution or request in

writing by the holders of at least 25 per cent. of the outstanding aggregate face amount of the Certificates; or (B) and without prejudice to its rights in respect of any subsequent breach, from time to time and at any time: (a) agree to waive or to authorise any breach or proposed breach of any of the provisions of the Declaration of Trust, these Conditions or any other Transaction Document; or (b) determine that any Dissolution Event or Potential Dissolution Event shall not be treated as such, provided that such waiver, authorisation or determination is: (i) in the opinion of the Delegate not materially prejudicial to the interests of the Certificateholders, and (ii) not in contravention of any express direction by Extraordinary Resolution or request in writing by the holders of at least 25 per cent. of the outstanding aggregate face amount of the Certificates.

- (c) **Entitlement of the Delegate:** In connection with the exercise of its functions (including, but not limited to, those referred to in this Condition) the Delegate shall have regard to the interests of the Certificateholders as a class and shall not have regard to the consequences of such exercise for individual Certificateholders and the Delegate shall not be entitled to require, nor shall any Certificateholder be entitled to claim, from the Trustee, the Guarantor or the Delegate any indemnification or payment in respect of any tax consequence of any such exercise upon individual Certificateholders.

## 15 Delegate

- (a) **Delegation of Powers:** The Trustee will in the Declaration of Trust irrevocably and unconditionally with effect from the date of the Declaration of Trust appoint the Delegate to be its delegate and attorney and in its name, on its behalf and as its act and deeds, to execute, deliver and perfect all documents, and to exercise all of the present and future powers (including the power to sub-delegate), trusts, authorities (including, but not limited to, the authority to request directions from any Certificateholders and the power to make any determinations to be made under the Transaction Documents) and discretions vested in the Trustee by the Declaration of Trust, that the Delegate may consider to be necessary or desirable in order to, and subject to its being indemnified and/or secured and/or prefunded to its satisfaction, exercise all of the rights of the Trustee under the Transaction Documents and make such distributions from the Trust Assets as the Trustee is bound to make in accordance with the Declaration of Trust, provided that no obligations, liabilities or covenants of the Trustee pursuant to the Declaration of Trust or any other Transaction Document shall be imposed on the Delegate by virtue of this Delegation (together the **Delegation of the Relevant Powers**), provided further that in no circumstances will such Delegation of the Relevant Powers result in the Delegate holding on trust or managing the Trust Assets and provided further that such Delegation and the Relevant Powers shall not include any duty, power, trust, authority or discretion to hold any of the Trust Assets, to dissolve any of the trusts constituted by the Declaration of Trust following the occurrence of a Dissolution Event or Potential Dissolution Event or to determine the remuneration of the Delegate (save as provided in the Declaration of Trust). The Trustee shall ratify and confirm all things done and all documents executed by the Delegate in the exercise of all or any of the Relevant Powers.

In addition to the Delegation of the Relevant Powers under the Declaration of Trust, the Delegate also has certain powers which are vested solely in it from the date of the Declaration of Trust.

The appointment of a delegate by the Trustee is intended to be in the interests of the Certificateholders and does not affect the Trustee's continuing role and obligations as sole trustee.

- (b) **Indemnification:** The Declaration of Trust contains provisions for the indemnification of the Delegate in certain circumstances and for its relief from responsibility, including provisions relieving it from taking any action, step or proceeding unless indemnified and/or secured and/or prefunded to its satisfaction. In particular, in connection with the exercise of any of its rights in respect of the Trust Assets or any other right it may have pursuant to the Declaration of Trust, the Delegate shall in no circumstances be bound to take any action, step or proceeding unless directed to do so in accordance with Condition 12 or Condition 13, and then only if it shall have been indemnified and/or secured and/or prefunded to its satisfaction.
- (c) **No Liability:** The Delegate makes no representation and assumes no responsibility for the validity, sufficiency or enforceability of the obligations of the Guarantor, the Trustee or the Service Agent under the Transaction Documents to which it is a party and shall not under any circumstances have any liability or be obliged to account to Certificateholders in respect of any payments which should have

been paid by the Guarantor or the Service Agent but are not so paid and shall not in any circumstances have any liability arising from the Trust Assets other than as expressly provided in these Conditions or in the Declaration of Trust.

- (d) **Reliance on Certificates and/or Reports:** The Delegate may rely (without liability to any person) on any certificate or report of the auditors or insolvency officials (as applicable) of the Trustee, the Guarantor, the Service Agent or any other person called for by or provided to the Delegate (whether or not addressed to the Delegate) in accordance with or for the purposes of the Declaration of Trust or the other Transaction Documents and such certificate or report may be relied upon by the Delegate as sufficient evidence of the facts stated therein notwithstanding that such certificate or report and/or any engagement letter or other document entered into by the Delegate in connection therewith contains a monetary or other limit on the liability of the auditors or insolvency officials (as applicable) of the Trustee, the Guarantor, the Service Agent or such other person in respect thereof and notwithstanding that the scope and/or basis of such certificate or report may be limited by an engagement or similar letter or by the terms of the certificate or report itself and the Delegate shall not be bound in any such case to call for further evidence or be responsible for any liability or inconvenience that may be occasioned by its failure to do so.
- (e) **Proper Performance of Duties:** Nothing shall, in any case in which the Trustee or the Delegate has failed to show the degree of care and diligence required of it as trustee, in the case of the Trustee (having regard to the provisions of the Declaration of Trust conferring on it any trusts, powers, authorities or discretions) or as donee and delegate, in the case of the Delegate (having regard to the powers, authorities and discretions conferred on it by the Declaration of Trust and to the Relevant Powers delegated to it), respectively exempt the Trustee or the Delegate from or indemnify either of them against any Liability for gross negligence, wilful default or fraud of which either of them (as applicable) may be guilty in relation to their duties under the Declaration of Trust.
- (f) **Notice of Events:** The Delegate shall not be responsible for monitoring or ascertaining whether or not a Dissolution Event, Potential Dissolution Event or Change of Control Event has occurred or exists and, unless and until it shall have received express notice to the contrary, it will be entitled to assume that no such event or circumstance exists or has occurred (without any liability to any person for so doing).

## 16 Replacement of Certificates

If a Certificate is lost, stolen, mutilated, defaced or destroyed, it may be replaced, subject to applicable laws, regulations and stock exchange or other relevant authority regulations, at the specified office of the Registrar or such other Paying Agent or Transfer Agent, as the case may be, as may from time to time be designated by the Trustee for the purpose and notice of whose designation is given to Certificateholders, in each case on payment by the claimant of the fees and costs incurred in connection therewith and on such terms as to evidence, security and indemnity (which may provide, *inter alia*, that if the allegedly lost, stolen or destroyed Certificate is subsequently presented for payment, there shall be paid to the Trustee on demand the amount payable by the Trustee in respect of such Certificates) and otherwise as the Trustee may require. Mutilated or defaced Certificates must be surrendered before replacements will be issued.

## 17 Notices

Notices to the holders of Certificates shall be mailed to them by first class mail (airmail if overseas) at their respective addresses in the Register. In addition, the Trustee shall ensure that notices to the holders of Certificates are duly given or published in a manner which complies with the rules and regulations of any listing authority, stock exchange and/or quotation system (if any) on which the Certificates are for the time being admitted to listing, trading and/or quotation including publication on the website of the relevant stock exchange or relevant authority if required by those rules. Any notices shall be deemed to have been given on the fourth day after being so mailed or on the date of publication, or if so published more than once on different dates, on the date of the first publication.

## 18 Contracts (Rights of Third Parties) Act 1999

No person shall have any right to enforce any term or condition of the Certificates under the Contracts (Rights of Third Parties) Act 1999 but this does not affect any right or remedy of any person which exists or is available apart from that Act.

## 19 Governing Law and Arbitration

- (a) **Governing Law:** The Declaration of Trust (including these Conditions), the other Transaction Documents and the Certificates and any non-contractual obligations arising out of or in connection with the same are governed by, and shall be construed in accordance with, English law.
- (b) **Arbitration:** The Delegate, the Trustee and the Guarantor have in the Declaration of Trust agreed that, subject to Condition 19(c), any dispute, claim, difference or controversy arising out of or in connection with the Certificates (including any dispute as to their existence, validity, interpretation, performance, breach or termination or the consequences of their nullity and any dispute relating to any non-contractual obligations arising out of or in connection with them) (a **Dispute**) shall be referred to and finally resolved by arbitration under the Arbitration Rules of the London Court of International Arbitration (the **LCIA**) (the **Rules**), which Rules (as amended from time to time) are deemed to be incorporated by reference into this Condition 19(b). For these purposes:
- (i) the seat of arbitration shall be London, England;
  - (ii) there shall be three arbitrators, each of whom shall be disinterested in the arbitration and shall be an attorney experienced in international securities transactions. The parties to the Dispute shall each nominate one arbitrator and both arbitrators in turn shall appoint a further arbitrator who shall be the chairman of the tribunal. In cases where there are multiple claimants and/or multiple respondents, the class of claimants jointly, and the class of respondents jointly shall each nominate one arbitrator. If one party or both fails to nominate an arbitrator within the time limits specified by the Rules, such arbitrator(s) shall be appointed by the LCIA. If the party nominated arbitrators fail to nominate the third arbitrator within 15 days of the appointment of the second arbitrator, such arbitrator shall be appointed by the LCIA; and
  - (iii) the language of the arbitration shall be English.
- (c) **Option to Litigate:** Notwithstanding the agreement described in Condition 19(b), the Delegate may, in the alternative, and at its sole discretion, by notice in writing to the Trustee and the Guarantor in accordance with the Declaration of Trust:
- (i) within 28 days of service of a Request for Arbitration (as defined in the Rules); or
  - (ii) if no arbitration has commenced,
- require that the Dispute be heard by a court of law. If the Delegate gives such notice, the Dispute to which such notice refers shall be determined in the manner described in Condition 19(e) and any arbitration commenced under Condition 19(b) in respect of that Dispute will be terminated. With the exception of the Delegate (whose costs will be borne by the Trustee, failing whom the Guarantor), each of the parties to the terminated arbitration will bear its own costs in relation thereto.
- (d) **Notice to Terminate:** If any notice to terminate is given after service of any Request for Arbitration in respect of any Dispute, the Delegate must also promptly give notice to the LCIA and to any Tribunal (as defined in the Rules) already appointed in relation to the Dispute that such Dispute will be settled by the courts. Upon receipt of such notice by the LCIA, the arbitration and any appointment of any arbitrator in relation to such Dispute will immediately terminate. Any such arbitrator will be deemed to be *functus officio*. The termination is without prejudice to:
- (i) the validity of any act done or order made by that arbitrator or by the court in support of that arbitration before his appointment is terminated;
  - (ii) his entitlement to be paid his proper fees and disbursements; and
  - (iii) the date when any claim or defence was raised for the purpose of applying any limitation bar or any similar rule or provision.
- (e) **Effect of Exercise of Option to Litigate:** If a notice is issued pursuant to Condition 19(c), the following provisions shall apply:
- (i) subject to paragraph (iii) below, the courts of England or the courts of the DIFC, at the option of the Delegate, shall each have exclusive jurisdiction to settle any Dispute and each of the Trustee and the Guarantor submits to the exclusive jurisdiction of such courts;



- (ii) each of the Trustee and the Guarantor agrees that the courts of England or the courts of the DIFC, at the option of the Delegate, are the most appropriate and convenient courts to settle any Dispute and, accordingly, that it will not argue to the contrary; and
- (iii) this Condition 19(e) is for the benefit of the Delegate for and on behalf of the Certificateholders only. As a result, and notwithstanding paragraphs (i) and (ii) above, the Delegate shall not be prevented from taking proceedings relating to a Dispute (**Proceedings**) in any other courts with jurisdiction. To the extent allowed by law, the Delegate may take concurrent Proceedings in any number of jurisdictions.
- (f) **Appointment of Process Agent:** Each of the Trustee and the Guarantor irrevocably appoints Walkers of 6 Gracechurch Street, London EC3V 0AT, United Kingdom as its agent to receive for it and on its behalf service of process in respect of any Proceedings in England. Such service shall be deemed completed on delivery to such process agent (whether or not it is forwarded to and received by the Trustee and/or the Guarantor). If for any reason such process agent ceases to be able to act as such or no longer has an address in England, each of the Trustee and the Guarantor irrevocably agrees to appoint a substitute process agent, and shall immediately notify the Delegate of such appointment. Nothing herein shall affect the right to serve Proceedings in any other manner permitted by law.
- (g) **Enforcement:** An arbitral award or judgment or order of an English, DIFC or other court, in connection with a Dispute arising out of or in connection with these Conditions, shall be binding on the Delegate, the Trustee and the Guarantor and may be enforced against each of them in the courts of any competent jurisdiction.
- (h) **Other Documents:** Each of the Trustee and the Guarantor has in the Transaction Documents to which it is a party made provision for arbitration, submitted to jurisdiction and appointed an agent for service of process in terms substantially similar to those set out above.
- (i) **Waiver of Interest:**
  - (i) Each of the Trustee, the Delegate and the Guarantor has irrevocably agreed in the Declaration of Trust that no interest will be payable or receivable under or in connection therewith and, if it is determined that any interest is payable or receivable in connection therewith by a party, whether as a result of any judicial award or by operation of any applicable law or otherwise, such party has agreed to waive any rights it may have to claim or receive such interest and has agreed that if any such interest is actually received by it, it shall promptly donate the same to a registered or otherwise officially recognised charitable organisation.
  - (ii) For the avoidance of doubt, nothing in this Condition 19(i) shall be construed as a waiver of rights in respect of revenues from the Transaction Documents, Sukuk Contracts or the Sukuk Assets, Periodic Distribution Amounts or profit or principal of any kind howsoever described payable by the Guarantor (in any capacity), the Service Agent (in any capacity) or the Trustee (in any capacity) pursuant to the Transaction Documents, the Sukuk Contracts and/or the Conditions, howsoever such amounts may be described or re-characterised by any court or arbitral tribunal.

## GLOBAL CERTIFICATE

*The Global Certificate contains the following provisions which apply to the Certificates whilst they are represented by the Global Certificate, some of which modify the effect of the Conditions. Unless otherwise defined, terms defined in the Conditions have the same meaning below.*

### **Form of the Certificates**

The Certificates will be in registered form and will be issued outside the United States in reliance on Regulation S.

The Certificates will be represented by beneficial interests in a global certificate in registered form (the **Global Certificate**). The Global Certificate will be deposited with a common depository for Euroclear and Clearstream, Luxembourg (the **Common Depository**) and will be registered in the name of a nominee for the Common Depository. Persons holding ownership interests in the Global Certificate will be entitled or required, as the case may be, under the circumstances described below, to receive physical delivery of Individual Certificates (as defined below) in fully registered form.

### **Holders**

For so long as the Certificates are represented by the Global Certificate and the Global Certificate is held on behalf of Euroclear and/or Clearstream, Luxembourg, the registered holder of the Global Certificate shall, except as ordered by a court of competent jurisdiction or as required by law, be treated as the owner thereof (the **Registered Holder**). Each person (other than another clearing system) who is for the time being shown in the records of either such clearing system as entitled to a particular aggregate face amount of such Certificates (the **Accountholders**) (in which regard any certificate or other document issued by a clearing system as to the aggregate face amount of such Certificates standing to the account of any person shall be conclusive and binding for all purposes save in the case of manifest error) shall be treated as the Certificateholder in respect of the aggregate face amount of such Certificates standing to its account in the records of Euroclear or Clearstream, Luxembourg, as the case may be, other than for the purpose of payments in respect thereof, the right to which shall be vested solely in the Registered Holder, as against the Trustee and an Accountholder must look solely to Euroclear or Clearstream, Luxembourg, as the case may be, for its share of each payment made to the Registered Holder, and the expressions "Certificateholder" and "holder of Certificates" and related expressions shall be construed accordingly. In addition, holders of beneficial interests in the Global Certificate will not have a direct right to vote in respect of the relevant Certificates. Instead, such holders will be permitted to act only to the extent that they are enabled by the relevant clearing system and its participants to appoint appropriate proxies.

### **Cancellation**

Cancellation of any Certificate represented by the Global Certificate will be effected by reduction in the aggregate face amount of the Certificates in the Register.

### **Payments**

Payments of any amount in respect of the Global Certificate will, in the absence of any provision to the contrary, be made to, or to the order of, the person shown on the Register as the registered holder of the Global Certificate at the close of the Business Day (being for this purpose, a day on which Euroclear and Clearstream, Luxembourg are open for business) immediately prior to the relevant due date for such payment.

None of the Trustee, the Delegate, any Paying Agent or the Registrar will have any responsibility or liability for any aspect of the records relating to or payments made on account of ownership interests in the Global Certificate or for maintaining, supervising or reviewing any records relating to such ownership interests.

Payments of the Dissolution Distribution Amount and/or, if applicable, the Change of Control Dissolution Distribution Amount in respect of Certificates represented by the Global Certificate will be made upon presentation and surrender of the Global Certificate at the specified office of the Registrar or such other office as may be specified by the Registrar subject to and in accordance with the Conditions and the Declaration of Trust. Distributions of amounts with respect to book-entry interests in the Certificates held through Euroclear or Clearstream, Luxembourg will be credited to the cash accounts of participants in the relevant clearing system in accordance with the relevant clearing system's rules and procedures. A record of each payment made in respect of the Certificates will be entered into the Register by or on behalf of the Registrar and shall be *prima facie* evidence that payment has been made.

## Notices

So long as all the Certificates are represented by the Global Certificate and the Global Certificate is held on behalf of Euroclear and/or Clearstream, Luxembourg or any other clearing system, as the case may be, notices may be given by delivery of the relevant notice to those clearing systems for communication to their Accountholders or otherwise to the holder of the Global Certificate rather than by publication as required by the Conditions except that, so long as the Certificates are listed, traded or quoted on any stock exchange or securities market, notices shall also be published in accordance with the rules of the relevant listing authority, stock exchange, securities market and/or quotation system. Any such notice shall be deemed to have been given on the day on which such notice is delivered to the relevant clearing systems.

Whilst any of the Certificates held by a Certificateholder are represented by the Global Certificate, notices to be given by such Certificateholder may be given (where applicable) through Euroclear and/or Clearstream, Luxembourg and otherwise in such manner as the Registrar and Euroclear and Clearstream, Luxembourg may approve for this purpose.

## Electronic Consent and Written Resolution

For so long as the Certificates are in the form of a Global Certificate and while any Global Certificate is registered in the name of any nominee for one or more of Euroclear, Clearstream, Luxembourg or another clearing system, then:

- (a) approval of a resolution proposed by the Trustee, the Guarantor or the Delegate given by way of electronic consents communicated through the electronic communications systems of the relevant clearing system(s) in accordance with their respective operating rules and procedures by or on behalf of the holders of not less than 75 per cent. in aggregate face amount of the Certificates outstanding (an **Electronic Consent** as defined in the Declaration of Trust) shall, for all purposes (including matters that would otherwise require an Extraordinary Resolution to be passed at a meeting for which the special quorum (as specified in the Declaration of Trust) was satisfied), take effect as an Extraordinary Resolution passed at a meeting of Certificateholders duly convened and held, and shall be binding on all Certificateholders whether or not they participated in such Electronic Consent; and
- (b) where Electronic Consent is not being sought, for the purpose of determining whether a Written Resolution (as defined in the Declaration of Trust and Condition 14(a)) has been validly passed, the Trustee, the Guarantor and the Delegate shall be entitled to rely on consent or instructions given in writing directly to the Trustee, the Guarantor and/or the Delegate, as the case may be, by Accountholders in the relevant clearing system(s) with entitlements to such Global Certificate and/or, where the Accountholders hold any such entitlement on behalf of another person, on written consent from or written instruction by the person for whom such entitlement is ultimately beneficially held, whether such beneficiary holds directly with the Accountholder or via one or more intermediaries and provided that, in each case, the Trustee, the Guarantor and the Delegate, as the case may be, has obtained commercially reasonable evidence to ascertain the validity of such holding and has taken reasonable steps to ensure that such holding does not alter following the giving of such consent or instructions and prior to the effecting or implementation of such consent or instructions. Any resolution passed in such manner shall be binding on all Certificateholders, even if the relevant consent or instruction proves to be defective. As used in this paragraph (b), **commercially reasonable evidence** includes any certificate or other document issued by Euroclear, Clearstream, Luxembourg or any other relevant clearing system, and/or issued by an Accountholder of them or an intermediary in a holding chain, in relation to the holding of interests in the Certificates. Any such certificate or other document shall, in the absence of manifest error, be conclusive and binding for all purposes. Any such certificate or other document may comprise any form of statement or print out of electronic records provided by the relevant clearing system (including Euroclear's EUCLID or Clearstream, Luxembourg's CreationOnline system) in accordance with its usual procedures and in which the Accountholder of a particular principal or face amount of the Certificates is clearly identified together with the amount of such holding. None of the Trustee, the Guarantor and/or the Delegate shall be liable to any person by reason of having accepted as valid or not having rejected any certificate or other document to such effect purporting to be issued by any such person and subsequently found to be forged or not authentic.

## Put Option

The Certificateholders' put option in Condition 8(c) of the Certificates may be exercised by the holder of the Global Certificate giving Change of Control Exercise Notice to the Registrar or Paying and Transfer Agent of

the face amount of Certificates in respect of which the option is exercised and presenting the Global Certificate within the time limits specified in Condition 8(c).

### **Registration of Title**

The Registrar will not register title to the Certificates in a name other than that of a nominee for the Common Depositary for a period of seven calendar days preceding the due date for any payment of any Periodic Distribution Amount or the Dissolution Distribution Amount in respect of the Certificates.

Record dates will be determined in accordance with the standard practices of Euroclear and Clearstream, Luxembourg.

### **Transfers**

Transfers of book-entry interests in the Certificates will be effected through the records of Euroclear or Clearstream, Luxembourg and their respective direct and indirect participants in accordance with their respective rules and procedures.

### **Exchange for Individual Certificates**

Interests in the Global Certificate will be exchangeable (free of charge), in whole but not in part, for Individual Certificates only upon the occurrence of an Exchange Event. The Trustee will promptly give notice to Certificateholders in accordance with Condition 17 if an Exchange Event occurs. For these purposes, **Exchange Event** means that: (i) a Dissolution Event (as defined in the Conditions) has occurred; or (ii) the Trustee has been notified that both Euroclear and Clearstream, Luxembourg have been closed for business for a continuous period of 14 days (other than by reason of legal holiday) or have announced an intention permanently to cease business or have in fact done so and, in any such case, no successor clearing system satisfactory to the Trustee is available. In the event of the occurrence of an Exchange Event, any of the Trustee or Euroclear and/or Clearstream, Luxembourg (acting on the instructions of any holder of an interest in the Global Certificate) may give notice to the Registrar requesting exchange.

In such circumstances, the Global Certificate shall be exchanged in full for Individual Certificates and the Trustee will, at the cost of the Trustee (but against such indemnity as the Registrar or any relevant Transfer Agent may require in respect of any tax or other duty of whatever nature which may be levied or imposed in connection with such exchange), cause sufficient Individual Certificates to be executed and delivered to the Registrar within 10 days following the request for exchange for completion and dispatch to the Certificateholders. A person having an interest in the Global Certificate must provide the Registrar with a written order containing instructions (and such other information as the Trustee and the Registrar may require) to complete, execute and deliver such Individual Certificates.

In this Prospectus, **Individual Certificate** means a trust certificate in definitive registered form issued by the Trustee in accordance with the provisions of the Declaration of Trust in exchange for the Global Certificate, such trust certificate substantially in the form set out in the Schedules to the Declaration of Trust.

## **USE OF PROCEEDS**

The proceeds of the issue of the Certificates will be applied by the Trustee toward the entry into of the Sukuk Contracts (together with the purchase of the Sukuk Assets in connection therewith) in accordance with the Sukuk Proceeds Application Requirements and the other provisions of the Service Agency Agreement. The Guarantor shall use the net proceeds of the issue of the Certificates for general corporate purposes (which may include the acquisition of an additional land bank) and to fund the partial repurchase of certain trust certificates due 2019 issued on 9 April 2014 through the special purpose vehicle, Alpha Star Holding Limited.

## DESCRIPTION OF THE TRUSTEE

### General

Alpha Star Holding V Limited, an exempted company with limited liability, was incorporated on 28 February 2018 under the Companies Law (as amended) of the Cayman Islands with company registration number 333559. The Trustee has been established as a company for the sole purpose of issuing the Certificates and entering into the transactions contemplated by the Transaction Documents. The registered office of the Trustee is at Walkers Fiduciary Limited, Cayman Corporate Centre, 27 Hospital Road, George Town, Grand Cayman, KY1-9008, Cayman Islands, and its telephone number is +1 345 814 7600.

The authorised share capital of the Trustee is U.S.\$50,000 shares of U.S.\$1.00 each, of which 250 shares have been issued as at the date of this Prospectus. All of the issued shares (the **Shares**) are fully-paid and are held by Walkers Fiduciary as share trustee (the **Share Trustee**) under the terms of a declaration of trust (the **Share Declaration of Trust**) under which the Share Trustee holds the Shares on trust until the Termination Date (as defined in the Share Declaration of Trust). Prior to the Termination Date, the trust is an accumulation trust, but the Share Trustee has the power to benefit one or more Charities (as defined in the Share Declaration of Trust). It is not anticipated that any distribution will be made whilst any Certificate is outstanding. Following the Termination Date, the Share Trustee will wind up the trust and make a final distribution to the Charity. The Share Trustee has no beneficial interest in, and derives no benefit (other than its fee for acting as Share Trustee) from its holding of the Shares.

### Business of the Trustee

The Trustee is a newly formed entity and, as at the date of this Prospectus, has not commenced business and does not have any substantial assets or liabilities. The Trustee will not have any substantial liabilities other than in connection with the Certificates and any further certificates issued pursuant to the Conditions. The Certificates are the obligations of the Trustee alone and not the Share Trustee.

The objects for which the Trustee is established are unrestricted provided that such object is not contrary to the principles of Shari'a and the Trustee has full power and authority to carry out any object not prohibited by all relevant Cayman Islands laws (all as set out in clause 3 of its Memorandum of Association as registered or adopted on 28 February 2018).

### Financial Statements

Since the date of incorporation, no financial statements of the Trustee have been prepared. The Trustee is not required by Cayman Islands law, and does not intend, to publish audited financial statements.

### Directors of the Trustee

The Directors of the Trustee are as follows:

<u>Name</u>	<u>Principal Occupation</u>
Steven Manning	Director, Walkers Fiduciary Limited
Dianne Farjallah	Senior Vice President, Walkers Fiduciary Limited

The business address of each of the Directors is c/o Walkers Fiduciary Limited, Cayman Corporate Centre, 27 Hospital Road, George Town, Grand Cayman KY1-9008, Cayman Islands.

Other than in their capacities on employees and offices of the Administrator, there are no potential conflicts of interest between the private interests or other duties of the Directors listed above and their duties to the Trustee. None of the Directors listed above have been convicted of any criminal offence or been the subject of any public incrimination sanctions, bankruptcy, receivership or liquidation proceedings.

### The Administrator

Walkers Fiduciary Limited also acts as the corporate administrator of the Trustee (in such capacity, the **Administrator**). The office of the Administrator serves as the general business office of the Trustee. Through the office, and pursuant to the terms of the Corporate Services Agreement entered into between the Trustee, the Guarantor and the Administrator, the Administrator has agreed to perform in the Cayman Islands or such other jurisdiction as may be agreed by the parties from time to time various corporate functions on behalf of the Trustee and the provision of certain clerical, administrative and other services until termination of the Corporate

Services Agreement. In consideration of the foregoing, the Administrator will receive various fees payable by the Trustee at rates agreed upon from time to time, plus expenses.

The terms of the Corporate Services Agreement provide that either the Trustee or the Administrator may terminate such agreement upon the occurrence of any breach by the other party of its obligations under such agreement. In addition, the Corporate Services Agreement provides that either party shall be entitled to terminate such agreement by giving at least one month's notice in writing.

The Administrator's principal office is Cayman Corporate Centre, 27 Hospital Road, George Town, Grand Cayman, KY1-9008, Cayman Islands.

The Directors of the Trustee are all employees or officers of the Administrator or an affiliate thereof. The Trustee has no employees and is not expected to have any employees in the future.

## SELECTED HISTORICAL FINANCIAL AND OPERATING DATA

The selected financial information below relates to the audited consolidated financial statements of the Group as at and for the years ended 31 December 2015, 2016 and 2017.

The financial information has been extracted without material adjustment from the Financial Information section of this Prospectus and has been prepared on the basis described in the notes to the Annual Financial Statements.

The following selected financial information and operating data should be read in conjunction with, and is qualified by reference to, "Operating and Financial Review" and the Annual Financial Statements. The ratios included herein have been prepared based on management information and information in the Annual Financial Statements. Certain metrics below constitute Alternative Performance Measures for the purposes of the ESMA Guidelines. See "

Presentation of Financial and Other Information".

<b>Consolidated income statement</b>	<b>Year ended 31 December</b>		
	<b>2015</b>	<b>2016</b>	<b>2017</b>
	<i>(US\$ million)</i>		
Revenue .....	2,322.7	1,947.3	2,028.4
Gross Profit.....	1,378.8	1,087.7	988.9
Profit for the year.....	1,228.9	1,006.3	751.9
Total comprehensive income for the year.....	1,228.9	1,006.3	751.9

<b>Consolidated statement of financial position</b>	<b>As at 31 December</b>		
	<b>2015</b>	<b>2016</b>	<b>2017</b>
	<i>(US\$ million)</i>		
Total Assets .....	6,380.3	6,699.2	6,894.2
Total Shareholders' Equity.....	2,675.4	3,432.2	3,771.7
Total Liabilities .....	3,704.9	3,267.0	3,122.5
Total Equity and Liabilities .....	6,380.3	6,699.2	6,894.2

<b>Consolidated statement of cash flows</b>	<b>Year ended 31 December</b>		
	<b>2015</b>	<b>2016</b>	<b>2017</b>
	<i>(US\$ million)</i>		
Net cash generated from/(used in) operating activities...	677.1	3.2	(12.1)
Net cash generated from/(used in) investing activities ...	93.5	(102.2)	(67.1)
Net cash generated from/(used in) financing activities...	70.2	(236.3)	(248.7)
Cash and cash equivalents at the end of year.....	2,262.2	1,926.9	1,599.0

The following table shows the reconciliation of operating profit to EBITDA for the Group for the years ended 31 December 2015, 2016 and 2017, respectively. These ratios constitute Alternative Performance Measures for the purposes of the ESMA Guidelines. See "

Presentation of Financial and Other Information—Presentation of Alternative Performance Measures".

	<b>Year ended 31 December</b>		
	<b>2015</b>	<b>2016</b>	<b>2017</b>
	<i>(US\$ million)</i>		
Operating profit for the year .....	1,236.8	1,012.3	772.4
Other income .....	9.1	12.2	15.3
Depreciation .....	3.4	4.2	7.2
Reversal of impairment on development properties .....	-	-	-
<b>EBITDA</b> .....	<b>1,249.3</b>	<b>1,028.7</b>	<b>794.9</b>

EBITDA is not an IFRS measure. As referred to in this Prospectus (with the exception of the Conditions, where the term "EBITDA" shall have the meaning set out therein), the Guarantor has calculated EBITDA for each year as the sum of (i) its consolidated operating profit for that year, (ii) its consolidated other income for that year,



(iii) its consolidated depreciation for that year after (iv) deducting or adding (as the case may be) the gain or loss relating to the reversal of or provisioning for impairment on its consolidated development properties.

EBITDA should not be considered as an alternative measure to operating profit, as an indicator of operating performance, as an alternative to operating cash flows or as a measure of the Group's liquidity. EBITDA as presented in this Prospectus may not be comparable to similarly titled measures reported by other companies due to differences in the way these measures are calculated.

EBITDA has important limitations as an analytical tool and should not be considered in isolation from, or as a substitute for an analysis of, the Guarantor's operating results as reported under IFRS. Some of the limitations are:

- EBITDA does not reflect cash expenditures or future requirements for capital expenditures or contractual commitments;
- EBITDA does not reflect changes in, or cash requirements for, working capital needs;
- EBITDA does not reflect the interest expense or the cash requirements necessary to service interest/profit or principal payments on debt;
- although depreciation and amortisation are non-cash charges, the assets being depreciated and amortised will often have to be replaced in the future and EBITDA does not reflect any cash requirements for such replacements; and
- other companies may calculate EBITDA differently, limiting its usefulness as a comparative measure.

The following table shows EBITDA and certain ratios for the Group for the years ended 31 December 2015, 2016 and 2017, respectively.

	<b>Year ended 31 December</b>		
	<b>2015</b>	<b>2016</b>	<b>2017</b>
	(US\$ million, unless otherwise stated)		
EBITDA <sup>(1)</sup> .....	<b>1,249.3</b>	<b>1,028.7</b>	<b>794.9</b>
EBITDA margin <sup>(2)</sup> .....	53.8%	52.8%	39.2%
Net debt/EBITDA <sup>(3)</sup> .....	0.6x	0.7x	1.1x
EBITDA/interest <sup>(4)</sup> .....	73.5x	56.5x	22.2x
Loan to Value <sup>(5)</sup> .....	20.2%	20.6%	27.8%

(1) Calculated as the sum of (i) operating profit for the year, (ii) other income for that year, (iii) depreciation for that year and (iv) the gain or loss (which is added or subtracted, as the case may be) relating to the reversal of or provisioning for impairment on development properties (see reconciliation above).

(2) Calculated as EBITDA divided by total revenue.

(3) Calculated as bank borrowings (less cash on hand, bank balances and fixed deposits) and sukuk divided by EBITDA.

(4) Calculated as EBITDA divided by finance costs net of any finance income.

(5) Calculated as bank borrowings and sukuk certificates divided by development properties and cash and bank balances.

There has been no significant change in the financial or trading position of the Group since 31 December 2017, which is the end of the year covered by the selected financial information set out in the table above.

### **Dividend Policy**

On 29 March 2015 the Guarantor paid a cash dividend equal to US\$0.23 per share amounting to US\$150 million. In addition, an interim cash dividend of US\$0.42 per share amounting to US\$332.7 million for the year ended 30 June 2015 was approved by the Board of Directors of the Guarantor (the **Board**) on 4 August 2015. The dividend amount paid was US\$183.0 million and US\$149.7 million on 29 September 2015 and 5 October 2015 respectively.

On 14 April 2016 the Guarantor held its annual general meeting which, among other things, approved a cash dividend equal to US\$0.25 per share amounting to US\$246.9 million. The dividend was paid on 15 May 2016.

On 20 December 2016, the Guarantor held an extraordinary general meeting which approved a cash dividend equal to US\$0.0281 per share amounting to US\$27.6 million. The dividend was paid on 21 December 2016.

On 13 April 2017, the Guarantor held its annual general meeting which, among other things, approved a cash dividend equal to US\$0.4083 per share amounting to US\$411.6 million. The dividend was paid on 7 May 2017.

On 11 December 2017, the Guarantor held an extraordinary general meeting which approved a cash dividend equal to US\$ 0.0464 per share amounting to US\$46.8 million. The dividend was paid on 31 December 2017.

## OPERATING AND FINANCIAL REVIEW

The Guarantor was incorporated on 31 October 2013. This operating and financial review relates to, and should be read in conjunction with the Annual Financial Statements which appear in this Prospectus under "*Financial Information*". The Annual Financial Statements have been prepared in accordance with the basis of preparation as described in Note 3.2 (*Significant accounting policies – basis of preparation*) of the Notes to the 2016 Financial Statements and Note 3.2 (*Summary of Significant Accounting Policies – Basis of Preparation*) of the Notes to the 2017 Financial Statements.

This discussion contains forward-looking statements that involve risks and uncertainties. The Group's future results could differ materially from those anticipated in these forward-looking statements as a result of certain factors including, but not limited to, those discussed in "*Risk Factors*" and "*Cautionary Note Regarding Forward-Looking Statements*" in this Prospectus.

In the discussion that follows, references to the "period under review" refers to the period from 1 January 2015 through to 31 December 2017.

### Overview

For the period under review, the Group operated two core business segments comprising:

- The development of mixed-use community projects and mixed-use tower developments which was the Group's key core business segment and which focused predominately on the Group's residential and hospitality based developments, each in Dubai.
- Additionally, the Group focused on its hospitality core segment involving the management and operation of serviced apartments in Dubai.

For the year ended 31 December 2017, approximately 99.5 per cent. of the Group's revenue was generated from the first core business segment which involved the development of mixed-use community projects and mixed-use tower developments and amounted to approximately US\$2,018.3 million whilst approximately 0.1 per cent. of the Group's revenue was generated from the hospitality core segment and amounted to approximately US\$2.9 million. The Group also generated approximately US\$7.2 million from other activities which amounted to approximately 0.4 per cent. of the Group's revenue.

Additionally, the Group is planning to be in a new business segment which focuses on the Group's investment business comprising of leasing retail, residential and commercial properties with such assets being developed by the Group for both rental and capital appreciation purposes. For the year ended 31 December 2017, the Group did not have a substantial revenue stream from the leasing business, however, in the future it is expected that this segment will form a greater part of the Group's business. Currently, the Group has four residential investment property buildings.

The Group does not conduct its own construction operations.

Historically and during the period of review, the Group's operations were conducted predominantly in Dubai. At present, the Group owns and is developing or planning the development of land in other markets in the Middle East including in Qatar. While the Group anticipates that the majority of its operations will continue to be conducted in Dubai in the short and medium term, it will selectively consider projects elsewhere in the Middle East (namely Qatar and Saudi Arabia) where it perceives a need for luxury developments and sees potential for attractive returns.

The Group's revenues consist predominately of revenues from sales of community development units and residential tower units. Even though the Group pre-funds much of its construction expense through "off-plan" sales of units under development, it is permitted under IFRS to record revenue for these units only upon completion of a certain percentage of the construction in the UAE. See "*Description of Certain Line Items from the Consolidated Income Statement–Revenue*" below. The acquisition, development and construction costs for a given unit are capitalised until the revenue from the sale of that unit is recorded and at that point the acquisition, development and construction costs for that unit are recorded under "cost of sales".

The Group's principal cash requirements are funds for development and construction; for acquisition of land for its land bank, for servicing its borrowing obligations and to a lesser extent for working capital. In the UAE and Saudi Arabia, funds received on pre-sales are required by regulation to be held in escrow and applied primarily to development and construction costs as prescribed by the regulator (see "*Regulatory Information–Relevant*

*Real Estate Legislation—RERA and Escrow Accounts*" for further information on the UAE escrow regime). For the expansion of its land bank and for working capital, the Group relies principally on its operating cash flow. In addition, the Group has used the proceeds of issuance of sukuk certificates in April 2014, September 2015 and April 2017 to acquire an additional land bank. See "*Operating and Financial Review—Financing arrangements*" below. The Group has also used term loans as a cost effective and reliable source of external funding for working capital and land acquisition. At 31 December 2017, bank indebtedness accounted for 3.2 per cent. of the Group's total equity and liabilities.

### **Trends and Factors Affecting Results of Operations**

The Group's results have been affected, and are expected to be affected in the future, by a variety of trends and factors, including the following:

#### ***Timing and effectiveness of selling efforts***

The Group recognises revenue for units in a project upon completion of a certain percentage of project construction and when a purchase contract for the relevant unit has been signed, and in respect of which at least 30 per cent. of the purchase price has been received.

The Group's business model of "buy, design, sell and build" based on the sale of a significant proportion of units in developments "off-plan" and in the early stages of construction. Under UAE law, the Group is permitted to commence sales when it has paid for the land in full, obtained funding for 20 per cent. of the project construction costs and met certain other conditions. The Group generally requires off-plan customers to pay at least 30 per cent. of the total sales price within 180 days after signing the unit sale and purchase agreement. Typically 30 to 40 per cent. of the Group's units are sold off-plan, and as much as 85 to 95 per cent. of a project's units may have been sold by the time of completion. Cash received from pre-sales is required to be held in escrow in the UAE and Saudi Arabia but can be released to pay development and construction costs. As a result, the Group's business has historically been financed from pre-sales, along with sales of previously completed units. To the extent that the Group is not able to generate targeted levels of pre-sales, it could be required to rely on bank financing to fund construction, which could reduce its net profit and/or increase the risks of project delays.

The selling prices that the Group achieves on its properties are important to its levels of revenue and gross profit. With respect to its projects in Dubai, the Group operates in a global market of luxury property end-users and investors from around the world. The Group's sales team proactively identifies countries and markets worldwide where it believes prospective customers (which may include investors and end-users) will be particularly receptive to its sales efforts. These efforts, if successful, can be critical in channelling end-users and investors to Dubai as opposed to other locations and to the Group's projects instead of to those of its Dubai-based competitors. The extent to which the Group's sales team creates substantial demand for its units has a direct impact on the prices it achieves and the revenue and gross profit that it records. The sales team strategically retains a certain percentage of units of its completed projects for sale at a later date, post project completion, to maximise average selling prices and returns achieved on its projects.

#### ***Building type and building design***

Historically, the Group developed residential tower projects and more recently the focus of the Group has been on community developments which largely include low-rise buildings. Different building types and uses result in quite different profitability profiles. For instance, low-rise buildings tend to use space far less efficiently than high-rise buildings which have historically resulted in lower margins but such lower margins may be offset by more cost effective construction costs for low-rise buildings as compared to tower developments. Likewise, residential properties tend to result in higher margins than commercial properties. In addition, the Group spends considerable time in the design phase to ensure that building efficiencies are maximised. In particular, it retains its own staff of engineers and architects that work closely with its external service providers to ensure that its buildings achieve maximum levels of space efficiency. Its ability to do so has a direct impact on its profit margins for each project.

#### ***Cost and profit margin control***

The Group's profit margins are directly correlated to its ability to manage its costs and to make cost-effective purchasing decisions. The biggest factor in the Group's cost-control efforts is its proactive approach to procurement, with the Group retaining responsibility for the commercial terms of the supply arrangements under construction contracts. Specifically, when entering into a construction contract with the general contractor, the Group retains responsibility for procurement of key items, and the resulting procurement pricing will be

reflected in the construction contract entered into with the general contractor. In addition, the Group's internal architects, engineers and other specialists work closely with contractors throughout the construction process to ensure that project cost efficiency is maximised. The Group believes that these arrangements result in considerable cost savings, often producing higher margins than they would otherwise be.

In addition to the savings that are achieved through the Group's procurement and project oversight procedures, there are several cost factors that affect the cost and profitability of a particular project:

- Land costs are a significant variable from project to project and can vary according to both location and stage in the economic cycle. While property in premium locations is more expensive, projects in those locations have the potential to yield the highest profit margins. Within Dubai, the Group maintains close relationships with the government-linked master developers that are the principal source of premium land available for sale.
- Raw material costs are tied to international commodities prices and thus can fluctuate widely at different points in the economic cycle. The principal raw materials used in construction of the Guarantor's projects are cement, which is procured locally from within the UAE, and steel, which is imported into Dubai by ship from such locations as India and China. Aluminium and glass are other principal building components, which may also be imported from neighbouring countries. There is a tendency for movements in building prices to partially correlate to movements in raw materials prices, the associated level of risk that the Group has historically been able to reduce by ensuring that such costs are covered early in the construction period rather than spread across a longer period of construction.
- For the Group's branded projects (Versace Home, FENDI Casa, Paramount Hotels & Resorts, Bugatti and Trump), the brand licensing fees represent a relatively small portion of project costs. The Group believes that the higher sales prices it achieves on these projects more than offset the related branding fees, resulting in significantly higher profit margins on those projects relative to the Group's self-branded projects. Likewise, for serviced apartments, the Group believes that the higher sales revenues it has achieved on those projects have more than offset the development costs associated with such serviced apartments, resulting in higher profit margins.

The Group's ability to control costs in the period under review relates principally to its activities in Dubai. With regard to projects outside Dubai that the Group has undertaken or is planning, any difficulty in locating and contracting with suitable contractors could add to its costs and decrease its profit margins for any such projects.

#### ***Macroeconomic and political conditions***

The vast majority of the Group's property projects are located in Dubai. Following the Global Financial Crisis and the contraction of the Dubai housing market in 2008-2009, Dubai restructured the regulatory regime applicable to its property market with the goal of creating market stability. The Government of Dubai has also continued the policies that originally established Dubai as an attractive location for property investment, including its tax-free regime, high-quality public infrastructure and expanded free enterprise zones for the establishment of foreign commercial enterprises resulting in a vibrant business, retail and dining environment.

Demand for the Group's developed properties is driven to a large extent by non-UAE nationals. For many of these investors, luxury property in Dubai represents a safe haven for their accumulated capital. In addition to the Dubai property market characteristics outlined above, macroeconomic conditions and trends in Dubai have a significant impact on the desirability to these investors of a property purchase in Dubai.

Economic and political conditions in other countries can significantly increase the attractiveness of Dubai as a jurisdiction for safe-haven investments. Wealthy buyers and investors may, in response to conditions in their own countries, choose to move some of their capital abroad and often find real estate investments to be an attractive means for doing so. In addition, investors who have moved their capital to a given jurisdiction may, depending on developments in that jurisdiction, choose to redeploy their capital to another jurisdiction that is perceived as safer. As an example, the Group saw an increase in interest from Chinese investors in 2016 following concerns in China with respect to the strength of the Chinese economy. Dubai's attractiveness as a tourist destination and transit hub can have a significant impact on the Group's ability to attract investors from around the world. The Group believes that there is a correlation between the significantly increased numbers of tourists and airport traffic over the past four years and the increased interest in its property units.

### ***Exchange rates***

The sale prices of the Group's properties are denominated in AED or other currencies that are pegged to the U.S. dollar. Likewise, nearly all of its costs are denominated in AED or in U.S. dollars. The exchange rate between the U.S. dollar and other currencies in which potential buyers hold their money can have an impact on demand for the Group's developed properties. Declines in the trading value of the U.S. dollar against the currencies in which the Group's customers receive income or hold assets result in the Group's properties being more affordable to those customers in those currencies. Likewise, any strengthening of the U.S. dollar against other currencies can result in the Group's properties becoming more expensive to those customers. Any substantial strengthening of the U.S. dollar against the currencies of customers in the Group's target markets not pegged to the U.S. dollar could increase the prices of the Group's property units for customers in those markets and reduce the revenues that the Group is able to achieve.

### **Description of Certain Line Items from the Consolidated Income Statement**

#### ***Revenue***

For the year 2014, IFRIC 15 (Agreements for the Construction of Real Estate) was followed for revenue recognition. As per the standard, revenue is recognised when it is probable that the economic benefits from the sale will flow to the Group, revenue and costs can be measured reliably and the risks and rewards of ownership of the unit have been transferred to the buyer. At the point of revenue recognition the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the units/land plots sold.

The Group has opted for modified retrospective application of the standard as permitted by IFRS 15 (Revenue from contracts with customers) (**IFRS 15**) upon early adoption in Dubai. 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.

IFRS 15 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 IFRS. It establishes a new five-step model that will apply to revenue arising from contracts with customers comprising the following:

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

For apartment units, the amount of revenue recognised is by reference to the stage of completion of the contract activity at the balance sheet date, measured as the proportion that contract costs incurred for work performed to date bear to the estimated total contract costs, except where this would not be representative of the stage of completion, and where at least 30 per cent. of the contract purchase price has been received from the relevant customer. Any delays in the construction of projects will result in a delay in the recognition of the related revenue, regardless of how many units are pre-sold and how much of that purchase price has been paid.

To the extent the Group receives payment for units prior to the time at which it is permitted to record revenue on those units, it records the amount of those payments as a liability on its consolidated statement of financial position under "Advance from customers". Under the Escrow Law, these payments are required to be placed in escrow with a local bank, pending distribution to the construction contractors as work is completed, with the

remainder released to the Group upon completion of the project. Payments for sold units that remain in the escrow account are also recorded on the consolidated statement of financial position as "cash and cash equivalents". When revenue on a property is recognised, the percentage of the purchase price is recorded as revenue in that period, the amount of "Advance from customers" recorded in respect of the property is reversed and any amounts still owing on the property are recorded as "Trade and other receivables".

The A&D Projects include sales of plots of land for construction of villas and townhouses that can, at the option of the purchaser, be constructed either by the Group or another developer. The Group recognises revenue for the sale of a plot separately from the sale of any villa or townhouse it later constructs on the plot. Revenue in respect of any constructed villa or townhouse will be recognised by reference to the stage of completion of the contract activity at the balance sheet date, measured as the proportion that contract costs incurred for work performed to date bear to the estimated total contract costs, except where this would not be representative of the stage of completion. With respect to the underlying land, the Group recognises the revenue when:

- 1 a sale contract has been entered into by the Group and the buyer (or buyers) and it has been signed by all parties; and
- 2 the buyer's commitment to the contract for the property purchase has been demonstrated through the payment to the Group of at least 20 per cent. of the agreed purchase price of the land plot. Land plot sales on the Damac Hills project commenced in June 2013 and for the Akoya Oxygen project commenced in August 2014. Therefore revenue recognition from such land sales has been reflected in the Guarantor's consolidated income statement for the years ended 31 December 2015, 31 December 2016 and 31 December 2017 respectively.

#### ***Cost of sales***

Cost of sales includes land costs, property development costs, construction fees and costs, permitting fees, project consultants' costs and utilities connection charges. Prior to the time at which revenue is recognised for a given project and unit, these associated project costs are capitalised and recognised as an asset on the consolidated statement of financial position under "development properties". The amount of development properties recognised is the lower of fair market value and actual cost. At the point when revenue from the sale of a unit is recognised, the corresponding value of the unit is removed from "Advance from customers", and the aggregate incurred costs are recognised on the consolidated income statement as "cost of sales".

Units that are completed but unsold are treated as inventory and reflected as assets on the consolidated statement of financial position under "development properties". Under IFRS, those assets are required to be assessed for impairment at least annually; any adjustments to their value are reflected on the consolidated income statement under "provision for impairment of development properties". In an environment of decreasing property value, where property prices falls below cost of the development of the property, any downward adjustments in the asset value of inventory can result in a non-cash cost in the consolidated income statement. In an environment of increasing property values, the reverse is true.

#### ***Other operating income***

Other operating income consists of late payment penalties from overdue customers, income from customer down-payments that are forfeited upon cancellation of unit sales and registration and transfer fees in respect of units sold to customers.

#### ***General, administrative and selling expenses***

General, administrative and selling expenses represent all overhead expenses of the Group's business, such as staff costs, rent for premises, communication, travel, advertising, sales promotion and marketing, legal and professional fees, office consumables, repairs and maintenance, and utilities. Staff costs are the biggest component of general, administrative and selling expenses (accounting for roughly half of the total), along with advertising and sales promotion costs and rent and licence fees paid for sales offices that are externally owned and operated. In addition, where units have been sold and revenue has been recognised, but remaining payments are overdue, the Group recognises an impairment of that account receivable based upon its impairment assessment and records the value of that impairment under "general, administrative and selling expenses".

#### ***Brokerage commissions***

Brokerage commissions represent the amounts paid to external sales agents and commissions represent the amounts paid to members of the Group's sales staff for sales made by them. These are payable at the time of sale

and are recognised on the consolidated income statement at that time. The levels of brokerage commissions recorded in a particular period may thus bear little or no correlation to the revenues recorded for that period.

### ***Depreciation***

Depreciation represents the amortisation of capital assets over their useful lives. Depreciation is calculated by the Group in respect of fixed assets such as information technology hardware, office furniture and non-structural building components (such as moveable interior walls). The Group generally depreciates its fixed assets on a straight-line basis over a six-year period.

### ***Provision for impairment on development properties/reversal***

A property is deemed a development property from the moment that it is launched for sale or a construction contract is signed for its development. In most cases this construction contract consists of the excavation contract. The Group is required periodically to compare the recorded value of that property against the current fair market value. To the extent that the current fair market value is lower than the recorded value, the Group is required to record a provision in the amount of the difference. That provision can be reversed in the future to the extent of positive movement in the fair market value up to the amount of provision recorded earlier.

### ***Other income***

Other income consists principally of management fees paid to the Group for properties that it manages, charges to customers for assignment or replacement of their contracts with the Group and fees received for providing sales, project management and shared services.

### ***Finance income***

Finance income reflects interest earned on its bank deposits and on trade and other receivables. This includes interest income on amounts held in escrow as required by Dubai law and property regulation.

### ***Finance costs***

Finance costs consist of interest paid on loans and trade and other payables and fees payable to banks for bank guarantees, letters of credit and loans.

## **Results of Operations**

The following table sets forth information about the Group's results of operations for the years ended 31 December 2015, 2016 and 2017:

	<b>For the year ended 31 December</b>		
	<b>2015</b>	<b>2016</b>	<b>2017</b>
	<i>(US\$ million)</i>		
Revenue .....	2,322.7	1,947.3	2,028.4
Cost of Sales .....	(943.9)	(859.6)	(1,039.5)
<b>Gross profit</b> .....	<b>1,378.8</b>	<b>1,087.7</b>	<b>988.9</b>
Other operating income .....	137.1	161.7	79.1
General, administrative and selling expenses .....	(237.4)	(203.2)	(238.2)
Brokerage and commission	(38.3)	(29.7)	(50.2)
Depreciation .....	(3.4)	(4.2)	(7.2)
<b>Operating profit</b> .....	<b>1,236.8</b>	<b>1,012.3</b>	<b>772.4</b>
Other income .....	9.1	12.2	15.3
Finance income .....	24.5	31.5	38.4
Finance costs .....	(41.5)	(49.7)	(74.2)
<b>Profit for the year</b> .....	<b>1,228.9</b>	<b>1,006.3</b>	<b>751.9</b>

### **Year ended 31 December 2017 compared to year ended 31 December 2016**

#### ***Revenue***

Revenue increased by US\$81.1 million, or 4 per cent., from US\$1,947.3 million in the year ended 31 December 2016 to US\$2,028.4 million in the year ended 31 December 2017. This increase is principally the result of an



increase in revenue from apartment units with an aggregate value of US\$1,461.6 million (corresponding to 6 per cent. increase as compared to 31 December 2016).

#### ***Cost of sales***

Cost of sales increased by US\$179.9 million, or 21 per cent., from US\$859.6 million in the year ended 31 December 2016 to US\$1,039.5 million in the year ended 31 December 2017. This increase was primarily due to a higher number of apartment units being recognised in revenue during the year in 2017.

#### ***Gross profit***

Gross profit decreased by US\$ 98.8 million, or 9 per cent., from US\$1,087.7 million in the year ended 31 December 2016 to US\$988.9 million in the year ended 31 December 2017. As a percentage of revenue, gross profit was 56 per cent. in the year ended 31 December 2016 and 49 per cent. in the year ended 31 December 2017. The main reason for this decrease in absolute terms and as a percentage of revenue was due to an increase in revenue recognition of property development in international projects where margins are not as attractive as in Dubai.

#### ***Other operating income***

Other operating income decreased by US\$82.6 million, or 51 per cent. from US\$161.7 million in the year ended 31 December 2016 to US\$79.1 million in the year ended 31 December 2017. This decrease was primarily due to a decrease in income from customer down-payments that were forfeited upon cancellation of unit sales.

#### ***General, administrative and selling expenses***

General, administrative and selling expenses, excluding brokerage commissions, increased by US\$35 million, or 17 per cent., from US\$203.2 million in the year ended 31 December 2016 to US\$238.2 million in the year ended 31 December 2017. This increase mainly reflected higher staff costs as headcount increased, and increases in advertising and sales promotion costs as the Group expanded its operations and its investment in marketing activity.

#### ***Brokerage commissions***

Brokerage commissions increased by US\$20.5 million, or 69 per cent., from US\$29.7 million in the year ended 31 December 2016 to US\$50.2 million in the year ended 31 December 2017. This increase was primarily due to an increased level of sales and higher brokerage and commission rates to remain competitive in the market.

#### ***Depreciation***

Depreciation increased by US\$3 million, or 71 per cent., from US\$4.2 million in the year ended 31 December 2016 to US\$7.2 million in the year ended 31 December 2017. The increase is mainly attributable to depreciation related to the newly added investment properties business portfolio.

#### ***Operating profit***

Operating profit decreased by US\$239.9 million, or 24 per cent., from US\$1,012.3 million for the year ended 31 December 2016 to US\$772.4 million for the year ended 31 December 2017. As a percentage of revenue, operating profit decreased from 52 per cent. for the year ended 31 December 2016 to 38 per cent. for the year ended 31 December 2017. This decrease, both in absolute terms and as a percentage of revenue, was principally due to decreased gross profit, resulting from increased revenue from low margin apartment units and higher general, administrative and selling expenses and brokerage commission.

#### ***Other income***

Other income increased by US\$3.1 million, or 25 per cent., from US\$12.2 million in the year ended 31 December 2016 to US\$15.3 million in the year ended 31 December 2017. This increase was primarily due to income from the sale of an ownership interest in a wholly owned subsidiary incorporated in Iraq.

#### ***Finance income***

Finance income increased by US\$6.9 million, or 22 per cent., from US\$31.5 million in the year ended 31 December 2016 to US\$38.4 million in the year ended 31 December 2017. This increase was primarily due to an increase in deposits held with banks in 2017.

### ***Finance costs***

Finance costs increased by US\$24.5 million, or 49 per cent., from US\$49.7 million in the year ended 31 December 2016 to US\$74.2 million in the year ended 31 December 2017. This increase was primarily due to periodic distribution amounts paid under the newly issued sukuk certificates on 20 April 2017.

### ***Profit for the year***

Profit for the year decreased by US\$254.4 million, or 25 per cent., from US\$1,006.3 million in the year ended 31 December 2016 to US\$751.9 million in the year ended 31 December 2017, for the reasons stated above.

### **Year ended 31 December 2016 compared to year ended 31 December 2015**

#### ***Revenue***

Revenue decreased by US\$375.4 million, or approximately 16 per cent., from US\$2,322.7 million in the year ended 31 December 2015 to US\$1,947.3 million in the year ended 31 December 2016. This decrease was principally the result of a decrease in overall sales value of the Group (with a 22 per cent. decrease in sales value in the year ended 31 December 2016 as compared to the year ended 31 December 2015). The decrease in sales affected the Group's revenues of both property development and land. The revenue from property development was US\$1,378.0 million in the year ended 31 December 2016 as compared to US\$1,533.0 million in the year ended 31 December 2015 (corresponding to a 10 per cent decrease in 2016 as compared to 2015). The revenues from the sale of land was US\$569.3 million in the year ended 31 December 2016 as compared to US\$789.7 million in the year ended 31 December 2015 (corresponding to a 28 per cent. decrease in 2016 as compared to 2015).

#### ***Cost of sales***

Cost of sales decreased by US\$84.3 million, or approximately 9 per cent., from US\$943.9 million in the year ended 31 December 2015 to US\$859.6 million in the year ended 31 December 2016. This decrease was primarily due a lower number of apartment units and land recognised in revenue during the year in 2016.

#### ***Gross profit***

Gross profit decreased by US\$291.1 million, or 21 per cent., from US\$1,378.8 million in the year ended 31 December 2015 to US\$1,087.7 million in the year ended 31 December 2016. As a percentage of revenue, gross profit was 59 per cent. in the year ended 31 December 2015 and 56 per cent. in the year ended 31 December 2016. The main reason for this decrease in absolute terms and as a percentage of revenue was due to a decrease in revenue from land (a 28 per cent. decrease in the year ended 31 December 2016 as compared to the year ended 31 December 2015) which had a higher margin as compared to property development and a higher revenue recognition of property development projects which had lower margins as compared to land.

#### ***Other operating income***

Other operating income increased by US\$24.6 million, or 18 per cent., from US\$137.1 million in the year ended 31 December 2015 to US\$161.7 million in the year ended 31 December 2016. This increase was primarily due to an increase in income from customer down-payments that were forfeited upon cancellation of unit sales.

#### ***General administrative expenses***

General, administrative and selling expenses, excluding brokerage commissions, decreased by US\$34.2 million, or 14 per cent., from US\$237.4 million in the year ended 31 December 2015 to US\$203.2 million in the year ended 31 December 2016. This decrease was primarily due to a decline in sales related promotions and advertising in line with decreased sales in 2016 as compared to 2015.

#### ***Brokerage commissions***

Brokerage commissions decreased by US\$8.6 million, or 22 per cent., from US\$38.3 million in the year ended 31 December 2015 to US\$29.7 million in the year ended 31 December 2016. This decrease was primarily due to lower sales in 2016 and an increased level of sales being made through the Group's in-house sales offices in 2016.

#### ***Depreciation***

Depreciation increased by US\$0.8 million, or 24 per cent., from US\$3.4 million in the year ended 31 December 2015 to US\$4.2 million in the year ended 31 December 2016. This increase was primarily due to more assets becoming fully depreciated in 2016.

### **Operating profit**

Operating profit decreased by US\$224.5 million, or 18 per cent., from US\$1,236.8 million for the year ended 31 December 2015 to US\$1,012.3 million for the year ended 31 December 2016. As a percentage of revenue, operating profit decreased from 53 per cent. for the year ended 31 December 2015 to 52 per cent. for the year ended 31 December 2016. The decrease in absolute terms and as a percentage of revenue, was principally due to decreased gross profit, resulting from decreased revenue from apartment units and the sales of land.

### **Other income**

Other income increased by US\$3.1 million, or 34 per cent., from US\$9.1 million in the year ended 31 December 2015 to US\$12.2 million in the year ended 31 December 2016. This increase was primarily due to an increase in property management fees.

### **Finance income**

Finance income increased by US\$7.0 million, or 29 per cent., from US\$24.5 million in the year ended 31 December 2015 to US\$31.5 million in the year ended 31 December 2016. This increase was primarily due to an increase in deposits held with banks during the year in 2016.

### **Finance costs**

Finance costs increased by US\$8.2 million, or 20 per cent., from US\$41.5 million in the year ended 31 December 2015 to US\$49.7 million in the year ended 31 December 2016. This increase was primarily due to an increase in bank loans and related finance costs of such in 2016.

### **Profit for the year**

Profit for the year decreased by US\$222.6 million, or 18 per cent., from US\$1,228.9 million in the year ended 31 December 2015 to US\$1,006.3 million in the year ended 31 December 2016, for the reasons stated above.

### **Historical Cash Flows**

The following tables set forth the audited consolidated statement of cash flows of the Group for the years ended 31 December 2015, 2016 and 2017:

	<b>For the year ended 31 December</b>		
	<b>2015</b>	<b>2016</b>	<b>2017</b>
		<i>(US\$ million)</i>	
<b>Cash flows from operating activities</b>			
<b>Operating cash flows before changes in operating assets and liabilities</b> .....	<b>1,253.9</b>	<b>1,021.1</b>	<b>796.2</b>
Increase in trade and other receivables .....	(281.4)	(262.7)	(481.2)
Decrease in due to a related party .....	(11.0)	-	-
(Increase)/Decrease in development properties .....	(323.1)	(299.7)	80.5
Decrease in advances from customers .....	(158.5)	(363.6)	(251.0)
(Decrease)/increase in trade and other payables .....	198.9	(90.0)	(154.2)
Employees' end-of-service indemnity paid .....	(1.7)	(1.9)	(2.4)
<b>Net cash generated from operating activities</b> .....	<b>677.1</b>	<b>3.2</b>	<b>(12.1)</b>
<b>Cash flows from investing activities</b>			
Purchases of property and equipment .....	(4.7)	(2.8)	(5.6)
Acquisition of financial investments .....	(35.0)	(10.3)	(21.2)
Decrease/(increase) in other financial assets .....	17.4	(62.0)	(2.2)
Proceeds from disposal of Property and equipment ..			0.1
Net cash received from disposal of a subsidiary .....			3.9
Decrease/(increase) in fixed deposits with an original maturity of greater than three months .....	96.9	(61.1)	(77.1)
Interest received .....	18.9	34.0	35.0
<b>Net cash generated from/(used in) investing activities</b> .....	<b>93.5</b>	<b>(102.2)</b>	<b>(67.1)</b>
<b>Cash flows from financing activities</b> .....			
Proceeds from bank borrowings during the year .....	183.9	216.2	134.7

Repayment of bank borrowings during the year .....	(22.4)	(128.8)	(246.3)
Proceeds from issuance of sukuk certificates .....	98.5	-	619.0
Redemption and repurchase of sukuk certificates .....		(25.0)	(272.7)
Increase in share capital .....	333.0	25.0	46.0
Dividend paid .....	(482.7)	(274.5)	(458.4)
Finance costs paid.....	(40.1)	(49.2)	(71.0)
<b>Net cash generated from/(used in) financing activities .....</b>	<b>70.2</b>	<b>(236.3)</b>	<b>(248.7)</b>

**Net cash generated from operating activities.** Net cash generated from operating activities principally reflects cash received from sales of properties in any given year, offset by expenditures for property development and construction.

Net cash generated from operating activities was US\$3.2 million in the year ended 31 December 2016 while net cash used in operating activities was US\$12.1 million in the year ended 31 December 2017. This decrease was due to lower sales, a greater decrease in trade and other receivables and a decrease in trade and other payables, in 2017 as compared to 2016.

Net cash generated from operating activities decreased from US\$677.1 million in the year ended 31 December 2015 to US\$3.2 million in the year ended 31 December 2016. This decrease was primarily due to lower generating cashflows, a greater decrease in customer advances and a decrease in trade and other payables, in 2016 compared to 2015.

**Net cash generated from/(used in) investing activities.** Net cash used in investing activities was US\$102.2 million in the year ended 31 December 2016 compared to net cash used in investing activities of US\$67.1 million in the year ended 31 December 2017. This change was primarily due to a lower increase of other financial assets (more escrow retention money release than inflows in the account) and one-time cash received on disposal of a wholly owned subsidiary in Iraq, in 2017 compared to 2016.

Net cash generated in investing activities was US\$93.5 million generated in the year ended 31 December 2015 compared to net cash used in investing activities US\$102.2 million used in the year ended 31 December 2016. This change was primarily due to an increase in other financial assets comprising of cash received from pre-sales held in escrow accounts which can only be released after 12 months from completion of a project. The increase in such financial assets was due to an increase in the collection of cash from pre-sales escrow accounts, in 2016 compared to 2015.

**Net cash (used in)/generated from financing activities.**

Net cash used in financing activities was US\$236.3 million in the year ended 31 December 2016 and US\$248.7 million in the year ended 31 December 2017. This change was primarily due to proceeds from the issuance of sukuk certificates on 20 April 2017 and the partial redemption of sukuk certificates issued on 9 April 2014, and higher amounts of dividends paid in 2017 compared to 2016.

Net cash generated from financing activities was US\$70.2 million in the year ended 31 December 2015 compared to net cash used in financing activities of US\$236.3 million for the year ended 31 December 2016. The decrease was primarily due to lower net borrowings in 2016 compared to 2015. **Expected Cash Requirements**

**Construction costs.** The Group seeks to fund construction costs through escrow monies received from pre-sales of its property units. For projects in Dubai (constituting the majority of the Group's projects during the year under review), the Group's application of construction costs is subject to regulation. Specifically, the Group is not allowed to commence construction until 20 per cent. of construction costs have been provided for. This is typically accomplished through the allocation of funds from the Group's cash flows from operating activities but often accomplished through putting bank guarantees in place. The initial phases of construction are generally financed through these provided funds. Pre-sales of property units takes place after construction has commenced, with 10 to 20 per cent. of the purchase price of a given unit generally required to be paid up-front and with further down-payments occurring at scheduled intervals thereafter. Any such monies are required under Dubai regulation to be placed into escrow and can be released as construction milestones are met. This arrangement allows the Group to fund most of its construction costs with escrowed funds received from pre-sales, supplemented as needed by cash flows from operating activities. To the extent that construction costs cannot be met by a combination of funds from pre-sales and cash flows from operating activities, the Group would seek to meet its construction commitments from financing facilities. The nature of the regulatory regime

in Dubai is such that pre-sales of a project can begin only if the Group has established an escrow account for that project.

### ***Financing arrangements***

The Group currently has 7 different bilateral financing facilities with 6 different banks as follows:

As at 31 December 2017, an amount of US\$60 million was outstanding with Islamic banks and US\$117.3 million with conventional banks.

#### *Islamic banks and financial institutions*

The Group has the following Shari'a compliant financing facilities with Islamic financial institutions:

- US\$68 million Ijarah facility with a commercial bank at a profit rate of 3 months EIBOR plus 3.25 per cent. per annum, repayable by 2020 and of which US\$8 million was repaid as at 31 December 2017.

#### *Conventional banks and financial institutions*

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

- US\$50 million term loan facility with a commercial bank bearing interest at 3 months EIBOR plus 3.5 per cent. per annum, repayable in 2018 and of which US\$16 million was repaid as at 31 December 2017.
- US\$17 million term loan facility with a commercial bank bearing interest at 3 months EIBOR plus 3.5 per cent. per annum, repayable in 2018.
- US\$118 million revolving term loan facility with a commercial bank bearing interest at 3 months LIBOR plus 3.75 per cent. per annum, repayable in 2018 and of which US\$96 million was repaid as at 31 December 2017.
- US\$14 million term loan facility with a commercial bank bearing interest at 3 months EIBOR plus 3.5 per cent. per annum, repayable in 2018 and of which US\$11 million was repaid as at 31 December 2017.
- US\$45 million term loan with a commercial bank bearing interest at 3 months EIBOR plus 3.25 per cent. per annum, repayable by 2019 and of which US\$11 million was repaid as at 31 December 2017.
- US\$18 million term loan facility with a commercial bank bearing interest at 3 months EIBOR plus 3.5 per cent. per annum, repayable by 2020 and of which US\$10 million was repaid as at 31 December 2017.

On 9 April 2014, the Group issued US\$650,000,000 sukuk certificates due 2019 through its special purpose vehicle, Alpha Star Holding Limited. The certificateholders are paid returns at the rate of 4.97 per cent. per annum. The Guarantor used the net proceeds of the issuance of sukuk certificates for general corporate purposes (including the acquisition of an additional land bank in respect of its project Akoya Oxygen) (See "*Description of the Group – The Group's Projects and Pipeline – Overview of key projects*"). The Group intends to partially redeem these sukuk certificates through the proceeds of the issue of the Certificates.

On 20 April 2017, the Group issued US\$500,000,000 sukuk certificates due 2022 through its special purpose vehicle, Alpha Star Holding III Limited. The certificateholders are paid periodic distribution amounts at the rate of 6.25 per cent. per annum. The Guarantor used the net proceeds of the issuance of sukuk certificates for general corporate purposes (including the acquisition of an additional land bank in respect of its project Akoya Oxygen) and to partially redeem the sukuk certificates due 2019 issued on 7 April 2014. (See "*Description of the Group – The Group's Projects and Pipeline – Overview of key projects*").

On 30 March 2017, the Group issued a further US\$125,000,000 of sukuk certificates due September 2018 through its special purpose vehicle, Alpha Star Holding IV Limited. The Guarantor used the net proceeds of the issuance of sukuk certificates for general corporate purposes (including the acquisition of an additional land bank) see "*Description of the Group – The Group's Projects and Pipeline – Overview of key projects*".)

***Lease obligations*** The Group enters into lease contracts for its head office space and its various sales offices in various cities around the world. At 31 December 2017, the aggregate annual amount owing under its various lease contracts was US\$67.4 million.

### ***Off-balance sheet and contingent obligations***

In order to launch a project and begin selling units in that project on a pre-sale basis, the Group is required to provide for 20 per cent. of the construction costs of the project. It frequently does so by providing a bank guarantee in the required amount. If these bank guarantees were to be drawn on, the Group would be responsible for the entire amount upon demand. The aggregate amount of its bank guarantees was US\$255 million at 31 December 2017, US\$336.5 million at 31 December 2016 and US\$289.2 million at 31 December 2015. In addition, the Group is required to provide letters of credit from time to time in connection with its purchases of supplies and furnishings, although the aggregate amount of these that are outstanding at any time tends not to be material. Some of the bank guarantees and letters of credit are provided pursuant to guarantee facilities financing from financiers and which are supported by personal guarantees from the Guarantor's Executive Chairman and Chief Executive Officer, Hussain Ali Habib Sajwani.

### ***Expected Sources of Funds***

The Group plans to continue to meet its cash requirements for its construction obligations including under its community developments and tower developments principally through pre-sales of its property units. To the extent that it requires cash from time to time for working capital purposes or in connection with land acquisitions, it intends to continue to enter into financing facilities with banks. Outside Dubai, the Group is generally free to encumber properties it acquires with mortgages, and to the extent it finds mortgage finance to be a cost-effective way of developing its land bank it will consider doing so. Within Dubai, properties in the Group's land bank can initially be mortgage-financed, but these mortgage financings must then be repaid or refinanced within a finite period because pre-sales on an encumbered property are not permitted. Accordingly, most of the properties in the Group's land bank are paid in full with funds from non-escrowed cash and cash equivalents or from unsecured financing facilities.

The Group uses a limited amount of bank guarantees to support its land purchases and letters of credit to support purchases of supplies and furnishings.

### **Key Line Items from the Consolidated Statement of Financial Position as at 31 December 2015, 2016 and 2017**

The majority of the Group's assets consist of development properties, cash and bank balances and amounts due from trade and other receivables. The majority of the Group's liabilities consist of trade and other payables and advances from customers and bank borrowings.

### ***Development properties***

Development properties consist of land held for future development, properties under development and completed properties as to which there is no contract of sale or as to which a contract of sale has been executed but the sale is not yet recognised for accounting purposes. Under IFRS the Group is required to assess the value of its development properties at least annually and, as required, to take a provision to reflect any decrease in the net realisable value of the properties or to reverse provisions previously taken. This assessment was most recently undertaken as at 31 December 2017.

At 31 December 2015, 2016 and 2017, the recorded value of the Group's development properties was US\$2,488.1 million, US\$2,787.8 million and US\$2,624.0 million, respectively. The increased amount at year-end 2015 to year-end 2016 reflects additions through purchases of land held for future development and properties under development that are in excess of cost of sales recognised. The subsequent decreased amount at year-end 2016 to year-end 2017 was mainly due to higher cost of sales recognised in 2017 compared to 2016 and partially due to transfer of development properties to investment properties and property and equipment.

Properties under development constituted the majority of development properties, accounting for 74.2 per cent., 77.7 per cent. and 79 per cent. as at 31 December 2015, 2016 and 2017 respectively. The increase in the percentage corresponding to properties under development at 31 December 2016 to at 31 December 2017 reflects the transition of land held for development to properties under development upon project launch.

### ***Cash and bank balances***

Cash and bank balances consist primarily of cash held in escrow, which are predominantly advances received from customers on off-plan sales. These amounts are generally released to cover construction costs as contractually agreed milestones are met. Cash and bank balances also include amounts recorded as fixed deposits, bank balances and cash on hand.

As at 31 December 2015, 2016 and 2017, cash and bank balances were US\$2,585.3 million, US\$2,261.2 million and US\$ 2,027.5 million respectively. The decrease in cash balances from year-end 2015 to year-end 2017 is due to higher amount of escrow releases during the period.

#### ***Trade and other receivables***

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

At 31 December 2015, 2016 and 2017, trade and other receivables were US\$1,034.9 million, US\$1,307.3 million and US\$1,797.9 million respectively. The higher level of trade and other receivables as at each year end reflects mainly an increase in amounts receivable from various projects.

#### ***Trade and other payables***

Trade and other payables consist of deferred consideration payable for land acquisition, accruals, other payables and retention payable.

At 31 December 2015, 2016 and 2017, trade and other payables were US\$1,174.9 million, US\$1,086.5 million and US\$938.2 million respectively. The decreases over the period in trade and other payables reflects mainly lower provisions made for deferred consideration for land payments.

#### ***Advances from customers***

Advances from customers consist principally of advances from customers, generally in the form of payments on the purchase of properties under contract. To the extent these funds are held in escrow and have not been disbursed to cover construction costs, they also appear as an asset under cash and bank balances. At 31 December 2015, 2016 and 2017, advances from customers were US\$1,505.6 million, US\$1,142.0 million and US\$891.0 million respectively. The decreases over the period reflect the higher level of revenue recognition.

#### ***Sukuk certificates***

Sukuk certificates relate to proceeds from the issuance of sukuk certificates. As at 31 December 2015, 2016 and 2017, the carrying amount of sukuk certificates were US\$745.5 million, US\$722.1 million and US\$ 1,071.4 million respectively. The reduction in 2016 reflects a partial redemption of the sukuk certificates due 2016 and the increase in 2017 reflects the issuance of new sukuk certificates due 2022 issued on 20 April 2017 along with the partial redemption of sukuk certificates due 2019 issued on 7 April 2014.

#### **Transactions with Related Parties**

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

For further detail on transactions with related parties, see Note 17 of the 2016 Financial Statements and Note 18 of the 2017 Financial Statements in respect of transactions entered into by the Guarantor with related parties.

#### **Exposure to Financial Market Risk**

The Group is exposed to financial market risk, principally in the form of fluctuations in interest rates and commodity prices.

#### ***Interest rate risk***

The Group borrows money from banks predominantly under term loans, interest under which is at floating interest rates, subject in some cases to a fixed rate floor. Total bank borrowings were US\$278.9 million (US\$ 1,024.4 million including sukuk certificates) as at 31 December 2015 (with 73 per cent. accruing interest at a fixed rate floor at that date including sukuk certificates), US\$316.4 million (US\$ 1,038.5 million including sukuk certificates) as at 31 December 2016 (with approximately 70 per cent. accruing interest at a fixed rate floor at that date including sukuk certificates) and US\$221.9 million (US\$1,293.3 million including sukuk certificates) as at 31 December 2017 (with approximately 73 per cent. accruing interest at a fixed rate floor at that date including sukuk certificates). If interest rates had been 50 basis points higher or lower and all other

variables were held constant, profit for the years ended 31 December 2017, 31 December 2016, 31 December 2015, would have decreased or increased, by US\$1.4 million, US\$1.5 million and US\$1.0 million respectively.

The Group has not entered into any derivative instruments to manage interest rate risk as it believes that the risk is not material and that the costs of those instruments would outweigh any benefit. The Group continues to review the interest rate risk and the policies in place to manage this risk.

#### ***Commodity pricing risk***

The Group is exposed to commodity pricing risk related to the costs it incurs under the terms of its contracts with contractors for such raw materials as cement, steel, glass and aluminium. Increases in prices for these raw materials and commodities could result in the Group being required to pay more to engage contractors and/or having to bear part or all of the increases in such costs above certain indices stated in the relevant contracts. As a general matter, the Group believes that fluctuations in housing prices tend to be correlated with fluctuations in commodities prices, but the Group does not view commodity pricing fluctuations as posing a significant risk to its business, financial condition, results of operations and prospects.

Nonetheless, because the majority of its sales are made prior to the completion of construction, the Group is not able to pass on to its customers any such increases in costs which arise after such sales are made, including during the course of construction. The Group manages this risk by internally assessing the feasibility of projects prior to launch through its Pricing Committee. After launch, the Group's Tendering Committee awards contracts to contractors on the basis of several criteria, including the terms relating to the allocation of liability for costs and cost increases. Finally, once contracts have been awarded, project managers review the projects on a monthly basis, considering among other matters any variations to the specifications for the project, such as changes in the volumes of materials required. In response to such variations, the project managers may then take remedial measures such as renegotiating with the contractor the terms governing the allocation of liability for the resultant increases in costs.

#### ***Currency risk***

The Group's foreign currency transactions and balances are denominated in US\$ or currencies pegged to US\$ (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.

#### **Accounting Policies Requiring Management Judgement and Discretion**

In preparing its IFRS financial statements, for certain line items the Group is required to make judgements or to exercise discretion in determining the values to be recorded, as described in the notes to the Annual Financial Statements. Different judgements taken by the Group in determining these amounts could have a material effect on the amounts recorded in its consolidated statement of financial position or consolidated income statement.

The most material line items requiring management judgement and discretion are the following:

#### ***Satisfaction of performance obligations under IFRS 15***

For the years 2015 onwards, the Group is required to assess each of its contracts with customers to determine whether performance obligations are satisfied over time or at a point in time in order to determine the appropriate method of recognising revenue. The Group has assessed that, based on the sale and purchase agreements entered into with customers and the provisions of relevant laws and regulations, where contracts are entered into to provide real estate assets to customers, the Group does not create an asset with an alternative use to the Group and usually has an enforceable right to payment for performance completed to date. In these circumstances the Group recognises revenue over time. Where this is not the case revenue is recognised at a point in time.

#### ***Litigation***

The Group is subject to litigation in the normal course of its business. The Group 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***

The Group 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.

### ***Net realisable value of development properties***

The realisable values of development properties were determined by the management of the Guarantor, in consultation with the Group's auditor on a yearly basis based on valuations performed by qualified and independent chartered surveyors and property consultants. These valuations have been prepared in accordance with the Valuation Standards of RICS, and are reflective of the economic conditions prevailing as at the reporting date, and changes in the development plan of certain projects.

The primary valuation method used was the residual land valuation method which is based on a discounted cash flow approach that determines the value of the property by deducting the estimated costs to complete the development from the estimated value on completion derived from the sales proceeds of the property. This method entails estimating the gross realisation from the projected sales price of the properties. From this is deducted the outstanding estimated cost to service the property including a developer's margin to arrive at a residual value. The resultant value expressed in net present value terms represents the estimated price that a well-informed rational and efficient developer or investor would pay for the subject property. The method takes into account the time value of money concept where future cash flows are discounted at rates ranging from 12.5 per cent. to 20 per cent. during 2017 (in 2016 the range was from 12 per cent. to 20 per cent.) depending on the nature and scale of the project under development and the timeframe over which it is expected to be developed. The properties are expected to be developed over a period varying between 1 to 5 years.

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

### ***Financial investments***

Financial investments represent 20 per cent. equity interest of the Group in a related entity. 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'.

## DESCRIPTION OF THE GROUP

### OVERVIEW

The Group believes that it is a leading developer of luxury property in the Middle East, with a strong track record in Dubai and a presence in other markets in the Middle East. The Group's award-winning developments include community developments and some of its iconic tower developments in Dubai's luxury property sector. The Group believes that its brand is widely recognised throughout the Middle East region. The Group operates primarily in the residential segment of the luxury property sector of which its Dubai mixed-use community developments and mixed-use tower developments, with a key focus on residential developments, contributes the majority of the Group's revenues. The Group also manages and operates a number of hospitality units comprising of serviced apartments and hotels and plans to develop its investment property segment which will involve the lease of retail, residential and commercial units. The hospitality business contributes a small portion of the Group's overall business with six serviced apartment projects currently being managed and operated by the Group, although the Group expects this segment to contribute more significantly to the Group's revenues in 2017 and the following years thereafter. The investment property business is currently in its infancy and is a very small part of the Group's business, which currently consists of 328 units in four residential buildings. The Group expects this segment to contribute more significantly to the Group's revenue in the future. The Group continually adapts its product offering in response to its customers' demands and is currently enhancing the appeal of, and demand for, its community developments and residential tower and hospitality developments by adding to its products on offer: (i) villas and apartments in its luxury lifestyle community developments such as its A&D Projects, which are centred around Trump International golf courses; (ii) villas, apartments and hotel rooms that are co-branded with premium brands such as FENDI Casa, Versace Home, Bugatti, the Trump Organization and Paramount Hotels & Resorts; and (iii) fully serviced villas and apartments. Since beginning its first residential project in 2002, the Group has sold units to nearly 26,000 customers from over 150 countries and it has over 350,000 potential customers in its database.

The Group's property business was established in 1992 in its predecessor form by its Executive Chairman and Chief Executive Officer, Mr. Hussain Ali Habib Sajwani. The business focused originally on developing and selling hotels and other properties to UAE nationals. In 2002, real estate laws in Dubai changed to allow non-UAE nationals to own freehold land interests in designated areas. In response, the Group began developing and selling luxury residential, commercial and mixed-use tower developments to international and UAE-based customers and since 2015 has focused on mixed-use community developments in addition to the development of mixed-use tower projects with a primary focus on residential developments. Since beginning its first residential project in 2002 to 31 December 2017, the Group has completed 20,236 units (a majority of which are residential units in Dubai) equating to over 23.4 million square feet of delivered area, with a total project value of US\$8.4 billion (see "*Description of the Group - The Group's Projects and Pipeline*"). In 2017 alone, the Group delivered 2,304 units. The Group has expanded geographically to replicate its business model outside Dubai and is currently developing buildings in certain locations in other Middle East markets such as Saudi Arabia and Qatar. As at 31 December 2017, it had over 39,000 units comprising approximately 54 million square feet of saleable area in progress in the UAE and Qatar. All of the units in progress are scheduled to be delivered by the end of 2023. Approximately 3 per cent. of saleable area in progress and planning is located outside the UAE with the Group largely focusing on the UAE as it is one of the fastest growing markets in the Middle East.

For the year ended 31 December 2017, the Group had revenues of US\$2,028.4 million and made a profit for the year of US\$751.9 million of which approximately US\$2,018.3 million of revenues (comprising approximately 99.5 per cent. of all Group revenues) and US\$756.0 million of profit (comprising approximately 100 per cent. of all Group profit) derived from the Group's mixed-use community and mixed-use tower development segment and approximately US\$10.1 million of revenues (comprising approximately 0.5 per cent. of all Group revenues) derived, and US\$4.1 million of loss incurred, from the Group's other business segment (including hospitality and leasing). For the year ended 31 December 2016, the Group had revenues of US\$1,947.3 million and made a profit for the year of US\$1,006.3 million of which approximately US\$1,943.6 million of revenues (comprising approximately 99.8 per cent. of all Group revenues) and US\$1,008.5 million of profit (comprising approximately 100 per cent. of all Group profit) being derived from the Group's mixed-use community and mixed-use tower development segment and approximately US\$3.7 million of revenues (comprising approximately 0.2 per cent. of all Group revenues) being derived, and US\$2.2 million of loss being incurred, from the Group's hospitality business segment. For the year ended 31 December 2015, it had revenues of US\$2,322.7 million and recorded a profit for the year of US\$1,228.9 million of which approximately US\$2,317.5 million of revenues (comprising approximately 99.8 per cent. of all Group revenues) and

approximately US\$1,235.4 million of profit (comprising approximately 100 per cent. of all Group profit) was derived from the Group's mixed-use community and mixed-use tower development and approximately US\$5.2 million of revenues (comprising approximately 0.2 per cent. of all Group revenues) being derived, and US\$6.5 million of loss being incurred, from the Group's the hospitality business segment. As at 31 December 2017, the Group had total assets of US\$6,894.2 million of which approximately US\$6,876.8 million of total assets (comprising approximately 99.7 per cent. of all Group assets) were mixed-use community and tower development assets and approximately US\$17.4 million of total assets (comprising approximately 0.3 per cent. of all Group assets) were other business segment assets (including hospitality and leasing). As at 31 December 2016, the Group had total assets of US\$6,699.2 million of which approximately US\$6,690.7 million of total assets (comprising approximately 99.9 per cent. of all Group assets) were mixed-use community and tower development assets and approximately US\$8.5 million of total assets (comprising approximately 0.1 per cent. of all Group assets) were hospitality business segment assets. As at 31 December 2015, the Group had total assets of US\$6,380.3 million of which approximately US\$6,371.2 million of total assets (comprising 99.9 per cent. of all Group assets) were mixed-use community and mixed-use tower development assets and approximately US\$9.1 million of total assets (comprising 0.1 per cent. of all Group assets) were the hospitality business segment assets. Currently, the Group has four residential buildings as investment property which started generating revenues in 2017 and the Group plans for the investment property business segment to grow in the future.

The Group's property development business model comprises four main phases - buy, design, sell and build property. For each project, the Group typically seeks to execute all phases of its business model within a two- to four-year cycle. In Dubai, the development parameters for each parcel of land released for sale by the Government of Dubai are established by the Government of Dubai in advance of its sale. Prior to purchase, the Group establishes specific financial and land-efficiency targets for each parcel of land that it wishes to acquire and these targets guide the design and development process. All land purchased by the Group in Dubai is within areas where expatriates and non-GCC nationals are permitted to own a freehold interest in the land. Each parcel of land purchased by the Group is generally paid for in cash upfront. Pursuant to Dubai regulations, project pre-sales can only begin when 20 per cent. of construction costs have been provided for and the land has been paid for in full. The remainder of the construction costs are typically covered from instalment payments on sales of units, which are timed (when possible) to coincide roughly with construction payment milestones. This arrangement allows the Group to reduce its financial exposure and to operate at lower levels of leverage. It also provides it with enhanced visibility of future revenues.

As at 31 December 2017, the Group had a land bank of 2.0 million square feet of saleable area of land comprising undeveloped parcels of land in prime locations mainly in Dubai, which is targeted for development and delivery by the end of 2024. The Group continually seeks to identify opportunities to purchase additional land in Dubai and other Middle East locations that offer the potential to earn high returns. Those potential returns are assessed on the basis of the Group's strategy of developing only those projects that it believes are capable of achieving or exceeding a two times return on equity (on a project-by-project basis) over a four year period. See "*The Group's Projects and Pipeline*".

The holding company of the Group is the Guarantor. The Guarantor is incorporated in the DIFC as a company limited by shares with its registered office Unit 206A, Level 2, Park Towers, Dubai International Financial Centre, PO Box 2196, Dubai United Arab Emirates and its telephone number is +971 (4) 373 1000.

## **KEY STRENGTHS**

The Group benefits from the following key strengths:

### ***Regionally recognised brand and leading independent property developer in Dubai***

The Group considers itself to be a leading developer of luxury property in the Middle East, namely the UAE, Qatar and Saudi Arabia.

Since beginning its first residential project in 2002 to 31 December 2017, the Group has completed 20,236 units equating to over 23.4 million square feet of delivered area, with a total project value of US\$8.4 billion (see "*Description of the Group - The Group's Projects and Pipeline - Key operational and performance metrics for projects*"). In 2015, the Group delivered 2,637 units across 2.12 million square feet of saleable area. The Group has sold units to over 26,000 customers from over 150 countries and it has over 350,000 potential customers in its database. As evidence of the resilience of its business model, the Group has consistently delivered units in each year since 2009 (inclusive) to the end of 2017 including during the period of economic downturn associated with the Global Financial Crisis during 2009 to 2011. The Group delivered 18,160 units during this

period with 3,241 units alone delivered during the crisis years of 2009 to 2011. By way of comparison, the Group delivered 2,076 units pre-crisis between 2002 and 2008 (inclusive).

The Group's reputation and track record of delivering projects despite the past economic downturn associated with the Global Financial Crisis, allows it to be a credible counterparty in negotiations with regulators and government-linked master developers in connection with planning permissions and land acquisitions.

The Group has sought to develop a brand that is associated with quality, luxury and trustworthiness, which allows the Group to charge premium prices in the luxury property market in Dubai and the Middle East. The Group believes that its strong reputation and regionally recognised brand is based on its track record of delivering on-budget, high quality, luxury developments, such as Akoya Oxygen, Damac Hills and The Distinction, each in Dubai. The Group believes that its strong position and its strong brand translate into higher sales volumes and prices, which also enables the Group to achieve higher profit margins than many of its competitors typically achieve.

***Strategically positioned to benefit from Dubai tourism, economy and real estate sector growth and development***

The Group believes it is a leading property developer in the Dubai market. More than one third of the world's population lives within a four-hour flight of Dubai and Dubai International Airport was the world's busiest based on the number of international passengers in 2015, according to the Airports Council International. Its extensive hotel and shopping venues, together with its safe environment, pleasant climate and beaches, make Dubai a favoured tourist destination for visitors from much of the Middle East region and beyond. Tourism increased 3.9 per cent in 2016 compared to 2015 with 13.34 million international guests visiting Dubai in 2016, according to Dubai Tourism. Additionally, a number of tourist attractions came to completion during 2016 such as the Dubai Parks and Resorts as well as the Dubai Opera, which helped enhance Dubai's position as a tourist destination of choice in the region.

Dubai has a well diversified economy, of which property forms a significant part (see "*Description of the United Arab Emirates–The Emirate of Dubai–The economy in Dubai*"), and the Government of Dubai has expended considerable resources to enhance and encourage the development of the real estate sector. The Group believes it is well positioned to continue to play a leading role in the further development of the Dubai real estate market, as its main strategy is the development of luxury property in prime locations, which is the main focus of Dubai's real estate market. Dubai has also exhibited economic growth across key sectors and population growth following the Global Financial Crisis despite the challenging geopolitical phase coupled with low oil prices (see "*Description of the United Arab Emirates–The Emirate of Dubai*").

As a result of the growth in tourism, GDP and the Dubai population, the residential property market has recovered since the Global Financial Crisis (see "*Description of the United Arab Emirates–The Emirate of Dubai–The economy in Dubai*"). At the same time the Dubai Government's commitment to infrastructure spending due to Expo 2020 is expected to draw further inward capital in the Dubai real estate market. Additionally, Dubai benefits from an investor-friendly tax regime (see "*Regulatory Information– UAE Taxation*"). The Group believes that regulatory changes in the Dubai property market, brought in both before and after the Global Financial Crisis (see "*Regulatory Information*"), have sought to protect property investors and provide stability to the Dubai property market, and this increases Dubai's desirability as a market for property investment.

All of the above factors contribute to the view of Dubai as a safe haven for investors from countries and regions that are less politically stable or which have less economic growth potential. This is evidenced by: (i) an increase in foreign direct investment in Dubai, driven by the real estate and construction sectors, which represented approximately 13.5 per cent. of Dubai's GDP as at 30 September 2017, according to Dubai Statistics Centre; (ii) consumer confidence in the UAE increasing in the 12 months to the date of this Prospectus; and (iii) a recovering business confidence.

Whilst it has traditionally focused on the Dubai property market, the Group has capitalised on its strong reputation and track record by expanding its existing operations outside Dubai into Abu Dhabi and other countries in the Middle East region countries including Qatar, Saudi Arabia, Jordan, and Lebanon. Currently, the Group has projects in each of these additional countries, which offers a platform for additional growth.

***Proven business model with strong profit margin generation and attractive returns***

The Group's gross profit margins in 2017 averaged 48.8 per cent. per annum. The Group's gross profit margins on projects delivered in 2016 have averaged 55.9 per cent. per annum and in 2015 have averaged 59.4 per cent.

per annum. A strong commitment to maximising profit margins and returns on equity shapes the Group's planning and decision-making processes. The Group believes it achieves higher profit margins and higher returns than many of its competitors through:

- ***aggressive project cost management***, with all aspects of development and construction being overseen and managed by the Group's in-house staff;
- ***land acquisitions in prime locations at competitive prices*** that are generally paid for upfront, or where it is financially more prudent to do so, paid for with short-term financing that is quickly repaid in advance of construction, which allows the Group to achieve higher gross profit margins;
- ***active capital management***, with most construction costs funded from pre-sales of units and with customer payments scheduled in instalments which roughly coincide with construction progress payments;
- ***speed of execution***, with most projects being designed, sold and built within two to four years of the design phase for a project being commenced, recycling the Group's capital efficiently for further investment; and
- ***sophisticated and proactive sales and marketing teams***, controlling the sales process to manage working capital while maximising selling prices, seeking out potential buyers in markets around the world and typically selling a majority of available units in each project prior to the completion of construction.

The Group's commitment to high returns is achieved in part by having a network of internal teams focusing on maximising efficiency at every stage of the design, development, construction and sales process. For example, internal teams of engineers and design professionals work closely with external architects to ensure that each building achieves the target levels of land-use efficiency. Building engineers and project managers work closely with contractors to ensure that maximum savings are achieved in construction costing and execution. The in-house customer relationship management team works closely with the design teams to ensure that the Group is delivering buildings that meet customers' expectations and to identify product enhancements (such as luxury co-branding opportunities) that increase the attractiveness of the Group's products. The Group considers that this highly engaged and proactive approach to cost control and value maximisation, its focused product positioning and its controlled approach to development and sales play important roles in allowing it to achieve high profit margins.

#### ***High quality development pipeline, land bank and ability to source new opportunities***

The Group believes it has a high-quality, well-located pipeline of in-progress developments which will drive near-term growth both within the UAE and internationally. As at 31 December 2017, it had over 39,000 units comprising approximately 54 million square feet of saleable area in progress across the Middle East (in Dubai and Qatar), all of which is scheduled to be delivered by the end of 2023, with over 4,000 units to be completed by the end of 2018. Approximately 3 per cent. by saleable area of these projects under development are located outside of the UAE. Further details of the pipeline are set out under "*The Group's Projects and Pipeline*". In addition, the Group maintains an inventory of completed units available for sale and as at 31 December 2017, had approximately 1,550 completed units available for sale. As at 31 December 2017, it also held 2.0 million square feet of saleable area of land that is awaiting development and is continuously seeking to acquire new land to replenish this land bank. This land bank of undeveloped land comprises approximately five further months of sales measured by analysing the inventory value of the land and the sale average rate achieved by the Group over the 12 months ended 31 December 2017.

The property market in Dubai is largely shaped by government-linked master developers, which are wholly or partially government-owned entities responsible for developing previously undeveloped land in Dubai (see "*Description of the Group—Operating Environment*" for further information on government-linked master developers). If certain plots of land are not developed by such government-linked master developers, the desirability of the entire lifestyle community decreases. Accordingly, there is some degree of interdependence between developers, such as the Group, and these government-linked master developers. Given the Group's strong track record of delivery, the Group believes it is well positioned to obtain further land from these government-linked master developers. The Group's strong relationships with the government-linked master developers in Dubai, as well as with RERA and other key regulators, banks, contractors and other key parties, have played a role in the Group's success.

The Group seeks to manage its inventory carefully throughout the various phases of a project's development. The development and sales teams work together to ensure that units are released into the market for sale in such a way as to optimise sale prices in light of prevailing market conditions and, in particular, underlying demand for units and supply and pricing of competing units. The Group also seeks to manage its land bank efficiently so as to capitalise on demand and thereby maximise its financial returns. The Group's general strategy is to maintain a land bank of four years such that, at any time, it has three to five years' worth of land in the pipeline which is being developed for delivery. By managing the level of its land bank in this way, the Group maintains flexibility to deploy capital for land acquisitions in response to its sales performance and general market conditions. As its profit on each project is released from escrow following construction, the Group generally applies the bulk of such monies to fund new land acquisitions, which it then aims to develop promptly.

In addition to, and as part of, its pipeline of developments, the Group's expansion into branded and non-branded apartments, hotels and serviced apartments is intended to enhance its future growth. Please see "*The Group's Projects and Pipeline*" section for further details. In particular, the growth in tourism in Dubai is driving demand for serviced apartments and hotels, especially in the luxury segment. Dubai is currently experiencing limited supply and low penetration of serviced apartments, which presents the Group with an opportunity to capitalise on its strong and internationally recognised brand in this growing sector of the real estate market. In light of Dubai's successful bid to host the World Expo 2020, it is likely that further opportunities will present themselves. 13 per cent. of the Group's units (comprising over 8,000 units) in-progress and in-planning are designed as serviced apartments and 4 per cent. as hotels (comprising over 2,500 units). These achieve an average of 10 to 15 per cent. higher yields than conventional apartments, which underpins investors' appetite for these categories. Although the principal purpose of the add-on services connected with serviced apartments and hotels is to enhance the Group's ability to sell units, these units not only offer potential for higher prices and profit margins but also provide the Group with an opportunity to benefit from recurring revenue streams going forward from: (i) management fees from rental pools; (ii) share of profits in the rents achieved in the rental pool; and (iii) other services being provided.

#### ***Co-branding with premium brands***

In the course of the Group's continual adaptations of its product offering in response to customer preferences, it identified co-branding with premium brands, such as FENDI Casa, Versace Home, Bugatti, Paramount Hotels & Resorts and the Trump Organization, as an opportunity to increase customer interest and thereby volume of sales and pricing of its units, especially in the context of growing investor demand from emerging markets for co-branded products. These co-branding arrangements are another factor differentiating the Group's products from those of its competitors and have a positive effect on how the Group's own brand is perceived. Units which are co-branded typically achieve sales prices which are on average, in the case of apartments and hotels, 15 to 20 per cent. higher than those achieved for non-branded apartments and hotels and in the case of villas, more than 20 per cent. higher than those achieved for non-branded villas. Where such co-branded apartments, hotels and villas are also supported by the Group's luxury services, such as private chefs and butlers, these price premiums increase. Approximately 17 per cent. of units in projects in-progress are designed as serviced apartments and hotels with some such units co-branded.

#### ***In-house design, sales, execution, service and hospitality capabilities***

The Group believes that the key to its financial success is its ability to generate strong sales on units in a project from launch. This pre-sales model enables the Group to fund most construction costs from instalment payments on sales of units, which are timed, when possible, approximately to coincide with construction progress payments with a typical payment plan consisting of 30 per cent. time based instalments and 70 per cent. coinciding with construction milestones.

The Group's sophisticated sales and marketing teams are instrumental in achieving high sales figures. Its large-scale in-house sales team and its extensive network of multinational external brokers allow the Group to target customers in their home locations or by people familiar with the customers' culture and language. As at 31 December 2017, the in-house sales team comprised over 650 full-time employees, which the Group believes to be one of the largest sales teams in the UAE. As at 31 December 2017, the Group's network of external brokers comprised over 5,800 broker contacts of around 100 different nationalities of which over 900 were active and accounted for approximately 71 per cent. of sales during 2017. The Group's internal marketing team is continually researching new markets for its properties and arranges road shows and exhibitions for its in-house sales teams and agents in selected international markets in which it does not have a sales office. During 2017, the Group conducted over 500 road shows in over 100 cities. The marketing team is particularly proactive in identifying potential markets that are most likely to contain a high number of potential customers and

coordinating with the sales team a quick response to approaching those markets. In addition to the marketing team, a corporate communications team is responsible for all interactions with the media, releasing press reports and statements.

The Group has an in-house design team which adds value to projects by ensuring that designs are cost effective and engineered to achieve the optimum saleable area and thereby driving up returns. The design team also seeks to ensure that designs are flexible enough to allow for a change of use, for example, from residential to commercial (and vice versa) where market conditions are such that another use is more profitable than that originally envisaged.

The Group has an experienced project management team which focuses on controlling costs, monitoring contractors and proactively managing the procurement process to ensure projects are "packaged" in the optimum manner to keep costs under control whilst ensuring that quality is maintained.

Additionally, the Group has an in-house customer relationship management team, which focuses on providing the highest standards of customer care throughout the lifecycle of the customer relationship. The Group believes this approach to customer care enhances the Group's reputation as a trusted property developer and enables it to achieve high levels of customer satisfaction. In addition, the Group provides the facilities management for the owners' association in all of the projects it has completed to date. The Group's internal teams communicate with each other effectively and key findings relating to customers' design tastes and preferences are monitored by the Group's customer relationship management team and translated into changes to project design and construction.

***The in-house acquisitions team continuously seeks to acquire zoned land in prime locations at attractive prices with a potential to deliver high gross profit margins***

The Group has an in-house team providing owners' association and general facilities management services for the common areas of the Group's completed projects. This is a dedicated customer service provided by the Group after completion of a development and the handover of units to the purchasers.

The Group is now expanding into providing luxury hotel services for units it intends to sell as serviced apartments and hotels, having set up a discrete in-house team for this purpose. These services include concierge services, food and beverage and housekeeping and general room services, each as standard. Customers can further opt into more personalised services such as private chefs, personal shopping, babysitting, and butlers. Over 8,000 units of its projects in-progress and in planning as at 31 December 2017 are being developed as serviced apartments and hotels. The hospitality sector has performed strongly with an increase in tourism in Dubai driving demand not only for hotels but also for serviced apartments. The Group seeks to capitalise on its strong brand and track record for delivering luxury products by marketing its luxury apartments and hotels with luxury services. Such services are provided by its own in-house team, thereby ensuring that these will be provided to the standards of an international five-star hotel.

***Conservative financial policy***

Part of the Group's conservative business model of paying the majority of construction costs from instalment payments received on pre-sale of units allows it to operate at low levels of leverage. As at 31 December 2017, the Group had total borrowings of US\$1,293.3 million compared to total borrowings of US\$1,038.5 million as at 31 December 2016 and US\$1,024.4 million of total borrowings as at 31 December 2015. At 31 December 2017, the Group held a land bank comprising 2.0 million square feet of saleable area of land that it intends to develop, sell and build by the end of 2024 but for which the "Design" phase has not as yet commenced. Almost all of this land has been fully paid for, except in respect of the land for the Akoya Oxygen and Aykon City, which will be paid by 27 July 2018 for Akoya Oxygen and 15 March 2020 for Aykon City. As at 31 December 2017, approximately 10.0 per cent. of Akoya Oxygen land remained to be paid and approximately 48.4 per cent. of the Aykon City land remained to be paid. Since the Global Financial Crisis, the Group has also been able to negotiate the purchase of land in parcels by which title for each parcel passes on payment of the purchase price. Such agreements allow the Group flexibility in maintaining its land bank, to respond quickly to customer demand and exit from a land purchase entirely subject to a US\$1 million to US\$2 million break fee.

The Group believes its conservative and flexible capital structure alongside management's agility enables the Group to respond quickly to changes in the economic cycle. The Group responded quickly to the Global Financial Crisis by: (i) adapting its pipeline by changing some of the units it had under construction from residential to commercial; (ii) stopping and/or delaying project construction of certain developments; and (iii) moving customers to more advanced projects thereby allowing the Group to consolidate the number of projects under construction in response to changing market conditions. The Group believes that it emerged from the

downturn in the Dubai property market following the Global Financial Crisis in a stronger position than most of its Dubai competitors. This was due to: (i) its low levels of leverage; (ii) its ability to consolidate projects by slowing some developments and moving customers to more advanced projects; (iii) its ability to renegotiate payment schedules with contractors; (iv) its ability to sell undeveloped land; and (v) its extensive and high quality in-house design team which was able to maximise saleable area efficiency of progressed projects under development, whilst retaining the appeal and attractiveness of such projects to meet the luxury standards expected by the Group's customers. Consequently, the Group believes that it was able to deliver more units during the period from 2011 to 31 December 2017 than any of its competitors. Following the property downturn, the Group was also able to start construction on projects in Dubai that it had postponed during the Global Financial Crisis more quickly than many of its competitors. Further, and in response to the lessons learned during the property downturn, the Group has taken additional steps to increase its flexibility in its contracts with customers and contractors.

#### ***Flexible terms with contractual counterparties***

When signing sales agreements with customers, the Group generally retains the right to move the customer into an equivalent or better unit, should that prove to be in the Group's interest, allowing it to consolidate its projects in response to changing market conditions. In addition, its construction contracts frequently give the Group flexibility to delay payments to contractors by up to 245 days. In the event of an unexpected tightening of liquidity, the Group believes that it would have access to bank credit and would seek to sell its existing inventory if required to complete projects.

#### ***Highly experienced management team and a committed shareholder***

The Group is led by a management team of directors and senior managers with significant experience in the real estate construction industry, as well as in marketing, human resource management, company administration, corporate finance, legal and accounting. The Board of the Guarantor and the senior management of the Group draws its knowledge and skills from both local and international experience.

The Group's Executive Chairman and Chief Executive Officer, Mr. Hussain Ali Habib Sajwani, founded the Damac business in 1992 in its predecessor form and has over 32 years of experience in management and is well connected in Dubai and the Middle East region. Mr. Hussain Ali Habib Sajwani controls all entities comprising the Group indirectly through, the ownership of 72.2 per cent of the issued share capital of Damac Properties Dubai Co, PJSC (**Damac PJSC**). Damac PJSC directly owns 100 per cent of the issued share capital of the Guarantor and the Guarantor owns directly or indirectly 100 per cent. of all issued share capital of each other Group company (see "*Corporate Structure*" for further information). Damac PJSC is a publicly listed company on the Dubai Financial Market and is required to comply with all corporate governance rules and corporate discipline standards stipulated by the UAE Securities and Commodities Authority which is the UAE authority mandated with supervising and monitoring the UAE onshore financial market. Additionally, the Group's business integrity is further supported by the Damac PJSC board of directors (the **Damac PJSC Board**) comprising of seven directors with the majority of directors being independent directors as at the date of this Prospectus.

The success of the Group has also been shaped by a number of other key individuals with significant experience in the sector. The Group's Chief Finance Officer, Mr. Adil Mohamed Hassan Taqi, has 22 years of experience in management and has been employed with the Group since 2006. The Group's Commercial division is led by Mr. Mohammed Tahaine who has almost 20 years' experience in the UAE, working in the construction industry at executive management level, specialising in commercial and project management. The Human Resources and Talent Acquisition team is led by Mr. Mavelitharayil Philip John who joined the Group in 2003 and has more than 25 years' experience in human resources. The Group's Senior Vice President for Projects, Mr. Ma'an Manna has over 15 years in the construction industry and joined the group in 2011. Mr. James Anderson, has over 20 years of experience in legal private practice and in-house legal departments and is the Vice President for Legal (Construction). The Group's Senior Vice President for Finance, Mr. Hitesh Dhoot, has over 15 years' experience in managing accounting and finance teams in various organisations and joined the Group in 2008.

## **STRATEGY**

The Group's strategic goal is to deliver attractive returns as a leading developer of luxury residential properties across the Middle East. To achieve this strategic goal, the Group is focused especially on the following:



### ***Executing its business model and delivering its existing pipeline of projects while securing land bank***

The Group is focused on executing its proven property development business model of "Buy", "Design", "Sell" and "Build" (see "*Business Model*" for further information), supported by attention to detail, pursuit of value enhancing opportunities, proactive cash-flow management and customer care during each phase of the development life cycle, which is typically executed within three to four years from the start of the design process for any given parcel of land. To achieve this, the Group maintains an adequate land bank, continually seeking to source prime land in premium locations at attractive prices with a potential to deliver high gross profit margins and an average two times return on equity over four years. Given the Group's strong track record of delivery of projects, the Group believes it is well-positioned to obtain further land from government-linked master developers in Dubai in the future. Its in-house team monitors key market factors to guide this land sourcing effort and it seeks to diversify its access channels to prime land, such as, for example, its A&D Projects, where the Group is serving as a community developer for these iconic lifestyle communities.

As at 31 December 2017, the Group was developing over 39,000 units equating to approximately 54 million square feet of saleable area under development in Dubai and Qatar. These projects are scheduled to be sold and built by the end of 2023 with over 4,000 units to be completed by the end of 2018. In addition, at 31 December 2017, the Group held a land bank comprising 2.0 million square feet of saleable area of land that it intends to develop, sell and build by the end of 2024 but for which development has not as yet commenced. Almost all of this land has been fully paid for in cash other than the land for the Akoya Oxygen and Aykon City, which will be paid by 27 July 2018 for Akoya Oxygen and 15 March 2020 for Aykon City. However, to the extent sales have been launched for a parcel of land for a particular phase of the A&D Projects, such land has been fully paid for by the Group. Executing these projects on schedule and on budget will be a high priority for the Group, as will a continued strong sales and marketing effort to ensure that units are sold quickly and at premium prices. The Group believes that its track record over the past decade demonstrates that it is well placed to meet these challenges and thereby to deliver high returns for the Group.

### ***Continuing selective expansion into new markets that offer high returns and diversification of risk***

Although the bulk of the Group's projects have been and will continue to be based in Dubai, it continues to seek opportunities predominantly in other Middle East markets and possibly beyond, where doing so may allow it: (i) to enhance its reputation; (ii) to achieve high returns; and (iii) to diversify its portfolio. The Group currently has 3 projects in progress outside Dubai all of which are in the Middle East, and the Group will continue to add to this pipeline of projects outside its core market, Dubai, provided any such markets are attractive to the Group. The focus going forward will be on selective Middle Eastern markets where there is strong demand for the Group's products that offer scaleable opportunities, and in which the Group can replicate its successful Dubai model, including in Qatar and Saudi Arabia. The Group will seek to enhance its returns on a selective basis by increasing its presence in these and any other attractive markets in the Middle East

### ***Maximising value by enhancing its product and services line and therefore enhancing and building on its brand***

To maximise the potential value of its projects and achieve higher return, the Group intends to continue to offer development products that allow it to generate maximum returns, including by expanding its product offering. The Group has expanded and is focusing on the development of new luxury lifestyle communities with the development of the Akoya Projects. Damac Hills was the Group's first project as a community developer and represents approximately 20 per cent. of the Group's pipeline, whilst Akoya Oxygen represents approximately 43 per cent. of the Group's pipeline, each by number of units, as at 31 December 2017. The developments offer premium branded mansions, villas, townhouses and apartments which have a higher percentage of saleable area to built up area, thereby increasing profit margins, and can be constructed with greater flexibility to adapt to customer demand than traditional high-rise apartment buildings.

Additionally, the Group is offering units for sale in developments in which it provides management and operating services, including services comparable with those provided by luxury hotels, and (where desired by the owner) arranges for and oversees rental of units when the owner is not present in Dubai for periods of less than 12 months. As at 31 December 2016, over 8,000 units in projects in-progress and in-planning were to be developed as serviced apartments and over 2,500 units as hotel rooms. A number of these developments will contain a full range of restaurant and entertainment options, increasing their luxury appeal.

In addition, and as a further example of its ability to adapt quickly to changing customer preferences and to capitalise on its strong brand, the Group plans to continue offering units that are co-branded with such names as Paramount Hotels & Resorts, FENDI Casa, Bugatti, Trump Organization and Versace Home. These associations

with premium brands further differentiates the Group product offering from that of its competitors by stimulating customer interest, volume of sales and pricing of its units. These units typically achieve higher sale prices than similar non-branded apartments and villas allowing the Group to achieve higher margins. The Group believes that incorporating these add-on services and features into its projects allows it to increase the selling prices of its units and to maximise its profit margins and returns.

#### ***Develop and expand its hospitality and investment property segment***

The Group intends to develop and expand its hospitality segment and the new investment property segment initially in the Middle East. As at the date of this Prospectus the Group currently operates in aggregate six serviced apartment developments within its hospitality segment in Dubai. The Group's investment property business segment focuses on the leasing of retail, residential and commercial properties and as at the date of this Prospectus includes four buildings as part of one residential project in Dubai.

These segments form a small part of the Group's business currently, however, in the future it is expected that these segments will form a greater part of the Group's business. This forms part of the Group's overall strategy to increase recurring revenues and to continue to diversify revenue streams. The Group intends for its hospitality and investment property business segments in the future to further develop and mature into self-sustaining business units from which the Group will be able to realise value. It is the Group's current intention to retain strategic and management control of these segments after monetising parts of these assets.

#### **OPERATING ENVIRONMENT**

In Dubai, the Group's developments are all located on land that the Government of Dubai has designated as land which both UAE and non-UAE nationals can buy. The principal source of land for the Group in Dubai is government-linked master developers. The standard operating model of government-linked master developers in Dubai, including Emaar, Nakheel, Meraas and Dubai Properties, is to acquire land directly from the Government of Dubai (including by way of government grant, transfer, or sales for nominal value), retain a portion of the land to develop their own projects, sell the remainder to property developers like the Group to develop individual projects and agree with RERA a development plan and arrange for electricity, water, wastewater management, roads and other necessary infrastructure. These government-linked master developers typically sell land in private transactions to the relevant developer, although they also conduct land sales through public auctions. Accordingly, the Government of Dubai and the master developers control the supply and location of land that the Group requires for its developments. In order to fund themselves, master developers rely to some degree on selling plots of land to property developers such as the Group. If those plots of land are not then developed, the desirability of the lifestyle community decreases. Given the Group's strong track record of delivery of projects, the Group believes it is well positioned to obtain further land from these government-linked master developers in the future. Please see the section entitled "*Risk Factors-Risks related to the Group's business-The success of the Group's business depends on its ability to locate and acquire land suitable for development at attractive prices*".

Other sources of land in Dubai for the Group's developments are private land owners and other property developers or private investors who have acquired land from master developers and decide to on-sell such land rather than to develop it themselves. In prime areas in Dubai where the Group seeks to develop land (including Dubai Marina, the Downtown Dubai area and Business Bay), a significant amount of such land is currently available from private landowners.

In other jurisdictions, such as Saudi Arabia and Qatar, the Group sources its land from both public and private bodies. In doing so, it benefits from a wide network of contacts across such jurisdictions.

The regulatory regime for property development in Dubai has been designed to provide stability in the Dubai property market. For example, the proposed usage of a parcel of land in Dubai is established in detail before the parcel is put up for sale, and Dubai regulations provide customers with certain protections, including requirements that proceeds from pre-sales are placed into escrow at a local bank and prohibitions on the pre-selling of residential units before certain conditions are met (such as there being no encumbrances on the land proposed to be developed). Please see "*Regulatory Information*" section of this Prospectus.

In Dubai, as a result of the regulatory environment, customers pay instalments into an escrow account as required by law and funds are released to the contractor on completion of contractual construction milestones as certified by the project engineering consultant and the DLD approved escrow trustee engineer. Any project finance acquired by the Group is also paid into the escrow account. Amounts may be withdrawn in advance of such milestones for payment of project management expenses (including the costs of professional fees and

utilities) up to a maximum of five per cent. of the approved construction cost and a further five per cent. of the sold value may be withdrawn for marketing expenses. Provided that RERA approval is obtained, profit may be withdrawn from the escrow account once 60 per cent. of the project (as certified by RERA) has been completed. See section *"The Group's Projects and Pipeline–Business Model- The "Buy" phase"* for further detail. The Group's standard sale and purchase agreement does not provide for unilateral withdrawal by the customer. In the event that the Group terminates a sale and purchase agreement as a result of the purchaser's default, the Group is typically entitled to retain up to 40 per cent. of the purchase price, which may be deducted from the amount received from the purchaser (provided that 60 per cent. of the construction has been completed). The trustee of the escrow account (typically the bank) is required to retain five per cent. of the amount received from purchasers for 12 months from the date of receipt of the completion certificate issued by the DLD to the developer. This five per cent. retention can be withdrawn by the developer prior to the expiry of the 12 month period only if a bank guarantee is provided for an equivalent amount.

The Group's Credit Control Committee monitors the collection of payments of instalments from unit purchasers. The completion-based instalments are linked to development milestones such as completion of the foundational "enabling works", and the Finance Committee issues payment demands in accordance with the terms of the relevant sale and purchase agreement. The Group reports customer payment defaults to the Group's Finance Committee and contacts the defaulting customer via client relationship contacts (including the sales and marketing office that made the sale). See *"Organisation, Directors, Senior Management and Employees of the Group-Organisational Structure"* section below for further details on these committees.

If payment remains outstanding following the deadline specified in the relevant sale and purchase agreement, the Group sends the customer a formal warning letter requesting payment within a further time period and confirming that failure to pay will result in termination of the agreement and notifying the purchaser that the Group will charge interest on the outstanding amount (typically at a rate of two per cent. per month compounded quarterly on the default amount, calculated from the date of the initial formal notice to the date of payment).

## THE GROUP'S PROJECTS AND PIPELINE

The Group has a track record of 20,236 completed units (of which 17,663 units are located in Dubai and 2,573 units are located outside Dubai) equating to 23.4 million square feet of saleable area. As at 31 December 2017, it had approximately 39,000 units under construction equating to over 54 million square feet of saleable area in two different countries, with scheduled completion dates ranging from 2017 to the end of 2023.

The table below shows the number of completed, in progress and planned projects in each of the locations in which the Group operates, as at 31 December 2017.

Locations	Completed units	Units in progress	Planned Units	Total Units	Completed saleable area ('000 square feet)	Saleable area in progress ('000 square feet)	Planned saleable area ('000 square feet)	Total saleable area ('000 square feet)
Dubai	17,663	37,970	2,203	57,836	20,175	52,618	1,973	74,766
Abu Dhabi	721	645	0	1,366	767	582	0	1,349
Jordan	398	0	0	398	525	0	0	524.65642
Saudi Arabia	754	0	0	754	1,087	0	0	1,087
Lebanon	188	0	0	188	341	0	0	341.48808
Qatar	512	468	0	980	468	616	0	1084.5232
<b>Total</b>	<b>20,236</b>	<b>39,083</b>	<b>2,203</b>	<b>61,522</b>	<b>23,364</b>	<b>53,817</b>	<b>1,973</b>	<b>79,154</b>

### *Key operational and performance metrics for projects*

The Group uses the following operating and performance metrics in evaluating its individual projects:

- **saleable area** is, for residential units, the aggregate surface area of all units for sale in a given project and, for commercial units, the aggregate surface area of all units for sale plus a proportionate share of the common area on a given floor;
- **built up area (BUA)** is the aggregate of saleable area and built up common areas (including parking, mechanical areas, reception and health and recreational facilities);
- **gross floor area (GFA)** is all liveable and recreational areas, consisting of BUA minus parking and mechanical areas and open terraces;
- **sales** are the aggregate value of units sold where the purchaser has made a down payment of at least 20 per cent. and not sought to cancel the purchase;
- **inventory** includes both units that are available for sale but not yet sold and units that are sold but not classified as sales (e.g. units where the owner is delinquent or has sought to cancel the purchase);
- **inventory value** is the aggregate value of the inventory at a sales price based on a weighted average per square foot of prices achieved on sales;
- **project cost** is the aggregate of the costs for land acquisition, development and construction;
- **project value** is the sum of booked sales and inventory value;
- **project gross profit** is the project value minus land acquisition, development and construction costs; and
- **project gross profit margin** is the ratio of project gross profit to project value.

These various metrics are not measures recognised by IFRS. In particular, sales, inventory value, project value, project costs, project gross profit and project gross profit margin are not calculated in accordance with IFRS and may not tie to the Annual Financial Statements contained in this Prospectus. As these are not standardised measures, they may not be directly comparable to similar measures that are published by other companies.

### Completed projects

Since its inception in 2002 to 31 December 2017, the Group has completed an aggregate of 20,236 units (of which 17,663 are located in Dubai and 2,573 units are located outside Dubai) equating to 23.4 million square feet of saleable area, and with a total project value (see "Description of the Group-The Group's Projects and Pipeline-Key operational and performance metrics for projects") of US\$8.4 billion with over 39,000 units across 54 million square feet of saleable area to be completed by the end of 2023. To date, the Group's projects have consisted of luxury mixed-use community and mixed-use tower developments with a focus on residential developments.

The table below sets out key information about the Group's completed projects as at 31 December 2017, ordered by completion date.

Particular	Year completed	Total no of units	Total Saleable Area ('000 square feet)	Total Project Value* US\$ million
Before Global Financial Crisis	2006-2008	2,076	2,080	544
During Global Financial Crisis	2009-2011	3,241	3,187	1,023
After Global Financial Crisis	2012 onwards	14,919	18,097	6,860
<b>Total</b>		<b>20,236</b>	<b>23,364</b>	<b>8,427</b>

\* Please see "Description of the Group-The Group's Projects and Pipeline- Key operational and performance metrics for projects" for an explanation of the project value metric.

### Projects in progress

A project becomes a 'project in progress' at launch. As at 31 December 2017, the Group had over 39,000 units on over 54 million square feet of saleable area under development in two countries, with a total project value (see "Description of the Group - The Group's Projects and Pipeline - Key operational and performance metrics for projects") of approximately US\$16 billion. Given construction costs for a project are on average approximately 35 per cent. to 40 per cent. of project value, as at 31 December 2017 of the over 39,000 units almost all of the constructions costs relating to such units were fully funded from pre-sales of such units and/or Group funds.

As at 31 December 2017, none of the over 39,000 units forming 'projects in progress' were held as investment properties.

The table below sets out key information about the Group's projects currently in progress, ordered by total project value.

Projects	Expected Completion	Total no of units	Total Saleable Area ('000 square feet)	Total Project Value* US\$ million
Damac Towers by Paramount	2018	2,000~	2,100~	1,300~
Damac Heights	2018	644	900~	550~
Damac Hills Community Development	2018-2020	8,000~	11,500~	4,100~
Akoya Oxygen Community Development	2018-2021	17,000~	30,000~	5,950~
Privé by Damac	2018	1,000~	650~	400~

Paramount Tower Hotel & Residences	2020	860~	800~	450~
Aykon City	2023	5,000~	3,500~	2,000~
Other Projects (majority located in Dubai)	2017-2020	4,800~	4,700~	2,000~
<b>Total</b>		<b>39,000~</b>	<b>54,000~</b>	<b>16,000~</b>

~ denotes approximate figures

\* *Please see "Description of the Group - The Group's Projects and Pipeline - Key operational and performance metrics for projects"* for an explanation of the project value metric.

### **Projects in planning**

In addition to projects already in progress, as at 31 December 2017, the Group is in the planning stage for projects encompassing approximately 2 million square feet of saleable area with targeted completion by 2024. These projects are located in Dubai and have a total project value (see "*Description of the Group - The Group's Projects and Pipeline - Key operational and performance metrics for projects*") of US\$800 million.

Particular	Total GFA (‘000 square feet)	Planned Saleable area (‘000 square feet)	Total Project Value US\$ million	Planned Number of Units
Dubai	2,100~	2,000~	850~	2,200~
<b>Total</b>	<b>2,100~</b>	<b>2,000~</b>	<b>850~</b>	<b>2,200~</b>

~ denotes approximate figures

### **Overview of key projects**

#### *Completed projects:*

Certain key completed projects include:

#### *The Distinction*

The Distinction is a 195 metre, 53-storey, iconic tower overlooking the platinum real estate in the heart of Dubai, with enviable views of the fountain, mall and the world's largest tower, the Burj Khalifa. The serviced hotel apartments at The Distinction offer the highest levels of customer service, luxury and opulence placing it among the premium developments the Group has on the market.

The project completed in 2016 with a total saleable area of 391,000 square feet and a project value of US\$273 million.

#### *Upper Crest*

Upper Crest offers furnished and serviced apartments in Dubai's Burj area. Upper Crest represents the high quality living and a sound investment in serviced apartments combining the comforts of home with the luxury of a hotel suite and the convenience of an apartment. The architecture of the tower, with its 43 levels, creates an imposing and attractive figure, fitting into the surrounding neighbourhood. It is within walking distance of some of the world's favourite tourist destinations, including the Dubai Mall, the largest mall in the world by total area and the world's largest tower, the Burj Khalifa.

The project completed in 2015 with a total saleable area of 404,000 square feet and a project value of US\$248 million.

### *Projects in progress:*

Certain key projects in progress include:

#### *Akoya Oxygen*

On 27 July, 2014 the Group acquired 55 million square feet of land in Dubai, through its subsidiary Front Line Investment Management Co. LLC, at an acquisition cost of US\$513 million, using the proceeds of an issuance of sukuk certificates by the Group. See "*Operating and Financial Review–Financing arrangements*". In line with its long-term strategy, the Group acquired the land for the purposes of replenishing its land bank and to provide for a consistent pipeline of future sales inventory.

Akoya Oxygen is the Group's second project as a master developer and builds on the successful Akoya by Damac project. See "*Damac Hills*" below. Approximately 30 per cent. larger than Damac Hills, Akoya Oxygen will be the first green-friendly lifestyle community, developed to provide a green environment with an air of "Escape The City" within an upscale resort where luxurious modern design residential properties will be integrated with retail and hospitality products, including a five-star hotel and a luxury wellness centre.

Located off the Umm Suqeim Road, approximately 10 minutes from Damac Hills, the fully-integrated community will include:

- an 18-hole PGA Championship Golf course to be designed by Tiger Woods;
- globally-recognised retail brands, leisure and entertainment facilities; and
- green living and open spaces, including parklands with over 4,000 trees to ensure cleaner air and naturally cooler temperature.

Akoya Oxygen was designed to contain a total saleable area of 29.4 million square feet with an expected project value of over US\$6.0 billion. Due to Akoya Oxygen offering luxury branded mansions, villas, townhouses and apartments which have a higher percentage of saleable area to built-up area, Akoya Oxygen has higher profit margins than traditional high-rise apartments, and can be constructed with greater flexibility to adapt to customer demand than traditional high-rise apartment buildings.

Akoya Oxygen is scheduled to complete in multiple stages between 2018 and 2021 with as at 31 December 2017, approximately 10 per cent. of Akoya Oxygen land remaining to be paid. The Group has sold over 9,000 units of approximately 17,000 total units from launch of Akoya Oxygen to 31 December 2017 for over US\$3.4 billion. Akoya Oxygen generated revenue of approximately US\$680 million, constituting 34 per cent. of total revenues of the Group for the year ended 31 December 2017 and represented approximately 43 per cent. of the Group's pipeline, by number of units, as at 31 December 2017. Given the significance of the Akoya Oxygen development to the Group's pipeline any delay, suspension or change in scope of Akoya Oxygen may have a material adverse impact on the Group's business (see "*Risk Factors–Risks relating to the Guarantor and the Group*" for further information).

#### *Damac Hills*

Damac Hills, comprised previously of Akoya by Damac and Akoya Park and was the Group's first project as a community developer. Damac Hills is a luxury lifestyle villa and apartment community development located within 30 minutes of the centre of Dubai, off Umm Suqeim Road. This will be a 42 million square feet luxury lifestyle community development and aspires to be the most luxurious golf community in Dubai, offering premium branded mansions, villas, townhouses and apartments. The Group believes that it represents a unique and exciting alternative to its existing inventory of high-rise units. Damac Hills was designed as a gated, green community of single-family mansions and villas surrounding a golf course owned by the Group. Prominent features of its design include:

- the 18-hole PGA Championship Golf course together with a driving range and a 12-hole golf academy and a Trump International Golf Club, designed by Gil Hanse in collaboration with the Trump Organization;
- the majority of the residents of the development have access to views of the golf club greenery;
- single-family mansions of two storeys facing the golf course;
- single-family villas, of which approximately a quarter will face the golf course and park;
- townhouses;

- luxury high and mid-rise units facing the golf course;
- a luxury spa and wellness centre to be maintained and operated by the Trump Organization;
- a luxury boutique hotel to be operated by the Trump Organization;
- international schools from pre-school to secondary school; and
- a range of restaurants, supermarkets and other shopping and entertainment outlets (95,000 square feet of gross floor area retail centre) that provide a complete village ambience to residents.

The Group currently plans to sell all residential units and to retain ownership of the golf club and club grounds as well as of the luxury hotel and retail areas. The management team for Damac Hills will outsource a number of services to be provided in this context, including the management of the golf club (to Trump International), a school and hotel management (also to Trump International, although it will receive revenue from the hotel going forward) and will provide other services in-house.

Damac Hills was designed to contain a total saleable area of 17.3 million square feet with an expected project value of over US\$6 billion. Similarly as with the Akoya Oxygen development, due to Damac Hills offering luxury branded mansions, villas, townhouses and apartments which have a higher percentage of saleable area to built-up area Damac Hills has higher profit margins than traditional high-rise apartments, and can be constructed with greater flexibility to adapt to customer demand than traditional high-rise apartment buildings.

Parts of the Damac Hills development completed in 2016 and 2017 and other parts of the development are scheduled to complete in multiple stages between 2018 and 2020 with the land for the Damac Hills development being owned by the Group. The Group has sold over 5,000 units of approximately 11,000 total units from launch of the Damac Hills project to 31 December 2017 for approximately US\$2.5 billion. As at 31 December 2017, Damac Hills generated revenue of approximately US\$438 million, constituting 22 per cent. of total revenues of the Group for the year ended 31 December 2017 and represented approximately 20 per cent. of the Group's pipeline, by number of units, as at 31 December 2017. Given the significance of the Damac Hills development to the Group's pipeline any delay, suspension or change in scope of Damac Hills may have a material adverse impact on the Group's business (see "*Risk Factors—Risks relating to the Guarantor and the Group*" for further information).

#### *Aykon City*

Aykon City is a six tower luxury project comprising an 80 storey Aykon Hotel and Residences, a 63 storey Damac Maison Serviced Hotel Residences, a 60 storey apartment tower, a 65 storey office tower and two approximately 30 floor luxury residential towers featuring car lifts to each unit and direct views over Dubai Canal and Safa Park. Limited release of the serviced residences have gone on sale with further releases to take place in due course.

Aykon City is a 4 million square feet development, located on the eastern and western sides of Sheikh Zayed road at the Safa Park intersection and in close proximity to the Dubai Canal. It will join other iconic developments in the golden quadrant of the business district of the city such as City Walk, the Burj Khalifa, Emirates Towers and the DIFC.

This project will also feature leisure and hospitality offerings including swimming pools, spa, beach club, cafés, restaurants, Yoga and Tai-chi areas, and private members club.

The project sales value is over US\$2 billion and construction is due to commence in 2018 with a target completion date of 2023.

#### *Damac Towers by Paramount Hotels and Resorts Dubai*

The Damac Towers by Paramount Hotels & Resorts complex is developed in collaboration with Paramount Hotels & Resorts comprises four towers stretching 250 metres high and will offer one, two and three bedroom luxury serviced branded apartments and hotel.

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



Damac Towers by Paramount Hotels & Resorts will include exclusive access to landscaped and pool areas, numerous health facilities, on-site parking and numerous high-end dining establishments. The project has been designed to offer over 1,900 units (including the hotel) with a total saleable area of circa 2.1 million square feet.

Damac Towers by Paramount has an estimated sales value of US\$1.4 billion and is scheduled for completion in 2018. The successful collaboration between the Group and Paramount was extended across various projects and in 2015, the two companies announced the launch of Paramount Tower Hotel & Residences. This mega-project with a sales value of almost US\$500 million, will be strategically located on Sheikh Zayed Road in Dubai. With its Hollywood living concept and ambience, Paramount Tower Hotel & Residences will offer spacious work areas, atmospheric lighting and high-end digital presentation equipment.

The towers overlook the popular Burj area and include hotels and residences together with hospitality and leisure offerings. Floors 15 to 36 are designated for the hotel whilst floors 37 to 63 will form the residences comprising of multi-bedroom luxury properties with city views.

#### *Damac Heights and Damac Residence*

Damac Heights is located in Dubai Marina overlooking the Palm Jumeirah. This project also has views of the full length of Dubai Marina. This signature tower offers customers the opportunity to acquire a variety of three, two and one bedroom apartments in Dubai.

The top storeys of Damac Heights have been allocated to Damac Residence, with interior designs by FENDI Casa. The luxury Italian designer is providing the furniture and furnishings as well as a complete fit-out of the lobby of the tower. Damac Heights is designed to contain over 600 units with a total BUA of approximately 1,500,000 square feet and saleable area of approximately 900,000 square feet. Damac Heights has a project value of US\$654 million and is scheduled to complete in 2018.

#### *Privé by Damac*

The stylish twin tower development is one of the last remaining plots located directly on the waterfront in the Burj Area with all hotel apartments having direct views over water. The 30 storey twin towers project is located on over 100 metres of direct waterside frontage and will feature luxurious studios as well as one and two bedroom serviced hotel apartments each offering stunning views across the Waterfront.

The total saleable area of the project is over 650,000 square feet. Privé by Damac has a targeted project value of approximately US\$400 million and is scheduled to be completed by 2018.

#### *Celestia*

Celestia, a ground plus seven floor complex comprising studios, one and two bedroom apartments, will be managed by Damac's Hospitality Division offering 5-star hotel services and amenities. The total saleable area of the project is over 620,000 square feet. The project is strategically placed in the centre of DWC Residential City and the world's busiest airport based on the number of international passengers in 2015, according to the Airports Council International.

Celestia will be located in the heart of the world's first 'aerotropolis', a thriving and vibrant new community in Dubai. Not only is Celestia set in a strategic location that will enable it to serve Expo 2020 and Al Maktoum International Airport, it will also deliver residents high quality, five-star hotel standard services from Damac's Hospitality Division. Celestia comes with a state-of-the-art gymnasium and health & fitness club, as well as a swimming pool, and luxurious spa. Celestia also has its own retail area, with designer boutiques, fine dining restaurants, and an attractive retail avenue.

Celestia has a targeted project value of approximately US\$225 million and is scheduled to be completed by 2018, two years before the World Expo 2020 exhibition.

#### *Ghalia*

Located in the heart of Jumeirah Village, Ghalia brings about a distinct living experience in Dubai with a range of furnished luxury suites. The total saleable area of the project is over 470,000 square feet.

Ghalia will offer its residents service standards and amenities of a high quality with separate leisure amenities for men and women and dedicated dining outlets for families and single men, in addition to dedicated floors for women, serviced by women.

Ghalia has a target project value of approximately US\$155 million and is scheduled to be completed by 2018.

### *Tower 108*

A 33-storey hotel apartment building developed by Damac in Jumeirah Village Circle District 18 and close to Dubai Sports City, Arabian Ranches, Mall of the Emirates and Al Maktoum International Airport. The building will house 338 fully furnished units, comprising of studios, one, two and three-bedroom serviced apartments. The design provides panoramic views of the surrounding neighbourhood and the podium levels provide landscaped areas. The total saleable area of the project is over 350,000 square feet.

Tower 2018 has a project value of approximately US\$120 million and is scheduled to be completed by 2018.

### **BUSINESS MODEL**

While the Group has historically focused on Dubai, it has expanded its operations to other countries in the Middle East, such as Qatar and Saudi Arabia. It has replicated its business model in these countries by developing luxury residential properties in prime locations. The Group's business model to date has been largely a phased strategy of "Buy", "Design", "Sell" and "Build" for its community and tower developments, in each case supported by attention to detail, value creation, proactive cash-flow management and customer care for every phase of the development life cycle. For its currently limited investment property business comprising of leasing of one residential project and holding such assets for capital appreciation purposes, the Group adopts a phased strategy of Buy", "Design", "Build" and "Lease". In response to customer demands and changing market conditions, the Group is expanding its portfolio to include a limited number of projects that incorporate an element of on-going add-on services or management fees into the model, where it believes that doing so will maximise its return on equity. These include, amongst others, serviced apartments in its Damac Esclusiva and Damac Towers by Paramount developments, hotels in its Paramount developments, and the on-going ownership of golf courses in its A&D Projects. Notwithstanding these projects, the Group anticipates that the majority of its developments will continue to follow its existing business model or, for example, with regards to the provision of services to its branded serviced apartments and hotels (which will be comparable to those provided by luxury hotels), be complementary to it. This, however, is subject to demands by the market in general and the Group's strategy to adapt to the changing preferences of its customers.

Each phase of the Group's business model relating to "Buy", "Design", "Sell" and "Build" and where applicable "Lease" is set out below in more detail.

#### ***The "Buy" phase***

In this phase, the Group actively seeks to purchase land in prime locations. This is critically important to the Group because a property in a prime location typically commands a price premium of 15 to 25 per cent. The Group is also well placed, as a result of acquired market intelligence, to purchase land in developments from other developers and private investors who have acquired land that they do not wish to develop.

The Group's development team comprises a number of individual teams. When selecting land, the development team considers a number of factors, including the location of the land, whether it has scenic views, its proximity to amenities, the infrastructure availability and its potential for capital appreciation. As the Group does not buy any non-zoned land, the development team also takes into account the specific usage and limits on the GFA of a piece of land in its decision-making process. In addition to the characteristics described above, the development team considers the Group's present land bank and finished inventory, results of feasibility studies, payment terms and the relevant government-linked master developer's development guidelines (which determine the type of development the Group is able to build).

In addition, when evaluating international opportunities, the Group's development team will take into account additional factors such as the tax system of the target country, its legal regime and regulatory environment, the availability of finance in that market and the competitive landscape.

Although the specifics may vary from project to project, the steps involved in land procurement include:

- identification of the land opportunities;
- evaluation of the land opportunities;
- validation of development and commercial prospects;
- bidding process;
- negotiation and purchase of the land;
- contract negotiation and affection plan;

- execution of the requisite sale and purchase agreements; and
- payment to the government-linked master developer or other seller.

The terms of the plot sale and purchase agreements (**PSPAs**) can vary depending on the applicable development and the seller, and generally specify that the Group's payment for the land is made either in instalments or in a lump sum. In Dubai, once the Group has completed the payment for the land, and all other obligations required by the terms of the PSPA have been satisfied, including the receipt of approvals from the relevant authorities, title to the land can be passed to the Group. In Dubai, typically title is evidenced by an effectation plan which is issued by the government-linked master developer in the Group's name and which will also show the interests acquired by the Group on completion of the development. Receipt of the effectation plan gives the Group the right to register title at the DLD. See also "*Regulatory Information*" section of this Prospectus for more detail on regulation of the Dubai real estate sector.

With the exception of land sourcing related to master developments such as for the A&D Projects (which can each take up to six months), most land sourcing in Dubai takes on average 30 to 60 days. In other markets within the Middle East such land sourcing can take up to one year (though it is typically sourced much more quickly).

### ***The "Design" phase***

Once the Group has secured development rights and contracted to purchase land for a particular development, the design phase begins. This does not commence until the government-linked master developer has delivered the plot to the Group ready for construction. This will determine the layout of the plot and the utilities and infrastructure that will be provided for the plot by the government-linked master developer. The objective of the "Design" phase is to create a development design that increases value, represents the Group's brand and optimises the commercial viability of the development. Together with land in prime locations and successful marketing strategies, the design of iconic buildings is a key driver of the success of the Group's business and, the Group believes, one of the factors that allows it to price its developments at a premium.

This phase begins with an invitation to selected internationally renowned design consultants and architects to prepare a design for the development. Typically, this is organised as a competitive process to generate what the Group's project team considers to be the most appropriate design for the development, focusing on ease of construction, marketability, cost effectiveness, efficiency, flexibility and uniqueness. It is current market practice in Dubai for property developers to pay design consultants a fee for their preliminary designs regardless of whether they are ultimately selected. The Group has established a Design Committee, reporting to the Executive Chairman and Chief Executive Officer, which is responsible for evaluating and, ultimately, selecting the design from those submitted by the tendering design firms. See the section "*Organisation, Directors, Senior Management and Employees of the Group*" below for more details of the composition and operations of this committee. The Design Committee oversees the design and layout of the Group's developments and may alter a selected design according to the demand for particular apartment sizes (for example, by altering the combination of one, two, three or more bedroom apartments according to demand identified in the "Sell" phase of the Group's business model).

The key objective for the Group in the "Design" phase is to create a design that provides:

- ease of implementation from concept to realisation;
- compliance with the applicable development guidelines;
- flexibility to allow adaptation to changes in market trends or customer preferences;
- optimal efficiency of the building (including maximisation of the saleable area);
- overall external aesthetics of the development (in line with other Group developments);
- appropriate specifications within each unit (selecting high quality paint finishes, tiling, white ware, kitchen appliances, and bathroom fittings); and
- cost effectiveness.

In Dubai, the government-linked master developers and the Dubai Municipality are also legally required to approve the design prior to launch of the development. See "*Regulatory Information*" section for further information on the regulation of the Dubai real estate sector.

The average time from the commencement of the detailed design phase of a project to launch is five to six months.

The Group's developments have been recognised for their iconic designs. Amongst the awards the Group received in 2015 and 2016 are the following:

#### **2017**

- DAMAC Hills was recognised as 'Best Real Estate Project – Master Development' at the Gulf Real Estate awards 2017;
- At Top CEO awards, Hussain Sajwani, is ranked first amongst real estate CEOs and is ranked number 11 on the list of 100 regional CEOs;
- "Developer Website Award – 2017" in African & Arabian Property Awards;
- "Best Hotel Interiors - Damac Tower by Paramount" in African & Arabian Property Awards;
- "Best Mixed Use Development – Damac Hills" in African & Arabian Property Awards;
- "Top Real Estate Companies – Listed" by Forbes Middle East;
- "Real Estate Icon of the Year - Hussain Sajwani" in KT Infrastructure & Real Estate Excellence Awards; and
- Excellence Award for Geographic Information System (GIS) - GIS implementation in Real Estate.

#### **2016**

- "Top Real Estate Companies in the Arab World 2016" awarded by Forbes Middle East in 2016;
- "Tower Project of the Year - Damac Towers by Paramount Hotels & Resorts" awarded by Construction Week Awards in 2016;
- Highly Commended in the category of "Mixed Use Architecture" for the Aykon City project awarded by Arabian Properties Awards in 2016;
- Highly Commended in the category "Mixed Use Architecture - Golf Development" for the Akoya by Damac project awarded by Arabian Properties Awards in 2016;
- "Best Developer Website" awarded by Arabian Properties Awards: Best In Dubai in 2016;
- "Best Hotel Architecture" awarded for the Aykon City project by Arabian Properties Awards: Best In Dubai in 2016;
- "Best Hotel Interior" awarded for the Paramount Tower & Residences projected by International Property Awards: World's Best in 2015; and
- "Best Golf Course Development" awarded for the Tiger Woods Design golf course at Akoya Oxygen by International Property Awards: World's Best in 2015.

#### **2015**

2015 Arabian Property Awards: Best In Dubai awarded the following awards:

- "Best Developer Website";
- "Best Leisure Development" for Vista Lux;
- "Best Golf Course" for Trump World Golf Club Dubai;
- "Best Hotel Interior" for Paramount Tower Hotel & Residences;
- "Highly Commended: Retail Development Dubai" for The Drive at Akoya; and
- "Highly Commended: Golf Development Dubai" for Akoya Oxygen.

#### ***The "Sell" phase***

Once the Group has paid in full for the land to be developed and provided for funding of 20 per cent. of the construction cost of a project to the full satisfaction of RERA, received all necessary design and planning approvals from the government-linked master developers, local authorities and RERA and all relevant consents

to commence off-plan sales, the "Sell" phase commences. In this phase the Group contracts to sell a certain proportion of the units in the development to customers "off-plan" in managed stages following the launch of the new development to the public. The Group's in-house marketing department handles most of the international and domestic launch logistics (including media relations, creation of brochures and other marketing materials and advertising). Typically, the Group does not release the entire available inventory of units in a development at launch. This is part of the Group's inventory release management strategy whereby the Group sells remaining units to the market in several phases, in response to and in anticipation of demand, which allows it to maximise pricing and thereby its profit margins.

The Group's key objectives in the "Sell" phase are to achieve:

- optimum price realisation and velocity of sales;
- minimal defaults in advance and instalment payments;
- customer satisfaction;
- successfully timed launch and marketing promotions; and
- a healthy fund flow.

The Group seeks to differentiate itself from its competitors by deploying innovative sales and marketing tactics in this phase. For example, the Group provides potential customers with "3D walkthroughs" and model apartments in order to give them tangible and "living experiences" of the Group's properties. From the first expression of interest from a potential customer, the Group implements its customer relationship management. The Group has dedicated sales offices in Dubai, Saudi Arabia, Jordan and Qatar. The Group has also expanded its reach into the Chinese market by signing strategic collaborations with two of the largest real estate agents in China, 5i5j and Qfang, which have over 70,000 sales agents across various cities in China. The Group also undertakes extensive and frequent road shows in countries in which the Group has no sales offices.

The Group utilised the services of over 650 sales representatives employed full-time as at 31 December 2017 across sales offices in key cities in 4 countries and had a further 5,800 broker contacts of which over 900 were active as at 31 December 2016 and which are of approximately 100 different nationalities. The sales representatives are located in the Kingdom of Saudi Arabia approximately 60, Qatar approximately 25 and the UAE approximately 575. The Group pays broker commissions based on sales volume. It has also established the "Agents Relationship Department" to manage the relationship between the Group's sales offices and the agents by providing the necessary support, guidance and incentives to enhance agent performance. Although external sales agents are involved in the sales and marketing of the developments, a member of the Group's internal sales force will always be responsible for the closing of each "external" sale. This is important to ensure that, internally, The Group's team of brokers are knowledgeable about the details of the property and the sale, as well as accountable to the customer for the quality of the final product.

The Group believes that its recognised brand, as well as the Group's partnerships with other luxury brands, such as Versace Home, Bugatti, FENDI Casa and Paramount Hotels & Resorts promote sales and drive increased profit margins, as well as provide a global marketing platform. As those partnerships are exclusive to the Group in specific cities, the Group will be the only developer permitted to market projects internationally in conjunction with those brands in those cities.

As there is a strong demand for serviced apartments and hotels in Dubai and in other Middle East markets, the Group has expanded its product offering to include services comparable to those provided by luxury hotels to certain of its projects, such as the Damac Towers by Paramount and The Distinction. The services are provided by "Damac Maison" with the services that the Group offering including traditional facilities management services, but also services more generally associated with luxury hotels, such as health club facilities, restaurants, kids clubs and concierge services. Services are provided by the Group's in-house team. This is an additional income generating revenue stream for the Group and allows the Group to sell the units in such projects at a premium to unserviced apartments.

The Group's off-plan sales model, coupled with a payment schedule focused on progressive collection of instalments, stimulates cash flow generation in the early stages of development, thereby contributing significantly to the Group's capital efficiency. Although the terms of the Group's sale and purchase agreements can vary depending on the development and requirements imposed by the relevant government-linked master developers, the key standard financial terms are generally as follows:

- the payment terms typically follow a timetable-based and completion-based formula. Generally, 30 to 40 per cent. of the total payment is time-based (that is, the payment is made at a particular time, for example at the signing of the initial contract), and the remaining 60 to 70 per cent. of the total payment is progress-based (that is, the payment is made at a particular stage in development, for example at the laying of foundations). As a result, customers are typically required to pay 10 to 20 per cent. of the purchase price on signing of the sale and purchase agreement and an aggregate of 30 to 40 per cent. of the total purchase price within six months of signing the sales purchase agreement; and
- if a customer fails to pay an instalment within a specified period and all attempts to reach an appropriate solution have failed, the Group places the property back on the market.

### ***The "Build" phase***

The final phase of the Group's business model is the "Build" phase. Construction is provided by external contractors in two phases: there is an initial contract for "enabling works" and a subsequent contract for "main works". See section "*Project Execution and Management—Contractors*" below for further information on how the Group selects contractors. As the Group's payment structure requires its customers to pay into an escrow account a significant proportion (typically 30-40 per cent.) of the total purchase price of units in the Group's developments within six months of signing the unit reservation form, the Group is able to fund construction of developments from this cash which is released from the escrow account on approval by RERA of completed construction milestones. Advance withdrawals may be made in relation to project management and marketing costs and advance payments may be made to the contractor in return for a bank guarantee in favour of the trustee of the escrow account as beneficiary. See "*Regulatory Information*" section of this Prospectus for further information. This capital structure, coupled with the Group's robust track record of quickly launching developments (on average taking approximately six months from land acquisition to launch of the development), helps to generate steady cash flow and allows the Group to minimise reliance on external financing to build its properties.

The average time required for the construction phase is from 24 to 48 months for high-rise units (depending on the number of floors in the building) and 18 to 30 months for villa units.

### ***Investment properties***

Each phase of the Group's business model relating to its "Buy", "Design", "Build" and "Lease" for its investment property business is set out below in more detail.

The "Buy", "Design" and "Build" phases are generally applicable to the Group's investment property business as set out above for residential properties subject to the "Build" phase being the penultimate stage for investment properties. In addition, the "Lease" phase as applicable to such business segment is set out below.

### ***The "Lease" phase***

As part of the development of its projects, certain parts of a development may be retained by the Group for investment. The Group will achieve returns on its investment properties by leasing retail, residential and commercial properties. This segment currently forms a small part of the Group's business with one residential development part of the investment properties business as at the date of this Prospectus, however, in the future the Group expects that this segments will form a greater part of the Group's overall business in line with the Group's overall strategy to increase recurring revenues and to continue to diversify revenue streams. The Group intends in the future to transfer certain investment assets to special purchase entities established for the purpose of holding and leasing such assets.

In the future the Group may also seek to sell investment properties owned by it to realise capital gains.

## **PROJECT EXECUTION AND MANAGEMENT**

The Group's project execution and management relies on a two-pronged approach of (i) outsourcing project design and construction to external contractors whilst (ii) maintaining a highly qualified team of internal engineers, architects and design professionals who are closely involved with the entire design and construction process.

### ***Contractors***

The Group outsources construction of its developments to third party contractors. The Group's dedicated legal team negotiates construction contracts which are typically based on the FIDIC standard form contract 1987 edition with appropriate development specific variations as is typical in the Dubai construction industry. The

contracts do, however, allow the Group to terminate at will, which provide it with the flexibility to stop and/or consolidate projects should this become necessary in response to a general slowdown in demand within the real estate sector.

The Group has a two-step process for selecting contractors for its developments. First, it conducts a pre-qualification review of reputable contractors for the relevant development. The Group's Tender Committee, with the assistance of an externally appointed tender consultant, undertakes this review and in doing so, considers the following in relation to each contractor:

- financial standing;
- current resource levels;
- health and safety records;
- depth of experience on similar developments;
- track record;
- project management capabilities;
- equipment availability and quality;
- execution record;
- sub-contracting; and
- category of licences held.

Once the Tender Committee has evaluated the contractors according to this pre-qualification process, the selected contractors are invited to tender for the development. The Group has a policy of not using the same contractor simultaneously in multiple developments in order to reduce the risk of delay in completion. As part of the tendering process, the Group re-verifies all the criteria covered in the pre-qualification process (including the financial analysis). The Tender Committee is responsible for awarding the final construction contract to the successful tendering construction company. Although the Group enjoys good relationships with major contractors in Dubai and has approximately ten core contractors, the Group does not have any formal preferred contractor relationships which commit it to deal only with certain entities. This allows the Group greater flexibility in selecting a contractor for each development, particularly as regards availability and specific expertise.

Historically, the Group's building contracts were based solely on the tender document (the document setting out the scope of works and used as the basis for each contractor's tender), with prices of raw materials and labour fixed in the contract ("fixed price"). However, after 2009 the Group has generally negotiated the Dubai building contracts such that, in the event raw material and labour prices rise, it will be liable only for a certain proportion of the increase in such prices above a stated index (i.e. so that the increased cost will be shared between the Group and the contractor) ("cost plus"). Construction contracts may be terminated by the Group at will with the majority of these contracts having pre-agreed termination fees payable by the Group in such circumstances.

The Group pays contractors according to the applicable terms of the individual contracts, although Contractors typically invoice the Group monthly. The Group only makes final payments to contractors on approval by the Finance Committee on the basis of the quality of the contracted works completed. Further to the stipulations of the Escrow Law, invoices and evidence of completed work must be approved by RERA in order for funds to be released to the contractor from the escrow account for a particular development. See also "*Regulatory Information—Relevant Real Estate Legislation—RERA and Escrow Accounts*" section of this Prospectus for further information on the Escrow Law.

### ***Project Management***

Although the Group outsources construction, the Group's internal project management team is responsible for overseeing every aspect of each development, including the construction phase. Contractors and consultants report directly to the project management team for each development. The project management team is based at the development site and monitors progress by liaising with external consultants as appropriate and legally required. The project management team, which for these purposes is generally supported by a full-time technical team provided by the relevant external consultant, controls quality by checking that materials used by, and the standard of the work completed by, the contractors meet the required standards.

### ***Delay Risk***

The Group manages the financial risk associated with contractor delays by enforcing performance guarantees and delay penalties if necessary. The Group also requires its contractors to undertake comprehensive insurance during the construction phase of project development.

### ***Completion***

Once the project management team for a development has approved final completion and rectification of any final issues, the Group issues a certificate of completion to the contractor via the relevant project consultant, together with a list of items to be rectified, once the building is substantially complete. In Dubai, the Dubai Municipality and all relevant government departments must also certify completion before the Group can formally transfer units to unit purchasers. The contractors remain liable for any faults for a period of 12 months following the date of the certificate of completion provided by the Group.

### ***Facilities Management***

The Group's dedicated customer service continues beyond completion of a development and handover of units to the purchasers. Pursuant to the Condominium Law of 2007 (the **Condominium Law**), each building with multiple occupancy in Dubai is obliged to register an owners' association with RERA. Any such owners' association is responsible for the upkeep and maintenance of the common areas of a building, including lobbies and plant and equipment, such as elevators and electrical facilities. Pursuant to the Condominium Law of 2007, the Group provides coordination for such owners' association as well as facility management services through a subsidiary. See also "*Regulatory Information*" section for further information on regulation of the Dubai real estate sector. Typically, this role continues for three years following handover, subject to extension by a further three years (on a rolling basis). At the end of this initial term, subject to being formally registered with the authorities, the owners' association may select an independent facilities manager or may continue to retain the Group's services.

The Group provides comprehensive owners' association and facilities management services with a clear focus on maximising value for the customer. The team assists in the final takeover of the building from projects on behalf of the owners. They subsequently manage the defects liability period, control operational budgets and assist in the formation of the owners' association while providing day-to-day services in the buildings. This team also enables an efficient owners' association and facilities management services transition, provides accurate accounting/reporting and endeavours to lower operating costs. The yearly budget for the provision of owners' association and facilities management services in Dubai are approved by RERA and payable by the owners of units in the building. To the extent a surplus arises in any one year compared to the pre-approved budget, any such surplus can be credited against the following year's budget of the owners' association. To the extent there is a shortfall in any given year, the owners' association will invoice owners proportionally for such shortfall.

### ***Serviced Apartments and Hotels***

In addition to providing owners' association and facilities management services for its completed projects, the Group is also providing luxury in-house services to owners of serviced apartments and hotels in respect of six projects currently and will be expanded further as new projects are delivered going forward. These services encompass traditional facilities management services but also services more generally associated with hotels. As such, the Group provides health club facilities, restaurants, kids clubs (both for the building as a whole and available "in-room") and concierge services. These services are provided in-house by "Damac Maison". The Summit project in the Burj district of Dubai was the first project launched by the Group which was marketed as serviced apartments and is operated by Damac Maison. Further hotel apartments have opened under the name De Ville Breeze hotel apartments in the Burj area. Units sold in the Damac Towers by Paramount development have been sold as serviced apartments branded with Paramount. Additionally, the Group is extending its serviced apartment offering to other countries outside of the UAE, with the Group undertaking the Damac Esclusiva project in Riyadh, Saudi Arabia, providing more than 100 luxury Shari'a-compliant serviced apartments in Riyadh.

The strong growth in Dubai tourism in 2016 has continued into 2017 with Dubai's Tourism Vision for 2020 objective being 20 million visitors annually in Dubai by 2020. Dubai was one of the top six tourist destinations in 2016 according to Euromonitor in terms of international tourist arrivals, a trend which is expected to improve further in light of Dubai's successful bid to host the World Expo 2020. The limited supply of serviced apartments and hotels in comparison to this rise in demand is likely to result in favourable economic dynamics



for serviced apartments and hotels. The Group intends to capitalise on its facilities management experience by providing more serviced apartments and hotels in its offering.

As at 31 December 2017, over 8,000 of units in-progress or in-planning are designed as serviced apartments. Over 2,500 of units in-progress are designed as hotels. Serviced apartments and hotels achieve on average 15 to 20 per cent. higher sales prices than conventional apartments if also co-branded with premium brands. Although the principal purpose of these add-on services is to enhance its ability to sell units, the Group will also benefit from opportunities for recurring revenue streams in the future from: (i) maintenance fees; (ii) management fees from rental pools; (iii) share of profits in the rents achieved in the rental pool; and (iv) other services being provided.

The team that is implementing these services liaises closely with the Group's design team to ensure that the buildings will meet the requirements of its customers, including by providing sufficient and appropriate space for restaurants, spas and kids clubs. The aim is to achieve a luxurious ambience comparable to exclusive hotels. In order to control quality at all levels to the high standard expected of a the Group property, the services team will work closely with the team providing owners' association and facilities management services. The Group is analysing the competitive environment for serviced and branded apartments and hotels as well as surveying its existing customers to determine the exact nature and extent of services that will best meet its clients' demands and preferences in this regard.

Any customers purchasing units in serviced apartment or hotel room projects will be able to include those units in the building's "rental pool". This "rental pool" will also be managed by the Group, which will charge a commission for this service. In order to participate in the "rental pool", a unit must: (i) meet the Group's standards internally in terms of fixtures and furnishings; (ii) be included in the services provided; and (iii) be available for short periods of up to 12 months.

#### **CUSTOMER BASE**

The Group has sold units to nearly 26,000 customers from 150 different nationalities and it has over 350,000 potential customers in its database. The customer base is managed by the Group's client relationship management team and through its network of international sales offices and agents. The following table illustrates the regions from which the Group's customer base by units and by sales for the year ended 31 December 2017 were derived on the basis of customer nationality.

<b>Nationality (by region)</b>	<b>Percentage of Units</b>	<b>Sales</b>
Africa.....	14%	14%
Asia.....	20%	21%
Europe .....	11%	11%
Middle East.....	51%	49%
North America .....	4%	5%
Other.....	0%	0%

The following table illustrates the nationalities of the Group's customer base by value of sales for the years 2015 to 2017:

<b>Nationality (by country)</b>	<b>Percentage</b>
Saudi Arabia.....	18%
United Arab Emirates .....	16%
India.....	7%
Qatar .....	6%
Egypt .....	5%
Britain.....	3%
Kuwait .....	3%
Pakistan.....	3%
Sudan .....	3%
Jordan .....	3%

China ..... 3%

The following table illustrates the regions from which the Group's customer base by value of sales was derived for the years 2015 to 2017:

<b>Nationality (by region)</b>	<b>Percentage</b>
Africa.....	14%
Europe .....	9%
Middle East.....	58%
Americas.....	3%
Asia.....	16%
Others .....	0%

Typically, a large portion of the Group's marketing budget targets investors from outside Dubai, and the exact locations and profiles of these target investors varies according to the economic and political conditions of the home jurisdictions of potential investors.

The Group's customers typically fund their purchases through direct sources and equity. Very few customers require mortgages or other forms of debt financing to fund their purchase.

The Group's in-house sales team and extensive global external broker network allow it to search a loyal and global customer base through a sophisticated marketing strategy and approximately 10 per cent. of the Group's customer base are repeat customers.

#### **COMPETITIVE POSITION**

In Dubai, the Group currently competes with the following major state-backed Dubai based property development companies and certain other private entities, which dominate the Dubai property market:

- Emaar Properties PJSC (**Emaar**) - a public joint stock company and the Group's major competitor. Unlike the Group, Emaar has in the past been allocated its land bank in Dubai by the Government of Dubai. It has also developed a broad portfolio of projects in Dubai across a range of sectors - residential, commercial, retail and leisure;
- Nakheel PJSC (**Nakheel**) - a private joint stock company established in 2003. Its main developments include the Palm Islands, the Dubai Waterfront, International City and The World. Unlike the Group, Nakheel has in the past been allocated its land bank in Dubai by the Government of Dubai. It has also developed a broad portfolio of projects in Dubai across a range of sectors - residential, commercial, retail and leisure. Nakheel is currently owned directly by the UAE Government. Nakheel (along with Dubai World) had to restructure its debt obligations as a result of the Global Financial Crisis;
- Meraas Holding LLC (**Meraas Holding**) – a limited liability company established in 2007 in Dubai, Meraas Holding is a Dubai-based diversified holding company with a portfolio of investments in tourism, leisure, real estate development and asset management. Meraas Holding's completed and on-going developments include Blue Waters, the largest Ferris wheel in the world, the Pearl Jumeira luxury residences, Citywalk, an outdoor retail destination in Dubai, a Bollywood theme park and the first Legoland theme park in the Middle East;
- Dubai Properties LLC (**Dubai Properties**) - a limited liability company established in 2004. It is part of the Dubai Holding Group. Its main developments include Culture Village, Business Bay and the Jumeirah Beach Residences. Unlike the Group, the Dubai Holding Group has in the past been allocated its land bank in Dubai by the Government of Dubai;
- Deyaar Development PJSC (**Deyaar**) - a public joint stock company established in 2002 and floated as a public joint stock company in 2007. It has residential and commercial developments in Business Bay, Marina, Al Barsha, DIFC, Jumeirah Lake Towers, International Media Production Zone, Dubai Silicon Oasis and TECOM as well as operations in Lebanon, Turkey, the United States and the United Kingdom. In addition to property development, it also provides property management, facilities management and owners' association management services; and
- Union Properties PJSC (**Union Properties**) - a public joint stock company established in 1987 and floated as a public joint stock company in 1993 and is part of the Emirates NBD Group. It has

completed a variety of different projects ranging from commercial, residential and leisure developments from high-rise towers to multi-use complexes, hotels and theme parks in the UAE.

This competition principally takes the form of competing for purchasers of residential property and, to a lesser extent, tenants in retail properties and guests in resort and hotel developments. In the latter cases, the Group also competes with other established retail outlets and hotels, as well as any that may be established in the future. In addition, if the Group undertakes other developments in Dubai, it may also need to compete for the land on which the developments are to be located.

In addition, outside Dubai, the Group competes with a variety of smaller developers as well as other major Dubai based property developers such as Emaar.

The Group believes that the competitive landscape will not change significantly in the foreseeable future due to the higher barriers to entry into the Dubai residential property development sector. Stricter regulatory rules and the RERA escrow arrangements, together with potential difficulties in obtaining credit, mean that the purchase of land and the costs of construction are more difficult to finance up front. In addition, in order to obtain land in prime locations, any market entrant would be required to establish relationships with regulators, contractors and local government-linked master developers, who tend to look to developers with strong track records. These factors, together with the long period of time required to enter the market due to project construction taking an average of three to four years and a customer preference for an established brand with a track record of delivery, make it difficult for any new entrants without an established track record and critical economies of scale to come to market. In particular, the Group believes it is in a strong position in relation to any current or future competitors due to the following competitive strengths:

- it is a leading investor in media and brand building;
- it is one of the leaders in luxury perception and in luxury co-branding;
- it operates a flexible serviced apartments business model through the establishment of its own in-house management company, Damac Maison;
- the modular design of its buildings and projects allows the Group to better and faster adapt to changing market conditions;
- it has the most extensive sales team and brokers network in Dubai, the Middle East and China more generally;
- it is one of the most active property developers online having a well-developed and strong presence on the internet via its award winning website, Facebook, YouTube and Twitter;
- it manages buildings after completion which results in deeper trust in the quality of the developments;
- it is one of the most active property developers in terms of the number and extent of road shows promoting its projects; and
- it interacts directly with potential customers through kiosks in malls and airports.

## **INTELLECTUAL PROPERTY**

The Group believes that its strong brand has significantly contributed to the success of the Group's business to date, complementing its sales and marketing strategy and customer relationship management. The Damac brand is owned by two subsidiaries of the Guarantor, Damac Enterprises and Management Co. LLC and Damac Enterprises Co. Ltd. The Group has an exclusive right to use the Damac brand in connection with its property development business in Dubai.

The Group also has co-branding arrangements in place with its co-branding partners FENDI Casa, Versace Home, Bugatti, Paramount Hotels & Resorts and the Trump Organization, allowing the Group to use such branding in its developments.

## **INFORMATION TECHNOLOGY**

The Group has implemented several information technology applications for the efficient management of its projects, as well as all other back office functions, such as finance, general procurement, sales, sales operation and customer services.

It has invested in a fully protected, integrated and state-of-the-art data centre located at its head office, which houses all of the Group's servers, switching, networking and telecom systems. A network was introduced to connect the Dubai head office to all the offices around the world including the sales offices, enabling real time interaction and improved operational efficiencies and control. This network also enables the Group to maintain secure protocols for the management of interaction between its international sales offices and its head office in Dubai operating through both virtual desktops and physical desktops and laptops connected to the main servers.

The Group undertakes periodic reviews and systems audits. An information technology risk assessment and vulnerability assessment were undertaken in 2016. The Group also upgrades its systems on a continuous basis to remain in line with information technology best practices.

In terms of software, the Group uses Oracle's industry standard eBusiness Suite ERP System for managing its finance, general procurement, sales, sales operation, credit risk management and other key functions across all locations and countries. The Group uses Microsoft Sharepoint based systems for document management, collaboration, project process management and approval management. The Group uses "Primavera", the industry standard project management and planning software for planning, tracking and reporting on all project related activities and the "e-builder system" a cloud based system that handles end-to-end activities for project related functions) for the management of projects including contractual costing. The Group's land acquisition process, including processes for land identification, launch dates and payments in respect of purchases of land, is managed by the business process management system "Savvion".

The Group has a disaster recovery system in place, which includes back-ups which are collected on a periodic basis and stored in a data backup facility. The Group has also set up a separate disaster recovery site which is intended to enable the Group to recover data in a disaster scenario as it can be accessed remotely through dedicated lines or internet.

The Group has implemented Data Leakage Protection Systems to ensure its and its customers' data is protected and information usage and dissemination is controlled and regulated.

## **HEALTH, SAFETY AND ENVIRONMENT**

Responsibility for health, safety and environment (**HSE**) on the sites of the Group's developments lies with its contractors pursuant to the terms of the relevant construction contract. The Group is committed to ensuring that sound HSE principles are incorporated into the Group's business philosophy to reduce risks to an acceptable level in accordance with best industry practices.

The Group either appoints a supervision consultant or internally provides a manager to monitor the progress of construction and the implementation of local municipality and international health and safety guidelines and regulations in each of its projects. The supervision consultant either hires an external health and safety officer or is provided with one internally to work with the project manager.

For each project, the Group also appoints a project manager to inspect both the physical conditions on the site, such as personal protective equipment, work heights and confined spaces, and procedural issues such as certification, fire and first aid procedures and training registers. The Group's project manager is empowered to give authority to the appointed health and safety officer to issue reports, stop work and impose fines should designated HSE policies not be followed. The health and safety officer also tracks and reports monthly key performance indicators on the project such as number of workers, lost days, first aid and accidents. In some cases, where no health and safety officer is appointed by the supervision consultant, the Group hires an external health and safety consultant to perform this task and report directly to the Group's project manager. The Group always seeks to ensure compliance with all local municipality and the highest international health and safety guidelines and regulations.

The Group also seeks to adhere to the highest quality and environmental management processes and is committed to the UAE Government's "green buildings" initiative creating energy efficient residential and commercial buildings that support development.

In this respect, the Group is looking at various recycling initiatives for its existing and new luxury community lifestyle developments. In applying for building regulation approvals via the Dubai Municipality, the Group aims to meet all the points of the UAE Government's green initiative, including the UAE government's highest green building and performance measures and resulting in environmentally responsible, profitable and healthy places for its customers to live and work. Additionally, Akoya Oxygen offers low emission residences utilising recycled materials and solar energy, making it the first green luxury residential address in Dubai. Homes are to be built according to Dubai's Green Building Regulations & Specifications with energy-efficient materials and

low-emission paints and will incorporate energy efficient lighting and air conditioning, solar heated water systems and landscape irrigation. The road network within the development is designed in a way to minimise pollution and while there will be dedicated spaces for bicycles and hybrid and electric cars.

## **INSURANCE**

The Group recognises that risk is part of its business. In evaluating risk, the Group determines whether a specific risk is within its tolerance level and whether it is of a type that it is prepared to accept. If accepted, the Group determines whether it is practicable to mitigate that risk through internal controls and whether to transfer that risk by means of insurance.

The existing areas of risk subject to insurance are covered by the following policies at the relevant Group or subsidiary level, as may be applicable for a particular type of cover:

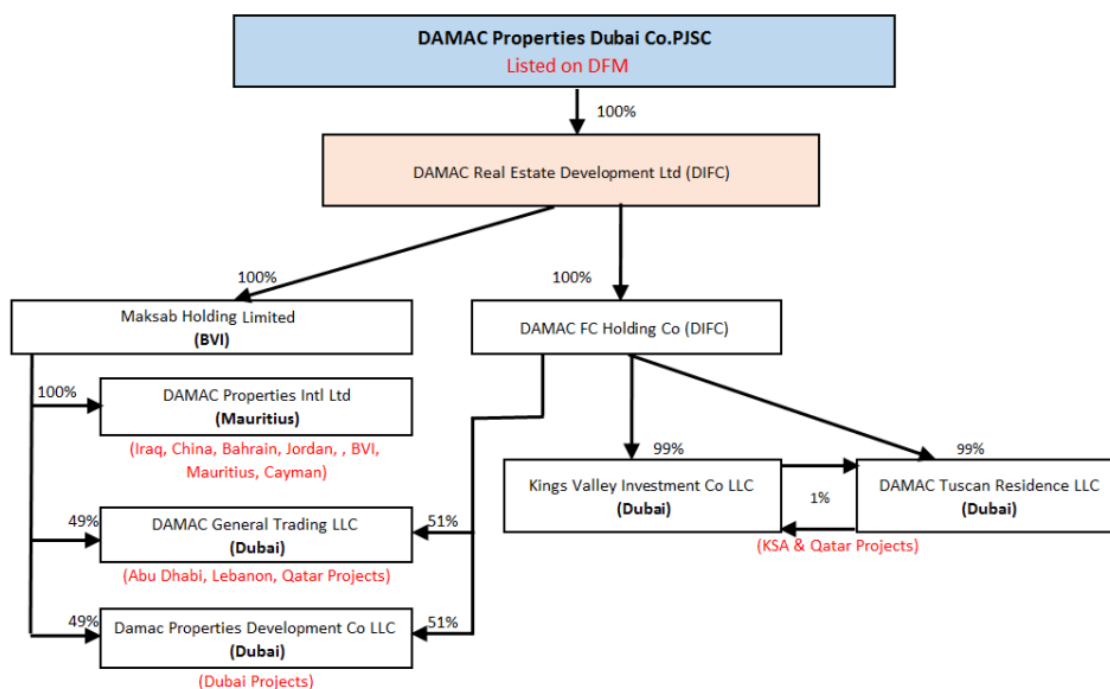
- life and personal accident insurance;
- workmen's compensation insurance;
- medical insurance;
- public liability insurance;
- Property all risks insurance;
- motor fleet insurance;
- business level insurance;
- money insurance;
- office content insurance;
- fidelity guarantee insurance; and
- D&O indemnity insurance.

As part of its business model, the Group selects external contractors and engineers to detail, design and construct its properties. The Group contractually requires its contractors to maintain appropriate levels of insurance coverage including contractors' all risks, property all risks and machinery insurance policies. Engineers are contractually required to maintain professional indemnity insurance. In addition, with respect to the A&D Projects, in connection with which the Group will operate in a manner similar to a government-linked master developer, it has, itself, taken out all property insurance, machinery insurance and contractors' all risk insurance.

## ORGANISATION, DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES OF THE GROUP

The Group's property development business in Dubai is operated through Damac Properties Development Co LLC, which was established in 2002 by the Group's current Executive Chairman and Chief Executive Officer, Mr. Hussain Ali Habib Sajwani, following the passing of a decree permitting non-UAE nationals to own non-registerable freehold and long leasehold real estate rights in certain designated areas in Dubai. Following group reorganisations in 2007, 2008 and 2013, the Guarantor was incorporated in the DIFC as a new holding company for the Group's business and certain non-property operations, including the subsidiary that owns the Damac brand rights, were transferred into the Group.

### CORPORATE STRUCTURE



### CAPITAL STRUCTURE

The Guarantor was incorporated as a new holding company for the Group on 31 October 2013, with initial registered paid up capital of US\$50,000 divided into 50,000 ordinary shares (**Ordinary Shares**) of US\$1 each. The initial paid up capital was subscribed for by Mr. Hussain Ali Habib Sajwani, who at the time of the Guarantor's incorporation owned 50,000 Ordinary Shares of US\$1 each. As at the date of this Prospectus, the Guarantor's issued and authorised share capital is US\$1,008.0 million, consisting of 1,008 million Ordinary Shares, with a nominal value of US\$1 each.

The Guarantor is a holding company and is fully dependent on its subsidiaries with more than 86.9 per cent. of revenues of the Group for the year ended 31 December 2017 generated, and more than 91.3 per cent of assets as at 31 December 2017 held, by the Group entity Damac Properties Development Co. LLC.

In December 2013, Sahira Company Limited and Al Firdous Holding Limited (the **Selling Shareholders**) sold 30,950,059 global depository receipts (**GDRs**), representing 92,850,177 Ordinary Shares (the **IPO**). Approximately 14.3 per cent. of the Ordinary Share capital of the Guarantor was sold in the IPO at a price of US\$12.25 per GDR. As at the date of this Prospectus, the Group's Executive Chairman and Chief Executive Officer, Mr. Hussain Ali Habib Sajwani owns indirectly 72.2 per cent. of the Ordinary Shares in the Guarantor. Mr. Hussain Ali Habib Sajwani may in the future reduce his shareholding in the Ordinary Shares in the Guarantor, although there are currently no plans at present for such a reduction in shareholding.

On 3 December 2013 (the **transfer date**), the Guarantor legally acquired Damac Properties Development Co. LLC, Damac General Trading LLC, Kings Valley Investment Co. LLC, Damac Tuscan Residences LLC and Damac Properties International Limited, Mauritius, together with 72 underlying subsidiaries.

All the operational subsidiaries of the Group are held through these five entities. Prior to the transfer date, the subsidiaries of the Guarantor were ultimately controlled by the Guarantor's Executive Chairman and Chief Executive Officer, Mr. Hussain Ali Habib Sajwani. The operational subsidiaries ultimately controlled by the

Executive Chairman and Chief Executive Officer prior to the transfer date were the Group of entities consolidated as at 31 December 2012 and, except for Majara Investment Limited, were the same as the Group of operational entities controlled by the Guarantor after the transfer date. The transfer had no impact on the net assets or the statement of income of the Group. The transaction on the transfer date was accounted for under the pooling of interest method, where the consolidated financial statements of the Guarantor were presented as a continuation of an existing group on the principle of ultimate common control.

## **ORGANISATIONAL STRUCTURE**

The Group's personnel is organised into the following principal divisions and committees:

### ***Sales***

The Group's sales team of over 650 individuals is responsible for selling the Group's developments to customers and is organised into several sales offices globally. The team works on following up with potential customers identified both by the corporate marketing team and by themselves from their respective prospecting activities as well as from exhibitions and road shows. The team also manages and actively recruits external brokers and works on following up with those potential customers identified by these brokers. The team has a physical presence in four countries and has sales offices in eight different global sales centres. Each office and each sales person can offer and sell units in any of the Group's projects thereby increasing the reach of each project. Every cluster of sales people, usually 70, is managed by six sales directors who in turn report to a Vice President for Sales for that cluster. The Group encourages internal as well as external competition by paying each member of the sales team a commission on revenue generated by that member, which increases with an increase in revenue. The team has dedicated sales trainers and a dedicated marketing team to produce sales aids.

### ***Agents***

The agents department serves as a dedicated point of contact for all agents and real estate brokers selling the Group's projects. They oversee the process of releasing commission and are instrumental in speeding up the commission pay-out cycle to the agents. They maintain healthy relationships with the existing broker network which is integral to the Group project sales and seek for new business development opportunities of enrolling new agents in existing and newer geographies.

### ***Marketing***

The Group's marketing team is responsible for all aspects of marketing the Group's developments, including advertising and media relations. Conceptual designs for the Group's marketing materials are developed in-house with the use of external consultants such as McCann Erickson and Fitch in relation to major initiatives such as the serviced apartment developments and the launch of the A&D Projects. The Group's marketing team liaises with potential buyers in their home countries, utilising a 360-degree approach, through online and social media, in addition to more traditional TV, print and outdoor advertising. The Group has a strong in-house team of professionals that can quickly respond to market dynamics and capitalise on opportunities in many countries. The Group also has a strong visible sales presence in the most popular tourist areas of Dubai, including the Dubai International Airport and Dubai's busiest shopping malls. The marketing efforts implemented allows the leads team to quickly qualify and convert potential clients during the meeting on the Damac branded sales stand. The Group conducts sales roadshows in countries including India, Pakistan, China, the United Kingdom, and across the GCC, as well as Dubai. These activities are supported by a proactive database-driven marketing campaign targeting a prequalified list of approximately 350,000 contacts. This is supported by a strong social media presence, which provides access to the Group's core audience while they are in their home countries. Damac's Facebook page now has more than 400,000 fans and is supported by communication across Twitter and YouTube. Contacts and potential leads are driven to the Damac website – [www.damacproperties.com](http://www.damacproperties.com) – which saw more than 1.4 million visitors in 2016. The Group has also continued its strong awareness programme across Dubai, with powerful outdoor advertising in key locations, primarily on the routes from the airport to the top tourist destinations.

### ***Sales Contract and Administration***

The Group's sales administration department is in charge of the internal system of managing units from the point at which a project is launched using state-of-the-art information systems and supports the sales team by blocking

sold units to avoid multiple bookings and releasing units to available-for-sale inventory to the Group's sales network. Prevention of multiple bookings of the same units is necessary to avoid customer litigation. The sales administration department also monitors the base selling price across projects and supports senior management in pricing decisions. It updates customer collections in the system and flags delays in payments from customers to the collection department. The sales contract department is responsible for seeking all relevant documentation from customers for unit registration and issuing sale purchase agreements.

### ***Credit Control***

Credit control is responsible for monitoring the collection progress for off-plan sales from the Group buyers across all of its projects and monitors collections at the Group, each Subsidiary and project and unit levels. It triggers the raising of invoices to customers and liaises with them for payments into escrow accounts.

### ***Corporate Communications***

The Group's corporate communications division is responsible for all day-to-day in-house and external communications relating to the Group. Working on a daily basis with local, regional and international media, the corporate communications team is tasked with managing the Group's news output. This includes media relations, internal communications, brand management, reputational risk management and mitigation, corporate social responsibility and issues management. The team works closely with the Group's brand partners.

### ***Customer Relationship Management***

The Group's customer relationship management team is responsible for the entire lifecycle of the Group's interaction with a customer. The Group's customer relationship management team is the primary customer contact point and also manages the customer relationship post-sale. The team manages the call centre and requests from customers. The team is also responsible for the handover process of completed units.

### ***Project Management***

The Group's projects management team of approximately 500 staff is responsible for project managing the group's developments and is headed by a group of senior project management staff. The day-to-day activities of this team typically encompass the full procurement process, working and managing contractors and ensuring that delivery schedules are maintained. See "*Business Model–The "Build" phase*" above for more information with respect to the projects team. The team also includes a design team, which works with outside consultants to deliver projects which meet the needs of buyers and use the optimum space requirements to derive the greatest value from the gross floor area. In addition, the team ensures flexibility in the designs to allow for changes throughout the process to better serve customer needs based on market dynamics.

### ***Business Development and Planning***

The Group's business and planning development team is responsible for identifying land acquisition opportunities that are commercially and technically viable and is led by the Executive Chairman and Chief Executive Officer (at a strategic level) and the Vice President for Development (at an operational level). The day-to-day activities of this team typically encompass market scanning, visiting the prospective locations and gathering market information. See "*Business Model–The "Buy" phase*" above for more information with respect to the development team.

### ***Finance***

The Group's finance team is responsible for financial performance management, accounting, capital structure management, balance sheet management, management information systems, forecasting, reporting and budgeting and is led by the Group Chief Finance Officer (at a strategic level) and Senior Vice President for Finance (at an operational level). The day-to-day activities of this team typically encompass assessing the feasibility of new developments, financial projections, budget management, credit management and operational finance.

### ***Legal***

The Group's in-house legal team protects and promotes the Group's interests by providing legal services to all businesses within the Group. It is responsible for the Group's day-to-day legal requirements, including negotiating contracts for land acquisition and/or with contractors, brand licensing arrangements, the contractual agreements with brand partners such as FENDI Casa, Versace Home, Bugatti, Paramount Hotels & Resorts and the Trump Organization. The in-house legal team also provides and advises on data protection and ensures that a



robust legal framework relating to the Group's obligations to the market and disclosure is maintained. It also appoints and manages external counsel for litigious matters and in relation to specialist advice.

### ***Facilities Management***

The Group's in-house strata and owners' association facilities management team comprised of over 90 members as at 31 December 2016. This team is responsible for providing both owners' association services, as required by law for jointly owned developments, and general facilities management services for the common areas of the Group's completed projects. In connection with this role, the facilities management team provides general management services to owners' associations (which it itself also operates), which entails the negotiation of supplier and maintenance contracts, preparation of an annual budget, undertaking building maintenance (either in-house or by outsourcing this to third parties), dealing with routine insurance matters, providing accounting services, such as invoice payments and account management and general secretarial services.

### ***Damac Hotels & Resorts***

Comprising current staff of more than 250, the team is responsible for the day-to-day management and running of the Group's serviced hotel apartment projects, including Damac Maison Dubai Mall Street, Damac Maison Cour Jardin, Damac Maison Canal Views, Damac Maison, The Vogue and De Ville Breeze and Trump International Golf Club Dubai. The team of experienced hoteliers provide concierge, front of house, cleaning, and maintenance, as well as food and beverage and spa services.

### ***Talent Acquisition, Training and other Human Resources***

The Group's human resources division comprises three teams comprising talent acquisition, training and human resources. The day-to-day activities of this division typically encompass recruitment, induction, training, performance management and administration. The training and development department provides a comprehensive induction and education programme covering product information on the Group's portfolio, as well as a comprehensive understanding of Dubai's market dynamics and the attraction of the emirate in general.

### ***Information Technology***

The Group's in-house IT team is responsible for managing the Group's IT needs by procuring, testing and updating all relevant IT systems. It also provides IT support to all of the Group's offices and maintains IT systems.

### ***Investor Relations***

The Group's investor relations team is responsible for handling all interactions with shareholders, analysts, investors and potential investors as well as other capital markets community members. This includes providing input on analyst and investor roadshows, attending investor conferences and providing financial public relations support. The Group is a member of Middle East Investor Relations Society (MEIRS).

### ***Compliance***

The Compliance team oversee the Group's compliance with laws issued by relevant regulatory authorities. It reviews and evaluates compliance issues and concerns within the organisation. It ensures that the Damac PJSC Board and the wider Group management and employees are in compliance with all applicable regulations and that the Group's policies and procedures are being followed. The compliance officer assists the Group to implement all necessary actions to maintain high standards of corporate governance best practices with the aim of protecting the interests of all stakeholders.

### ***Internal Audit***

The Group's Internal Audit department is responsible for the independent assessment of the risk, governance and internal control processes within the organisation and works to add value to it by helping to improve systems and processes.

The Group further has a number of management committees that are charged with operational decision making processes and overseeing the divisions as follows:

### ***Design Committee***

The Group's Design Committee is responsible for approving the designs presented by the tendering design firms and consists of the following members: the Executive Chairman and Chief Executive Officer, Vice President for

Design, the General Manager for Development and Technical, the Managing Director for Projects and the Vice President for Project Finance.

#### ***Finance Committee***

The Group's Finance Committee meets at least every quarter (and otherwise as needed) and is responsible for developing and revising company financial and accounting policies and corporate governance. The Finance Committee consists of the Executive Chairman and Chief Executive Officer, the Group Chief Finance Officer and the Chief Finance Officer (Operations).

The Group's finance team is responsible for financial performance management, accounting and budgeting and is led by the Group Chief Finance Officer (at a strategic level) and Chief Finance Officer (Operations) (at an operational level). The activities of this team typically encompass assessing feasibility for new developments, financial projections, budget management, credit management and operational finance.

#### ***Pricing Committee***

The Group's Pricing Committee is responsible for determining sales prices based on market dynamics. Project pricing is approved by the committee prior to launch of the project. The Pricing Committee considers issues such as overall viability, economics, comparative pricing (where possible) to other Group and non-Group projects and payment schedules. Project specific factors include items such as views and the floor level in a building. The following members constitute the committee: the Executive Chairman and Chief Executive Officer, the Managing Director and the Senior Vice President for Finance.

#### ***Tender Committee***

The Group's Tender Committee is responsible for reviewing and recommending the award of any contracts that have been the subject of a tender process above a value of AED 10 million and any of the Board of Directors of any Group member have specifically highlighted. The Tender Committee has the objective of ensuring: the award is within the budget approved by the Budget Committee unless there are sufficient reasons for the award exceeding the budget; a sufficient number of bidders are invited to bid in order to obtain the most competitive bid; and that the recommended bid meets the technical requirements of the tender. The Tender Committee also ensures that bids are on commercially prudent terms.

The Tender Committee comprises the following members: the Chief Financial Officer, the General Manager for Development and Technical and the Senior Vice President for Projects.

#### ***Credit Control Committee***

The Group's Credit Control Committee monitors the collection of payments of instalments from unit purchasers.

The completion-based instalments are linked to development milestones such as the completion of the foundational "enabling works", and the Finance Committee issues payment demands in accordance with the terms of the relevant sale and purchase agreement. The Group reports customer payment defaults to the Group's Finance Committee and contacts the defaulting customer via client relationship contacts (including the sales and marketing office that made the sale).

#### ***Investment Committee***

The Group's Investment Committee is responsible for reviewing and authorising all proposals regarding investment transactions and projects. In relation to land acquisitions, the Investment Committee is responsible for approving: the search for new parcels of land; proposals for land acquisitions and development based on feasibility studies; and memoranda of understanding and agreements with sellers of such land. In relation to project initiation, the Investment Committee also reviews land development business cases and approves project initiation. In relation to the sale of land, the Investment Committee is responsible for reviewing and approving any proposals for land sales based on management recommendation and memoranda of understanding and agreements with land purchasers.

The Investment Committee comprises the following members: the Executive Chairman and Chief Executive Officer, the Managing Director, the Group's Chief Financial Officer, and the General Manager for Development and Technical.

#### ***Budget Committee***

The Group's Budget Committee is responsible for reviewing all project budgets and approving the project budgets for project implementation. When reviewing project budgets presented to it, the Budget Committee will

review past projects and the benchmarks set previously. It is also responsible for reviewing and approving any project budget presented to it by management and any amendments requested by management for budget items.

The Budget Committee comprises the following members: the Vice President Commercial, the Vice President-Technical and the Manager-Commercial Audit.

#### ***Risk Committee***

The Risk Committee focuses on the efficient and timely monitoring and management of risks in the Group's activities. This involves identifying, measuring, monitoring and managing those risks on a regular basis. The objective is to assess, control and mitigate risks arising from business activities and investments to a level commensurate with shareholders' risk appetite. To achieve this objective, the Group adopts risk management techniques appropriate to its business model to ensure that its foundations are strong and the longevity of the organisation is ensured.

The Risk Committee comprises the following members: the Senior Vice President for Audit and Compliance, the Vice President for Finance and the General Counsel.

#### **GUARANTOR DIRECTORS**

The following table lists the names, ages and positions of the Directors of the Guarantor. The Directors of the Guarantor manage, and make decisions with respect to, the Guarantor, the individual Group entities and the Group as a whole. The board of Directors of the Guarantor meets informally on a regular basis during the working week to discuss matters relating to the Group and meets at least once in a year to conduct the annual general meeting and additionally as may be further required. Additionally, the Damac PJSC Board oversees the Group and is involved in the material decision making of the Group. For further information on the Damac PJSC Board see "*Damac PJSC Directors*" below.

<b>Name</b>	<b>Position</b>	<b>Age</b>
Mr. Hussain Ali Habib Sajwani	Executive Chairman and Chief Executive Officer	65
Mr. Adil Mohamed Hassan Taqi	Group Chief Finance Officer	46

In the five years preceding the date of this Prospectus, no member of the Board of the Guarantor has been convicted of any fraudulent offence, served as a director, partner, founder or senior manager of any organisation at the time of any bankruptcy, receivership, any official public incrimination or sanctions by any statutory or regulatory authorities, including designated professional bodies, or has been disqualified by a court from acting as a director of an issuer or from acting in the management or conduct of affairs of any issuer.

There are no potential conflicts of interest between the private interests and other duties of the Guarantor's directors and their duties to the Guarantor.

The business address of each of the Directors is Damac Properties Development Co. LLC, Unit 206A, Level 2, Park Towers, Dubai International Financial Centre, PO Box 2196, Dubai, United Arab Emirates and their telephone number is +971 (4) 373 1000.

The management expertise and experience of each of the Directors is set out below:

#### ***Mr. Hussain Ali Habib Sajwani*** – Executive Chairman and Chief Executive Officer

Mr. Hussain Ali Habib Sajwani founded the Group in 1992 in its predecessor form and has served as the Group's Chairman since its establishment in its current form in 2002. Being one of the pioneers of the property market expansion in Dubai, Mr. Sajwani built and sold several hotels in the mid-1990's to UAE nationals to accommodate the growing influx of people to the UAE for the purposes of business and trade. Having contributed to the Group's growth from its inception, in October 2011, under Mr. Sajwani's initiative, the Group launched its hospitality division with the establishment of Damac Maison Hotels and Resorts which provides bespoke services to residents with over 11,000 serviced apartments and hotel rooms in progress and in planning as at 31 December 2016 and with more than 4,000 serviced apartments and hotel rooms in the Group projects having been completed in aggregate as at 31 December 2016.

Mr. Sajwani received his Bachelor of Arts degree in Economics from the University of Washington in the United States. Mr. Sajwani started his career as a Contracts Manager in GASCO, a subsidiary of ADNOC (Abu Dhabi National Oil Company), but after a short period went on to establish his own business by setting up the catering venture Draieh Management Services Co (Damac) LLC in 1982. In 1992, Mr. Sajwani established an investment company, DICO Invest, which currently holds investment portfolios of securities in a number of

companies traded on a variety of global markets. Mr. Sajwani also established Al Jazeera Services Co SAOG, a company listed on the Muscat Securities Market with a capitalisation of over US\$125 million. Mr. Sajwani consolidated that company's strengths in the financial services industry by making strategic investments in the insurance sector through the acquisition of a 40 per cent. stake in the Bahrain-based, public-listed Al Ahlia Insurance Company in 2003.

A number of other ventures are associated with Mr. Sajwani including the Oman-based Al Anwar Ceramic Tiles Co SAOG, which was established in 1998 and is the first and only tile manufacturer in the nation. Mr. Sajwani first invested in this business and then helped to establish and build that company to its current size. Mr. Sajwani is currently chairman of Al Jazeera Services Co SAOG (which he established), Al Anwar Ceramics Co SAOG and Draieh Management Services Co (Damac) LLC. He has shareholding interests in Damac Kuwait Holding Company, Al Jazeera Services, Global Logistics Services Co. and Al Atilia Insurance Company.

Mr. Hussain has also served as a member of the board of Majan University College in Muscat, Oman, JUNO Online in New York, the United States and Emirates Takaful Company in Abu Dhabi.

**Mr. Adil Mohamed Hassan Taqi** – Group Chief Finance Officer

Mr. Taqi graduated with a Bachelor of Science in Mathematics-with-Engineering in 1993 from the University of Nottingham in the UK and received an executive MBA in 2004 from IMD in Switzerland. Mr. Taqi is also an associate and member of the Chartered Institute of Management Accountants in the UK. His experience covers both emerging and developed markets including the MENA region and the United Kingdom.

In addition to being the Group Chief Finance Officer, Mr. Taqi heads up the Business Development Team managing all of the Group's real estate investments. Prior to joining the Group in 2006, Mr. Taqi held various senior management roles in Omani banks and financial institutions.

Mr. Taqi is currently on the board of a number of high profile private and public companies in the MENA region including Al Anwar Ceramics Tiles Company SAOG and Al Jazeera Services Co. SAOG.

**GROUP SENIOR MANAGEMENT**

The following table lists the names, ages and positions of the Senior Managers of the Group. The senior management of the Group meets informally regularly during the working week to discuss matters relating to the Group and meets formally at least twice in a year and additionally as may be further required.

<b>Name</b>	<b>Position</b>	<b>Age</b>
Mr. Mohammed Tahaineه .....	Senior Vice President for Commercial	42
Mr. Mavelitharayil Philip	Senior Vice President for Human Resources and Talent	
John .....	Acquisition	49
Mr. Ma'an Manna.....	Senior Vice President for Projects	38
Mr. James Anderson.....	Vice President for Legal (Construction)	49
Mr. Hitesh Dhoot.....	Senior Vice President for Finance	41

There are no potential conflicts of interest between the private interests and other duties of the Guarantor's senior managers and their duties to the Guarantor.

The business address of each of the Senior Managers is Damac Properties Development Co. LLC, Unit 206A, Level 2, Park Towers, Dubai International Financial Centre, PO Box 2196, Dubai, United Arab Emirates and their telephone number is +971 (4) 373 1000.

The management expertise and experience of each of the Senior Managers is set out below:

**Mr. Mohammed Tahaineه- Senior Vice President for Commercial**

Mr. Mohammed Tahaineه has almost 20 years' experience in the UAE, working in the construction industry at executive management level, specialising in commercial and project management. As head of the commercial unit, his responsibilities include managing the overall commercial and procurement process ranging from construction contracts to general services in line with DAMAC Properties' business requirements. The role involves pre-qualification of companies, inviting tenders, reviewing tender returns, commercial finalisations and awarding contracts for construction, marketing and miscellaneous services. His responsibilities also include post contract commercial management of the projects, in particular, contract administration, claims management,

preparation and finalisation of supplementary agreements, auditing of payment valuations and change orders as well as administering project close outs.

***Mr. Mavelitharayil Philip John- Senior Vice President for Human Resources and Talent Acquisition***

Mr. John joined DAMAC Properties in 2003. With more than 25 years' experience, he is responsible for driving organisational success in talent acquisition and human resources, providing an employee-oriented, high performance driven work culture. He holds a Masters Degree in Arts from Mahatma Gandhi University, India.

The HR and Talent Acquisition team is responsible for global recruitment, induction programmes for all staff, visa processing, performance management and administration.

***Mr. Ma'an Manna – Senior Vice President for Projects***

Mr. Manna has over 15 years of experience in the construction industry. He holds a Bachelor of Science Civil Engineering degree from the American International University in London, UK and graduated from the University of Sharjah, UAE.

He joined Damac in 2011, having worked within some of the most reputed construction organisations in the UAE and his experience has included constructing high-rise buildings for residential, hospitality and commercial purposes such as the Jumeirah Beach Residences (JBR), multi-purpose facilities for banks, exhibition halls and complex configuration buildings and high end unique projects such as PORTO Dubai. Within the Group, Mr. Manna has been involved in a number of luxury projects including projects located in Business Bay, certain international projects (including in Saudi and Jordan) and certain iconic high rise tower development including Damac Towers by Paramount, Aykon City, Privé and Paramount Hotel & Residences in Dubai. He has been instrumental across various project stages from tendering until successful project delivery.

***Mr. James Anderson – Vice President for Legal (Construction)***

Mr. Anderson is a Solicitor qualified in England and Wales and leads and manages a diverse team of lawyers from various jurisdictions including the United Kingdom, Australia, Ireland, New Zealand and India. He has held senior legal and commercial positions in various private and government entities in both the United Kingdom and the Middle East over the last twenty two years. He holds a Postgraduate Degree from Queen Mary University in London and a Masters Degree from Kings College in London. He is a Fellow of both the Royal Institution of Chartered Surveyors and the Chartered Institute of Arbitrators.

***Mr. Hitesh Dhoot – Senior Vice President for Finance***

Mr. Dhoot graduated with a Bachelor of Commerce (Honours) in Accounting and Finance in 1998. He qualified as a chartered accountant from The Institute of Chartered Accountants of India in 1999. He has over 15 years' experience in managing accounting and finance teams in various organisations in India and the UAE.

Mr. Dhoot joined the Group in 2008. His experience with the Group includes the management of the accounts and finance team, undertaking work for listing of the global depositary receipts on the London Stock Exchange and listing of the Group's first sukuk certificates on Nasdaq Dubai and Euronext Dublin. As Senior Vice president for Finance, his work includes capital market transactions, corporate funding including both debt and equity, corporate ratings, financial reporting, budgeting and auditing.

**DAMAC PJSC DIRECTORS**

The following table lists the names, ages and positions of the Damac PJSC Board. The Damac PJSC Board oversees the Group and is involved in the material decision making of the Group. The Damac PJSC Board meets formally at least four times in a year and additionally as may be further required.

<b>Name</b>	<b>Position</b>	<b>Age</b>
Mr. Hussain Ali Habib Sajwani ....	Executive Chairman and Chief Executive Officer	65
Mr. Adil Mohamed Hassan Taqi ..	Group Chief Finance Officer	46
Professor John Robertson Wright .	Senior Independent Director	765
Mr. Farooq Mahmood Mohd Mahmood Arjomand.....	Non-Executive Director	60
Mr. Sofyan Al Khatib .....	Non-Executive Director	58
Mr. Yahya Ebrahim Nooruddin Yusuf Nooruddin .....	Non-Executive Director	62

The business address of each of the Damac PJSC Board members is Damac Properties Development Co. LLC, Executive Heights, 20th Floor, TECOM Area, PO Box 2195, Dubai, United Arab Emirates and their telephone number is +971 (4) 373 1000.

The management expertise and experience of the Damac PJSC Board is set out below:

**Mr, Hussain Ali Habib Sajwani** – Executive Chairman and Chief Executive Officer

Please see details with respect to Mr. Sajwani in "*Guarantor Directors*" above for further details.

**Mr. Adil Mohamed Hassan Taqi**– Group Chief Finance Officer

Please see details with respect to Mr. Taqi in "*Guarantor Directors*" above for further details.

**Professor John Robertson Wright** – Senior Independent Director

Professor Wright was educated at Daniel Stewarts College, Edinburgh. Professor Wright is an associate and fellow of the Chartered Institute of Bankers in Scotland and a fellow of the Chartered Institute of Bankers in Ireland.

Professor Wright's career in commercial banking spans over 43 years and includes assignments in the UK, India, Sri Lanka, West Africa, Canada, Hong Kong and the United States. Prior to Professor Wright's retirement in 2001 he held positions as: chief executive and director of Clydesdale Bank PLC and Yorkshire Bank PLC; chief executive and chief general manager of Gulf Bank KSC, Kuwait; chief executive and director of Northern Bank Limited, Belfast and Northern Bank Limited, Dublin as well as a director and chief executive officer of the Oman International Bank.

Currently Professor Wright holds the position of a Non-Executive Director (including the roles of Chairman and Chair of the Audit Committee) across a number of industries, including banking, retail, manufacturing, information technology and trusts, including amongst others, roles with Butterfield UK Limited, Boomer Industries Limited, XM International Associates Limited, European Islamic Investment Bank Limited, Alsbridge plc, the Arab Financial Forum and Borders College. He is also a visiting professor at Glasgow University Business School.

Professor Wright is also a visiting professor at Glasgow University Business School.

**Mr. Farooq Mahmood Mohd Mahmood Arjomand** – Non-Executive Director

Mr. Arjomand received his Bachelor of Business Administration (B.B.A) in Business Management from Seattle Pacific University in the United States in 1984.

Mr. Arjomand started his career as a banker at HSBC in 1985 and gained extensive experience of private banking, corporate finance, trade services and investment banking.

Mr. Arjomand founded the Arjomand group of companies in 2000. The group conducts various activities including real estate, manufacturing, trades, financial activities and aviation across the GCC, Asia, Europe and the US.

Mr. Arjomand is also a board member of Al Ahlia Insurance Company BSC, Bahrain.

**Mr. Sofyan Al Khatib** – Non-Executive Director

Mr. Al Khatib has over 37 years of experience in the catering and hospitality industry in the Middle East. He graduated with a Bachelor's degree in Business Administration from the University of Jordan in 1980.

Mr. Al Khatib has been the Group Director of Global Logistic Services Company Co. LLC since 1989. The company specialises in comprehensive solutions for engineering, procurement and construction (EPC) and provision of catering and support services for clients in a number of industries including oil and gas, hospitality and educational institutions, amongst others. In his role, Mr. Al Khatib oversees the business development and operating strategies of the business, which spans the MENA region, and is responsible for its sustained profitability.

Prior to this role, Mr. Al Khatib held several managerial positions with catering companies in Saudi Arabia, where he was charged with the sales and marketing efforts, sales network expansion, achieving sales revenues targets and control of operations of regional projects.

Mr. Al Khatib is currently on the board of a number of private and public companies in MENA, including Al Anwar Ceramics Tiles Company SAOG and Al Jazeera Services Co SAOG, and is Chairman of SAK Investments Limited.

**Mr. Yahya Ebrahim Nooruddin Yusuf Nooruddin** – Non-Executive Director

Mr. Nooruddin has over 20 years' experience in local and regional financial markets, with a proven track record of building organisations and leading them to the forefront of their respective industries. He holds academic and professional degrees in the areas of marine engineering, law and financial management, including a master's degree in law from the Beirut Arab University.

Mr. Nooruddin is currently the Chief Executive of T'azur, which provides Family and General Takaful products for individuals and businesses. Prior to joining T'azur, he was Chief Operating Officer of the Al Imtiaz Investment Company in Kuwait from 2008 to 2011, following 12 years at Al Ahlia Insurance Company.

**Mr. Nabil Ali Mukhtar Alyousuf** – Non-Executive Director

Mr. Alyousuf, an investor and entrepreneur, is the Chairman of Nabil Alyousuf & Associates, and a partner in Al Jal Capital, a UAE-based private equity firm. He is also the Chairman of Sadara, the largest real estate developer in southern Iraq, and Chief Executive Officer of the International Advisory Group (IAG). He sits on several NGO boards.

Previously, Mr. Alyousuf was Director General of The Executive Office of His Highness Sheikh Mohammed bin Rashid Al Maktoum, Ruler of Dubai. He led the development of Dubai Strategy 2015; established the Dubai School of Government; and was in charge of the Dubai Government Excellence Program.

In 2010, Mr. Alyousuf was chosen as a Young Global Leader by the World Economic Forum. He holds a Master of Business Administration degree from The University of Strathclyde, a Master of Science in Operations Research from Georgia Institute of Technology and a Bachelor of Science in Industrial Engineering from The University of Arizona.

## **BOARD COMMITTEES**

The following Nomination and Remuneration Committee and Audit Committee assist the Damac PJSC Board. Given the Damac PJSC Board oversees the Group as a whole, such board committees also oversee relevant matters relating to the Group.

### **Nomination and Remuneration Committee**

The 'Nomination' component of the committee assists the Damac PJSC Board in discharging its responsibilities relating to the composition of the Damac PJSC Board, performance of Damac PJSC Board members, induction of new directors, appointment of committee members and succession planning for senior management. It is also responsible for evaluating the balance of skills, knowledge, diversity and experience on the Damac PJSC Board, the size, structure and composition of the Damac PJSC Board, retirements and appointments of additional and replacement directors and makes appropriate recommendations to the Damac PJSC Board on such matters. It prepares a description of the role and capabilities required for a particular appointment.

The 'Remuneration' component of the committee assists the Damac PJSC Board in determining its responsibilities in relation to remuneration and has responsibility for setting the remuneration policy for each of the executive directors and the Chairman, including pension rights and any compensation package, and recommending and monitoring the level of remuneration for senior management below Damac PJSC Board level.

It considers all material elements of remuneration policy, remuneration and incentives of executive directors and senior management with reference to independent remuneration research and professional advice, where necessary, in accordance with the UK Corporate Governance Code and associated guidance. It is also responsible for approving the design of, and determining targets for, any performance related pay schemes including under the Company Incentive Plans. In accordance with the committee's terms of reference, no director may participate in discussions relating to his or her own terms and conditions of remuneration. Non-Executive Directors' fees are determined by the full Damac PJSC Board, or where required the Guarantor's articles of association (the **Articles**) and the Shareholders.

The Nomination and Remuneration Committee meets formally at least once a year and otherwise as required. The duties and activities of the Nomination and Remuneration Committee during the year are disclosed in Damac PSC's annual report.

## Audit Committee

The Audit Committee assists the Damac PJSC Board in discharging its responsibilities with regard to financial reporting, external and internal audits and controls, including monitoring the integrity of the Guarantor's financial statements, monitoring and reviewing the extent of the non-audit work undertaken by external auditors, advising on the appointment, re-appointment, removal, remuneration and terms of engagement of external auditors and reviewing the effectiveness of the Guarantor's internal audit activities, internal controls and risk management systems. The Audit Committee reports to the Damac PJSC Board on how it has discharged its responsibilities and, separately, an individual section of the annual report describes the work of the Audit Committee. Where requested by the Damac PJSC Board, the Audit Committee reviews the content of the annual report and accounts and advises the Damac PJSC Board on whether, taken as a whole, it is fair, balanced and understandable and provides the information necessary for shareholders to assess the Guarantor's performance, business model and strategy.

The Audit Committee formally meets at least three times per year and otherwise as required. The Audit Committee considers and makes recommendations to the Damac PJSC Board to be put to Shareholders for approval at the Guarantor's annual general meeting in relation to the appointment, re-appointment and removal of the external auditor. The Audit Committee should satisfy itself that there are no relationships between the Guarantor and the external auditor which could adversely affect the auditor's independence and objectivity. At least once every ten years, the Audit Committee shall ensure the audit services contract is put out to tender. The Group Chief Finance Officer and the external auditor are invited to attend meetings on a regular basis and other non-members of the Audit Committee may be invited to attend as and when appropriate and necessary.

## EMPLOYEES

The table below sets out the number of the Group's employees as at 31 December for the years 2008 to the year ended 31 December 2017.

<b>Year</b>	<b>Number of Employees</b>
2008.....	800
2009.....	425
2010.....	433
2011.....	449
2012.....	705
2013.....	1,393
2014.....	1,787
2015.....	2,214
2016.....	1,979
2017.....	2,174

As at 31 December 2017, the Group had 2,174 employees. In order to support the renewed growth in the Group's operations, the Group intends to hire more employees and in particular to employ staff with local knowledge and experience in new countries to complement the capabilities of existing staff.

The Group has also instituted a range of employee benefits such as providing UAE law required mandatory health insurance, various allowances and bonuses to its local UAE employees.

The Group recognises the importance of the calibre and the motivation of its employees. A performance management system has been implemented where the Group's objectives are translated into measurable departmental and individual objectives that are monitored regularly and appraised bi-annually. These key performance indicators assist management in awarding bonuses and rewards.

The Group also implemented a development plan for its staff through quality training and establishing and maintaining standards of professional conduct. Development of employees is carried out primarily through in-house training but when specialist training needs are identified, they are catered for through appropriate external resources. Individual employee training requests are managed carefully to align the goals of employees with those of the Group.



As far as the Group is aware, none of the Group's employees belongs to any form of trade union and no industrial action has taken place to date.

### **COMPENSATION**

The total emoluments receivable by the Directors and payable by the Guarantor in respect of the year ended 31 December 2017 did not exceed U.S.\$3.9 million. This includes compensation in all the capacities in which the Directors serve or are employed by the Group, but does not include any amounts in respect of discretionary bonus, pension contributions and other similar benefits payable by the Guarantor to the Directors.

## DESCRIPTION OF THE UNITED ARAB EMIRATES

### INTRODUCTION

The United Arab Emirates is a federation of seven Emirates made up of Abu Dhabi, Ajman, Dubai, Fujairah, Ras al-Khaimah, Sharjah and Umm al-Quwain. The city of Abu Dhabi in the Emirate of Abu Dhabi is the federal capital. Abu Dhabi is the largest Emirate by area (making up about 86 per cent. of the country's area) and the richest in terms of oil resources. Dubai is the second-largest Emirate by size (accounting for about five per cent. of the country's total area) and the largest by population. Together, Dubai and Abu Dhabi account for approximately two-thirds of the country's population and are at the core of its economy.

Formerly known as the Trucial States, the Emirates were a British protectorate until they merged to form the UAE in 1971. H.H. Sheikh Khalifa bin Zayed Al-Nahyan, Ruler of Abu Dhabi, has been the President of the UAE since November 2004 and H.H. Sheikh Mohammed bin Rashid Al Maktoum, Ruler of Dubai, has been the Prime Minister and Vice President of the UAE since January 2006. Each Emirate enjoys significant autonomy and has its own budget. The UAE's federal budget is funded by each Emirate in agreed amounts.

The UAE has one of the most favourable business environments in the Middle East. No corporate taxes are applied in the majority of UAE business sectors, other than for oil-producing companies and foreign banks. Further, no personal taxes, and no exchange controls, are applied on the remittance of profits or repatriation of capital. Additionally, the UAE enjoys low tariffs and there are virtually no restrictions on foreign trade.

The UAE enjoys good relations with the other states in the GCC region. However, on 5 June 2017, the UAE and two other GCC member states, namely the Kingdom of Saudi Arabia and Bahrain, together with other states in the MENA region, namely Egypt, Libya and Yemen, moved to cut diplomatic ties, trade and transport links with Qatar. The measures to do this included a closure of land, sea and air access and the expulsion of Qatari officials, residents, and visitors from those countries. Kuwait and Oman, the remaining two member states of the GCC, have maintained ties with Qatar. The UAE also has a longstanding territorial dispute with Iran over three islands in the Arabian (or Persian) Gulf.

### ECONOMY OF THE UAE

According to data published by the IMF in October 2016, the UAE is estimated to be the third largest economy in the Gulf region after the Kingdom of Saudi Arabia and the Islamic Republic of Iran, based on nominal gross domestic product.

Although traditionally dominated by the petroleum industry, successful efforts at economic diversification have reduced the share of the oil and gas sector in the country's GDP to less than a third. The UAE has an open economy with one of the highest per capita incomes in the world and a sizeable annual trade surplus. The currency is freely convertible and funds can be freely repatriated. The country's free zones which offer 100 per cent. foreign ownership and zero taxes are a major conduit for foreign investment in the country. The geographical location of the UAE, situated at the tip of the Arabian Peninsula, has made it a convenient trading post between the Middle East and Asia. With modern communication, the UAE remains a convenient trading base for the Indian subcontinent, Central Asia, Africa and beyond.

Historically, political upheavals in the Middle East have further boosted the UAE's economy with capital flight from regional countries finding a safe harbour in the UAE. The UAE has also been a significant recipient of investment from South Asia, especially in the real estate sector. The UAE is considered to be one of the most politically stable and secure countries in the region and has consequently become a safe haven for foreign investment from the region and a hub of global tourism.

It has a more diversified economy than most of the other countries in the GCC. According to OPEC data, at 31 December 2016, the UAE had approximately 6.6 per cent. of the world's proven crude oil reserves (giving it the sixth largest proven crude oil reserves in the world). According to preliminary data produced by FCSA and the UAE Central Bank, crude oil and natural gas accounted for 34.3 per cent. of the UAE's GDP and 30.1 per cent. of the total value of the UAE's exports (including re-exports) in 2014.

According to the IMF October 2017 Regional Economic Outlook report, real GDP growth in the UAE increased by an average of 5.0 per cent. in 2011 and 2012, by 4.7 per cent. in 2013, 3.1 per cent. in 2014, 4.0 per cent. in 2015, 3.0 per cent. in 2016 and is estimated to increase by 1.3 per cent. in 2017 and 3.4 per cent. in 2018.

## UAE CONSTITUTION

The constitution of the UAE (the **Constitution**) was initially provisional and provided the legal framework for the federation. The Constitution was made permanent pursuant to a constitutional amendment in December 1996.

The Constitution apportions powers between the federal government (based in Abu Dhabi) and the governments of the constituent Emirates. The federal government is entrusted with the task of promulgating substantive legislation concerning and regulating the principal and central aspects of the UAE. The local governments of each Emirate are authorised to regulate local matters not confined to the federal government. Articles 120 and 121 of the Constitution state that certain matters, such as foreign affairs, security and defence and public health must be governed by federal law. Under Article 121 of the Constitution, real estate is a federal subject even though there is no federal legislation regulating the real estate sector. For practical purposes however, real estate is regulated by the individual Emirates under their local regulations. Under Article 122 of the Constitution, all other matters not specifically assigned to the exclusive jurisdiction of the federal government may be regulated by the local government of each Emirate. Under this federal structure, each Emirate enjoys considerable autonomy and largely pursues its own economic policies.

The Constitution also states that the federation shall form a single economic and customs entity with free movement of capital and goods between the Emirates. The natural resources and wealth of each Emirate is, pursuant to the Constitution, considered to be the public property of the relevant Emirate.

### GOVERNANCE OF THE UAE

The governance of the UAE at the federal level is divided between the Federal Supreme Council (the **Supreme Council**), the Federal Council of Ministers (the **Cabinet**) and the Federal National Council. The Supreme Council is the highest federal governing body and consists of the rulers of the seven Emirates. The Supreme Council elects the President and the Vice President of the UAE from its own membership (for renewable five-year terms). Decisions relating to substantive matters are decided by a majority vote of five Emirates, provided that the votes of both Dubai and Abu Dhabi are included in that majority, but matters which are purely procedural are decided by a simple majority vote. The President and Prime Minister, despite being elected by the Supreme Council, are essentially hereditary with the Ruler of Abu Dhabi traditionally holding the presidency and the Ruler of Dubai being the prime minister. The Supreme Council is vested with legislative as well as executive powers and it ratifies federal laws and decrees and sets federal policies.

The Cabinet is the executive authority of the UAE and is responsible for implementing policy decisions of the Supreme Council. The Constitution defines the responsibilities of the Cabinet, which include the issuing of regulations, the preparation of draft laws and the drawing up of the annual federal budget.

The Federal National Council is a parliamentary body, consisting of 40 members, and has both a legislative and supervisory role under the Constitution. Half of its members are appointed by the rulers of the constituent Emirates and the other half are indirectly elected to serve two-year terms. One of the main duties of the Federal National Council is to discuss the annual budget of the UAE. Although the Federal National Council can monitor and debate government policy, it has a largely consultative role because it has no veto or amendment powers and cannot initiate any legislation by itself.

### LEGAL AND COURT SYSTEM

There are three primary sources or types of law in the UAE: (i) federal laws and decrees (applicable in all seven Emirates); (ii) local laws and decrees (i.e. laws and regulations enacted by the Emirates individually); and (iii) the Shari'a (Islamic law). The secondary source of law is trade custom or practice. In addition, there are various economic free zones in the country regulated by independent regulatory authorities who have the power to make laws and regulations within the free zones.

The UAE's legal system is based on the European continental civil law system, adopted largely from the Egyptian legal system. As no general system of binding judicial precedent exists in the UAE, the application and interpretation of the laws by the local courts cannot always be predicted with certainty.

In the absence of federal legislation in areas specifically reserved to federal authority, the ruler or local government of each Emirate will apply his or its own rules, regulations and practices. The federal judiciary, whose independence is guaranteed under the Constitution, includes the Federal Supreme Court and Courts of First Instance. The Federal Supreme Court consists of five judges appointed by the Supreme Council. The

judges decide on the constitutionality of federal laws and arbitrate on inter-Emirate disputes and disputes between the federal government and individual Emirates.

Pursuant to its right under the Constitution, Dubai, like the Emirates of Abu Dhabi and Ras al-Khaimah, has elected to maintain its own court system, separate from that of the federal judiciary and the courts of Dubai have exclusive jurisdiction to hear cases brought in Dubai. Although both the federal and Dubai courts have a similar three tier structure (Court of First Instance, Court of Appeal and Court of Cassation/Supreme Court), Dubai has retained complete autonomy over its courts in all matters, including the appointment of judges. In accordance with the Constitution, the Dubai courts will first apply federal law where this exists and, in its absence, the laws of Dubai. However, the Federal Supreme Court in Abu Dhabi has retained original jurisdiction in constitutional matters and cases involving national security.

## **THE EMIRATE OF DUBAI**

Dubai is, after the Emirate of Abu Dhabi, the second largest Emirate in the UAE and is situated on the west coast of the country in the south western part of the Arabian (or Persian) Gulf. It covers an area of 4,357 square km and lies approximately at longitude 55 degrees east and latitude 25 degrees north. Except for a tiny exclave in the Hajar Mountains at Hatta, the Emirate of Dubai comprises one contiguous block of territory.

The population of Dubai was estimated to be 2.70 million as at 31 December 2016 (according to the Dubai Statistics Centre), of which a significant portion is comprised of non-UAE nationals, mainly drawn from the Indian subcontinent, Europe and other Arab countries. According to the Dubai Statistics Centre, the population of Dubai is estimated to have increased by 6 per cent. on average each year between 2012 and 2016 with as at 31 December 2016, approximately 70 per cent. of this population was estimated to be male and 30 per cent. female, reflecting the large male expatriate workforce unaccompanied by family members.

### **The Government of Dubai**

All powers of the government of Dubai are vested in the Ruler of Dubai, who is presently His Highness Sheikh Mohammad bin Rashid Al Maktoum. The various departments and other arms of the Government of Dubai and their respective executives operate under the powers and responsibilities specifically delegated to them from time to time by the Ruler of Dubai. The present Ruler of Dubai is also the Vice President, Prime Minister and Minister of Defence of the UAE. Dubai has elected to assume responsibility for its own education, public health and judicial systems. The natural resources and wealth in the Emirate of Dubai are considered to be its public property.

The key entities in the structure of the Government of Dubai are: (i) the Ruler's Court; (ii) the Supreme Fiscal Committee; and (iii) the Executive Council. The Dubai Department of Economic Development and the Dubai Department of Finance are administrative bodies.

#### ***The Ruler's Court***

Except in relation to applicable federal laws, the Ruler of Dubai is the sole legislator for the Emirate and all Dubai laws are passed by the Ruler of Dubai after drafts of the laws have been approved by the Ruler's Court in consultation with the Executive Council. All other matters that require the involvement of the Ruler of Dubai are channelled through the Ruler's Court.

#### ***Supreme Fiscal Committee***

The Supreme Fiscal Committee was established in November 2007 to formulate the fiscal policies of the Government and to regulate Government borrowings. The Supreme Fiscal Committee is authorised to approve borrowings by the Government and Government-owned entities on behalf of the Government. The Supreme Fiscal Committee also aims to improve coordination between various Government entities and to enable Government entities to meet their respective development targets in a cost efficient manner.

#### ***Executive Council***

The Executive Council seeks to ensure coordination amongst Government departments including the courts, the police and health authorities. The Executive Council works with these departments to implement an overall strategy for the Government, whilst considering the requirements and strategies of each particular department. In addition, the Executive Council works with the Department of Finance to prepare an overall budget to fund the requirements of the various Government departments. In addition to this broad coordination role, the Executive Council also recommends new laws and regulations and is involved in the implementation of laws promulgated at both the Emirate and federal levels.

### ***Department of Economic Development***

The Department of Economic Development is a regulatory and administrative body responsible for the licensing and regulation of the business sector. All businesses operating in Dubai are required to be registered with and licensed by the Department of Economic Development (other than in the free zones). The Department of Economic Development also helps formulate Government policy in relation to economic planning and the promotion of Dubai as a business centre. The Department of Economic Development works closely with other relevant Government bodies such as the Ministry of Labour and Real Estate Regulatory Agency.

### ***Department of Finance***

The Department of Finance is the local ministry of finance and treasury for the Government. All revenues of the Government are collected within the Department of Finance and all Government authorities are funded through the Department of Finance. In addition, the Department of Finance also functions as an administrative office of the Supreme Finance Committee for executing and monitoring compliance with the Supreme Fiscal Committee's decisions.

### ***Foreign Direct Investment and Free Zones***

The Government of Dubai has set up a number of free zones in Dubai to encourage foreign investment. Foreign corporate entities can freely operate in the free zones and free zone entities can be 100 per cent. foreign owned, unlike entities registered elsewhere in the UAE which require various degrees of local participation. There are no currency restrictions levied on the capital or the profits of free zone entities and 100 per cent. of their capital and/or profit can be repatriated. In addition, corporate entities operating in the free zones benefit from advantageous tax treatment: such entities are exempt from paying corporate tax for 15 years, renewable for an additional 15 years, and individuals working in the free zones are exempt from paying income tax.

The most prominent free zones in Dubai are the Jebel Ali Free Zone, the Dubai Technology and Media Free Zone (TECOM), the DIFC and the Dubai Airport Free Zone. Further, a number of sector-specific free zones for services and industry have been established, including Dubai Healthcare City, Dubai Textile City, the Dubai Multi Commodities Centre, Dubai Outsource Zone, Dubai Aid City, DuBiotech Free Zone, Dubai Silicon Oasis and Dubai Gold and Diamond Park.

### ***DIFC***

The DIFC, a financial free zone established in Dubai, is the most sophisticated of the free zones in Dubai. The DIFC has its own civil and commercial laws based on the English common law system. This is in contrast to the rest of the UAE, which follows civil law principles. The DIFC's own laws apply within the territory of the free zone to the exclusion of most federal laws and the laws of Dubai (other than in respect of criminal matters). The DIFC also has its own courts. The DIFC courts have signed a memorandum of understanding with Dubai courts whereby DIFC court decisions can be enforced directly in the local courts. In 2011, the Ruler of Dubai issued a decree (Dubai Law No. 16 of 2011) which permits the DIFC courts to hear any dispute between parties who voluntarily submit to the jurisdiction of the DIFC courts.

The DIFC also houses an international arbitration centre known as the DIFC-LCIA Arbitration Centre which is modelled on, and has an association with, the London Court of International Arbitration. The DIFC courts have supervisory jurisdiction over arbitrations conducted in the DIFC.

The DIFC also has its own stock exchange, the Nasdaq Dubai.

### ***The economy in Dubai***

Dubai has a diversified economy which has demonstrated renewed growth, with real GDP at constant prices increasing by approximately 4.1 per cent. in 2015 and 4.0 per cent. in 2014. When the UAE was established, approximately 50 per cent. of Dubai's GDP was oil related; the Emirate's reliance on oil has decreased significantly since then, with the oil sector accounting for 2.2 per cent. of GDP in 2015. In 2015, the real GDP of Dubai accounted for approximately 27 per cent. of the real GDP of the UAE. According to the Dubai Statistics Centre, Dubai's real GDP increased by 2.2 per cent. in 2016, reaching AED 397.2 billion, compared to an increase of 4.1 per cent. recorded in 2015 (real GDP of 365.7 billion).

Reflecting Dubai's strategic geographic location, rising levels of international trade and the Government of Dubai's long-standing strategy of positioning Dubai as a trading centre, the wholesale and retail trade and repairing services sector is the principal contributor to GDP, accounting for an estimated 25.4 per cent. of Dubai's GDP in 2016 and 26.2 per cent. of Dubai's GDP in 2015, in each case, at constant prices and as

according to the Dubai Statistics Centre. This sector declined by an estimated 0.8 per cent. in 2016 and grew 4.90 per cent. in real terms in 2015.

Other significant economic sectors for Dubai in 2016 were manufacturing (contributing an estimated 9.2 per cent. to total GDP at constant prices), transport and storage (contributing an estimated 12.4 per cent. to total GDP at constant prices) financial and insurance activities (contributing an estimated 11.0 per cent. to total GDP at constant prices) and real estate (contributing an estimated 6.5 per cent. to total GDP at constant prices). Together, these four sectors contributed an estimated 39.1 per cent. to total GDP in 2016. The manufacturing sector grew by an estimated 0.5 per cent. in 2016. The transport and storage sector grew by an estimated 6.0 per cent. in 2016 as a result of improved foreign trade and port related activities, as well as increased demand for shipping and related services. The real estate and business services sector grew by an estimated 4.4 per cent. in 2016 according to Dubai Statistics Centre.

The electricity and gas sector grew by an estimated 2.2 per cent. in 2016 and the water sector grew by an estimated 34.0 per cent. in 2016 as a result of increased generation and consumption of electricity and water. The restaurants and hotels sector declined by an estimated 1.8 per cent. in 2016.

Each of these sectors has benefitted from the Government's policies aimed at improving the business and investment environment and positioning Dubai as a regional hub, including specific high profile developments initiated by the Government and the establishment of a range of specialised free zones designed to attract new companies and investment. In addition, other factors supporting the Emirate's longer-term economic growth have included the availability of labour and land for real estate development, significant levels of liquidity prior to late 2008 and increasing consumer wealth in the GCC region and elsewhere, in part reflecting relatively high oil and gas prices, an appropriate legal and regulatory framework and good infrastructure.

The Government continues to focus on economic diversification and in this respect is targeting the travel and tourism, financial services, professional services, transport and logistics, trade and storage and construction sectors in particular as areas for future growth.

Since the middle of 2008, as a result of the global financial crisis and sharp falls in international oil and gas prices, there have been significant declines in real estate sales prices and rental rates in both Dubai and the UAE as a whole, as well as a slowdown in construction activity in the UAE. These factors adversely impacted Dubai's GDP in 2010 and 2011, with the real estate and construction sectors declining in real terms in 2010 by 2.6 per cent. and 14.7 per cent., respectively, and in 2011 by 2.6 per cent. and 5.7 per cent., respectively. In 2012 and 2013 the economy regained momentum. According to the 2015 report "The UAE Real Estate Market, 2015, Year in Review" of Jones Lang LaSalle IP, Inc., the real estate market in the UAE expanded significantly in 2013 and in the first half of 2014. The residential market in Dubai maintained stability in the first nine months of 2017 (according to Knight Frank's *Market Review and Forecast 2018*). In 2013, the real estate and business services sector grew by 29.3 per cent. However, as a result of further falls in international oil and gas prices, higher interest rates and the appreciation of the U.S. dollar, demand for real estate has decreased, slowing growth. GDP at constant prices increased by 4.4 per cent. in the real estate sector and declined by 0.7 per cent. in the construction sector, respectively, in 2016 compared to growth of 4.4 per cent. and 0.4 per cent, respectively, in 2015.

### **Expo 2020**

Dubai is also benefiting from increased spending on real estate projects in the lead up to the Expo 2020. Winning the right to host the World Expo in 2020 provided a strong 2013 for Dubai. GDP growth in 2013 exceeded initial projections, the real estate sector continued to recover and equity markets (specifically, the DFM) rebounded 75 per cent. during the period. Hosting Expo 2020 is anticipated to provide a boost to medium term growth and help to promote one of the Government's broader economic strategies of growing its tourism and hospitality sector over the next few years. The official impact assessment report indicates that nearly U.S.\$24 billion (AED 88 billion) could be added to Dubai's economy over 2014 to 2021, or almost 30 per cent. of Dubai's 2011 nominal GDP. Using official Government spending estimates, Expo 2020 is expected to add 0.5 per cent. per year to real GDP growth in 2017, rising to 1.0 per cent. per year over 2018 to 2020. Among other things, Expo 2020 is intended to help maintain Dubai's growth momentum beyond 2015 by providing a firm timetable for infrastructure delivery and a platform to market Dubai as a regional tourism, trade and business hub in the mid- to long-term.

## **Real Estate in Dubai**

The Government of Dubai began promoting land ownership in 1997 with the set-up of the publicly listed company Emaar PJSC followed by Nakheel PJSC (in 2000) both of which have grown to become the largest public sector real estate companies in the UAE.

Before May 2002, non-GCC expatriates living in the UAE were only permitted to rent property or to hold a 99 year lease of certain properties. A major property boom in Dubai occurred in May 2002 when the Government of Dubai permitted foreign ownership of property in selected areas of the city. Although the formal decree which permitted foreign ownership was not issued until 2006, certain administrative measures were passed by the Emirate prior to 2006 which enabled foreign ownership.

Dubai is well known for large scale developments such as Dubai Marina, which was commenced in 2003. In addition, the Dubai Downtown project, housing the world's largest shopping mall, the Dubai Mall, and the world's tallest building, the Burj Khalifa, was constructed between 2004 and 2009. The well known Palm Island projects were launched in 2001 with the Palm Jumeirah being delivered to purchasers in 2007. With the completion of these large scale projects, Dubai has developed a robust infrastructure laying the foundations for its continued growth and development.

According to the DLD, the Emirate witnessed investment worth AED 135 billion in its real estate sector in 2015, with the principal investors being GCC nationals (AED 44 billion), Arab nationals other than those of GCC countries (AED 16 billion), Indians (AED 20 billion), British nationals (AED 10 billion), Pakistanis (AED 7.6 billion) and others (AED 37.4 billion).

## **REGULATORY INFORMATION**

### **LEGISLATION GOVERNING FREEHOLD PROPERTY**

On 13 March 2006, the Government of Dubai issued legislation permitting foreign ownership of properties in designated areas of Dubai. The Dubai Real Estate Registration Law No. 7 of 2006 (the **Registration Law**) allows UAE and GCC citizens, and companies wholly owned by them, as well as public companies, to own real rights over property (such as freehold and long term leases) anywhere within Dubai and non-GCC expatriates and foreigners, and companies owned by them, to own real rights over property only in designated areas within Dubai.

As a consequence of the current policy of the DLD, a company incorporated outside the UAE that wishes to own real rights over property will need to establish as its subsidiary a locally incorporated entity to hold title. For example, it is possible for foreigners and foreign companies to own property in Dubai through off-shore companies established in the Jebel Ali free zone.

The Registration Law also provides that the DLD shall solely, to the exclusion of others, be authorised to register any real rights over property. The Registration Law established the Real Property Register at the DLD. All real property rights and any amendments shall be registered in the Real Property Register, which shall have the absolute power of evidence against all parties. No objection against the data on the Real Property Register may be made other than on the grounds of fraud or forgery.

### **DUBAI REAL ESTATE REGULATORY AUTHORITIES**

#### ***DLD***

The DLD is responsible for registration of all property transactions and of all property developers within the Emirate of Dubai (with the exception of free zones that have their own regulations and procedures in place).

#### ***RERA***

RERA was established pursuant to Dubai Law No. 16 of 2007 concerning the establishment of the Real Estate Regulatory Agency. Supported by the DLD, RERA plays a key and executive role in the regulation of Dubai's real estate market. RERA is an arm of the DLD responsible for regulating the real estate sector, helping in formulating the sector's strategies, regulating the activities of companies that manage residential compounds, as well as the activities of real estate brokers and owners' associations. RERA also issues the rules and regulations that qualify activities of brokerage, lease contract registration and certification.

#### ***Dubai Municipality***

Dubai Municipality provides municipal services to the population of Dubai. Its work includes urban planning and supervision of construction; environmental protection and improvement; conservation of public parks; regulation and maintenance of quality standards in construction and building materials, food and consumable items; and professional services in laboratory certification and accreditation.

#### ***Dubai Civil Defence***

The Dubai Civil Defence Department is responsible for ensuring compliance with safety standards. Its work includes the installation of fire safety and other emergency equipment.

#### ***Roads and Transport Authority (RTA)***

The RTA must approve road networks and master plans for any communities developed by development companies.

### **RELEVANT REAL ESTATE LEGISLATION**

#### **RERA and Escrow Accounts**

The Escrow Law was introduced on 28 June 2007 and, together with its associated regulations, governs the way in which purchase price instalments paid by purchasers of "off-plan" developments are dealt. Under the Escrow Law, developers are required to register with RERA and to set up escrow accounts for each development. Purchasers pay their requisite purchase price in instalments directly into the relevant escrow account. Importantly, the monies credited to the escrow account are not subject to attachment in favour of a developer's creditors.



The escrow account is managed by a financial institution approved by RERA (with such financial institution being the trustee of the escrow account). The trustee of the escrow account will determine when a developer will be permitted to make withdrawals from the escrow account. Essentially, money will only be permitted to be drawn down when certain specified construction milestones are met and in accordance with the relevant legislation and any relevant escrow agreement. The release of monies from the escrow account is subject to a requirement to retain five per cent. of the total funds in the escrow account for one year following the date of receipt of the completion certificate issued by DLD to the developer for the developer to address any remedial works required during that period.

Developers are permitted to use up to five per cent. of the project value for "soft costs" associated with the development such as advertising, brokers' fees and other disbursements. RERA oversees the operation of escrow accounts and has the ability to carry out audits to ensure that the relevant escrow account holds the requisite amount of funds based on the relevant stage of the development, the money paid by the purchasers and the construction costs incurred by the developer to date. If there are not sufficient funds, RERA can require the developer to top up the escrow account.

The Escrow Law stipulates severe penalties for breach of the Escrow Law, including imprisonment and/or a fine of not less than AED100,000.

### **Interim Real Estate Register**

The introduction of Law No. 13 of 2008 regulating the Interim Real Estate Register in the Emirate of Dubai in August 2008 (**Law No. 13**) created a register to record all off-plan sales of real estate units (the **Interim Register**). Law No. 13 was subsequently amended by Law No. 9 of 2009, the Executive Council's Decree No. 6 of 2010 and Law No. 19 of 2017.

Within a 60 day period following the publication of Law No. 13 (i.e. 60 days from 31 August 2008), developers were required to register all off-plan sales in the Interim Register. Law No. 13 sets out that any sales or other disposals that transfer or restrict title will be void if they are not recorded in the Interim Register.

Law No. 13 (as amended) also provides, amongst other things, that: (i) a developer is not permitted to commence selling units for a project until it has taken possession of the relevant development land and obtained all necessary approvals from the authorities; (ii) all fees payable upon a transfer or other disposal of units must be paid to DLD and developers are only permitted to collect limited "administration fees" upon such disposal; and (iii) developers are no longer permitted to claim an increase in the purchase price of units if, after completion of a development, the units turn out to have a larger area than originally set out in the contract unless otherwise agreed. Furthermore, developers are required to compensate purchasers where the net area of a unit is more than five per cent. smaller than that specified in the contract. The compensation payable will be calculated on the basis of the purchase price for the relevant unit.

### **Compensation on Termination**

Article 11 of Law No. 13 (as amended) sets out the procedure that must be followed in the event that a developer wishes to terminate an off-plan sales agreement by virtue of the purchaser's default and the compensation that the developer may obtain in such circumstances. In the event that a purchaser breaches any of its obligations under the off-plan sales agreement, then the following procedures shall be followed:

- (i) the developer must notify the DLD of the purchaser's default and the DLD will then notify the purchaser of the default and allow 30 days for it to be remedied;
- (ii) if the purchaser does not remedy the default within the permitted period of 30 days the DLD will issue an order in favour of the developer permitting it to undertake one of the following actions:
  - (a) where the project is more than 80 per cent. complete, the developer can (1) continue with the contract and claim the outstanding amount from the purchaser; (2) ask the DLD to sell the property by public auction to recover the outstanding amount; or (3) terminate the contract and retain up to 40 per cent. of the purchase price stated in the contract;
  - (b) where the project is 60–80 per cent. complete, the developer can terminate the contract and retain up to 40 per cent. of the purchase price stated in the contract;
  - (c) where the project is less than 60 per cent. complete, the developer can terminate the contract and retain up to 25 per cent. of the purchase price stated in the contract; or

- (d) where the project has not commenced construction for reasons beyond the developer's control, and there is no negligence on the developer's part, the developer can terminate the contract and retain up to 30 per cent. of the purchase price stated in the contract.

If the developer terminates the contract the developer can retain the permitted proportion of the purchase price (as above) and must refund any amounts due to the purchaser within one year of the termination of the contract or within 60 days from the date of resale of the property, whichever is earlier.

For the purposes of paragraph (d) above, the following cases shall be deemed causes beyond the developer's control:

- (a) the land on which the project is to be built is dispossessed on grounds of public interest;
- (b) a government authority stops work on the project for re-planning reasons;
- (c) excavations or service networks are found on the project's location;
- (d) the government-linked master developer makes modifications to the project's location resulting in the project's borders and area changing in a way that affects the performance of the sub-developer's obligations; and
- (e) any other causes the RERA may deem out of the developer's control.

In addition, Law No. 9 of 2009 and Law No. 19 of 2017 provide RERA with the ability to cancel a project if it considers it appropriate having considered such project's viability. In such case, the developer is obliged to return all monies paid by purchasers. In the event that the balance of the project's escrow account is insufficient to satisfy the amounts owed to the purchasers, the developer shall repay the sums to those purchasers entitled to payment within 60 days of the project cancellation decision unless RERA determines to extend such period for valid reasons.

#### **Law and directions relating to jointly owned properties**

The directions (the **Directions**) supplementing Law No. 27 of 2007 concerning jointly owned properties (the **Strata Law**) were issued by RERA and became effective on 13 April 2010. Any property which is divided into units intended for separate ownership and which has areas which are used by more than one owner will constitute a jointly owned property. The Strata Law sets out the framework for granting purchasers of individual units in a building freehold ownership rights to their units together with ownership of a proportionate share of the common areas in the building. The law also provides for an owners' association (which is a legal entity in its own right) to manage and operate the common areas of the building. The owners' association is responsible for, amongst other things, the collection of the service charges (including those from developers who have unsold units in the development) required to maintain and operate the common areas. Each unit owner will be a member of the owners' association and has the right to vote on decisions taken by the association. The Directions provide a standard form constitution which sets out the rules governing the owners' association.

Whilst the introduction of the Strata Law provides an overview as to how jointly owned properties are governed in Dubai, further guidance on vertical, horizontal and/or volumetric subdivision of properties would be welcomed. Therefore, although the Directions have not been issued in the form of a law, they are binding and set out a number of mandatory requirements with which developers must comply before they are able to sell or continue to sell units in their developments. A principal feature of the title regime pursuant to the Strata Law is that developers are required to disclose detailed information about developments before signing contracts to sell units.

One of the key documents for the jointly owned property structure is the jointly owned property declaration (**JOPD**). Any application to the DLD to register the sale of a unit in a development which has been sub-divided for sale as individual units will need to be accompanied by a JOPD setting out details relating to the development and, in particular, details as to how the common areas in the relevant building will be managed. A JOPD is required for each separate plot of land in a development (which includes volumetric plots within the same building) and is provided to a purchaser as part of the developer's "Disclosure Statement" requirements along with other key documents detailing the management and operation of the development.

If a developer fails to satisfy the full "Disclosure Statement" requirements under the Directions, the relevant sale contract to which the failure relates may be held void.

## **Rent Control Laws**

In order to curb inflationary pressure created by rising real estate prices and increases in rents, Dubai enacted its first rent control laws in 2006. In 2013, Dubai enacted the Dubai Decree No. 43 of 2013 amending the previous decrees relating to rent controls.

Under the 2013 decree, property owners are restricted from increasing rents unless the property's rental value is more than 10 per cent. below the average rent for similar property. The average rent for similar property is determined with reference to a rental index for Dubai maintained by RERA. The following limits apply in case the rental value of a property is more than 10 per cent. below the average index price:

- if the rent is between 11 per cent. and 20 per cent. lower than the average rent for a similar property, the maximum increase shall be equivalent to five per cent. of the rental value;
- if the rent is between 21 per cent. and 30 per cent. lower than the average rent for a similar property, the maximum increase shall be equivalent to 10 per cent. of the rental value;
- if the rent is between 31 per cent. and 40 per cent. lower than the average rent for a similar property, the maximum increase shall be equivalent to 15 per cent. of the rental value; and
- if the rent is lower than 40 per cent. of the average rent for a similar property, the maximum increase shall be equivalent to 20 per cent. of the rental value.

The 2013 decree applies to the free zones of Dubai, including the DIFC.

## **Property Mortgage Rules**

The UAE Central Bank issued Circular No. 31/2013 dated 28 October 2013 setting caps on mortgage lending by banks. The loan to value (LTV) ratios were capped as follows:

- For UAE nationals: capped at a maximum of 80 per cent. where the property is valued at AED 5 million or less and 70 per cent. where the property is valued at more than AED 5 million in relation to the first property and at 65 per cent., regardless of the property's value, for the second property.
- For non-UAE nationals: capped at a maximum of 75 per cent. where the property is valued at AED 5 million or less and 65 per cent. where the property is valued at more than AED 5 million in relation to the first property and at 60 per cent., regardless of the property's value, for the second property.
- For UAE and non-UAE nationals: capped at 50 per cent. regardless of the property's value in relation to property bought off plan.

## **Liquidation of Cancelled Real Estate Projects**

His Highness, Sheikh Mohammed Bin Rashid Al Maktoum, Ruler of Dubai, issued Decree No. 21 of 2013 concerning the formation of a special judicial committee for the liquidation of cancelled real estate projects in Dubai and the settlement of the relevant rights.

The main aim of the special committee (the **Committee**) is to expedite the liquidation of real estate projects which have been cancelled under a final resolution issued by the RERA and to consolidate the process by which investors seek compensation against developers for cancelled real estate projects. It aims to expedite proceedings as court and arbitration proceedings have not only been lengthy but also expensive.

As a consequence, courts in Dubai (including the DIFC) may not consider any demand or claims relating to cancelled real estate projects. Such claims relating to cancelled real estate projects must be considered by the Committee and the courts are required to refer any existing cases before them to the Committee.

Decisions of the Committee are final and binding and may not be appealed.

## **OTHER RELEVANT LEGISLATION**

### **Corporate and Commercial Laws of the UAE**

The principal legislation governing companies in the UAE is the UAE Companies Law. Under the UAE Companies Law, foreigners are restricted to owning up to 49 per cent. of any local UAE company (other than in the designated free zones, where 100 per cent. foreign ownership is permitted), with the majority 51 per cent. to be owned by UAE nationals. This restriction does not apply universally to GCC nationals, who in many circumstances can own 100 per cent. of a UAE company. There are three principal types of corporate entities that are most commonly established under the UAE Companies Law: (i) a limited liability company; (ii) a

private joint stock company, and (iii) a public joint stock company. In each case, the company must obtain a licence from the federal and/or municipal authorities to carry on its proposed activities.

The Federal Law No. 18 of 1993 on commercial transactions (the **Commercial Code**) covers a broad range of commercial and banking transactions and contains provisions which relate to, amongst others, commercial obligations, commercial pledges, commercial agency, commercial papers and bankruptcy and liquidation. Most of the relevant provisions governing the creation and maintenance of security interests are contained in the Commercial Code, Federal Law No. 5 of 1985 regarding civil transactions (the **Civil Code**) and the UAE Companies Law.

The provisions of the Civil Code may generally apply to commercial transactions to the extent they do not conflict with the corresponding provisions of the Commercial Code. The Civil Code covers, amongst other things, basic contract law principles, various types of contracts, property rights and the creation of security interests over various forms of property. The Civil Code contains general provisions imposing liability for harm done to other. These provisions could apply to liability claims against developers. The Civil Code distinguishes between direct and indirect (or consequential) harm, but does not define these terms. It is not possible to contract out of liability for causing direct harm, whereas liability for indirect harm can be limited by contract. In all cases, liability is assessed on the basis of the degree of harm suffered (including loss of profit if such harm was a natural result of the harmful act). The Civil Code also contains provisions dealing with liability caused by negligence and direct or indirect actions of the person responsible for the resulting harm. The principles governing such liability are derived from both statute and principles of Sharia.

### **UAE Labour Law**

The Federal Law No. 8 of 1980 regulating labour relations, as amended by Federal Laws No. 24 of 1981, No. 15 of 1985, No. 12 of 1986 and No. 8 of 2007 (**Labour Law**) and applicable ministerial orders implementing its provisions, applies to all employees working in the UAE other than employees in the government sector, the armed forces, domestic servants and agricultural workers. The Labour Law also does not apply to employees working for a company with a place of business in the DIFC and who are based in or ordinarily work in the DIFC. Such employees are instead subject to the DIFC Employment Law No. 4 of 2005.

Employees working in one of the many free zones in the UAE, including foreign nationals, are subject to the Labour Law in addition to any employment regulations introduced in the relevant free zone. Where the free zone regulations are not consistent with the Labour Law, the Labour Law provisions take precedence unless they are less favourable than the relevant free zone regulations. Where no mandatory laws apply, the law applying to the contract governs the contractual employment relationship.

The Labour Law imposes, amongst other things, minimum standards on termination of employment, working hours, vacation time and safety standards which cannot be contracted out of. All employers in the UAE (other than those in exempt categories or in free zones) must register with the Federal Ministry of Labour (**MoL**). Trade unions and collective bargaining are not permitted, and for both UAE nationals and non-nationals, employee grievances are handled through a conciliation process administered by the MoL.

The Labour Law provides for a 30-day minimum notice period for termination for legitimate reasons and pay in lieu of notice is acceptable. What constitutes a legitimate reason is not defined, but generally the reason for termination must relate to the employee's work. If there is a case of wrongful dismissal, the employer can be ordered by the court to pay compensation of up to three months' base salary to the employee. Employee grievances are handled through a conciliation process administered by the MoL.

The Labour Law also provides for the compensation payable to workers for injuries sustained during the course of employment. The Labour Law also provides for a mandatory end of service gratuity to be paid to employees on termination of employment.

### **Competition/Anti-Trust Laws**

The UAE enacted a new competition law (Federal Law No. 4 of 2012) which came into force in February 2013. It is the first UAE law specifically to regulate anti-competitive agreements and abuse of a dominant position and to control economic concentrations in the UAE. Those doing business in specified sectors (including telecommunications, financial, oil and gas) and specified entities (including Federal and Emirate Governments and entities owned or controlled by them), are excluded from the application of the law. The Ministry of

Economy is also empowered to grant exemptions from provisions of the law. Violations are punishable by fine and, at the discretion of the court, possible closure of the business for three to six months.

## **Environmental Laws**

Matters relating to the environment are governed principally by the Federal Law No. 24 of 1999 concerning the protection and development of the environment (as amended) (**Environment Law**). This law establishes a federal environment protection agency which acts through the Emirate level authorities in implementing the provisions of environmental legislation. The UAE Ministry of Environment and Water is currently the federal body responsible for the implementation the Environment Law. In Abu Dhabi, the Abu Dhabi Environmental Agency is responsible for the implementation of all UAE federal and Abu Dhabi local environmental legislation as well as the issuance of environmental licences in Abu Dhabi. In Dubai, the Emirate level authority is the Dubai Municipality.

The Environment Law prohibits establishments from discharging certain pollutants into the environment. Premises or shops located near the coast-line which discharge pollutants may only be established following an environmental impact assessment survey and the construction of waste treatment units.

The Environment Law imposes various criminal sanctions for environmental damage in addition to the sanctions provided under the UAE Penal Code (Federal Law No. 35 of 1992, as amended). Criminal liability attaches to an individual or individuals and not the company, although any conviction of an individual can be taken into account in any later UAE civil court proceedings against the company. Any type of environmental incident may well lead to criminal complaints against any individual concerned.

The Environment Law also sets out liability in terms of compensation for environmental damage. It extends loss from the normal concept of remoteness of "loss" in UAE law to include any damages which "affect the environment in such a way that prevents or reduces temporary or permanent lawful use or damages the economic and aesthetic value as well as the cost of the environmental rehabilitation". "Environmental rehabilitation" is consequential loss in its most extreme form. Technically speaking, any claims under the Environmental Law may therefore be considerable and of serious consequence.

The maximum penalty under the Environmental Law is a fine of up to AED 10 million for certain violations and imprisonment of up to five years.

The UAE has acceded to various international and regional conventions on various environmental issues.

## **Exchange Control Laws**

There are no currency exchange controls and no restrictions on the remittance of funds, except for restrictions on transactions involving Israeli parties or currency. Since 1980 the UAE Dirham has been pegged to the U.S. Dollar at US\$1 = AED 3.6725.

## **DUBAI INTERNATIONAL FINANCIAL CENTRE (DIFC)**

The DIFC has its own legislation relating to the registration and ownership of real property located within the DIFC. This legislation is largely analogous to that found in Dubai. The DIFC also maintains an independent register of title.

## **UAE TAXATION**

### **Tax on Property**

At present, the UAE does not impose any property or capital gains tax on property owners. Federal Law No. 8 of 2017 On Value-Added Tax (VAT) and Federal Cabinet Decision No. 52 of 2017 On the Executive Regulations of the Federal Law No. 8 of 2017 On Value-Added Tax (VAT) (the **VAT Law**) introduced VAT to the UAE with effect from 1 January 2018. The key features for the property sector include:

- (i) taxable supplies: the provision of real estate for lease and sale will be a taxable supply;
- (ii) rating of supplies: supplies will be rated as (1) exempt, where no VAT is chargeable; (2) zero rated, where VAT is chargeable at a zero rate; or (3) standard rated, where VAT is chargeable at 5 per cent;
- (iii) categories of supply: the VAT Law differentiates the main taxable supplies as follows:
  - (a) sale of bare land: exempt from VAT;
  - (b) sale of residential property: the first-time supply (such as new apartments by developers) within three years of completion will be zero rated. Subsequent supplies (such as onward sales) will be exempt from VAT;

- (c) lease of residential property: the first-time supply within three years of completion will be zero rated. Subsequent supplies will be exempt from VAT;
- (d) sale of commercial property: standard rated;
- (e) lease of commercial property: standard rated; and
- (f) associated supplies (such as service and utility charges): standard rated;
- (iv) residential property: does not include hotel or bed and breakfast establishments;
- (v) commercial property: additional considerations include:
  - (a) where the term of a commercial lease spans 1 January 2018, VAT will be chargeable from this date notwithstanding the fact that the rent has previously been paid by the tenant;
  - (b) where a commercial lease does not provide for VAT, the rent will be deemed inclusive of VAT (with no additional payment required from the tenant). Conversely, if the tenant and the landlord are both registered for VAT, the rent will be deemed exclusive of VAT (with VAT payable in addition by the tenant);
  - (c) a capital assets scheme provides for input tax in respect of buildings to be split over 10 years where a threshold value and other conditions are met;
  - (d) the duty to account to the government for VAT vests in the seller or landlord (who will be liable for any shortfall); and
  - (e) it has yet to be confirmed whether any transfer fees charged by the DLD will be calculated on the property's value (price or rent) inclusive or exclusive of any applicable VAT;
- (vi) record-keeping: VAT records must be maintained for a minimum period of 15 years.

A housing fee equal to five per cent. of the annual rent of the property has been imposed on properties in Dubai and is charged (for residential and business owners) as part of the monthly water and electricity costs or licence fees for businesses. Where the property is not rented, the fee is calculated on the basis of RERA's rent index. Hospitality businesses such as hotels must pay a municipality tax (10 per cent. of turnover) and per night per room fee (ranging from 7–20 dirhams, depending on hotel category).

The DLD charges a DLD Transfer Fee equal to four per cent. of the purchase price of the property to register a transfer of ownership. Other fees apply for registerable transactions relating to property rights (such as long leases and mortgages).

### **Import Taxes/Customs Duties**

Under the GCC agreement to impose uniform rates for customs duties, the UAE imposes a uniform five per cent. customs duty on the import of goods from outside the GCC. Certain exemptions apply to military and security purchases and some foodstuff items.

### **VAT**

Dubai and certain other Emirates impose taxes on some goods and services (including sales of alcoholic beverages, hotel and restaurant bills and residential leases). The UAE has implemented VAT on the sale of goods and services since 1 January 2018. On 24 February 2016, the UAE Minister of State for Financial Affairs announced that, pursuant to a GCC wide framework agreement on the implementation of VAT, the UAE would implement VAT at the rate of five per cent. from 1 January 2018. The UAE national legislation implementing this framework agreement was published on 23 August 2017 (UAE Federal Decree Law No. 8 of 2017). On 1 October 2017, the Ministry of Finance also published executive legislation for the implementation of excise tax with immediate effect. Additionally, on 28 November 2017, the Ministry of Finance announced that the VAT implementing regulations were officially adopted and signed by Highness Sheikh Mohammed bin Rashid Al Maktoum, Vice President and Prime Minister of the UAE, Ruler of Dubai. This is considered to be the first phase of the new tax system in the UAE.

See above for a summary of the key features of the new VAT regime for the property sector.

### **Other Taxes**

The UAE does not impose any personal income taxes on either UAE national or non-UAE national employees. A statutory pension contribution of five per cent. of the salary is payable by UAE national employees. Non-

UAE national employees do not make any social security contributions. A statutory pension contribution of 12.5 per cent. of the salary is payable by the employer in relation to UAE national employees.

No corporate income tax is imposed at the federal or Emirate level, except in relation to branches of foreign banks (at the Emirate level) and courier companies (at the federal level). Emirate-level taxes are imposed on the petroleum concession holders at rates specifically negotiated in the relevant concession agreements.

The UAE does not impose taxes on dividends (paid or received), interest payments or royalty payments.

## **STRATEGY OF DUBAI**

Since the establishment of the UAE in 1971, Dubai has developed its status as a major city, enhancing the well-being of its people and creating an environment that attracts businesses and individuals.

### **Dubai Plan 2021**

Following the end of the Dubai Strategic Plan 2015, the Government launched the Dubai Plan 2021 (the **DP 2021**). The key principles for the development of the DP 2021 were to develop a plan that would drive Dubai to be among the best cities in the world, identify and adopt best practices in national strategic planning, develop a plan that can be measured and assessed by all constituents and adopt a development approach that engaged the various constituents and stakeholders involved in or affected by the DP 2021. The DP 2021 focuses on the economy, the society, the people, the experience, the government and the place.

## SUMMARY OF THE PRINCIPAL TRANSACTION DOCUMENTS

*The following is a summary of certain provisions of the principal Transaction Documents and is qualified in its entirety by reference to the detailed provisions of the principal Transaction Documents. Copies of the Transaction Documents will be available for inspection at the offices of the Principal Paying Agent (as defined in the Conditions).*

### **Service Agency Agreement**

The Service Agency Agreement will be entered into on the Issue Date between Alpha Star Holding V Limited and Priority Holding Limited (as the Service Agent) and will be governed by English law.

The Sukuk Proceeds will be applied by the Trustee toward the entry into of a series of Ijara Agreements (together with the related Sale and Purchase Agreements, Purchase Undertakings and Ijara Service Agency Agreements) and a Murabaha Agreement (each as defined in the Conditions and being, together, the **Sukuk Contracts**) to be entered into between the Trustee (acting through the Service Agent) and one or more subsidiaries of the Guarantor, together with the purchase of the relevant assets in connection therewith (the **Sukuk Assets**).

Pursuant to the Service Agency Agreement, the Trustee will appoint the Service Agent as its agent to execute all documents and perform all acts in its name and on its behalf in connection with the Sukuk Contracts, the Sukuk Assets and the Sukuk Proceeds Application Requirements (as defined below).

The **Sukuk Proceeds Application Requirements** means the requirement for the Service Agent: (i) to apply the Sukuk Proceeds (in the name and on behalf of the Trustee) toward the entry into of a series of contracts (together with the purchase of the relevant assets in connection therewith) which (as a whole) generates returns at least equal to each relevant Periodic Distribution Amount over a period which is equal to or greater than the remaining duration of the Certificates which are outstanding at the time of the relevant investment; and (ii) to ensure satisfaction of the Underlying Sukuk Conditions.

The Service Agency Agreement provides that a minimum amount corresponding to 33 per cent. of the value of the Sukuk Assets must be comprised of Leased Assets at all times, except during the period necessary for the replacement of any Ijara Agreement (together with the related Sale and Purchase Agreements, Purchase Undertakings and Ijara Service Agency Agreements) which is terminated as a result of the occurrence of a total loss relating to the asset underlying that Ijara Agreement (a **Total Loss**).

The assets that will be the subject of the Ijara Agreements will comprise real estate assets held by one or more subsidiaries of the Guarantor. On the Issue Date (or, in the case of any further and/or replacement Ijara Agreement, on the date of such agreement), the relevant subsidiary of the Guarantor will sell its rights, interests and legal title in the relevant assets (the **Leased Assets**) to the Trustee (acting through the Service Agent) under a sale and purchase agreement (the **Sale and Purchase Agreement**). The Trustee (acting as the lessor) will in turn lease the Leased Assets to the subsidiary (acting as the lessee) under the terms of an Ijara Agreement. At the same time:

- (a) the Trustee (acting through the Service Agent) will appoint such subsidiary as ijara servicing agent (the **Ijara Servicing Agent**) in respect of, amongst other things, major repair and maintenance of the Leased Assets and obtaining and maintaining Takaful insurance for the Leased Assets under the terms of the ijara service agency agreement (the **Ijara Service Agency Agreement**); and
- (b) the relevant subsidiary will undertake to purchase the Leased Assets from the Trustee (acting through the Service Agent) (the **Purchase Undertaking**) in the circumstances set out in the Purchase Undertaking (including if the Ijara Agreement is terminated in accordance with its terms prior to the Scheduled Dissolution Date of the Certificates).

Each Sale and Purchase Agreement, Ijara Agreement, Purchase Undertaking and Ijara Service Agency Agreement will be entered into substantially on the terms set out in the Service Agency Agreement.

Pursuant to the Murabaha Agreement, the Trustee (acting through the Service Agent) will agree to buy commodities from a commodities broker, and then sell the commodities on to the Murabaha counterparty (being Majara Investment Limited as purchaser) in consideration for payment of a deferred sale price, comprising the cost price and a mark up (profit). The profit element of the deferred sale price will be paid by the purchaser at regular intervals coinciding with the Periodic Distribution Dates, with the remainder of the deferred sale price (representing the cost price) payable upon termination of the Murabaha Agreement and coinciding with



redemption of the Certificates. The Murabaha Agreement will be entered into substantially on the terms set out in the Service Agency Agreement.

Following the acquisition by the Trustee (acting through the Service Agent), of the Shari'a-compliant assets in connection with the entry into of the Sukuk Contracts, the Service Agent's role will, pursuant to the Service Agency Agreement, comprise managing, servicing and collecting amounts in respect of the Sukuk Contracts and the Sukuk Assets and paying such amounts into the Profit Collection Account and Principal Collection Account (each as defined in the section "*Structure Diagram and Cash Flows*"). The Service Agent has undertaken to the Trustee that, for so long as any Certificates remain outstanding, it shall not conduct any business or enter into any transactions other than those expressly permitted under, or contemplated by, the Service Agency Agreement and the related Sukuk Contracts.

Prior to each Periodic Distribution Date, the Service Agent will transfer the relevant sums (previously collected from the counterparties to the relevant Sukuk Contracts) from the Profit Collection Account into a separate account maintained in London in the Trustee's name with the Principal Paying Agent (the **Transaction Account**) in accordance with the Service Agency Agreement and the Agency Agreement, in an aggregate amount equal to the Periodic Distribution Amount payable to the Certificateholders pursuant to the Conditions. This will enable the Trustee to meet its payment obligations under the Certificates on each Periodic Distribution Date.

Prior to any Dissolution Date, the Service Agent (acting in the name and on behalf of the Trustee) will liquidate the *pro rata* proportion of the Sukuk Contracts and the Sukuk Assets corresponding to the face amount of the Certificates to be redeemed in accordance with the Service Agency Agreement and pay the proceeds of such liquidation (the **Sukuk Liquidation Proceeds**) to the Principal Paying Agent by depositing the same in the Transaction Account. This will enable the Trustee to meet its payment obligations under the Certificates on each the relevant Dissolution Date.

For further information on the Sukuk Contracts and the payment flows associated with them, refer to the section "*Structure Diagram and Cash Flows*".

## **Guarantee**

Pursuant to the Guarantee, the Guarantor irrevocably and unconditionally, in each case in favour of the Trustee and the Delegate:

- (a) guarantees (without double-counting), and only to the extent of a Distribution Shortfall Restoration Amount and/or a Value Restoration Amount (as the case may be), the due and punctual performance by each Sukuk Contract Counterparty of all of its obligations under the Sukuk Contract(s) to which it is a party and the due and punctual performance by the Service Agent of all of its obligations under the Service Agency Agreement;
- (b) undertakes, as a separate, independent and primary obligation, to pay to the Principal Paying Agent (on behalf of the Trustee), immediately on receipt of a Payment Notice (as defined in the Guarantee) from the Trustee, the Distribution Shortfall Restoration Amount (if any) specified in that Payment Notice by depositing the same in the Transaction Account;
- (c) undertakes, as a separate, independent and primary obligation, to pay to the Principal Paying Agent (on behalf of the Trustee), immediately upon receipt of a Payment Notice, the Value Restoration Amount (if any) specified to in that Payment Notice by depositing the same in the Transaction Account; and
- (d) as a separate, independent and primary obligation, agrees with the Trustee that, to the extent that any amount claimed under (a) to (c) above is not recoverable from the Guarantor on the basis of a guarantee, then the Guarantor will be liable (but without double-counting) as a principal debtor and primary obligor to indemnify the Trustee immediately on demand against any cost, loss or liability: (i) incurred as a result of any such amount not having been recoverable when it was expressed to be due and payable in accordance with the Guarantee; and/or (ii) incurred as a result of the sale and purchase or transfer and assignment of any Sukuk Assets not being effective or valid in any jurisdiction for any reason or as a result of any obligation guaranteed by it being or becoming unenforceable, invalid or illegal.

The Guarantee will constitute a general unsecured obligation of the Guarantor, granted in favour of the Trustee and the Delegate. The Guarantee will not contain any provisions limiting the recourse of the Trustee or the

Delegate to the Guarantor for any due but unpaid Distribution Shortfall Restoration Amounts or Value Restoration Amounts.

The Guarantee will be governed by English law.

### **Declaration of Trust**

The Declaration of Trust will be entered into on the Issue Date between the Guarantor, the Trustee and the Delegate and will be governed by English law.

Pursuant to the Declaration of Trust, the Trustee will declare a trust for the benefit of the Certificateholders over the Trust Assets.

The Trust Assets comprise: (i) all of the interest, rights, title, benefits and entitlements, present and future, of the Trustee in, to and under the Sukuk Contracts and the Sukuk Assets; (ii) all of the interest, rights, benefits and entitlements, present and future, of the Trustee in, to and under the Transaction Documents (excluding (A) any representations given by the Guarantor to the Trustee and/or the Delegate pursuant to any of the Transaction Documents and (B) the covenant given to the Trustee pursuant to Clause 18.1 of the Declaration of Trust); and (iii) all moneys standing to the credit of the Transaction Account from time to time, and all proceeds of the foregoing.

The Declaration of Trust shall provide that the rights of recourse in respect of Certificates shall be limited to the amounts from time to time available therefor from the Trust Assets, subject to the priority of payments set out in the Declaration of Trust. After enforcing or realising the Trust Assets and distributing the net proceeds of the Trust Assets in accordance with the Declaration of Trust, the obligations of the Trustee in respect of the Certificates shall be satisfied and no Certificateholder may take any further steps against the Trustee (or any steps against the Delegate) or any other person to recover any further sums in respect of the Certificates and the right to receive any such sums unpaid shall be extinguished.

Pursuant to the Declaration of Trust, the Trustee will, *inter alia*:

- (a) hold the Trust Assets on trust absolutely for the Certificateholders *pro rata* according to the face amount of Certificates held by each Certificateholder in accordance with the provisions of the Declaration of Trust and the Conditions; and
- (b) act as trustee in respect of the Trust Assets, distribute the income from the Trust Assets and perform
- (c) its duties in accordance with the provisions of the Declaration of Trust and the Conditions.

In the Declaration of Trust, the Trustee shall irrevocably and unconditionally appoint the Delegate to be its attorney and in its name, on its behalf and as its act and deed, to execute, deliver and perfect all documents, and to exercise all of the present and future powers, trusts, authorities, rights and discretions vested in the Trustee by the relevant provisions of the Declaration of Trust (including but not limited to the authority to request directions from any Certificateholders and the power to sub- delegate and to make any determinations to be made under the Declaration of Trust). The appointment of such delegate by the Trustee is intended to be in the interests of the Certificateholders and does not affect the Trustee's continuing role and obligations as sole trustee.

In the Declaration of Trust, the Guarantor shall irrevocably and unconditionally covenant and undertake that if the Value Restoration Amount is not paid in respect of a Dissolution Date in accordance with Clause 2.1(c) of the Guarantee for any reason whatsoever, the Guarantor shall (as an independent, severable and separately enforceable obligation) fully indemnify the Trustee for the purpose of redemption in full of the outstanding Certificates and, accordingly, the amount payable under any such indemnity claim will equal the Value Restoration Amount.

Pursuant to the Declaration of Trust, upon the occurrence and continuation of a Dissolution Event, and upon receiving notice thereof under the Declaration of Trust, the Delegate shall (subject to it being indemnified and/or secured and/or prefunded to its satisfaction) promptly give notice of the occurrence of the Dissolution Event to the Certificateholders and may, or shall, if so requested in writing by Certificateholders holding at least 25 per cent., of the then aggregate face amount of the Certificates outstanding or if so directed by an Extraordinary Resolution (subject in each case to being indemnified and/or secured and/or pre-funded to its satisfaction), give notice (a **Dissolution Notice**) to the Trustee, the Guarantor and the Certificateholders that the Certificates are immediately due and payable at the Dissolution Distribution Amount, whereupon they shall become so due and payable; and upon receipt of such notice, the Trustee (failing which the Delegate) shall exercise its rights under

the Service Agency Agreement and (if required) the Guarantee and shall pay the proceeds of liquidation of the Sukuk Contracts and the Sukuk Assets (the **Sukuk Liquidation Proceeds**) to the Principal Paying Agent by depositing the same in the Transaction Account; the Trustee shall then use such Sukuk Liquidation Proceeds to redeem the Certificates at the Dissolution Distribution Amount on the date specified in the Dissolution Notice.

Monies received in the Transaction Account will, *inter alia*, comprise payments of Periodic Distribution Amounts, Dissolution Distribution Amounts and/or Change of Control Dissolution Distribution Amounts (if any) immediately prior to each Periodic Distribution Date and/ or any Dissolution Date (as applicable). The Declaration of Trust shall provide that all monies credited to the Transaction Account from time to time will be applied in the order of priority set out in the Declaration of Trust.

### **Agency Agreement**

The Agency Agreement will be entered into on the Issue Date between the Trustee, the Guarantor, the Delegate, the Principal Paying Agent, the Registrar and the Transfer Agent.

Pursuant to the Agency Agreement, the Registrar has agreed to be appointed as agent of the Trustee and has agreed, amongst other things, to authenticate and deliver the Global Certificate and, if any, each Definitive Certificate; the Principal Paying Agent has agreed to be appointed as agent of the Trustee and has agreed, *inter alia*, to pay all sums due under such Global Certificate; and the Transfer Agent has agreed to be appointed as agent of the Trustee and has agreed, amongst other things, to effect requests to transfer all or part of the Global Certificate and issue Individual Certificates in accordance with each request.

On the Issue Date, the Registrar will: (i) authenticate the Global Certificate in accordance with the terms of the Declaration of Trust; and (ii) deliver the Global Certificate to the Common Depositary.

The Guarantor shall cause to be deposited into the Transaction Account opened by the Trustee with the Principal Paying Agent, in same day freely transferable, cleared funds, any payment which may be due under the Certificates in accordance with the Conditions.

The Principal Paying Agent agrees that it shall, on each Periodic Distribution Date and on the date fixed for payment of the Dissolution Distribution Amount, or any earlier date specified for the redemption of the Certificates, apply the monies standing to the credit of the Transaction Account in accordance with the order of priority set out in the Declaration of Trust.

### **Shari'a Compliance**

Each Transaction Document provides that each of Alpha Star Holding V Limited and Damac Real Estate Development Limited agrees that it has accepted the Shari'a compliant nature of the Transaction Documents to which it is a party and, to the extent permitted by law, further agrees that:

- (a) it shall not claim that any of its obligations under the Transaction Documents to which it is a party (or any provision thereof) is *ultra vires* or not compliant with the principles of Shari'a;
- (b) it shall not take any steps or bring any proceedings in any forum to challenge the Shari'a compliance of the Transaction Documents to which it is a party; and
- (c) none of its obligations under the Transaction Documents to which it is a party shall in any way be diminished, abrogated, impaired, invalidated or otherwise adversely affected by any finding, declaration, pronouncement, order or judgment of any court, tribunal or other body that the Transaction Documents to which it is a party are not compliant with the principles of Shari'a.

## TAXATION

*The following is a general description of certain tax considerations relating to the Certificates as in effect on the date of this Prospectus and is subject to any change in law or relevant fiscal rules and practice that may take effect after such date (possibly with retrospective effect). It does not purport to be a complete analysis of all tax considerations relating to the Certificates and does not constitute legal or tax advice. Prospective purchasers of the Certificates should consult their own tax advisers as to the consequences under the tax laws of the country of which they are resident for tax purposes and the tax laws of the Cayman Islands and of the United Arab Emirates of acquiring, holding and disposing of Certificates and receiving payments under the Certificates.*

### **Cayman Islands**

Under existing Cayman Islands laws, payments by the Trustee on the Certificates will not be subject to taxation in the Cayman Islands and no withholding will be required on the payments to any holder of the Certificates, nor will gains derived from the disposal of the Certificates be subject to Cayman Islands income or corporation tax. The Cayman Islands currently have no income, corporation or capital gains tax and no estate duty, inheritance or gift tax.

The Trustee has received an undertaking from the Governor-in-Cabinet of the Cayman Islands, pursuant to the Tax Concessions Law (as amended) of the Cayman Islands, that for a period of 20 years from the date of the grant of that undertaking no law which is enacted in the Cayman Islands imposing any tax to be levied on profit, income, gains or appreciation shall apply to the Trustee or its operations and, in addition, that no tax to be levied on profits, income, gains or appreciations or which is in the nature of estate duty or inheritance tax shall be payable on or in respect of the shares, debentures or other obligations (which would include the Certificates) of the Trustee or by way of the withholding in whole or part of any relevant payment (as defined in the Tax Concessions Law (as amended)). No capital or stamp duties are levied in the Cayman Islands on the issue or redemption of Certificates. An instrument of transfer in respect of a Certificate will be stampable if executed in or brought to the Cayman Islands. An annual registration fee is payable by the Trustee to the Cayman Islands Registry of Companies which is calculated by reference to the nominal amount of its authorised capital. At current rates, this annual registration fee is approximately U.S.\$854. The foregoing is based on current law and practice in the Cayman Islands and this is subject to change therein.

### **United Arab Emirates and the DIFC**

There is currently in force in Dubai legislation establishing a general corporate taxation regime (the Dubai Income Tax Decree 1969 (as amended)). The regime is, however, not enforced save in respect of companies active in the hydrocarbon industry, some related service industries and branches of foreign banks operating in the UAE. It is not known whether the legislation will or will not be enforced more generally or within other industry sectors in the future. Under current legislation, there is no requirement for withholding or deduction for or on account of UAE, Dubai or DIFC taxation in respect of payments made by the Guarantor under the Transaction Documents to which it is a party and/or the Trustee under the Certificates. If any such withholding or deduction is required to be made in respect of payments due by the Guarantor under the Transaction Documents to which it is a party, the Guarantor has undertaken in the Transaction Documents to which it is a party to gross-up the payments due by it accordingly. If any such withholding or deduction is required to be made in respect of payments due by the Trustee under the Certificates: (i) the Trustee has undertaken to gross-up the payment(s) accordingly (subject to certain limited exceptions as described in Condition 10); and (ii) the Guarantor has undertaken under the Declaration of Trust to pay such additional amounts to the Trustee to enable the Trustee to discharge such obligation.

The Constitution of the UAE specifically reserves to the Federal Government of the UAE the right to raise taxes on a federal basis for purposes of funding its budget. It is not known whether this right will be exercised in the future. The UAE has entered into "Double Taxation Arrangements" with certain other countries.

### **The Proposed Financial Transactions Tax**

On 14 February 2013, the European Commission published a proposal (the **Commission's Proposal**) for a Directive for a common financial transaction tax (**FTT**) in Belgium, Germany, Estonia, Greece, Spain, France, Italy, Austria, Portugal, Slovenia and Slovakia (the **participating Member States**). However, Estonia has since stated that it will not participate.

The Commission's Proposal has very broad scope and could, if introduced, apply to certain dealings in Certificates (including secondary market transactions) in certain circumstances. Primary market transactions referred to in Article 5(c) of Regulation (EC) No 1287/2006 are expected to be exempt.

Under the Commission's Proposal, the FTT could apply in certain circumstances to persons both within and outside of the participating Member States. Generally, it would apply to certain dealings in Certificates where at least one party is a financial institution, and at least one party is established in a participating Member State. A financial institution may be, or be deemed to be, "established" in a participating Member State in a broad range of circumstances, including (a) by transacting with a person established in a participating Member State or (b) where the financial instrument which is subject to the dealings is issued in a participating Member State.

However, the FTT proposal remains subject to negotiation between the participating Member States. It may therefore be altered prior to any implementation, the timing of which remains unclear. Additional EU Member States may decide to participate. Prospective holders of the Certificates are advised to seek their own professional advice in relation to the FTT.

### **Foreign Account Tax Compliance Act**

Pursuant to certain provisions of the U.S. Internal Revenue Code of 1986, commonly known as FATCA, a "foreign financial institution" may be required to withhold on certain payments it makes (**foreign passthru payments**) to persons that fail to meet certain certification, reporting, or related requirements. The Trustee may be a foreign financial institution for these purposes. A number of jurisdictions (including the Cayman Islands) have entered into, or have agreed in substance to, intergovernmental agreements with the United States to implement FATCA (**IGAs**), which modify the way in which FATCA applies in their jurisdictions. Under the provisions of IGAs as currently in effect, a foreign financial institution in an IGA jurisdiction would generally not be required to withhold under FATCA or an IGA from payments that it makes. Certain aspects of the application of the FATCA provisions and IGAs to instruments such as the Certificates, including whether withholding would ever be required pursuant to FATCA or an IGA with respect to payments on instruments such as the Trust Certificates, are uncertain and may be subject to change. Even if withholding would be required pursuant to FATCA or an IGA with respect to payments on instruments such as the Certificates, such withholding would not apply prior to 1 January 2019 and Certificates characterised as debt (or which are not otherwise characterised as equity and have a fixed term) for U.S. federal tax purposes that are issued on or prior to the date that is six months after the date on which final regulations defining "foreign passthru payments" are filed with the U.S. Federal Register generally would be "grandfathered" for purposes of FATCA withholding unless materially modified after such date.

## SUBSCRIPTION AND SALE

Pursuant to a subscription agreement (the **Subscription Agreement**) dated 17 April 2018 between the Trustee, the Guarantor, the Service Agent and Barclays Bank PLC, Dubai Islamic Bank PJSC, Emirates NBD PJSC, HSBC Bank plc, KAMCO Investment Company K.S.C.P., Mashreqbank P.S.C. and Sharjah Islamic Bank PJSC (together, the **Joint Lead Managers**), the Trustee has agreed to issue and sell to the Joint Lead Managers U.S.\$400,000,000 in aggregate face amount of the Certificates and, subject to certain conditions, the Joint Lead Managers have jointly and severally agreed to subscribe for the Certificates.

The Subscription Agreement provides that the obligations of the Joint Lead Managers to pay for and accept delivery of the Certificates are subject to the approval of certain legal matters by their counsel and certain other conditions. The Joint Lead Managers will be paid certain commissions in respect of their services for managing the issue and sale of the Certificates. The Joint Lead Managers will also be reimbursed in respect of certain of their expenses, and each of the Trustee, the Guarantor and the Service Agent has agreed to indemnify the Joint Lead Managers against certain liabilities incurred in connection with the issue and offering of the Certificates.

Certain Joint Lead Managers may retain a certain proportion of such Certificates in their portfolios with an intention to hold to maturity and/or to trade. The holding of Certificates by these parties may adversely affect the liquidity of the Certificates and any sale of a material number of such Certificates in the future may also affect the prices of the Certificates in the secondary market. See "*Risk Factors—Risks Relating to the Certificates and the Guarantee—Absence of secondary market / limited liquidity*".

Certain of the Joint Lead Managers and their affiliates have engaged, and may in the future engage in, investment banking and/or commercial banking transactions with, and may provide services to the Guarantor and/or its affiliates in the ordinary course of business.

### **Selling Restrictions**

#### **United States**

The Certificates have not been and will not be registered under the Securities Act and may not be offered or sold within the United States except in accordance with Regulation S or pursuant to an exemption from the registration requirements of the Securities Act. Each Joint Lead Manager has represented and agreed that it has not offered and sold any Certificates, and will not offer or sell any Certificates as part of its distribution at any time except in accordance with Rule 903 of Regulation S.

The foregoing restrictions apply to holders of beneficial interests in the Certificates, as well as holders of the Certificates.

Each Joint Lead Manager has represented and agreed that it, its affiliates or any persons acting on its or their behalf have not engaged and will not engage in any directed selling efforts with respect to any Certificates.

Until 40 days after the commencement of the offering of the Certificates, an offer or sale of the Certificates within the United States by any dealer/manager (whether or not participating in the offering) may violate the registration requirements of the Securities Act if such offer or sale is made otherwise than in accordance with an available exemption from registration under the Securities Act.

#### **United Kingdom**

Each Joint Lead Manager has represented and agreed that:

- (a) it has only communicated or caused to be communicated and will only communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of Section 21 of the Financial Services and Markets Act 2000 (**FSMA**)) received by it in connection with the issue or sale of any Certificate in circumstances in which Section 21(1) of the FSMA does not apply to the Trustee or the Guarantor; and
- (b) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the Certificates in, from or otherwise involving the United Kingdom.

#### **Cayman Islands**

Each Joint Lead Manager has represented and agreed that it has not made and will not make any offer or invitation, whether directly or indirectly, to the public in the Cayman Islands to subscribe for the Certificates.

### **United Arab Emirates (excluding the Dubai International Financial Centre)**

Each Joint Lead Manager has represented and agreed that the Certificates have not been and will not be offered, sold or publicly promoted or advertised by it in the United Arab Emirates other than in compliance with any laws applicable in the United Arab Emirates governing the issue, offering and sale of securities.

### **Dubai International Financial Centre**

Each Joint Lead Manager has represented and agreed that it has not offered and will not offer the Certificates to any person in the DIFC unless such offer is:

- (a) an "**Exempt Offer**" in accordance with the Markets Rules (Version 11/04-18) (MKT) Module of the DFSA rulebook; and
- (b) made only to persons who meet the Professional Client criteria set out in Rule 2.3.3 of the Conduct of Business Module of the DFSA rulebook.

### **Kingdom of Saudi Arabia**

No action has been or will be taken in the Kingdom of Saudi Arabia that would permit a public offering of the Certificates.

Any investor in the Kingdom of Saudi Arabia or who is a Saudi person (a **Saudi Investor**) who acquires any Certificates pursuant to an offering should note that the offer of Certificates is a private placement under Article 9 or Article 10 of the "Rules on the Offer of Securities and Continuing Obligations" as issued by the Board of the Capital Market Authority (**CMA**) resolution number 3-123-2017 dated 27 December 2017 (the **KSA Regulations**), made through an authorised person licensed to carry out arranging activities by the CMA and following a notification to the CMA under Article 11 of the KSA Regulations.

The Certificates may thus not be advertised, offered or sold to any person in the Kingdom of Saudi Arabia other than to "**Sophisticated Investors**" under Article 9 of the KSA Regulations or by way of a limited offer under Article 10 of the KSA Regulations. Each Joint Lead Manager has represented and agreed that any offer of the Certificates by it to a Saudi Investor will be made in compliance with Articles 9 or 10 of the KSA Regulations.

The offer of Certificates shall not therefore constitute a "public offer", an "exempt offer" or a "parallel market offer" pursuant to the KSA Regulations, but is subject to the restrictions on secondary market activity under Article 15 of the KSA Regulations. Any Saudi Investor who has acquired Certificates pursuant to a private placement under Article 9 or Article 10 of the KSA Regulations may not offer or sell those Certificates to any person unless the offer or sale is made through an authorised person appropriately licensed by the CMA and: (a) the Certificates are offered or sold to a Sophisticated Investor; (b) the price to be paid for the Certificates in any one transaction is equal to or exceeds Saudi Riyal 1 million or an equivalent amount; or (c) the offer or sale is otherwise in compliance with Article 15 of the KSA Regulations.

### **Kingdom of Bahrain**

Each Joint Lead Manager has represented and agreed that it has not offered or sold, and will not offer or sell, any Certificates except on a private placement basis to persons in the Kingdom of Bahrain who are "accredited investors".

For this purpose, an "accredited investor" means:

- (a) an individual holding financial assets (either singly or jointly with a spouse) of U.S.\$1,000,000 or more excluding that person's principal place of residence;
- (b) a company, partnership, trust or other commercial undertaking which has financial assets available for investment of not less than U.S.\$1,000,000; or
- (c) a government, supranational organisation, central bank or other national monetary authority or a state organisation whose main activity is to invest in financial instruments (such as a state pension fund).

### **State of Qatar (including the Qatar Financial Centre)**

Each Joint Lead Manager has represented and agreed that it has not offered, sold or delivered, and will not offer, sell or deliver, directly or indirectly, any Certificates in the State of Qatar (including the Qatar Financial Centre), except: (i) in compliance with all applicable laws and regulations of the State of Qatar; and (ii) through persons or corporate entities authorised and licensed to provide investment advice and/or engage in brokerage activity and/or trade in respect of foreign securities in the State of Qatar.

## Hong Kong

Each Joint Lead Manager has represented and agreed that:

- (a) it has not offered or sold and will not offer or sell in Hong Kong by means of any document, any Certificates other than: (i) to persons whose ordinary business is to buy or sell shares or debentures (whether as principal or agent); or (ii) to "professional investors" as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong (the **SFO**) and any rules made under the SFO; or (iii) in other circumstances which do not result in the document being a "prospectus" as defined in the Companies Ordinance (Cap. 32) of Hong Kong or which do not constitute an offer to the public within the meaning of the SFO; and
- (b) it has not issued or had in its possession for the purposes of issue, and will not issue or have in its possession for the purposes of issue, in each case whether in Hong Kong or elsewhere, any advertisement, invitation or document relating to the Certificates, which is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to any Certificates which are or are intended to be disposed of only to persons outside Hong Kong or only to "professional investors" as defined in the SFO and any rules made under the SFO.

## Singapore

Each Joint Lead Manager has acknowledged that this Prospectus has not been and will not be registered as a prospectus with the Monetary Authority of Singapore. Accordingly, each Joint Lead Manager has represented and agreed that it has not offered or sold any Certificates or caused such Certificates to be made the subject of an invitation for subscription or purchase and will not offer or sell such Certificates or cause such Certificates to be made the subject of an invitation for subscription or purchase, and has not circulated or distributed, nor will it circulate or distribute, this Prospectus or any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of such Certificates, whether directly or indirectly, to any person in Singapore other than (i) to an institutional investor (as defined in Section 4A of the Securities and Futures Act (Chapter 289 of Singapore) (the **SFA**)) pursuant to Section 274 of the SFA, (ii) to a relevant person pursuant to Section 275(2) of the SFA under Section 275(1) of the SFA, or any person pursuant to Section 275(1A) of the SFA, and in accordance with the conditions specified in Section 275 of the SFA; or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provisions of the SFA.

Where Certificates are subscribed or purchased under Section 275 of the SFA by a relevant person which is:

- (a) a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or
- (b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor,

securities (as defined in Section 239(1) of the SFA) of that corporation or the beneficiaries' rights and interest (howsoever described) in that trust shall not be transferred within six months after that corporation or that trust has acquired the Certificates pursuant to an offer made under Section 275 of the SFA except:

- (i) to an institutional investor or to a relevant person defined in Section 275(2) of the SFA, or to any person arising from an offer referred to in Section 275(1A) or Section 276(4)(i)(B) of the SFA;
- (ii) where no consideration is or will be given for the transfer;
- (iii) where the transfer is by operation of law;
- (iv) as specified in Section 276(7) of the SFA; or
- (v) as specified in Regulation 32 of the Securities and Futures (Offer of Investments) (Shares and Debentures) Regulations 2005 of Singapore.

## Malaysia

Each Joint Lead Manager has represented and agreed that:

- (a) this Prospectus has not been registered as a prospectus with the Securities Commission of Malaysia under the Capital Markets and Services Act 2007 of Malaysia (the **CMSA**); and



- (b) accordingly, the Certificates have not been and will not be offered or sold, and no invitation to subscribe for or purchase the Certificates has been or will be made, directly or indirectly, nor may any document or other material in connection therewith be distributed in Malaysia, other than to persons falling within any one of the categories of persons specified under Schedule 6 or Section 229(1)(b), Schedule 7 or Section 230(1)(b) and Schedule 8 or Section 257(3), read together with Schedule 9 or Section 257(3) of the CMSA, subject to any law, order, regulation or official directive of the Central Bank of Malaysia, the Securities Commission of Malaysia and/or any other regulatory authority from time to time.

Residents of Malaysia may be required to obtain relevant regulatory approvals including approval from the Controller of Foreign Exchange to purchase the Certificates. The onus is on the Malaysian residents concerned to obtain such regulatory approvals and none of the Joint Lead Managers is responsible for any invitation, offer, sale or purchase of the Certificates as aforesaid without the necessary approvals being in place.

### **General**

Each Joint Lead Manager has agreed that it will comply to the best of its knowledge and belief in all material respects with all applicable laws and regulations in force in any jurisdiction in which it acquires, offers, sells or delivers Certificates or has in its possession or distributes this Prospectus (in preliminary, proof or final form) or any other offering or publicity material relating to the Certificates and will obtain any consent, approval or permission required by it for the acquisition, offer, sale or delivery by it of any Certificates under the laws and regulations in force in any jurisdiction to which it is subject or in or from which it makes such acquisition, offer, sale or delivery and none of the Trustee, the Delegate, the Agents or any of the other Joint Lead Managers shall have any responsibility therefor.

None of the Trustee, the Guarantor or any Joint Lead Manager has: (i) made any representation that any action will be taken in any jurisdiction that would permit a public offering of the Certificates, or possession or distribution of this Prospectus (in preliminary, proof or final form) or any other offering or publicity material relating to the Certificates, in any country or jurisdiction where action for that purpose is required; or (ii) represented that Certificates may at any time be lawfully sold in compliance with any applicable registration or other requirements in any jurisdiction, or pursuant to any exemption available thereunder, or assumes any responsibility for facilitating any such sale.

## GENERAL INFORMATION

### **Approval of the Prospectus, Admission to Trading and Listing of Certificates**

Application has been made to Euronext Dublin for the Certificates to be admitted to the Official List and to trading on the Main Securities Market.

The Main Securities Market is a regulated market for the purposes of MiFID II. It is expected that the listing of the Certificates on the Official List and admission of the Certificates to trading on the Main Securities Market will be granted on or around 18 April 2018. The total expenses related to the admission to trading on the Main Securities Market are estimated to be €6,790.

Walkers Listing Services Limited is acting solely in its capacity as listing agent for the Trustee in relation to the Certificates and is not itself seeking admission of the Certificates to the Official List or to trading on the Main Securities Market.

Application has also been made to the DFSA for the Certificates to be admitted to the official list of securities maintained by the DFSA and to Nasdaq Dubai for such Certificates to be admitted to trading on Nasdaq Dubai. It is expected that the listing of the Certificates on the official list of securities and admission of the Certificates to trading on Nasdaq Dubai will be granted on or around 18 April 2018. The total expenses relating to the admission to trading of the Certificates on Nasdaq Dubai are estimated to be U.S.\$7,000.

### **Authorisation**

The issue of the Certificates has been duly authorised by a resolution of the Board of Directors of the Trustee dated 30 March 2018. Alpha Star Holding V Limited, in its capacity as Trustee, has obtained all necessary consents, approvals and authorisations in the Cayman Islands in connection with the issue and performance of the Certificates and the execution and performance of the Transaction Documents to which it is a party. The Guarantor has obtained all necessary consents, approvals and authorisations in connection with the Transaction Documents; the entry into and performance of the Transaction Documents to which the Guarantor is a party was duly authorised by a written resolution of the Board of Directors of the Guarantor dated 2 April 2018. The Service Agent has obtained all necessary consents, approvals and authorisations in connection with the Transaction Documents to which it is a party; the entry into and performance of the Transaction Documents to which the Service Agent is a party was duly authorised by a written resolution of the Board of Directors of the Service Agent dated 2 April 2018.

### **Clearing Systems**

The Certificates have been accepted for clearance through Euroclear and Clearstream, Luxembourg (which are the entities in charge of keeping the records) under Common Code 180740848 and ISIN XS1807408486.

The address of Euroclear is Euroclear Bank SA/NV, 1 Boulevard du Roi Albert II, B-1210 Brussels and the address of Clearstream, Luxembourg is Clearstream Banking, 42 Avenue JF Kennedy, LI 855 Luxembourg.

### **Significant or Material Change**

There has been no significant change in the financial or trading position of the Guarantor or the Group since 31 December 2017, and no material adverse change in the prospects of the Guarantor or the Group since 31 December 2017. There has been no significant change in the financial or trading position of the Trustee and no material adverse change in the prospects of the Trustee, in each case since the date of its incorporation.

### **Litigation**

The Trustee is not and has not been involved in any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Trustee is aware) since the date of its incorporation which may have or have in such period had a significant effect on the financial position or profitability of the Trustee.

The Guarantor has not been involved in any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Guarantor is aware) during the 12 months preceding the date of this Prospectus which may have or have in such period had a significant effect on the financial position or profitability of the Guarantor.

## **Auditors**

Since the date of its incorporation, no financial statements of the Trustee have been prepared. The Trustee has no subsidiaries. The Trustee is not required by Cayman Islands law, and does not intend, to publish audited financial statements or appoint any auditors.

Deloitte & Touche (M.E.) (**Deloitte**) of P.O. Box 4254, Dubai, UAE, is regulated in the UAE by the UAE Ministry of Economy which has issued Deloitte with a licence to practice as auditors. Deloitte have audited, and delivered unqualified audit reports on, the financial statements of the Group as of and for the years ended 31 December 2016 and 31 December 2017 included in this Prospectus.

## **Documents Available**

For so long as any Certificates remain outstanding, physical copies (and English translations, which will be accurate and direct translations, where the documents in question are not in English) of the following documents will be available, during usual business hours on any weekday (Saturdays, Sundays and public holidays excepted), for inspection at the office of the Principal Paying Agent:

- (a) the Memorandum and Articles of Association of the Trustee;
- (b) an English translation of the memorandum of association of the Guarantor;
- (c) the Transaction Documents;
- (d) the Annual Financial Statements; and
- (e) a copy of this Prospectus together with any supplement to this Prospectus.

## **Joint Lead Managers transacting with the Trustee and the Guarantor**

Certain of the Joint Lead Managers and their affiliates have engaged, and may in the future engage in, investment banking and/or commercial banking transactions with, and may perform services for the Trustee, the Guarantor and their respective affiliates in the ordinary course of business for which they may receive fees.

In addition, in the ordinary course of their business activities, the Joint Lead Managers and their affiliates, have engaged in, and may in the future engage in, investment banking and/or commercial banking business with, and may provide services to the Guarantor and/or its affiliates and, may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers. Such investments and securities activities may involve securities and/or instruments of the Trustee, the Guarantor and their affiliates. Certain of the Joint Lead Managers or their affiliates that have a lending relationship with the Trustee, the Guarantor and their affiliates routinely hedge their credit exposure to the Trustee, the Guarantor and their affiliates consistent with their customary risk management policies. Typically, such Joint Lead Managers and their affiliates would hedge such exposure by entering into transactions which consist of either the purchase of credit default swaps or the creation of short positions in securities, including potentially the Certificates. Any such short positions could adversely affect future trading prices of the Certificates. The Joint Lead Managers and their affiliates may also make investment recommendations and/or publish or express independent research views in respect of such securities or financial instruments and may hold, or recommend to clients that they acquire, long and/or short positions in such securities and instruments. For the purposes of this paragraph, the term "affiliates" shall also include parent companies.

## **Shari'a Approvals**

The transaction structure relating to the Certificates (as described in this Prospectus) has been approved by the Central Shariah Committee of HSBC Bank Middle East Limited. Prospective Certificateholders should not rely on such approvals in deciding whether to make an investment in the Certificates and should consult their own Shari'a advisers as to whether the proposed transaction described in such approvals is in compliance with their individual standards of compliance with Shari'a principles.

## ***Description of members of the Central Shariah Committee of HSBC Bank Middle East Limited***

### **Sheikh Nizam Yaquby**

Sheikh Yaquby studied traditional Islamic studies under the guidance of eminent Islamic scholars from different parts of the world. He has a BA in Economics and Comparative Religions and MSc in Finance from McGill University, Canada. In addition to advising Citi and other Islamic finance institutions and funds, Sheikh Yaquby

is a member of the Islamic Fiqh Academy and AAOIFI. Since 1976, he has taught Tafsir, Hadith and Fiqh in Bahrain and is a Shari'a adviser to several international and local financial institutions worldwide. He has also published several articles and books on various Islamic subjects including Banking and Finance.

**Dr. Mohamed Ali Elgari**

Dr. Elgari holds a PhD in Economics from the University of California. He is a professor of Islamic Economics at King Abdul Aziz University and an expert at the Islamic Jurisprudence Academies of the Organisation of Islamic Countries, having published several articles and books on Islamic finance. Dr. Elgari is a member of the Shari'a boards of several Islamic banks and Takaful companies, including the Shari'a board of Dow Jones International Islamic Fund Market. He also sits in the Shari'a boards of AAOIFI and is a member of the advisory board of Harvard Series on Islamic Law.

**Dr. Aznan Hasan**

Dr. Aznan Hasan is an Associate Professor in Islamic Law at Ahmad Ibrahim Kulliyah of Laws, International Islamic University Malaysia and has taught Islamic law there since 2003. He is also President of the Association of Shariah Advisors in Islamic Finance and has been Deputy Chairman of the Shariah Advisory Council, Securities Commission of Malaysia since July 2010. He was a member of the Shariah Advisory Council, Bank Negara Malaysia (from November 2006 to August 2008 and from November 2010 to October 2013). He is also the Chairman of the Shariah Supervisory Board, Shariah Advisory Committee, Barclays DIFC (April 2011 to present). He is Shariah adviser to Maybank Islamic in Malaysia and has been advising ABSA Islamic Banking, South Africa since July 2010.

## FINANCIAL INFORMATION

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

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

...

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

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**DAMAC Real Estate Development Limited, DIFC**  
**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 financial year ended 31 December 2017. Profit for the year is US\$ 751.9 million (2016: US\$ 1,006.3 million).

**Principal activities**

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

The movement in retained earnings is as follows:

	US\$ million	US\$ million
Balance at 1 January 2017		2,382.9
Profit for the year		
Revenue	2,028.4	
Cost of sales	(1,039.5)	
Income from deposits and other income	132.8	
Expenses	(369.8)	
Total	<u>751.9</u>	751.9
Cash dividend (note 31)		(458.4)
<b>Balance at 31 December 2017</b>		<u><u>2,676.4</u></u>

**On behalf of the Board of Directors**



**Chief Executive Officer**



## INDEPENDENT AUDITOR'S REPORT

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

### **Report on the audit of the consolidated financial statements**

#### ***Opinion***

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

In our opinion, the accompanying consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2017, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

#### ***Basis for Opinion***

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

#### ***Key audit matters***

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

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## INDEPENDENT AUDITOR'S REPORT (continued)

### Key audit matters (continued)

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

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## INDEPENDENT AUDITOR'S REPORT (continued)

### Key audit matters (continued)

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

### Other information

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

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## INDEPENDENT AUDITOR'S REPORT (continued)

### *Other information (continued)*

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

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

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

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

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

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The Board of Directors and Management are responsible for overseeing the Group's financial reporting process.

### *Auditor's responsibilities for the audit of the consolidated financial statements*

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

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

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

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## INDEPENDENT AUDITOR'S REPORT (continued)

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

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

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

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

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

**Deloitte & Touche (M.E.)**




Akbar Ahmad  
Partner  
Registration No. I004753  
13 February 2018  
Dubai, United Arab Emirates

Consolidated statement of financial position  
as at 31 December 2017

	Notes	2017 US\$ million	2016 US\$ million
<b>ASSETS</b>			
Property and equipment	6	40.9	16.0
Investment properties	7	53.6	-
Development properties	8	2,624.0	2,787.8
Other financial assets	9	278.8	276.6
Trade and other receivables	10	1,797.9	1,307.3
Financial investment	11	71.5	50.3
Cash and bank balances	12	2,027.5	2,261.2
<b>Total assets</b>		<b>6,894.2</b>	<b>6,699.2</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Share capital	13	1,008.0	1,008.0
Additional paid-in capital	13	46.0	-
Statutory reserve	3.15	41.3	41.3
Retained earnings		2,676.4	2,382.9
<b>Total equity</b>		<b>3,771.7</b>	<b>3,432.2</b>
<b>Liabilities</b>			
Bank borrowings	14	221.9	316.4
Sukuk certificates	15	1,071.4	722.1
Advances from customers	16	891.0	1,142.0
Trade and other payables	17	938.2	1,086.5
<b>Total liabilities</b>		<b>3,122.5</b>	<b>3,267.0</b>
<b>Total equity and liabilities</b>		<b>6,894.2</b>	<b>6,699.2</b>

  
\_\_\_\_\_  
Chief Executive Officer

  
\_\_\_\_\_  
Director

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

**Consolidated statement of profit or loss and other comprehensive income  
for the year ended 31 December 2017**

	Notes	2017 US\$ million	2016 US\$ million
Revenue	19	2,028.4	1,947.3
Cost of sales		(1,039.5)	(859.6)
<b>Gross profit</b>		<b>988.9</b>	<b>1,087.7</b>
Other operating income	20	79.1	161.7
General, administrative and selling expenses	21	(288.4)	(232.9)
Depreciation		(7.2)	(4.2)
<b>Operating profit</b>		<b>772.4</b>	<b>1,012.3</b>
Other income	22	15.3	12.2
Finance income	23	38.4	31.5
Finance costs	24	(74.2)	(49.7)
<b>Profit for the year</b>		<b>751.9</b>	<b>1,006.3</b>
Other comprehensive income		-	-
<b>Total comprehensive income for the year</b>		<b>751.9</b>	<b>1,006.3</b>
<b>Earnings per share</b>			
Basic and diluted (US\$)	30	0.75	1.02

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

**Consolidated statement of changes in equity**  
**for the year ended 31 December 2017**

	Share capital	Statutory reserve	Group restructuring reserve	Retained earnings	Total
	US\$ million	US\$ million	US\$ million	US\$ million	US\$ million
Balance at 1 January 2016	983.0	41.3	(566.7)	2,217.8	2,675.4
Transfer	-	-	566.7	(566.7)	-
Total comprehensive income for the year	-	-	-	1,006.3	1,006.3
Issue of new shares	25.0	-	-	-	25.0
Dividend (note 31)	-	-	-	(274.5)	(274.5)
<b>Balance at 31 December 2016</b>	<b>1,008.0</b>	<b>41.3</b>	<b>-</b>	<b>2,382.9</b>	<b>3,432.2</b>
Total comprehensive income for the year	-	-	-	751.9	751.9
Additional paid-in capital (note 13)	46.0	-	-	-	46.0
Dividend (note 31)	-	-	-	(458.4)	(458.4)
<b>Balance at 31 December 2017</b>	<b>1,054.0</b>	<b>41.3</b>	<b>-</b>	<b>2,676.4</b>	<b>3,771.7</b>

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



**Consolidated statement of cash flows**  
**for the year ended 31 December 2017**

	2017	2016
	US\$ million	US\$ million
<b>Cash flows from operating activities</b>		
Profit for the year	751.9	1,006.3
<i>Adjustments for:</i>		
Depreciation of property and equipment and investment properties	7.2	4.2
Provision for employees' end-of-service indemnity (note 17)	5.1	3.0
Amortisation of issue costs on sukuk certificates (note 15)	3.0	1.6
Loss on disposal of property and equipment	0.1	-
Gain on disposal of a subsidiary (note 22)	(0.9)	-
Reversal of impairment on trade receivables (note 21)	(6.0)	(12.2)
Finance costs	74.2	49.7
Finance income	(38.4)	(31.5)
<b>Operating cash flows before changes in operating assets and liabilities</b>	<b>796.2</b>	<b>1,021.1</b>
Increase in trade and other receivables	(481.2)	(262.7)
Decrease/(increase) in development properties	80.5	(299.7)
Decrease in trade and other payables	(154.2)	(90.0)
Decrease in advances from customers	(251.0)	(363.6)
Employees' end-of-service indemnity paid (note 17)	(2.4)	(1.9)
<b>Net cash (used in)/generated from operating activities</b>	<b>(12.1)</b>	<b>3.2</b>
<b>Cash flows from investing activities</b>		
Purchases of property and equipment (note 6)	(5.6)	(2.8)
Proceeds from disposal of property and equipment	0.1	-
Acquisition of financial investment (note 11)	(21.2)	(10.3)
Net cash received on disposal of a subsidiary	3.9	-
Increase in other financial assets	(2.2)	(62.0)
Increase in deposits with original maturity of greater than three months	(77.1)	(61.1)
Interest received	35.0	34.0
<b>Net cash used in investing activities</b>	<b>(67.1)</b>	<b>(102.2)</b>

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

**Consolidated statement of cash flows  
for the year ended 31 December 2017 (continued)**

	<b>2017</b>	2016
	<b>US\$ million</b>	US\$ million
<b>Cash flows from financing activities</b>		
Proceeds from bank borrowings during the year (note 14)	134.7	216.2
Repayment of bank borrowings during the year (note 14)	<b>(246.3)</b>	(128.8)
Proceeds from issuance of sukuk certificates - net (note 15)	<b>619.0</b>	-
Redemption and repurchase of sukuk certificates (note 15)	<b>(272.7)</b>	(25.0)
Additional paid-in capital received during the year (note 13)	<b>46.0</b>	25.0
Dividend paid (note 31)	<b>(458.4)</b>	(274.5)
Finance costs paid	<b>(71.0)</b>	(49.2)
	<hr/>	<hr/>
<b>Net cash used in financing activities</b>	<b>(248.7)</b>	(236.3)
	<hr/>	<hr/>
<b>Net decrease in cash and cash equivalents during the year</b>	<b>(327.9)</b>	(335.3)
Cash and cash equivalents at the beginning of the year (note 12)	<b>1,926.9</b>	2,262.2
	<hr/>	<hr/>
<b>Cash and cash equivalents at the end of the year (note 12)</b>	<b>1,599.0</b>	1,926.9
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The accompanying notes form an integral part of these consolidated financial statements.

**Notes to the consolidated financial statements**  
**for the year ended 31 December 2017**

**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 (collectively the "Group") are involved mainly in the development of properties in the Middle East.

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

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

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

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

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

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

Notes to the consolidated financial statements  
for the year ended 31 December 2017 (continued)

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

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

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

<u>New and revised IFRSs</u>	<u>Effective for annual periods beginning on or after</u>
Annual Improvements to IFRS Standards 2014 – 2016 Cycle amending IFRS 1 <i>First-time Adoption of International Financial Reporting Standards</i> and IAS 28 <i>Investment in Associates and Joint Ventures</i> .	1 January 2018
IFRIC 22 <i>Foreign Currency Transactions and Advance Consideration</i> The interpretation addresses foreign currency transactions or parts of transactions where: <ul style="list-style-type: none"> <li>▪ there is consideration that is denominated or priced in a foreign currency;</li> <li>▪ the entity recognises a prepayment asset or a deferred income liability in respect of that consideration, in advance of the recognition of the related asset, expense or income; and</li> <li>▪ the prepayment asset or deferred income liability is non-monetary.</li> </ul>	1 January 2018
Amendments to IFRS 2 <i>Share Based Payment</i> regarding classification and measurement of share based payment transactions.	1 January 2018
Amendments to IFRS 4 <i>Insurance Contracts</i> : Relating to the different effective dates of IFRS 9 and the forthcoming new insurance contracts standard.	1 January 2018
Amendments to IAS 40 <i>Investment Property</i> : Amends paragraph 57 to state that an entity shall transfer a property to, or from, investment property when, and only when, there is evidence of a change in use. A change of use occurs if property meets, or ceases to meet, the definition of investment property. A change in management’s intentions for the use of a property by itself does not constitute evidence of a change in use. The paragraph has been amended to state that the list of examples therein is non-exhaustive.	1 January 2018
IFRS 9 <i>Financial Instruments</i> (revised versions in 2009, 2010, 2013 and 2014) 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.	1 January 2018
A finalised version of IFRS 9 which contains accounting requirements for financial instruments, replacing IAS 39 <i>Financial Instruments: Recognition and Measurement</i> . The standard contains requirements in the following areas:	

Notes to the consolidated financial statements  
for the year ended 31 December 2017 (continued)

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

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

Effective for annual  
periods beginning  
on or after

New and revised IFRSs

IFRS 9 *Financial Instruments* (revised versions in 2009, 2010, 2013 and 2014)  
(continued) 1 January 2018

- **Classification and measurement:** Financial assets are classified by reference to the business model within which they are held and their contractual cash flow characteristics. The 2014 version of IFRS 9 introduces a 'fair value through other comprehensive income' category for certain debt instruments. Financial liabilities are classified in a similar manner to under IAS 39, however there are differences in the requirements applying to the measurement of an entity's own credit risk.
- **Impairment:** The 2014 version of IFRS 9 introduces an 'expected credit loss' model for the measurement of the impairment of financial assets, so it is no longer necessary for a credit event to have occurred before a credit loss is recognised.
- **Hedge accounting:** Introduces a new hedge accounting model that is designed to be more closely aligned with how entities undertake risk management activities when hedging financial and non-financial risk exposures.
- **Derecognition:** The requirements for derecognition of financial assets and liabilities are carried forward from IAS 39.

Impact assessment of IFRS 9 *Financial Instruments*

Based on an analysis of the Group's consolidated financial assets and financial liabilities as at 31 December 2017 on the basis of the facts and circumstances that exist at that date, the Directors of the Group have assessed the impact of IFRS 9 to the Group's consolidated financial statements as follows:

Classification and measurement:

All financial assets and financial liabilities will continue to be measured on the same bases as is currently adopted under IAS 39.

Impairment:

Financial assets measured at amortised cost will be subject to the impairment provisions of IFRS 9.

The Group expects to apply the simplified approach to recognise lifetime expected credit losses for its trade and unbilled receivables as required or permitted by IFRS 9. In relation to the trade and other receivables (note 10), the directors have assessed that there has not been a significant increase in the credit risk of the trade and other receivables from initial recognition to 31 December 2017. Accordingly, the directors expect to recognise lifetime and 12-month expected credit losses for these items respectively.

Notes to the consolidated financial statements  
for the year ended 31 December 2017 (continued)

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

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

Effective for annual  
periods beginning  
on or after

**New and revised IFRSs**

IFRS 9 *Financial Instruments* (revised versions in 2009, 2010, 2013 and 2014) (continued) 1 January 2018

In general, the Directors anticipate that the application of the expected credit loss model of IFRS 9 will not result in earlier recognition of credit losses for trade and other receivables and will not increase the amount of loss allowance recognised for these items.

Amendments to IFRS 9 *Financial Instruments*: Relating to prepayment features with negative compensation. This amends the existing requirements in IFRS 9 regarding termination rights in order to allow measurement at amortised cost (or, depending on the business model, at fair value through other comprehensive income) even in the case of negative compensation payments. 1 January 2019

IFRIC 23 *Uncertainty over Income Tax Treatments* 1 January 2019

The interpretation addresses the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under IAS 12. It specifically considers:

- Whether tax treatments should be considered collectively;
- Assumptions for taxation authorities' examinations;
- The determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates; and

The effect of changes in facts and circumstances.

IFRS 16 *Leases* 1 January 2019

IFRS 16 specifies how an IFRS reporter will recognise, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with IFRS 16's approach to lessor accounting substantially unchanged from its predecessor, IAS 17.

**Impact assessment of IFRS 16 Leases**

As at 31 December 2017, the Group has non-cancellable operating lease commitments of US\$ 67.4 million. IAS 17 does not require the recognition of any right-of-use asset or liability for future payments for these leases; instead, certain information is disclosed as operating lease commitments in note 26. A preliminary assessment indicates that these arrangements will meet the definition of a lease under IFRS 16, and hence the Group will recognise a right-of-use asset and a corresponding liability in respect of these leases. The new requirement to recognise a right-of-use asset and related lease liability is expected to have a significant impact on the amounts recognised in the Group's consolidated financial statements and the Directors are currently assessing its potential impact. It is not practicable to provide a reasonable estimate of the financial effect until the Directors complete the review.

Notes to the consolidated financial statements  
for the year ended 31 December 2017 (continued)

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

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

<u>New and revised IFRSs</u>	<u>Effective for annual periods beginning on or after</u>
<u>Impact assessment of IFRS 16 Leases (continued)</u>	1 January 2019
In cases where the Group is a lessor (for both operating and finance leases), the Directors of the Group do not anticipate that the application of IFRS 16 will have a significant impact on the amounts recognised in the Group’s consolidated financial statements.	
Amendments to IAS 28 <i>Investment in Associates and Joint Ventures</i> : Relating to long-term interests in associates and joint ventures. These amendments clarify that an entity applies IFRS 9 <i>Financial Instruments</i> to long-term interests in an associate or joint venture that form part of the net investment in the associate or joint venture but to which the equity method is not applied.	1 January 2019
Annual Improvements to IFRS Standards 2015-2017 Cycle amending IFRS 3 <i>Business Combinations</i> , IFRS 11 <i>Joint Arrangements</i> , IAS 12 <i>Income Taxes</i> and IAS 23 <i>Borrowing Costs</i> .	1 January 2019
Amendments to IFRS 7 <i>Financial Instruments: Disclosures</i> relating to disclosures about the initial application of IFRS 9.	When IFRS 9 is first applied
IFRS 7 <i>Financial Instruments: Disclosures</i> relating to the additional hedge accounting disclosures (and consequential amendments) resulting from the introduction of the hedge accounting chapter in IFRS 9.	When IFRS 9 is first applied
IFRS 17 <i>Insurance Contracts</i> .	1 January 2021
Amendments to IFRS 10 <i>Consolidated Financial Statements</i> and IAS 28 <i>Investments in Associates and Joint Ventures</i> (2011) relating to the treatment of the sale or contribution of assets from and investor to its associate or joint venture.	Effective date deferred indefinitely. Adoption is still permitted.
Management anticipates that these new standards, interpretations and amendments will be adopted in the Group’s consolidated financial statements as and when they are applicable and adoption of these new standards, interpretations and amendments, except for IFRS 9 and IFRS 16, may have no material impact on the consolidated financial statements of the Group in the period of initial application.	

Management anticipates that IFRS 9 and IFRS 16 will be adopted in the Group’s consolidated financial statements for the annual periods beginning 1 January 2018 and 1 January 2019 respectively.

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 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.

**Notes to the consolidated financial statements**  
**for the year ended 31 December 2017 (continued)**

**3. Significant accounting policies**

**3.1 Statement of compliance**

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

**3.2 Basis of preparation**

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

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

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

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

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

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

**3.3 Basis of consolidation**

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



**Notes to the consolidated financial statements  
for the year ended 31 December 2017 (continued)**

**3. Significant accounting policies (continued)**

**3.3 Basis of consolidation (continued)**

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

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

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

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

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

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

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

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

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

*Changes in the Group's ownership interest in existing subsidiaries*

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

**Notes to the consolidated financial statements  
for the year ended 31 December 2017 (continued)**

**3. Significant accounting policies (continued)**

**3.3 Basis of consolidation (continued)**

If the Group loses control over a subsidiary, it:

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

The Company consolidated 100% of the operations, assets and liabilities of the subsidiaries listed below which in total are 81 (2016: 77) companies (together the "Group").

<u>Company name</u>	<u>Country of incorporation</u>	<u>Principal activities</u>	<u>Legal interest</u>	<u>Economic interest</u>
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.	Real estate development	100%	100%
AJ 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%
Sound 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 LLC	U.A.E.	Facilities management	100%	100%
Damac Tuscan Residence LLC	U.A.E.	Holding company	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%

**Notes to the consolidated financial statements  
for the year ended 31 December 2017 (continued)**

**3. Significant accounting policies (continued)**

**3.3 Basis of consolidation (continued)**

<u>Company name</u>	<u>Country of incorporation</u>	<u>Principal activities</u>	<u>Legal interest</u>	<u>Economic interest</u>
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.	Holding 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	Real estate development	0%	100%
Global Realtors LLC	U.A.E.	Sales office	100%	100%
Damac Properties Qatar WLL	Qatar	Real estate development	100%	100%
Ocean Pearl Real Estate Company LLC	U.A.E.	Real estate development	100%	100%
Bright Gulf Investments Limited	BVI	Investment company	100%	100%
Luxury Owner Association Management Services Co. 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	Investment 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 and General Services Company Limited	Iraq	Real estate development	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%

**Notes to the consolidated financial statements  
for the year ended 31 December 2017 (continued)**

**3. Significant accounting policies (continued)**

**3.3 Basis of consolidation (continued)**

<u>Company name</u>	<u>Country of incorporation</u>	<u>Principal activities</u>	<u>Legal interest</u>	<u>Economic interest</u>
Guangzhou Advance Consulting Service Limited.	China	Sales office	100%	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%
Damac Luxury Vacation Club LLC	U.A.E.	Vacation homes rental	100%	100%
JA Parks LLC	U.A.E.	Real estate development	100%	100%
Dorus Business Promotion Private Limited	India	Sales office	100%	100%
Damac Asset Management LLC	U.A.E.	Property leasing	100%	100%
Al Bawader Real Estate Broker WLL *	Kuwait	Sales office	100%	100%
Damac International Golf Club LLC *	U.A.E.	Golf club	100%	100%
Quanta Real Estate LLC *	U.A.E.	Sales office	100%	100%
Alpha Star Holding III Limited *	Cayman Islands	Trust arrangement	0%	100%
Alpha Star Holding IV Limited *	Cayman Islands	Trust arrangement	0%	100%
Damac Community Management LLC *	U.A.E.	Real estate management	100%	100%
Avitus Investments LLC *	U.A.E.	Shell Company	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:

<u>Entity</u>	<u>Country of incorporation</u>	<u>Principal activities</u>
Elegance Marketing Co. LLC	U.A.E.	Marketing and public relations
Alpha Star Holding II Limited	Cayman Islands	Trust arrangement

During the year the Group disposed its ownership interest in a wholly owned subsidiary Abraj Al Rakhaa General Trading Limited, a real estate development company incorporated in Iraq.

**Notes to the consolidated financial statements  
for the year ended 31 December 2017 (continued)**

**3. Significant accounting policies (continued)**

**3.4 Revenue recognition**

*Revenue from contracts with customers*

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

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

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

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

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

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

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

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

**Notes to the consolidated financial statements**  
**for the year ended 31 December 2017 (continued)**

**3. Significant accounting policies (continued)**

**3.4 Revenue recognition (continued)**

*Revenue from contracts with customers (continued)*

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

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

*Property management fees*

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

*Income from deposits*

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

*Leasing income*

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

**3.5 Investment properties**

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

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

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

**Notes to the consolidated financial statements  
for the year ended 31 December 2017 (continued)**

**3. Significant accounting policies (continued)**

**3.5 Investment properties (continued)**

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

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

**3.6 Development properties**

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

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

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

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

**3.7 Property and equipment**

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

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

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

	<u>Years</u>
Building	25
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.

**Notes to the consolidated financial statements**  
**for the year ended 31 December 2017 (continued)**

**3. Significant accounting policies (continued)**

**3.8 Impairment of tangible assets**

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

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

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

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

**3.9 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.



**Notes to the consolidated financial statements  
for the year ended 31 December 2017 (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. Pension and national insurance contributions for the U.A.E. Nationals are made by the Group in accordance with Federal Law No. 7 of 1999 (as amended).

**3.11 Leases**

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

*The Group as a lessor*

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

*The Group as a lessee*

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

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

**3.12 Foreign currencies**

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

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

**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.

**Notes to the consolidated financial statements  
for the year ended 31 December 2017 (continued)**

**3. Significant accounting policies (continued)**

**3.13 Financial instruments (continued)**

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

*Financial assets*

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

*Loans and receivables*

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

*Available-for-sale financial assets*

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

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

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

*Effective interest method*

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

*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 2017 (continued)**

**3. Significant accounting policies (continued)**

**3.13 Financial instruments (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 that financial asset because of financial difficulties.

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

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

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

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

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

*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 2017 (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 and trade and other payables (excluding provision for employees' end-of-service indemnity). These are subsequently measured at amortised cost applying the effective interest method.

**Notes to the consolidated financial statements  
for the year ended 31 December 2017 (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. Where applicable, provision is made for current and deferred taxes arising from the operating results of overseas subsidiaries that are operating in taxable jurisdictions in accordance with relevant tax regulations in respective countries in which the Group operates. Expense on the statement of comprehensive income is the expected tax payable on the current year taxable income using prevailing rates at reporting date, and any adjustments to the tax payable in respect of prior years.

**3.15 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 the 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.

**3.16 Cash and cash equivalents**

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

**3.17 Segment reporting**

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

**Notes to the consolidated financial statements**  
**for the year ended 31 December 2017 (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 judgments in applying accounting policies***

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

***Classification of properties***

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

***Financial investment***

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

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

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

**Notes to the consolidated financial statements  
for the year ended 31 December 2017 (continued)**

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

***Critical judgments in applying accounting policies (continued)***

*Determination of transaction prices*

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

***Key sources of estimation uncertainty***

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

*Impairment of property and equipment*

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

*Impairment of investment properties*

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

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

*Net realisable value of development properties*

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

**Notes to the consolidated financial statements  
for the year ended 31 December 2017 (continued)**

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

*Key sources of estimation uncertainty (continued)*

*Net realisable value of development properties (continued)*

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

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

*Completion of projects*

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

*Provision for impairment on trade receivables*

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

*Useful lives of investment properties and property and equipment*

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

**5. Segment analysis**

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



Notes to the consolidated financial statements  
for the year ended 31 December 2017 (continued)

5. Segment analysis (continued)

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

	2017 US\$ million	2016 US\$ million
<u>Revenue</u>		
Domestic	1,769.9	1,829.3
International	258.5	118.0
	<u>2,028.4</u>	<u>1,947.3</u>
<u>Development properties</u>		
Domestic	2,233.4	2,296.2
International	390.6	491.6
	<u>2,624.0</u>	<u>2,787.8</u>

6. Property and equipment

	Building US\$ million	Furniture and fixtures US\$ million	Tools and office equipments US\$ million	Motor vehicles US\$ million	Total US\$ million
<b>Cost</b>					
At 1 January 2016	-	19.3	23.7	1.2	44.2
Additions	-	0.5	2.3	-	2.8
Disposals	-	-	(0.1)	-	(0.1)
	<u>-</u>	<u>19.8</u>	<u>25.9</u>	<u>1.2</u>	<u>46.9</u>
At 31 December 2016	-	19.8	25.9	1.2	46.9
Additions	-	1.0	4.2	0.4	5.6
Transfer from development properties (note 8)	25.0	-	-	-	25.0
Disposals	-	-	(0.1)	(0.2)	(0.3)
	<u>25.0</u>	<u>20.8</u>	<u>30.0</u>	<u>1.4</u>	<u>77.2</u>
At 31 December 2017	25.0	20.8	30.0	1.4	77.2
<b>Accumulated depreciation</b>					
At 1 January 2016	-	11.9	14.3	0.6	26.8
Charge for the year	-	1.0	3.2	-	4.2
Disposals	-	-	(0.1)	-	(0.1)
	<u>-</u>	<u>12.9</u>	<u>17.4</u>	<u>0.6</u>	<u>30.9</u>
At 31 December 2016	-	12.9	17.4	0.6	30.9
Charge for the year	0.8	3.3	1.0	0.4	5.5
Disposals	-	-	-	(0.1)	(0.1)
	<u>0.8</u>	<u>16.2</u>	<u>18.4</u>	<u>0.9</u>	<u>36.3</u>
At 31 December 2017	0.8	16.2	18.4	0.9	36.3

Notes to the consolidated financial statements  
for the year ended 31 December 2017 (continued)

6. Property and equipment (continued)

	Building US\$ million	Furniture and fixtures US\$ million	Tools and office equipments US\$ million	Motor vehicles US\$ million	Total US\$ million
<b>Carrying value</b>					
As at 31 December 2017	24.2	4.6	11.6	0.5	40.9
As at 31 December 2016	-	6.9	8.5	0.6	16.0

7. Investment properties

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

Movement during the year is as follows:

	2017 US\$ million	2016 US\$ million
<b>Cost</b>		
Transfer from development properties (note 8)	55.3	-
Depreciation	(1.7)	-
Balance at the end of the year	53.6	-

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

At 31 December 2017, the fair value of the completed investment properties and related land was US\$ 82 million on the basis of a valuation carried out by an independent external valuation expert. The investment properties are located in the U.A.E., and are categorised under Level 3 in the fair value hierarchy.

**Notes to the consolidated financial statements**  
**for the year ended 31 December 2017 (continued)**

**8. Development properties**

Development properties represent development and construction costs incurred on properties being developed for sale. Movement during the year is as follows:

	2017 US\$ million	2016 US\$ million
<b>Cost</b>		
Balance at the beginning of the year	2,787.8	2,488.1
Additions during the year	956.0	1,157.8
Transfer to cost of sales during the year	(1,036.5)	(858.1)
Transfer to investment properties (note 7)	(55.3)	-
Transfer to property and equipment (note 6)	(25.0)	-
Disposal of a subsidiary	(3.0)	-
	<u>2,624.0</u>	<u>2,787.8</u>
Balance at the end of the year	<u>2,624.0</u>	<u>2,787.8</u>

*Impairment of development properties*

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

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

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

*Assets held as development properties*

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

	2017 US\$ million	2016 US\$ million
Land held for future development	146.9	332.3
Properties under development	2,074.0	2,166.2
Completed properties	403.1	289.3
	<u>2,624.0</u>	<u>2,787.8</u>
	<u>2,624.0</u>	<u>2,787.8</u>

No borrowing costs have been capitalised to development properties.

Notes to the consolidated financial statements  
for the year ended 31 December 2017 (continued)

9. Other financial assets

	2017 US\$ million	2016 US\$ million
Escrow retention accounts	274.7	273.0
Margin deposits	2.4	3.0
Other	1.7	0.6
	<u>278.8</u>	<u>276.6</u>

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

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

At the reporting date, an amount of US\$ 159 million (2016: US\$ 140 million) is held with Islamic banks and the balance is held with conventional banks.

10. Trade and other receivables

	2017 US\$ million	2016 US\$ million
Unbilled receivables (i)	1,392.7	894.5
Trade receivables (ii)	267.6	224.1
Provision for impairment on trade receivables	(35.9)	(41.9)
	<u>1,624.4</u>	<u>1,076.7</u>
Advances and deposits	156.2	208.4
Other receivables and prepayments	17.3	22.2
	<u>1,797.9</u>	<u>1,307.3</u>

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

*Movement in unbilled receivables during the year is as follows:*

	2017 US\$ million	2016 US\$ million
Balance at the beginning of the year	894.5	737.2
Increase due to project progress	1,013.2	652.2
Transfer to trade receivables	(515.0)	(494.9)
	<u>1,392.7</u>	<u>894.5</u>

Notes to the consolidated financial statements  
for the year ended 31 December 2017 (continued)

10. Trade and other receivables (continued)

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

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

	2017 US\$ million	2016 US\$ million
Balance at the beginning of the year	41.9	54.1
Net reversal of impairment during the year (note 21)	(6.0)	(12.2)
Balance at the end of the year	<u>35.9</u>	<u>41.9</u>

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

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

	Neither past due nor impaired US\$ million	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 2017	<u>1,392.7</u>	<u>61.0</u>	<u>62.7</u>	<u>37.6</u>	<u>70.4</u>	<u>1,624.4</u>
31 December 2016	<u>894.5</u>	<u>62.1</u>	<u>35.4</u>	<u>19.8</u>	<u>64.9</u>	<u>1,076.7</u>

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 2017	<u>0.2</u>	<u>0.3</u>	<u>4.3</u>	<u>31.1</u>	<u>35.9</u>
31 December 2016	<u>2.1</u>	<u>2.6</u>	<u>7.9</u>	<u>29.3</u>	<u>41.9</u>

11. Financial investment

During the year, the Group increased its investment in Damac International Limited, a related entity whose principal activity is property development, from US\$ 50.3 million to US\$ 71.5 million (2016: from US\$ 40.0 million to US\$ 50.3 million) which represents a 20% (2016: 20%) equity interest in the related entity.

**Notes to the consolidated financial statements  
for the year ended 31 December 2017 (continued)**

**12. Cash and bank balances**

	2017 US\$ million	2016 US\$ million
Cash on hand	0.2	0.3
Cash held in escrow	1,627.1	1,905.3
Bank balances	16.1	21.1
Fixed deposits	384.1	334.5
	<hr/>	<hr/>
Cash and bank balances	2,027.5	2,261.2
Fixed deposits with an original maturity of greater than three months	(383.9)	(306.8)
Bank overdrafts (note 14)	(44.6)	(27.5)
	<hr/>	<hr/>
Cash and cash equivalents	<u>1,599.0</u>	<u>1,926.9</u>

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.

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

At the reporting date, fixed deposits and bank balances of US\$ 53 million (2016: US\$ 53 million) are held by banks under lien against credit facilities issued to the Group.

At the reporting date, an amount of US\$ 1,248 million (2016: US\$ 1,203 million) is held with Islamic banks and the balance is held with conventional banks.

**13. Share capital**

	2017 US\$ million	2016 US\$ million
Issued, subscribed and fully paid shares of US\$ 1 each	1,008.0	1,008.0
Additional paid-in capital of US\$ 1 each	46.0	-
	<hr/>	<hr/>

During the year, the Parent resolved to increase the share capital of the Company by US\$ 46 million. As at the reporting date, the legal procedures with the DIFC were not yet finalised, and hence the additional contributions by the Parent were recognised as additional paid-in capital.

**Notes to the consolidated financial statements**  
**for the year ended 31 December 2017 (continued)**

**14. Bank borrowings**

	2017 US\$ million	2016 US\$ million
Bank facilities	177.3	288.9
Overdrafts (note 12)	44.6	27.5
	<u>221.9</u>	<u>316.4</u>

a) At the reporting date, an amount of US\$ 60 million (2016: US\$ 84 million) is outstanding with Islamic banks and the balance with conventional banks.

b) Details of the Group's bank facilities are as follows:

*Islamic banks and financial institutions*

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

- US\$ 68 million Ijarah facility with a commercial bank at a rate of 3 months EIBOR plus 3.25% per annum, repayable by 2020. Out of this US\$ 8 million was repaid as at 31 December 2017.

*Conventional banks and financial institutions*

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

- US\$ 50 million term loan facility with a commercial bank bearing interest at 3 months EIBOR plus 3.5% per annum, repayable in 2018. Out of this, US\$ 16 million was repaid as at 31 December 2017.
- US\$ 17 million term loan facility with a commercial bank bearing interest at 3 months EIBOR plus 3.5% per annum, repayable in 2018.
- US\$ 118 million revolving term loan facility with a commercial bank bearing interest at 3 months LIBOR plus 3.75% per annum, repayable in 2018. Out of this, US\$ 96 million was repaid as at 31 December 2017.
- US\$ 14 million term loan facility with a commercial bank bearing interest at 3 months EIBOR plus 3.5% per annum, repayable in 2018. Out of this, US\$ 11 million was repaid as at 31 December 2017.
- US\$ 45 million term loan facility with a commercial bank bearing interest at 3 months LIBOR plus 3.25% per annum, repayable by 2019. Out of this, US\$ 11 million was repaid as at 31 December 2017.
- US\$ 18 million term loan with a commercial bank bearing interest at 3 months EIBOR plus 3.5% per annum, repayable by 2020. Out of this, US\$ 10 million was repaid as at 31 December 2017.

c) As at 31 December 2017, the Group had arranged for bank facilities amounting to US\$ 499 million (2016: US\$ 479 million) in the form of letters of credit and guarantees out of which US\$ 244 million (2016: US\$ 143 million) remained unutilised as at the reporting date.

d) As at 31 December 2017 and 2016, the outstanding loan amounts are subject to commercial interest and profit rates.

**Notes to the consolidated financial statements**  
**for the year ended 31 December 2017 (continued)**

**14. Bank borrowings (continued)**

- e) The non-funded facilities are mainly secured by mortgages over certain properties owned by the Group, corporate guarantees of the Company and pledges over bank accounts and deposits.  
 f) Repayment profile of the Group's bank borrowings at the reporting date is as follows:

	2017 US\$ million	2016 US\$ million
On demand or within one year	147.6	249.9
In the second and third years	74.3	66.5
	<u>221.9</u>	<u>316.4</u>

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

*Reconciliation of liabilities arising from financing activities*

	1 January 2017 US\$ million	Cash flows (i) US\$ million	Other changes US\$ million	31 December 2017 US\$ million
Bank facilities	<u>288.9</u>	<u>(111.6)</u>	<u>-</u>	<u>177.3</u>

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

**15. Sukuk certificates**

	2017 US\$ million	2016 US\$ million
Sukuk certificates	1,077.3	725.0
Unamortised issue costs	(5.9)	(2.9)
Carrying amount	<u>1,071.4</u>	<u>722.1</u>

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

	2017 US\$ million	2016 US\$ million
Balance at the beginning of the year	2.9	4.5
Incurred during the year	6.0	-
Amortised during the year	(3.0)	(1.6)
Unamortised issue costs at the end of the year	<u>5.9</u>	<u>2.9</u>



**Notes to the consolidated financial statements  
for the year ended 31 December 2017 (continued)**

**15. Sukuk certificates (continued)**

- 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 pursuant to Declaration of Trust and the Company is the Guarantor. The Certificates are listed on the Irish Stock Exchange and NASDAQ Dubai. The sukuk is structured on the basis of service agency whereby the service agent for and on behalf of the Issuer enters into Ijara (leasing) and Murabaha contracts with the Company. Holders of the Certificates from time to time (the "Certificateholders") have the right to receive certain payments arising from an undivided ownership interest in the Trust Assets and the Trustee will hold such Trust Assets upon trust absolutely for the Certificateholders pro rata according to the face amount of Certificates held by each Certificateholder in accordance with the Declaration of Trust and the terms and conditions of the Certificates.

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

On 20 April 2017, the Group repurchased sukuk certificates worth US\$ 197.7 million at a premium.

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

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

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

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

**Notes to the consolidated financial statements  
for the year ended 31 December 2017 (continued)**

**15. Sukuk certificates (continued)**

*The repayment profile of sukuk certificates is as follows:*

	2017 US\$ million	2016 US\$ million
Amount due for settlement within 12 months	124.0	75.0
Amount due for settlement after 12 months	947.4	647.1
	<u>1,071.4</u>	<u>722.1</u>

*Reconciliation of liabilities arising from financing activities*

	1 January 2017 US\$ million	Cash flows (i) US\$ million	Other changes (ii) US\$ million	31 December 2017 US\$ million
Sukuk certificates	<u>722.1</u>	<u>346.3</u>	<u>3.0</u>	<u>1,071.4</u>

- (i) The cash flows from sukuk certificates represent proceeds from the issuance of sukuk certificates net of repurchases, redemptions and issue cost payments in the consolidated statement of cash flows.
- (ii) Other changes represent issue costs amortised to the consolidated statement of profit or loss and other comprehensive income during the year.

**16. Advances from customers**

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

Movement during the year is as follows:

	2017 US\$ million	2016 US\$ million
Balance at the beginning of the year	1,142.0	1,505.6
Amounts billed during the year	1,848.2	1,746.1
Revenue recognised during the year	(2,022.7)	(1,950.6)
Other income recognised during the year (note 20)	(76.5)	(159.1)
Balance at the end of the year	<u>891.0</u>	<u>1,142.0</u>

**Notes to the consolidated financial statements**  
**for the year ended 31 December 2017 (continued)**

**17. Trade and other payables**

	<b>2017</b>	2016
	<b>US\$ million</b>	US\$ million
Accruals	<b>293.1</b>	343.9
Retentions payable (i)	<b>237.4</b>	219.8
Deferred consideration payable for land	<b>217.6</b>	336.9
Other payables (ii)	<b>177.2</b>	175.7
Provision for employees' end-of-service indemnity (iii)	<b>12.9</b>	10.2
	<b>938.2</b>	1,086.5

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

(ii) Reconciliation of liabilities arising from financing activities

	1 January 2017 (a)	Cash flows (b)	Other changes (c)	31 December 2017 (a)
	US\$ million	US\$ million	US\$ million	US\$ million
Other liabilities	<u>9.3</u>	<u>(71.0)</u>	<u>74.2</u>	<u>12.5</u>

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

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

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

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

	<b>2017</b>	2016
	<b>US\$ million</b>	US\$ million
Balance at the beginning of the year	<b>10.2</b>	9.1
Charge for the year	<b>5.1</b>	3.0
Payments made during the year	<b>(2.4)</b>	(1.9)
Balance at the end of the year	<b>12.9</b>	10.2

**Notes to the consolidated financial statements**  
**for the year ended 31 December 2017 (continued)**

**18. Related party transactions**

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

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

	2017 US\$ million	2016 US\$ million
<u>Entities under the control of Chairman</u>		
Investment in Damac International Limited (note 11) (i)	(21.2)	(10.3)
Support services fees (note 22) (ii)	2.3	2.0
Construction works executed	-	(27.4)
	<u>                    </u>	<u>                    </u>

*(i) Investment in Damac International Limited*

During the year, the Group increased its investment in Damac International Limited by US\$ 21 million (2016: US\$ 10 million), a related entity under the control of the Chief Executive Officer (note 11).

*(ii) Support services fees*

During the year the Group received US\$ 2.3 million (2016: US\$ 2.0 million) towards support services rendered to Damac International Limited and Dico Investments Co. LLC, both related entities under the control of the Chief Executive Officer (note 22).

**Remuneration of key management personnel**

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

	2017 US\$ million	2016 US\$ million
Salaries and other short-term employee benefits	3.7	4.2
Other long term benefits	0.2	0.3
	<u>                    </u>	<u>                    </u>
	<u>                    </u>	<u>                    </u>

**Notes to the consolidated financial statements  
for the year ended 31 December 2017 (continued)**

**19. Revenue**

	2017 US\$ million	2016 US\$ million
Property development	1,461.6	1,378.0
Sale of land	566.8	569.3
	<u>2,028.4</u>	<u>1,947.3</u>

As at reporting date, the aggregate amount of transaction price allocated to unsatisfied, or partially satisfied, performance obligations is US\$ 3.6 billion. The Group will recognise this revenue as project progress is achieved, which is expected to occur over the next 1 to 4 years.

**20. Other operating income**

	2017 US\$ million	2016 US\$ million
Income from cancellation of units (note 16)	76.5	159.1
Penalties from overdue customers	2.4	2.3
Unit registration and transfer fees	0.2	0.3
	<u>79.1</u>	<u>161.7</u>

**21. General, administrative and selling expenses**

	2017 US\$ million	2016 US\$ million
Employees' salaries and benefits	127.7	119.6
Advertising and sales promotion	50.5	36.6
Brokerage and commission	50.2	29.7
Rent and license fees	13.2	15.8
Repairs and maintenance	11.4	9.7
Legal and professional	9.8	7.0
Bank charges	7.3	5.8
Travel and conveyance	5.2	4.3
Insurance	3.6	3.0
Tax expense	3.5	5.7
Communication	3.0	2.7
Reversal of impairment on trade receivables (note 10)	(6.0)	(12.2)
Other	9.0	5.2
	<u>288.4</u>	<u>232.9</u>

**Notes to the consolidated financial statements**  
**for the year ended 31 December 2017 (continued)**

**22. Other income**

	2017 US\$ million	2016 US\$ million
Property management fees	7.0	6.3
Support services fees (note 18)	2.3	2.0
Gain on disposal of a subsidiary	0.9	-
Other	5.1	3.9
	<u>15.3</u>	<u>12.2</u>

**23. Finance income**

	2017 US\$ million	2016 US\$ million
Islamic banks and financial institutions	19.6	11.9
Conventional banks and financial institutions	18.8	19.6
	<u>38.4</u>	<u>31.5</u>

**24. Finance costs**

	2017 US\$ million	2016 US\$ million
Islamic banks and financial institutions	58.4	41.4
Conventional banks and financial institutions	15.8	8.3
	<u>74.2</u>	<u>49.7</u>

**25. Contingent liabilities**

	2017 US\$ million	2016 US\$ million
Bank guarantees	<u>255.0</u>	<u>336.5</u>

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

**Notes to the consolidated financial statements  
for the year ended 31 December 2017 (continued)**

**26. Commitments**

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

	2017 US\$ million	2016 US\$ million
Contracted for	<u>1,471.5</u>	<u>1,690.0</u>

*Operating lease commitments - Group as a lessee*

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

	2017 US\$ million	2016 US\$ million
Within one year	2.2	2.2
Between two and five years	9.4	9.2
More than five years	55.8	58.2
Total	<u>67.4</u>	<u>69.6</u>

*Operating lease commitments - Group as a lessor*

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

**27. Financial instruments**

**(a) Significant accounting policies**

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

**(b) Categories of financial instruments**

	2017 US\$ million	2016 US\$ million
<i>Financial assets</i>		
Loans and receivables (including cash and cash equivalents)	3,937.6	3,618.0
Financial investments	71.5	50.3
	<u>4,009.1</u>	<u>3,668.3</u>
<i>Financial liabilities</i>		
At amortised cost	<u>2,218.6</u>	<u>2,114.8</u>

**Notes to the consolidated financial statements**  
**for the year ended 31 December 2017 (continued)**

**27. Financial instruments (continued)**

*(c) Fair value of financial instruments*

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

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

**28. Financial risk management**

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

The Group does not hold or issue derivative financial instruments.

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

*(a) Market risk*

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

The Group does not hold or issue derivative financial instruments.

*(b) Interest rate risk management*

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

*Interest rate sensitivity analysis*

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

If interest rates had been 50 basis points higher/lower and all other variables were held constant, the Group's profit for the year ended 31 December 2017 would decrease/increase by US\$ 1.4 million (2016: US\$ 1.5 million). This is mainly attributable to the Group's exposure to variable rate financial instruments.



**Notes to the consolidated financial statements**  
**for the year ended 31 December 2017 (continued)**

**28. Financial risk management (continued)**

*(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, excluding financial investments, recorded in the consolidated financial statements, which is net of impairment losses, represents the Group's maximum exposure to credit risk.

*(e) Liquidity risk management*

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

*Liquidity and interest risk tables*

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

	<b>Weighted average effective interest rate</b>	<b>Less than 1 year</b>	<b>1 - 2 years</b>	<b>3 - 5 years</b>	<b>Total</b>
	%	US\$ million	US\$ million	US\$ million	US\$ million
<b>31 December 2017:</b>					
Non-interest bearing	-	827.3	98.0	-	925.3
Fixed interest rate instruments	5.64	-	452.3	500.0	952.3
Variable interest rate instruments	4.82	272.6	13.8	60.5	346.9
		<u>1,099.9</u>	<u>564.1</u>	<u>560.5</u>	<u>2,224.5</u>

Notes to the consolidated financial statements  
for the year ended 31 December 2017 (continued)

28. Financial risk management (continued)

(e) Liquidity risk management (continued)

Liquidity and interest risk tables (continued)

	Weighted average effective interest rate %	Less than 1 year US\$ million	1 - 2 years US\$ million	3 - 5 years US\$ million	Total US\$ million
<b>31 December 2016:</b>					
Non-interest bearing	-	807.7	248.2	20.4	1,076.3
Fixed interest rate instruments	4.89	75.0	-	650.0	725.0
Variable interest rate instruments	4.91	249.9	66.5	-	316.4
		<u>1,132.6</u>	<u>314.7</u>	<u>670.4</u>	<u>2,117.7</u>

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
<b>31 December 2017:</b>					
Non-interest bearing	-	3,274.7	-	-	3,274.7
Variable interest rate instruments	2.19	662.9	-	-	662.9
		<u>3,937.6</u>	<u>-</u>	<u>-</u>	<u>3,937.6</u>
<b>31 December 2016:</b>					
Non-interest bearing	-	3,006.9	-	-	3,006.9
Variable interest rate instruments	1.82	611.1	-	-	611.1
		<u>3,618.0</u>	<u>-</u>	<u>-</u>	<u>3,618.0</u>

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 14 and note 15, cash and cash equivalents and equity attributable to owners of the Group, comprising issued capital, reserves and retained earnings as disclosed in the consolidated statement of changes in equity.

**Notes to the consolidated financial statements  
for the year ended 31 December 2017 (continued)**

**30. Earnings per share**

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

	2017	2016
Profit for the year (US\$ million)	751.9	1,006.3
Weighted average number of ordinary shares ('000)	1,008.0	983.8
Earnings per ordinary share - Basic and diluted (US\$)	<u>0.75</u>	<u>1.02</u>

**31. Dividend**

On 13 April 2017 the Company held its annual general meeting which, among other things, approved a cash dividend equal to US Cents 40.83 per share amounting to US\$ 411.6 million. The dividend was paid on 7 May 2017.

On 11 December 2017 the Company held an extraordinary general meeting which approved a cash dividend equal to US Cents 4.64 per share amounting to US\$ 46.8 million. The dividend was paid on 31 December 2017.

On 14 April 2016 the Company held its annual general meeting which, among other things, approved a cash dividend equal to US\$ 0.25 per share amounting to US\$ 246.9 million. The dividend was paid on 15 May 2016.

On 20 December 2016 the Company held an extraordinary general meeting which approved a cash dividend equal to US Cents 2.81 per share amounting to US\$ 27.6 million. The dividend was paid on 21 December 2016.

**32. Approval of the consolidated financial statements**

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

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

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

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

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

**Directors' Report**

The Board of Directors has 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 financial year ended 31 December 2016. Profit for the year is US\$ 1,006.3 million (2015: US\$ 1,228.9 million).

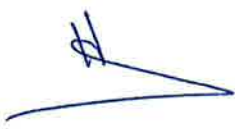
**Principal activities**

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 2015		2,217.8
Profit for the year		
Revenue	1,947.3	
Cost of sales	(859.6)	
Interest and other income	205.4	
Expenses	(286.8)	
Total	<hr/>	1,006.3
Transfer (Note 13)		(566.7)
Cash dividend (Note 30)		(274.5)
<b>Balance at 31 December 2016</b>		<hr/> <b>2,382.9</b> <hr/>

**On behalf of the Board of Directors**



**Chief Executive Officer**

## INDEPENDENT AUDITOR'S REPORT

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

### **Report on the audit of the consolidated financial statements**

#### *Opinion*

We have audited the consolidated financial statements of **DAMAC Real Estate Development Limited, DIFC** ("the Company") and its subsidiaries (together the "Group") which comprise the consolidated statement of financial position as at 31 December 2016, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects the consolidated financial position of the Group as at 31 December 2016, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards.

#### *Basis for opinion*

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

#### *Key audit matters*

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

## INDEPENDENT AUDITOR'S REPORT (continued)

### *Key audit matters (continued)*

#### **Key audit matters**

#### **How the matter was addressed in our audit**

##### **Development properties**

Development properties, which principally comprise the Group's land held for development, projects under development and completed units, are stated at the lower of cost and net realisable value (i.e. the forecast selling price less the remaining costs to build and sell). An assessment of the net realisable value of the development properties is carried out at each reporting date by an external valuation firm.

The valuation of the Group's development properties is the key component of the net asset value and underpins the Group's results for the year. The Group's development properties portfolio, which comprise development properties located in UAE, KSA, Qatar, Bahrain, Lebanon, Jordan and Iraq are not uniform in nature, and therefore a number of different assumptions are made by the Group's external valuers in determining its fair value.

The valuation of development property is inherently subjective. The valuer has used a comparable valuation approach for land and completed units and a residual approach for projects under development to arrive at the net realisable value of the development properties portfolio held by the Group at the reporting date.

The valuations were carried out by third party valuers (the "Valuer"). They were engaged by the Directors, in accordance with the RICS Valuation – Professional Standards ("RICS"). The Valuer used by the Group is a well-known firm, with considerable experience in the region.

The fact that only a small percentage difference in individual property valuations, when aggregated, could result in a material misstatement warrants specific audit focus on this area.

##### *Experience of Valuer and relevance of their work*

We confirmed that the approaches used in the external valuation were consistent with RICS.

We assessed the Valuer's competence and capabilities and read their terms of engagement with the Group.

##### *Data provided to the Valuer*

We sample tested data provided to the Valuer by the Group. This data included cost incurred to date, cost to complete, historical sales prices, outstanding receivables to be collected and information relating to unsold inventories.

##### *Assumptions and estimates used by the Valuer*

We reviewed the Valuer's report independently of management and challenged the valuation methods and assumptions. The nature of assumptions used varies across the portfolio depending on the nature of each property but they include services, legal title, ground conditions, environmental considerations, planning and high-way access. In each of these areas, and on a sample basis, we compared the estimates and assumptions used by the Valuer against our own expectations, using evidence of comparable market transactions. Where we identified estimates and assumptions that are outside the typical ranges used, we discussed these with the Valuer to understand the rationale.

Our testing involved the use of our internal real estate valuation specialists, who reviewed the estimates and assumptions used in the context of the Group's development properties.



## INDEPENDENT AUDITOR'S REPORT (continued)

### *Key audit matters (continued)*

#### **Key audit matters**

#### **How the matter was addressed in our audit**

##### **Revenue recognition**

The Group has early adopted International Financial Reporting Standard 15: 'Revenue from contracts with customers' (IFRS 15).

In responding to this area of focus our procedures included the following:

The Group recognises revenue both at a point in time and over a period of time depending on the nature of the contract and the relevant laws and regulations of the jurisdiction in which it has entered the contract with its customers.

For a sample of contracts;

Satisfaction of performance obligations is one of the key management judgments and allocation of the transaction price to performance obligation is a key estimate involved in relation to Group's revenue recognition.

- verified that the Group has correctly recognised revenue as per the terms of the contracts and the relevant jurisdiction that the project is in;
- recalculated the revenue using the input method and compared it with the calculation performed by the management; and
- reviewed and challenged the basis of estimation used for assessing the total cost to complete the respective projects are reasonable.

##### *Satisfaction of performance obligations*

The Group assesses each of its contracts with customers to determine whether performance obligations are satisfied over a period of time or at a point in time in order to determine the appropriate method for recognising revenue. The Group makes an assessment based on the contracts entered into with customers and provisions of relevant laws and regulations, the Group recognises revenue over time where contracts are entered into for development of properties, the Group does not create an asset for an alternate use to the Group and has an enforceable right to payment for performance completed to date.

Where the above criteria are not met, revenue is recognised at a point in time and the Group needs to make an assessment as to when the performance obligation of the Group under the contract is satisfied.

##### *Other information*

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

## INDEPENDENT AUDITOR'S REPORT (continued)

### *Other information (continued)*

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

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

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

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

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

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The Board of Directors and Management are responsible for overseeing the Group's financial reporting process.

### *Auditor's responsibilities for the audit of the consolidated financial statements*

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

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

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

## INDEPENDENT AUDITOR'S REPORT (continued)

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

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

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

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

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

**Deloitte & Touche (M.E.)**



Akbar Ahmad  
Partner  
Registration No.I004753  
Dubai, United Arab Emirates

13 February 2017

**Consolidated statement of financial position**  
**as at 31 December 2016**

	Notes	2016 US\$ million	2015 US\$ million
<b>ASSETS</b>			
Property and equipment	6	16.0	17.4
Development properties	7	2,787.8	2,488.1
Other financial assets	8	276.6	214.6
Trade and other receivables	9	1,307.3	1,034.9
Financial investments	10	50.3	40.0
Cash and bank balances	11	2,261.2	2,585.3
<b>Total assets</b>		<b>6,699.2</b>	<b>6,380.3</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Share capital	12	1,008.0	983.0
Statutory reserve		41.3	41.3
Group restructuring reserve	13	-	(566.7)
Retained earnings		2,382.9	2,217.8
<b>Total equity</b>		<b>3,432.2</b>	<b>2,675.4</b>
<b>Liabilities</b>			
Bank borrowings	14	316.4	278.9
Sukuk certificates	15	722.1	745.5
Advances from customers		1,142.0	1,505.6
Trade and other payables	16	1,086.5	1,174.9
<b>Total liabilities</b>		<b>3,267.0</b>	<b>3,704.9</b>
<b>Total equity and liabilities</b>		<b>6,699.2</b>	<b>6,380.3</b>



Chief Executive Officer



Director

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

**Consolidated statement of profit or loss and other comprehensive income  
for the year ended 31 December 2016**

	Notes	2016 US\$ million	2015 US\$ million
Revenue	18	1,947.3	2,322.7
Cost of sales		(859.6)	(943.9)
<b>Gross profit</b>		<b>1,087.7</b>	<b>1,378.8</b>
Other operating income	19	161.7	137.1
General, administrative and selling expenses	20	(232.9)	(275.7)
Depreciation	6	(4.2)	(3.4)
<b>Operating profit</b>		<b>1,012.3</b>	<b>1,236.8</b>
Other income	21	12.2	9.1
Finance income	22	31.5	24.5
Finance costs	23	(49.7)	(41.5)
<b>Profit for the year</b>		<b>1,006.3</b>	<b>1,228.9</b>
Other comprehensive income for the year		-	-
<b>Total comprehensive income for the year</b>		<b>1,006.3</b>	<b>1,228.9</b>
<b>Earnings per share</b>			
Basic and diluted (US\$)	29	1.02	1.53

**Consolidated statement of changes in equity**  
**for the year ended 31 December 2016**

	Share capital US\$ million	Statutory reserve US\$ million	Group restructuring reserve US\$ million	Retained earnings US\$ million	Total US\$ million
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 (Note 30)	-	-	-	(482.7)	(482.7)
<b>Balance at 31 December 2015</b>	<b>983.0</b>	<b>41.3</b>	<b>(566.7)</b>	<b>2,217.8</b>	<b>2,675.4</b>
Transfer (Note 13)	-	-	566.7	(566.7)	-
Total comprehensive income for the year	-	-	-	1,006.3	1,006.3
Issue of new shares (Note 12)	25.0	-	-	-	25.0
Dividend (Note 30)	-	-	-	(274.5)	(274.5)
<b>Balance at 31 December 2016</b>	<b>1,008.0</b>	<b>41.3</b>	<b>-</b>	<b>2,382.9</b>	<b>3,432.2</b>

**Consolidated statement of cash flows**  
**for the year ended 31 December 2016**

	<b>2016</b>	2015
	<b>US\$ million</b>	US\$ million
<b>Cash flows from operating activities</b>		
Profit for the year	<b>1,006.3</b>	1,228.9
<i>Adjustments for:</i>		
Depreciation of property and equipment (Note 6)	<b>4.2</b>	3.4
Provision for employees' end-of-service indemnity (Note 16)	<b>3.0</b>	2.9
Loss on retirement of property and equipment	<b>-</b>	0.2
Amortisation of issue costs on Sukuk certificates (Note 15)	<b>1.6</b>	2.7
Reversal of impairment on trade receivables (Note 20)	<b>(12.2)</b>	(1.2)
Finance costs	<b>49.7</b>	41.5
Finance income	<b>(31.5)</b>	(24.5)
	<hr/>	<hr/>
<b>Operating cash flows before changes in operating assets and liabilities</b>	<b>1,021.1</b>	1,253.9
Increase in trade and other receivables	<b>(262.7)</b>	(281.4)
Decrease in due to a related party	<b>-</b>	(11.0)
Increase in development properties	<b>(299.7)</b>	(323.1)
Decrease in advances from customers	<b>(363.6)</b>	(158.5)
(Decrease)/increase in trade and other payables	<b>(90.0)</b>	198.9
Employees' end-of-service indemnity paid (Note 16)	<b>(1.9)</b>	(1.7)
	<hr/>	<hr/>
<b>Net cash generated from operating activities</b>	<b>3.2</b>	677.1
	<hr/>	<hr/>
<b>Cash flows from investing activities</b>		
Purchases of property and equipment – net (Note 6)	<b>(2.8)</b>	(4.7)
Acquisition of financial investments (Note 10)	<b>(10.3)</b>	(35.0)
(Increase)/decrease in other financial assets	<b>(62.0)</b>	17.4
(Increase)/decrease in fixed deposits with an original maturity of greater than three months	<b>(61.1)</b>	96.9
Interest received	<b>34.0</b>	18.9
	<hr/>	<hr/>
<b>Net cash (used in)/generated from investing activities</b>	<b>(102.2)</b>	93.5
	<hr/>	<hr/>

**Consolidated statement of cash flows (continued)**  
**for the year ended 31 December 2016**

	<b>2016</b>	2015
	<b>US\$ million</b>	US\$ million
<b>Cash flows from financing activities</b>		
Proceeds from bank borrowings during the year	<b>166.2</b>	226.0
Repayment of bank borrowings during the year	<b>(128.7)</b>	(22.4)
(Repayment)/proceeds from issuance of Sukuk Certificates (Note 15)	<b>(25.0)</b>	98.5
Proceeds from issuance of shares (Note 12)	<b>25.0</b>	333.0
Dividend paid (Note 30)	<b>(274.5)</b>	(482.7)
Finance costs paid	<b>(49.2)</b>	(40.1)
<b>Net cash (used in)/generated from financing activities</b>	<b>(286.2)</b>	112.3
<b>Net (decrease)/increase in cash and cash equivalents</b>	<b>(385.2)</b>	882.9
Cash and cash equivalents at the beginning of the year (Note 11)	<b>2,339.6</b>	1,456.7
<b>Cash and cash equivalents at the end of the year (Note 11)</b>	<b>1,954.4</b>	2,339.6



**Notes to the consolidated financial statements**  
**for the year ended 31 December 2016**

**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 (collectively the “Group”) are involved in the development of properties in the Middle East.

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

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

The following new and revised IFRSs, which became effective for annual periods beginning on or after 1 January 2016, have been adopted in these consolidated financial statements. The application of these revised IFRSs has not had any material impact on the amounts reported for the current and prior years but may affect the accounting for future transactions or arrangements.

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

**Notes to the consolidated financial statements  
for the year ended 31 December 2016 (continued)**

**2. Application of new and revised International Financial Reporting Standards (“IFRS”) (continued)**

**2.2 New and revised IFRS in issue but not yet effective**

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

<u><b>New and revised IFRSs</b></u>	<u><b>Effective for annual periods beginning on or after</b></u>
Annual Improvements to IFRS Standards 2014–2016 Cycle amending IFRS 1, IFRS 12 and IAS 28.	The amendments to IFRS 1 and IAS 28 are effective for annual periods beginning on or after 1 January 2018, the amendment to IFRS 12 for annual periods beginning on or after 1 January 2017.
Amendments to IAS 12 <i>Income Taxes</i> relating to the recognition of deferred tax assets for unrealised losses.	1 January 2017
Amendments to IAS 7 <i>Statement of Cash Flows</i> to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities.	1 January 2017
IFRIC 22 <i>Foreign Currency Transactions and Advance Consideration</i>	1 January 2018
The interpretation addresses foreign currency transactions or parts of transactions where:	
<ul style="list-style-type: none"> <li>▪ there is consideration that is denominated or priced in a foreign currency;</li> <li>▪ the entity recognises a prepayment asset or a deferred income liability in respect of that consideration, in advance of the recognition of the related asset, expense or income; and</li> <li>▪ the prepayment asset or deferred income liability is non-monetary.</li> </ul>	
Amendments to IFRS 2 <i>Share Based Payment</i> regarding classification and measurement of share based payment transactions.	1 January 2018
Amendments to IFRS 4 <i>Insurance Contracts</i> : Relating to the different effective dates of IFRS 9 and the forthcoming new insurance contracts standard.	1 January 2018
Amendments to IAS 40 <i>Investment Property</i> : Amends paragraph 57 to state that an entity shall transfer a property to, or from, investment property when, and only when, there is evidence of a change in use. A change of use occurs if property meets, or ceases to meet, the definition of investment property. A change in management’s intentions for the use of a property by itself does not constitute evidence of a change in use. The paragraph has been amended to state that the list of examples therein is non-exhaustive.	1 January 2018

Notes to the consolidated financial statements  
for the year ended 31 December 2016 (continued)

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

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

New and revised IFRSs

Effective for  
annual periods  
beginning on or after

Amendments to IFRS 7 *Financial Instruments: Disclosures* relating to disclosures about the initial application of IFRS 9.

When IFRS 9 is first applied

IFRS 7 *Financial Instruments: Disclosures* relating to the additional hedge accounting disclosures (and consequential amendments) resulting from the introduction of the hedge accounting chapter in IFRS 9.

When IFRS 9 is first applied

IFRS 9 *Financial Instruments* (revised versions in 2009, 2010, 2013 and 2014)

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.
- **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.

Notes to the consolidated financial statements  
for the year ended 31 December 2016 (continued)

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

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

New and revised IFRSs

Effective for  
annual periods  
beginning on or after

IFRS 16 *Leases* specifies how an IFRS reporter will recognise, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with IFRS 16’s approach to lessor accounting substantially unchanged from its predecessor, IAS 17.

1 January 2019

Amendments to IFRS 10 *Consolidated Financial Statements* and IAS 28 *Investments in Associates and Joint Ventures* (2011) relating to the treatment of the sale or contribution of assets from and investor to its associate or joint venture.

Effective date deferred indefinitely

Management anticipates that these new standards, interpretations and amendments will be adopted in the Group’s consolidated financial statements as and when they are applicable and adoption of these new standards, interpretations and amendments, except for IFRS 9 and IFRS 16, may have no material impact on the consolidated financial statements of the Group in the period of initial application.

Management anticipates that IFRS 9 and IFRS 16 will be adopted in the Group’s consolidated financial statements for the annual periods beginning 1 January 2018 and 1 January 2019 respectively. The application of IFRS 9 may have significant impact on amounts reported and disclosures made in respect of financial assets and financial liabilities and the application of IFRS 16 may have significant impact on amounts reported and disclosures made in respect of its leases in the Group’s consolidated financial statements. However, it is not practicable to provide a reasonable estimate of effects of the application of these standards until the Company performs a detailed review.

3. Significant accounting policies

3.1 Statement of compliance

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

3.2 Basis of preparation

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

**Notes to the consolidated financial statements  
for the year ended 31 December 2016 (continued)**

**3. Significant accounting policies (continued)**

**3.2 Basis of preparation (continued)**

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

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

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

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

The consolidated financial statements 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 and its subsidiaries. Control is achieved when the Company:

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

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

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:

**Notes to the consolidated financial statements  
for the year ended 31 December 2016 (continued)**

**3. Significant accounting policies (continued)**

**3.3 Basis of consolidation (continued)**

- 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 Group and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

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

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

*Changes in the Group's ownership interest in existing subsidiaries*

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

If the Group loses control over a subsidiary, it:

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

**Notes to the consolidated financial statements  
for the year ended 31 December 2016 (continued)**

**3. Significant accounting policies (continued)**

**3.3 Basis of consolidation (continued)**

The Company consolidated 100% of the operations, assets and liabilities of the subsidiaries (excluding branches) listed below which in total are 77 (2015: 76) companies (together the “Group”).

<u>Company name</u>	<u>Country of incorporation</u>	<u>Principal activities</u>	<u>Legal interest</u>	<u>Economic interest</u>
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%
Sound 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 LLC	U.A.E.	Facilities management	100%	100%
Damac Tuscan Residence LLC	U.A.E.	Holding company	100%	100%
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%

**Notes to the consolidated financial statements**  
**for the year ended 31 December 2016 (continued)**

**3. Significant accounting policies (continued)**

**3.3 Basis of consolidation (continued)**

<u>Company name</u>	<u>Country of incorporation</u>	<u>Principal activities</u>	<u>Legal interest</u>	<u>Economic interest</u>
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	0%	100%
Global Realtors 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 Gulf Investments Limited	BVI	Shell company	100%	100%
Luxury Owner Association Management Services Co. 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	100%	100%
Arjann Holdings Limited	BVI	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 and General Services Company Limited	Iraq	Real estate development	100%	100%
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%
Damac Luxury Vacation Club LLC *	U.A.E.	Vacation homes rental	100%	100%
Guangzhou Advance Consulting Service Limited *	China	Sales office	100%	100%
Dorus Business Promotion Private Limited *	India	Sales office	100%	100%
Damac Asset Management LLC *	U.A.E.	Property leasing	100%	100%

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



**Notes to the consolidated financial statements  
for the year ended 31 December 2016 (continued)**

**3. Significant accounting policies (continued)**

**3.3 Basis of consolidation (continued)**

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:

<u>Entity</u>	<u>Country of incorporation</u>	<u>Principal activities</u>
Middle East Dubai	Qatar	Shell company
Premier Vision Property Development	Qatar	Shell company
Heritage Properties	Qatar	Shell company

**3.4 Revenue recognition**

*Revenue from contracts with customers*

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

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

**Notes to the consolidated financial statements  
for the year ended 31 December 2016 (continued)**

**3. Significant accounting policies (continued)**

**3.4 Revenue recognition (continued)**

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

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

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

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

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

*Management fees*

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

*Income from deposits*

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

**Notes to the consolidated financial statements  
for the year ended 31 December 2016 (continued)**

**3. Significant accounting policies (continued)**

**3.5 Development properties**

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

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

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

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

**3.6 Provisions**

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

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

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

**3.7 Property and equipment**

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

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

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

	<u>Years</u>
Furniture and fixtures	6
Tools and office equipment	6
Motor vehicles	6

**Notes to the consolidated financial statements  
for the year ended 31 December 2016 (continued)**

**3. Significant accounting policies (continued)**

**3.7 Property and equipment (continued)**

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

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

**3.8 Impairment of tangible assets**

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

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

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

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

**3.9 Provision for employees' end-of-service benefits**

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

**Notes to the consolidated financial statements  
for the year ended 31 December 2016 (continued)**

**3. Significant accounting policies (continued)**

**3.10 Leases**

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

*The Group as lessee*

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

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

**3.11 Foreign currencies**

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

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

**3.12 Financial instruments**

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

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

*Financial assets*

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

**Notes to the consolidated financial statements  
for the year ended 31 December 2016 (continued)**

**3. Significant accounting policies (continued)**

**3.12 Financial instruments (continued)**

*Financial assets (continued)*

*Loans and receivables*

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

*Available-for-sale financial assets*

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

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

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

*Effective interest method*

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

*Impairment of financial assets*

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

Objective evidence of impairment could include:

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

**Notes to the consolidated financial statements  
for the year ended 31 December 2016 (continued)**

**3. Significant accounting policies (continued)**

**3.12 Financial instruments (continued)**

*Financial assets (continued)*

*Impairment of financial assets (continued)*

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

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

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

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

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

*Derecognition of financial assets*

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

**Notes to the consolidated financial statements  
for the year ended 31 December 2016 (continued)**

**3. Significant accounting policies (continued)**

**3.12 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 and trade and other payables. These are subsequently measured at amortised cost applying the effective interest method.



**Notes to the consolidated financial statements  
for the year ended 31 December 2016 (continued)**

**3. Significant accounting policies (continued)**

**3.12 Financial instruments (continued)**

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

*Derecognition of financial liabilities*

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

**3.13 Taxation**

There is no income tax applicable to the Group operations in the U.A.E. In jurisdictions other than the U.A.E., in some cases foreign taxes will be withheld at source on dividends and certain interest received by the Group. Where applicable, provision is made for current and deferred taxes arising from the operating results of overseas subsidiaries that are operating in taxable jurisdictions in accordance with relevant tax regulations in respective countries in which the Group operates. Expense on the statement of comprehensive income is the expected tax payable on the current year taxable income using prevailing rates at reporting date, and any adjustments to the tax payable in respect of prior years.

**3.14 Statutory reserve**

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 the 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.

**3.15 Cash and cash equivalents**

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

**3.16 Segment reporting**

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

**Notes to the consolidated financial statements  
for the year ended 31 December 2016 (continued)**

**4. Critical accounting judgment and key sources of estimation uncertainty**

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

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

***Critical accounting judgment in applying accounting policies***

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

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

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

***Key sources of estimation uncertainty***

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

***Net realisable value of development properties***

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

**Notes to the consolidated financial statements  
for the year ended 31 December 2016 (continued)**

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

*Key sources of estimation uncertainty (continued)*

*Net realisable value of development properties (continued)*

The primary valuation method used was the residual land valuation method which is based on a discounted cash flow approach that determines the value of the property by deducting the estimated costs to complete the development from the estimated value on completion derived from the sales proceeds of the property. This method entails estimating the gross realisation from the projected sales price of the properties. From this is deducted the outstanding estimated cost to service the property including a developer's margin to arrive at a residual value. The resultant value expressed in net present value terms represents the estimated price that a well-informed rational and efficient developer or investor would pay for the subject property. The method takes into account the time value of money concept where future cash flows are discounted at rates ranging from 12% to 20% (2015: 12.5% to 20%) depending on the nature and scale of the project under development and the timeframe over which it is expected to be developed. The properties are expected to be developed over a period varying between 1 to 5 years.

*Completion of projects*

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

*Provision for impairment on trade receivables*

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

**5. Segment analysis**

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

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

	<b>2016</b>	2015
	<b>US\$ million</b>	US\$ million
<u>Revenue</u>		
Domestic	<b>1,829.3</b>	2,173.7
International	<b>118.0</b>	149.0
	<b>1,947.3</b>	2,322.7

Notes to the consolidated financial statements  
for the year ended 31 December 2016 (continued)

5. Segment analysis (continued)

	2016 US\$ million	2015 US\$ million
<u>Development properties</u>		
Domestic	2,296.2	2,012.2
International	491.6	475.9
	<u>2,787.8</u>	<u>2,488.1</u>

6. Property and equipment

	Furniture and fixtures US\$ million	Tools and office equipment US\$ million	Motor vehicles US\$ million	Total US\$ million
<b>Cost</b>				
At 1 January 2015	18.9	20.1	1.3	40.3
Additions	1.0	3.6	0.1	4.7
Disposals	-	-	(0.2)	(0.2)
	<u>19.9</u>	<u>23.7</u>	<u>1.2</u>	<u>44.8</u>
At 31 December 2015	19.9	23.7	1.2	44.8
Additions	0.5	2.3	-	2.8
Disposals	-	(0.1)	-	(0.1)
	<u>20.4</u>	<u>25.9</u>	<u>1.2</u>	<u>47.5</u>
<b>Accumulated depreciation</b>				
At 1 January 2015	12.0	11.5	0.5	24.0
Charge for the year	0.5	2.8	0.1	3.4
	<u>12.5</u>	<u>14.3</u>	<u>0.6</u>	<u>27.4</u>
At 31 December 2015	12.5	14.3	0.6	27.4
Charge for the year	1.0	3.2	-	4.2
Disposals	-	(0.1)	-	(0.1)
	<u>13.5</u>	<u>17.4</u>	<u>0.6</u>	<u>31.5</u>
<b>Carrying value</b>				
At 31 December 2016	<u>6.9</u>	<u>8.5</u>	<u>0.6</u>	<u>16.0</u>
At 31 December 2015	<u>7.4</u>	<u>9.4</u>	<u>0.6</u>	<u>17.4</u>

**Notes to the consolidated financial statements  
for the year ended 31 December 2016 (continued)**

**7. Development properties**

	<b>2016</b>	2015
	<b>US\$ million</b>	US\$ million
Balance at the beginning of the year	<b>2,488.1</b>	2,165.0
Additions	<b>1,157.8</b>	1,266.1
Transfer to cost of sales	<b>(858.1)</b>	(943.0)
	<hr/>	<hr/>
Balance at the end of the year	<b>2,787.8</b>	2,488.1
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*Impairment of development properties*

At 31 December 2016, the Group reviewed the carrying value of its land held for future development, properties under development and completed properties by assessing the net realisable value of each project. The key judgment in this review was estimating the realisable value of a project, which is determined by forecasting sales rates, expected sales prices and estimated costs to complete. In support of the review work performed, the Group engaged an independent external valuation expert to determine the market value for each of the projects including the expected sales prices.

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

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

*Assets held as development properties*

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

	<b>2016</b>	2015
	<b>US\$ million</b>	US\$ million
Land held for future development	<b>332.3</b>	469.5
Properties under development	<b>2,166.2</b>	1,847.2
Completed properties	<b>289.3</b>	171.4
	<hr/>	<hr/>
	<b>2,787.8</b>	2,488.1
	<hr/> <hr/>	<hr/> <hr/>

No finance costs have been capitalised to development properties.

**Notes to the consolidated financial statements  
for the year ended 31 December 2016 (continued)**

**8. Other financial assets**

	<b>2016</b>	2015
	<b>US\$ million</b>	US\$ million
Escrow retention accounts	<b>273.0</b>	210.4
Margin deposits	<b>3.0</b>	2.3
Other	<b>0.6</b>	1.9
	<b>276.6</b>	214.6

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

At 31 December 2016, margin deposits are held by banks under lien against credit facilities issued to the Group and earn profit and/or interest at relevant commercial rates.

At the reporting date, an amount of US\$ 140 million (2015: US\$ 99 million) is held with Islamic banks and the balance is held with conventional banks.

**9. Trade and other receivables**

	<b>2016</b>	2015
	<b>US\$ million</b>	US\$ million
Trade receivables	<b>1,118.6</b>	857.4
Less: Provision for impairment on trade receivables	<b>(41.9)</b>	(54.1)
	<b>1,076.7</b>	803.3
Advances and deposits	<b>208.4</b>	218.0
Prepayments and other receivables	<b>22.2</b>	13.6
	<b>1,307.3</b>	1,034.9

Trade receivables represent amounts due from customers. Customers are allowed 30 days from each invoice date to settle outstanding dues. At the reporting date, an amount of US\$ 894.5 million (2015: US\$ 737.2 million) is unbilled.

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

	<b>2016</b>	2015
	<b>US\$ million</b>	US\$ million
Balance at the beginning of the year	<b>54.1</b>	55.3
Net provision movement for the year (Note 20)	<b>(12.2)</b>	(1.2)
Balance at the end of the year	<b>41.9</b>	54.1

**Notes to the consolidated financial statements**  
**for the year ended 31 December 2016 (continued)**

**9. Trade and other receivables (continued)**

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				Total US\$ million
		1 - 60 days US\$ million	61 - 180 days US\$ million	181 - 270 days US\$ million	Above 270 days US\$ million	
<b>31 December 2016</b>	<b>894.5</b>	<b>62.1</b>	<b>35.4</b>	<b>19.8</b>	<b>64.9</b>	<b>1,076.7</b>
31 December 2015	737.2	32.3	23.3	10.5	-	803.3

*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
<b>31 December 2016</b>	<b>2.1</b>	<b>2.6</b>	<b>7.9</b>	<b>29.3</b>	<b>41.9</b>
31 December 2015	4.3	6.2	3.6	40.0	54.1

**10. Financial investments**

During the year, the Group increased its investment in Damac International Limited, a related entity whose principal activity is property development, from US\$ 40 million to US\$ 50.3 million (2015: from US\$ 5 million to US\$ 40 million) which represents a 20% (2015: 20%) equity interest in the related entity.

**11. Cash and bank balances**

	2016 US\$ million	2015 US\$ million
Cash on hand	0.3	3.9
Cash held in escrow	1,905.3	2,298.2
Bank balances	21.1	22.3
Fixed deposits	334.5	260.9
Cash and bank balances	2,261.2	2,585.3
Fixed deposits with an original maturity of greater than three months	(306.8)	(245.7)
Cash and cash equivalents	1,954.4	2,339.6

**Notes to the consolidated financial statements  
for the year ended 31 December 2016 (continued)**

**11. Cash and bank balances (continued)**

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

At the reporting date, an amount of US\$ 1,203 million (2015: US\$ 1,222 million) is held with Islamic banks and the balance is held with conventional banks.

**12. Share capital**

	<b>2016</b> <b>US\$ million</b>	2015 US\$ million
Issued, subscribed and fully paid shares of US\$ 1 each	<u><b>1,008.0</b></u>	<u>983.0</u>

During 2016, the Company received US\$ 25 million towards increase in share capital pursuant to extraordinary general meeting resolution dated 20 December 2016 and the shares were issued on 25 December 2016. During 2015, the Company issued shares on 16 April 2015 and 29 September 2015 for US\$ 150 million and US\$ 183 million respectively.

**13. Group restructuring reserve**

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

**14. Bank borrowings**

	<b>2016</b> <b>US\$ million</b>	2015 US\$ million
Bank facilities	<b>288.9</b>	201.5
Overdrafts	<b>27.5</b>	77.4
	<u><b>316.4</b></u>	<u>278.9</u>

At the reporting date, an amount of US\$ 84 million (2015: US\$ 136 million) is outstanding with Islamic banks and the balance with conventional banks.

*Islamic banks and financial institutions*

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

- US\$ 95 million Ijarah facility with a commercial bank at a profit rate of 3 months EIBOR plus 3.5% per annum, repayable by 2017. Out of this US\$ 52 million was repaid as at 31 December 2016.
- US\$ 41 million term loan 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 2016 (continued)**

**14. Bank borrowings (continued)**

*Conventional banks and financial institutions*

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

- US\$ 12 million revolving term loan facility with a commercial bank bearing interest at 6 months EIBOR plus 4% per annum, repayable by 2017.
- US\$ 7 million term loan facility with a commercial bank bearing interest at 3 months EIBOR plus 4% per annum, repayable by 2017. Out of this, US\$ 2 million was repaid as at 31 December 2016.
- US\$ 117 million revolving term loan facility with a commercial bank bearing interest at 3 months LIBOR plus 3.75% per annum, repayable by 2018.
- US\$ 14 million term loan facility with a commercial bank bearing interest at 3 months EIBOR plus 3.5% per annum, repayable by 2018.
- US\$ 14 million term loan with a commercial bank bearing interest at 3 months EIBOR plus 3.5% per annum, repayable by 2018. Out of this, US\$ 7 million was repaid as at 31 December 2016.
- US\$ 50 million term loan facility with a commercial bank bearing interest at 3 months EIBOR plus 3.5% per annum, repayable by 2018.

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

	<b>2016</b> <b>US\$ million</b>	2015 US\$ million
On demand or within one year	<b>249.9</b>	176.9
In the second and third year	<b>66.5</b>	102.0
	<b>316.4</b>	278.9

**15. Sukuk certificates**

	<b>2016</b> <b>US\$ million</b>	2015 US\$ million
Sukuk certificates	<b>725.0</b>	750.0
Unamortised issue costs	<b>(2.9)</b>	(4.5)
Carrying amount	<b>722.1</b>	745.5

- 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 pursuant to declaration of Trust and DRED is the Guarantor. The Certificates are listed on the Irish Stock Exchange and NASDAQ Dubai. The Sukuk is structured on the basis of Service Agency whereby the Service Agent for and on behalf of the Issuer enters into Ijara (leasing) and Murabaha contracts with the Company. Holders of the Certificates from time to time (the "Certificateholders") have the right to receive certain payments arising from an undivided ownership interest in the Trust Assets and the Trustee will hold such Trust Assets upon trust absolutely for the Certificateholders pro rata according to the face amount of Certificates held by each Certificateholder in accordance with the Declaration of Trust and the terms and conditions of the Certificates.

**Notes to the consolidated financial statements  
for the year ended 31 December 2016 (continued)**

**15. Sukuk certificates (continued)**

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

- On 21 September 2015, the Group issued US\$ 100 million SUKUK TRUST CERTIFICATES maturing in 2017. Under the Sukuk Alpha Star Holding II Limited is the Issuer and Trustee pursuant to declaration of Trust with DRED as Guarantor. The Sukuk was fully subscribed by a U.A.E. financial institution. The Sukuk is structured on the basis of Service Agency whereby the Service Agent for and on behalf of the Issuer enters into Ijara (leasing) and Murabaha contracts with the Company. Certificateholders from time to time have the right to receive certain payments arising from an undivided ownership interest in the Trust Assets and the Trustee will hold such Trust Assets upon trust absolutely for the Certificateholders pro rata according to the face amount of Certificates held by each Certificateholder in accordance with the Declaration of Trust and the terms and conditions of the Certificates.

The Certificateholders are paid a return at the rate of three months LIBOR plus 3.25% per annum.

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

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

	<b>2016</b>	2015
	<b>US\$ million</b>	US\$ million
Amount due for settlement within 12 months	<b>75.0</b>	-
Amount due for settlement after 12 months	<b>647.1</b>	745.5
	<b>722.1</b>	745.5

**16. Trade and other payables**

	<b>2016</b>	2015
	<b>US\$ million</b>	US\$ million
Accruals	<b>343.9</b>	238.1
Deferred consideration payable for land	<b>336.9</b>	576.2
Retentions payable (i)	<b>219.8</b>	166.6
Other payables	<b>175.7</b>	184.9
Provision for employees' end-of-service indemnity (ii)	<b>10.2</b>	9.1
	<b>1,086.5</b>	1,174.9

- (i) 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 2016 (continued)**

**16. Trade and other payables (continued)**

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

	<b>2016</b>	2015
	<b>US\$ million</b>	US\$ million
Balance at the beginning of the year	<b>9.1</b>	7.9
Charge for the year	<b>3.0</b>	2.9
Payments made during the year	<b>(1.9)</b>	(1.7)
	<hr/>	<hr/>
Balance at the end of the year	<b>10.2</b>	9.1
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**17. Related party transactions**

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

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

	<b>2016</b>	2015
	<b>US\$ million</b>	US\$ million
<u>Entities under the control of Chief Executive Officer</u>		
Construction works executed (i)	<b>(27.4)</b>	(9.4)
Investment in Damac International Limited (Note 10) (ii)	<b>(10.3)</b>	(35.0)
Support services fees (Note 21) (iii)	<b>2.0</b>	1.6
	<hr/>	<hr/>

*(i) Construction works executed*

During the year, the Group utilised construction services worth US\$ 27.4 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\$ 40 million to US\$ 50.3 million (Note 10).

*(iii) Support services fees*

During the year the Group received US\$ 2 million from Damac International Limited, a related entity, towards support services rendered (Note 21).

**Notes to the consolidated financial statements  
for the year ended 31 December 2016 (continued)**

**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*.

	<b>2016</b> <b>US\$ million</b>	2015 US\$ million
Short term employee benefits	4.2	5.5
Termination benefits – EOSB	0.3	0.1
	<u>4.5</u>	<u>5.6</u>

**18. Revenue**

	<b>2016</b> <b>US\$ million</b>	2015 US\$ million
Property development	1,378.0	1,533.0
Sale of land	569.3	789.7
	<u>1,947.3</u>	<u>2,322.7</u>

**19. Other operating income**

	<b>2016</b> <b>US\$ million</b>	2015 US\$ million
Income from cancellation of units	159.1	130.6
Penalties from overdue customers	2.3	6.1
Unit registration and transfer fees	0.3	0.4
	<u>161.7</u>	<u>137.1</u>

**Notes to the consolidated financial statements  
for the year ended 31 December 2016 (continued)**

**20. General, administrative and selling expenses**

	<b>2016</b>	2015
	<b>US\$ million</b>	US\$ million
Staff costs	<b>119.6</b>	126.8
Advertising and sales promotion	<b>37.5</b>	52.4
Brokerage and commission	<b>31.8</b>	38.3
Rent and license fees	<b>16.6</b>	15.8
Repairs and maintenance	<b>11.0</b>	9.4
Legal and professional	<b>7.1</b>	13.9
Bank charges	<b>6.3</b>	7.4
Tax expense	<b>5.7</b>	1.0
Travel and conveyance	<b>4.7</b>	5.7
Communication	<b>3.0</b>	3.3
Reversal of impairment on trade receivables (Note 9)	<b>(12.2)</b>	(1.2)
Other	<b>1.8</b>	2.9
	<b>232.9</b>	275.7

**21. Other income**

	<b>2016</b>	2015
	<b>US\$ million</b>	US\$ million
Property management fees	<b>6.3</b>	5.2
Support services fees (Note 17)	<b>2.0</b>	1.6
Other	<b>3.9</b>	2.3
	<b>12.2</b>	9.1

**22. Finance income**

	<b>2016</b>	2015
	<b>US\$ million</b>	US\$ million
Islamic banks and financial institutions	<b>11.9</b>	9.6
Conventional banks and financial institutions	<b>19.6</b>	14.9
	<b>31.5</b>	24.5

**Notes to the consolidated financial statements  
for the year ended 31 December 2016 (continued)**

**23. Finance costs**

	<b>2016</b> <b>US\$ million</b>	2015 US\$ million
Islamic banks and financial institutions	41.4	36.7
Conventional banks and financial institutions	8.3	4.8
	<u>49.7</u>	<u>41.5</u>

**24. Contingent liabilities**

	<b>2016</b> <b>US\$ million</b>	2015 US\$ million
Bank guarantees	<u>336.5</u>	<u>289.2</u>

The Group has contingent liabilities in respect of bank guarantees issued in the normal course of business from which it is anticipated that no material liabilities will arise as at 31 December 2016.

**25. Commitments**

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

	<b>2016</b> <b>US\$ million</b>	2015 US\$ million
Contracted for	<u>1,690.0</u>	<u>2,017.8</u>

**26. Financial instruments**

**(a) Significant accounting policies**

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

**Notes to the consolidated financial statements**  
**for the year ended 31 December 2016 (continued)**

**26. Financial instruments (continued)**

**(b) Categories of financial instruments**

	<b>2016</b>	2015
	<b>US\$ million</b>	US\$ million
<b><i>Financial assets</i></b>		
Loans and receivables (including cash and cash equivalents)	<b>3,618.0</b>	3,609.2
Financial investments	<b>50.3</b>	40.0
	<b>3,668.3</b>	3,649.2
<b><i>Financial liabilities</i></b>		
At amortised cost	<b>2,114.8</b>	2,190.2

**(c) Fair value of financial instruments**

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

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

**27. Financial risk management**

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

The Group does not hold or issue derivative financial instruments.

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

**(a) Market risk**

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

The Group does not hold or issue derivative financial instruments.

**(b) Interest rate risk management**

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

**Notes to the consolidated financial statements  
for the year ended 31 December 2016 (continued)**

**27. Financial risk management (continued)**

*(b) Interest rate risk management (continued)*

*Interest rate sensitivity analysis*

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

If interest rates had been 50 basis points higher/lower and all other variables were held constant, the Group's profit for the year ended 31 December 2016 would decrease/increase by US\$ 1.5 million (31 December 2015: US\$ 1 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, excluding financial investments, recorded in the consolidated financial statements, which is net of impairment losses, represents the Group's maximum exposure to credit risk.

*(e) Liquidity risk management*

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



Notes to the consolidated financial statements  
for the year ended 31 December 2016 (continued)

27. Financial risk management (continued)

(e) Liquidity risk management (continued)

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
<b>31 December 2016:</b>					
Non-interest bearing	-	798.4	248.2	20.4	1,067.0
Fixed interest rate instruments	4.89	75.0	-	650.0	725.0
Variable interest rate instruments	4.91	249.9	66.5	-	316.4
		<u>1,123.3</u>	<u>314.7</u>	<u>670.4</u>	<u>2,108.4</u>
<b>31 December 2015:</b>					
Non-interest bearing	-	717.6	341.5	97.9	1,157.0
Fixed interest rate instruments	4.82	-	100.0	650.0	750.0
Variable interest rate instruments	3.81	176.9	102.0	-	278.9
		<u>894.5</u>	<u>543.5</u>	<u>747.9</u>	<u>2,185.9</u>

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
<b>31 December 2016:</b>					
Non-interest bearing	-	611.1	-	-	611.1
Variable interest rate instruments	1.82	3,006.9	-	-	3,006.9
		<u>3,618.0</u>	<u>-</u>	<u>-</u>	<u>3,618.0</u>
<b>31 December 2015:</b>					
Non-interest bearing	-	3,133.7	-	-	3,133.7
Variable interest rate instruments	1.87	475.5	-	-	475.5
		<u>3,609.2</u>	<u>-</u>	<u>-</u>	<u>3,609.2</u>

**Notes to the consolidated financial statements  
for the year ended 31 December 2016 (continued)**

**28. Capital risk management**

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

**29. Earnings per share**

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.

	<b>2016</b>	2015
Profit for the year (US\$ million)	<b>1,006.3</b>	1,228.9
Weighted average number of ordinary shares (Million)	<b>983.8</b>	804.0
Earnings per ordinary share – Basic and diluted (US\$)	<b>1.02</b>	1.53

**30. Dividend**

On 14 April 2016 the Company held its annual general meeting which, among other things, approved a cash dividend equal to US\$ 0.25 per share amounting to US\$ 246.9 million. The dividend was paid on 15 May 2016.

A cash dividend of US\$ 0.45 per share amounting to US\$ 457.6 million is proposed by the Directors of the Company subject to approval of the shareholders in the forthcoming Annual General Assembly.

On 20 December 2016, the Company held an extraordinary general meeting which approved a cash dividend equal to US Cents 2.81 per share amounting to US\$ 27.6 million. The dividend was paid on 21 December 2016.

During 2015, the Company declared dividend amounts of US\$ 150 million and US\$ 332.7 million on 22 March 2015 and 29 September 2015 respectively.

**Notes to the consolidated financial statements  
for the year ended 31 December 2016 (continued)**

**31. Comparative figures**

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

*Extract of consolidated statement of financial position:*

	<i>As previously reported US\$ million</i>	<i>Reclassification US\$ million</i>	<i>As restated US\$ million</i>
Provision for employees' end-of-service indemnity	9.1	(9.1)	-
Trade and other payables	1,165.8	9.1	1,174.9
	<u>          </u>	<u>          </u>	<u>          </u>

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

	<i>As previously reported US\$ million</i>	<i>Reclassification US\$ million</i>	<i>As restated US\$ million</i>
General, administrative and selling expenses	(237.4)	(38.3)	(275.7)
Brokerage and commission	(38.3)	38.3	-
	<u>          </u>	<u>          </u>	<u>          </u>

*Extract of the consolidated statement of cash flows:*

	<i>As previously reported US\$ million</i>	<i>Reclassification US\$ million</i>	<i>As restated US\$ million</i>
Net cash generated from operating activities	655.9	21.3	677.2
Net cash generated from investing activities	74.6	18.9	93.5
Net cash generated from financing activities	152.4	(40.2)	112.2
	<u>          </u>	<u>          </u>	<u>          </u>

**32. Approval of the consolidated financial statements**

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

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