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THIS PROSPECTUS MAY ONLY BE DISTRIBUTED TO PERSONS WHO ARE OUTSIDE OF THE UNITED STATES.

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Restrictions: UNDER NO CIRCUMSTANCES SHALL THE ATTACHED DOCUMENT CONSTITUTE AN OFFER TO SELL OR THE SOLICITATION OF AN OFFER TO BUY NOR SHALL THERE BE ANY SALE OF THE SECURITIES IN THE UNITED STATES OR ANY OTHER JURISDICTION IN WHICH SUCH OFFER, SOLICITATION OR SALE WOULD BE UNLAWFUL. ANY SECURITIES TO BE ISSUED HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE U.S. 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, SOLD, PLEDGED OR OTHERWISE TRANSFERRED WITHIN THE UNITED STATES.

THE ATTACHED DOCUMENT MAY NOT BE FORWARDED OR DISTRIBUTED TO ANY OTHER PERSON WITHOUT THE PRIOR WRITTEN CONSENT OF THE JOINT LEAD MANAGERS (AS DEFINED BELOW) AND MAY NOT BE REPRODUCED IN ANY MANNER WHATSOEVER. DISTRIBUTION OR REPRODUCTION OF THE ATTACHED DOCUMENT IN WHOLE OR IN PART IS UNAUTHORISED. FAILURE TO COMPLY WITH THIS DIRECTIVE MAY RESULT IN A VIOLATION OF THE SECURITIES ACT OR THE APPLICABLE SECURITIES LAWS OF OTHER JURISDICTIONS.

UNDER NO CIRCUMSTANCES SHALL THIS DOCUMENT CONSTITUTE AN OFFER TO SELL OR THE SOLICITATION OF AN OFFER TO BUY NOR SHALL THERE BE ANY SALE OF THE SECURITIES IN ANY JURISDICTION IN WHICH SUCH OFFER, SOLICITATION OR SALE WOULD BE UNLAWFUL.

THIS DOCUMENT IS NOT BEING DISTRIBUTED TO, AND MUST NOT BE PASSED ON TO, THE GENERAL PUBLIC IN THE UNITED KINGDOM. RATHER, THE COMMUNICATION OF THIS DOCUMENT AS A FINANCIAL PROMOTION IS ONLY BEING MADE TO THOSE PERSONS FALLING WITHIN ARTICLE 19(5) OR ARTICLE 49 OF THE FINANCIAL SERVICES AND MARKETS ACT 2000 (FINANCIAL PROMOTION) ORDER 2005, OR TO OTHER PERSONS TO WHOM THIS DOCUMENT MAY OTHERWISE BE DISTRIBUTED WITHOUT CONTRAVENTION OF SECTION 21 OF THE FINANCIAL SERVICES AND MARKETS ACT 2000, OR ANY PERSON TO WHOM IT MAY OTHERWISE LAWFULLY BE MADE. THIS COMMUNICATION IS BEING DIRECTED ONLY AT PERSONS HAVING PROFESSIONAL EXPERIENCE IN MATTERS RELATING TO INVESTMENTS AND ANY INVESTMENT OR INVESTMENT ACTIVITY TO WHICH THIS COMMUNICATION RELATES WILL BE ENGAGED IN ONLY WITH SUCH PERSONS. NO OTHER PERSON SHOULD RELY ON IT.

Confirmation of your representation: The attached document is delivered to you at your request and on the basis that you have confirmed to Abu Dhabi Islamic Bank P.J.S.C., Barclays Bank PLC, Citigroup Global Markets Limited, Deutsche Bank AG, London Branch, Dubai Islamic Bank P.J.S.C., Emirates NBD Capital Limited and National Bank of Abu Dhabi P.J.S.C. (together, the "**Joint Lead Managers**"), Damac Real Estate Development Limited (the "**Guarantor**") and Alpha Star Holding Limited (the "**Trustee**") that (i) you are located outside the United States; (ii) you consent to delivery by electronic transmission; (iii) you will not transmit the attached document (or any copy of it or part thereof) or disclose, whether orally or in writing, any of its contents to any other person except with the prior written consent of the Joint Lead Managers; and (iv) you acknowledge that you will make your own assessment regarding any credit, investment, legal, taxation or other economic considerations with respect to your decision to subscribe or purchase any of the Certificates.

This document has been made available to you in an electronic form. You are reminded that documents transmitted via this medium may be altered or changed during the process of electronic transmission and consequently none of the Guarantor, the Trustee, the Joint Lead Managers nor any person who controls or is a director, officer, employee or agent of the Guarantor, the Trustee, the Joint Lead Managers nor any of their respective affiliates accepts any liability or responsibility whatsoever in respect of any difference between the document distributed to you in electronic format and the hard copy version. By accessing this document, you consent to receiving it in electronic form. A hard copy of the document will be made available to you only upon request to the Joint Lead Managers.

You are reminded that the attached document has been delivered to you on the basis that you are a person into whose possession this document may be lawfully delivered in accordance with the laws of the jurisdiction in which you are located and you may not nor are you authorised to deliver this document, electronically or otherwise, to any other person. Failure to comply with this directive may result in a violation of the Securities Act or the applicable laws of other jurisdictions.

You are reminded that the information contained in this document is not complete and may be changed. None of the Joint Lead Managers or any of their respective affiliates accepts any responsibility whatsoever for the contents of this document or for any statement made or purported to be made by any of them, or on any of their behalf, in connection with the Guarantor, the Trustee or the offer. The Joint Lead Managers and their respective affiliates accordingly disclaim all and any liability whether arising in tort, contract, or otherwise which they might otherwise have in respect of such document or any such statement. No representation or warranty, express or implied, is made by any of the Joint Lead Managers or their respective affiliates as to the accuracy, completeness, verification or sufficiency of the information set out in this document.

The Joint Lead Managers are acting exclusively for the Guarantor and the Trustee and no one else in connection with the offer. They will not regard any other person (whether or not a recipient of this document) as their client in relation to the offer and will not be responsible to anyone other than the Guarantor and the Trustee for providing the protections afforded to its clients nor for giving advice in relation to the offer or any transaction or arrangement referred to herein.

The materials relating to the offering do not constitute, and may not be used in connection with, an offer or solicitation in any place where such offers or solicitations are not permitted by law. If a jurisdiction requires that the offering be made by a licensed broker or dealer and the Joint Lead Managers or any affiliate of the Joint Lead Managers is a licensed broker or dealer in that jurisdiction the offering shall be deemed to be made by the Joint Lead Managers or such affiliate on behalf of the Guarantor and the Trustee in such jurisdiction.

Recipients of the attached document who intend to subscribe for or purchase any securities to be issued are reminded that any subscription or purchase may only be made on the basis of the information contained in the final version of the attached document.

If you received this document by e-mail, you should not reply by e-mail to this communication. Any reply e-mail communications, including those you generate by using the "Reply" function on the e-mail software, will be ignored or rejected. Your receipt of the electronic transmission is at your own risk and it is your responsibility to take precautions to ensure that it is free from viruses and other items of a destructive nature.

DAMAC

Alpha Star Holding Limited

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

U.S.$650,000,000 Trust Certificates due 2019

The U.S.$650,000,000 trust certificates due 2019 (the "**Certificates**") of Alpha Star Holding Limited (in its capacity as issuer, the "**Issuer**", and in its capacity as trustee, as applicable, the "**Trustee**") will be constituted by a declaration of trust (the "**Declaration of Trust**") dated 9 April 2014 (the "**Issue Date**") entered into between the Trustee, Damac Real Estate Development Limited (the "**Guarantor**") and Deutsche Trustee Company Limited 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) 9 April 2019 (the "**Scheduled Dissolution Date**") at a rate of 4.970 per cent. per annum. Payments on the Certificates will be made free and clear of, and without 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 (which includes the amendments made by Directive 2010/73/EU to the extent that such amendments have been implemented in a relevant Member State) (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 Directive 2004/39/EC 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 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 the Markets in Financial Instruments Directive (Directive 2004/39/EC) ("**MiFID**"). This Prospectus has been approved by the Dubai Financial Services Authority (the "**DFSA**") under the DFSA's Markets Rule 2.6 and is therefore an approved prospectus for the purposes of Article 14 of the DFSA's Markets Law 2012. 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 in accordance with such 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 S.A./N.V. ("**Euroclear**") and Clearstream Banking, *société anonyme* ("**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. Definitive 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 (the "**Markets Rules**") of the DFSA. 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 Issuer 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 and Joint Lead Managers

Barclays **Citi** **Deutsche Bank**

Joint Lead Managers

Abu Dhabi Islamic Bank **Dubai Islamic Bank** **Emirates NBD Capital** **National Bank of Abu Dhabi**

The date of this Prospectus is 7 April 2014

This Prospectus complies with the requirements in Part 2 of the Markets Law (DIFC Law No.1 of 2012) and Chapter 2 of the Markets Rules and comprises a prospectus for the purposes 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 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 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 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 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 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 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 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 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 Paying 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 *Shari'a* Supervisory Board of Citi Islamic Investment Bank E.C. and Dr. Hussein Hamid Hassan, the *Shari'a* advisor of Deutsche Bank AG, London Branch. 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.

Stabilisation

In connection with the issue of the Certificates, Citigroup Global Markets Limited (the "**Stabilising Manager**") (or persons acting on behalf of the Stabilising Manager) may over-allot Certificates or effect transactions with a view to supporting the market price of the Certificates at a level higher than that which might otherwise prevail, but in so doing, the Stabilising Manager shall act as principal and not as agent of the Trustee or the Guarantor. However, there is no assurance that the Stabilising Manager (or persons acting on behalf of the Stabilising Manager) will undertake stabilisation action. Any stabilisation action may begin on or after the Issue Date and, if begun, may be ended 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. The Stabilising Manager (or persons acting on behalf of the Stabilising Manager) must conduct such stabilisation in accordance with all applicable laws and rules.

Cautionary Note Regarding Forward-Looking Statements

This Prospectus contains "forward-looking statements" – that is, statements related to future, not past, events. In this context, forward-looking statements often address the Guarantor's expected future business and financial performance, and often contain words such as "expect", "anticipate", "intend", "may", "plan", "believe", "seek" or "will". Forward-looking statements by their nature address matters that are, to different degrees, uncertain. For the Guarantor, particular uncertainties that could adversely affect its future results include:

- the Guarantor's ability to realise the benefits it expects from its existing operations;
- changes in the competitive environment in which the Guarantor operates;
- the Guarantor's ability to maintain sufficient cash flow to fund its existing and future operations and its payment obligations under financing agreements;
- the Guarantor's exposure to natural disasters and risks resulting from potentially catastrophic events such as armed conflicts or other events disrupting business in its customers' facilities;
- failure to comply with regulations such as environmental or safety standards applicable to the Guarantor's business; and
- changes in political, social, legal or economic conditions in the markets in the UAE or the GCC generally.

Although the Guarantor believes that the expectations, estimates and projections reflected in the Guarantor's forward-looking statements are reasonable, if one or more of the risks or uncertainties materialise including those which the Guarantor has identified in this Prospectus, or if any of the Guarantor's underlying assumptions prove to be incomplete or inaccurate, the Guarantor's actual future results may be materially different than those expressed in its forward-looking statements.

The forward-looking statements in this Prospectus speak only as of the date of this Prospectus.

Additional factors that could cause actual results, performance or achievements to differ materially include, but are not limited to, those discussed under "*Risk Factors*". Without prejudice to any requirements under applicable laws and regulations, each of the Issuer and the Guarantor expressly disclaims any obligation or undertaking to disseminate after the date of this Prospectus any updates or revisions to any forward-looking statements contained herein to reflect any change in expectations thereof or any change in events, conditions or circumstances on which any forward-looking statement is based.

Presentation of Financial and Other Information

Financial Statements

The financial information relating to the Guarantor and its consolidated subsidiaries taken as a whole (the "**Group**" or "**Damac**") and the Combined Group (as defined below) 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 2013 is derived from the audited consolidated financial statements of the Group as of and for the financial year ended 31 December 2013 (the "**2013 Financial Statements**");

(ii) the financial information relating to the Combined Group as of and for the year ended 31 December 2012 is derived from the audited special purpose combined financial statements of the Combined Group as of and for the year ended 31 December 2012 (the "**2012 Financial Statements**"); and

(iii) the financial information relating to the Combined Group as of and for the year ended 31 December 2011 is derived from the 2012 Financial Statements.

The 2013 Financial Statements and the 2012 Financial Statements are, together, the "**Annual Financial Statements**". The 2013 Financial Statements have been prepared in accordance with International Financial Reporting Standards ("**IFRS**") as issued by the International Accounting Standards Board (the "**IASB**"). The 2012 Financial Statements have been prepared in accordance with the basis of preparation as disclosed in Note 3 to the 2012 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.

In addition, each of the following entities within the Group prepared separate sets of financial statements for the year ended 31 December 2012, on which separate auditors' reports were issued under the relevant accounting standards, laws and regulations: (i) Damac Heritage Properties Co LLC (Abu Dhabi); (ii) Damac Luxury Real Estate Properties Co LLC (Abu Dhabi); (iii) Ocean Pearl Real Estate Co LLC (Abu Dhabi); (iv) Damac Properties Bahrain Co WLL (Bahrain); (v) Damac Properties Development Co LLC (Dubai); (vi) Al Imaratieh Properties LLC (Jordan); (vii) Damac Investment and Properties LLC (Jordan); (viii) Damac Properties Lebanon SAL (Lebanon); and (ix) Damac Properties Company Limited (Saudi Arabia). Except for Damac Properties Development Co LLC (Dubai) (which had its audit opinion issued by Deloitte), these entities had their audit opinions issued by audit firms other than Deloitte.

Consolidated and Combined Group

On 31 October 2013, the Guarantor was incorporated as a new holding company for the Group. 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 Sajwani. The operational subsidiaries ultimately controlled by the Executive Chairman and Chief Executive Officer prior to the transfer date were the group of entities combined as at 31 December 2012 and, except for Majara Investment Limited ("**Majara**"), were the same as the group of operational entities controlled by the Guarantor after the transfer date. On 30 June 2013, the Executive Chairman and Chief Executive Officer settled US$40.1 million of amounts payable to the Group through the transfer of Majara. 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.

The accounting treatment applied at the transfer date was as follows:

(i) the assets and liabilities of the Combined Group were recognised and measured in the 2013 Financial Statements at the pre-combination carrying amounts, without restatement to fair value;

(ii) the retained earnings and other equity balances of the Combined Group immediately before the business combination, and the results for the period from 1 January 2013 to the date of the business combination, were those of the Combined Group as the Guarantor did not trade prior to the business combination; and

(iii) comparative numbers presented in the 2013 Financial Statements were those of the Combined Group for the year ended and as at 31 December 2012.

Consequently, the comparative information for the year ended as at 31 December 2012 presented in the 2012 Financial Statements were the results and financial position of DAMAC Properties Development Co. LLC, Damac General Trading LLC, DAMAC Properties Service Co. SHJ. LLC, DAMAC Real Estate Services Co. LLC, DAMAC Hotels Management LLC, DAMAC Crescent Properties Co. LLC, DAMAC Luxury Real Estate Properties Co. LLC, DAMAC Heritage Properties Co. LLC, Malak Al Rafidayn Properties Investment, Alaam Al-Dariha General Trading Limited, Luxury Facilities Management Co. (LLC), Silver Crown Properties Co. (LLC), Ocean Pearl Real Estate Company LLC, Al Hikmah International Enterprises LLC, and Excel Operations Company Limited (together the "**Combined Group**") as the group restructuring was only effected on 3 December 2013.

Presentation of Other Information

In this document, references to:

- "**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. 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:

- "**2010**" are to the 12 months ended 31 December 2010;
- "**2011**" are to the 12 months ended 31 December 2011;
- "**2012**" are to the 12 months ended 31 December 2012;
- "**2013**" are to the 12 months ended 31 December 2013; and
- "**billion**" are to a thousand million.

Certain Publicly Available Information

The statistical information in the sections entitled "*Overview of the United Arab Emirates*" and "*Regulatory Information*" has been extracted from information provided by or obtained from: the International Monetary Fund (the "**IMF**"), the Dubai Statistics Centre, the Organisation of Petroleum Exporting Countries ("**OPEC**"), the UAE Ministry of Economy, the UAE Central Bank, the Dubai Department of Economic Development (the "**DED**"), the Real Estate Regulatory Agency ("**RERA**"), Jones Lang LaSalle and Knight Frank and, in each case, the relevant source of such information is specified where it appears under those headings. None of the Joint Lead Managers, the Trustee or the Guarantor accepts responsibility for the factual correctness of any such statistics or information but both the Trustee and the Guarantor confirm that all such third party information has been accurately reproduced and, so far as the Trustee and the Guarantor are aware and have been able to ascertain from that published information, no facts have been omitted which would render the reproduced information inaccurate or misleading.

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 may be made 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 Offers of Securities Regulations 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 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 offer 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 securities 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 securities, whether directly or indirectly, to persons in the Kingdom of Bahrain, other than to accredited investors for an offer outside 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 securities 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 securities 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

The Certificates have not been and will not be offered, sold or delivered at any time, directly or indirectly, in the State of Qatar in a manner that would constitute a public offering. This Prospectus has not been and will not be reviewed or approved by, or registered with, the Qatar Financial Markets Authority, the Qatar Financial Centre Regulatory Authority, the Qatar Exchange or the Qatar Central Bank.

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(l)(b), Schedule 7 or Section 230(l)(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 Issuer or the Guarantor and assumes no responsibility for the correctness of any statements made or opinions or reports expressed in this Prospectus.

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RISK FACTORS

FACTORS WHICH ARE MATERIAL FOR THE PURPOSE OF ASSESSING THE MARKET RISKS ASSOCIATED WITH THE CERTIFICATES

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 Transaction Documents 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 Sukuk Contracts (which will be comprised of a series of Ijara 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 all of its revenue in the three financial years ended 31 December 2011, 2012 and 2013. For the year ended 2013, the Group generated 84 per cent of its revenue in Dubai, with the remaining revenue in Abu Dhabi. As at 31 December 2013, 92 per cent of the Group's completed units and 87 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 or 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.

Following a severe downturn associated with the global financial crisis that began in the latter half of 2007 and intensified in 2008 (the "**Global Financial Crisis**"), the Dubai residential property market has since 2012 been experiencing a strong recovery. 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 Transfer Fee has recently been increased to four per cent which 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 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 large portion of the Group's customers 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. In addition, any perceived or actual oversupply of rental space in Dubai or a decrease in demand for such rental space, for either commercial or residential properties, may cause rental rates to decline. 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) 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 fast-growing emerging markets. 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 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 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 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.

Damac'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 completion of the relevant project. Accordingly, any delay in the completion 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. In addition, pursuant to the Law No.8 of 2007 concerning guarantee accounts of real estate developments of Dubai (the "**Escrow Law**"), funds that the Group receives for a particular project can only be released from the escrow account established for that project when certain conditions have been met and accordingly any delay in a project would result in a delay in the Group's ability to process funds paid to the Group. 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 operates in a competitive market which may become more competitive in the future.

The property market in Dubai is competitive despite increasingly stricter regulation of the real estate sector creating barriers to entry to the market. The Group's competitors include a number of "master developers" (entities wholly or partially owned by the government that are responsible for developing previously undeveloped land in Dubai) who hold a significant market share. These government-linked master developers acquire or are allocated land from or by the Government of Dubai for development or resale. These direct government links, coupled with the zoning authority vested in master developers by the Government of Dubai, means that, compared to the Group, such master developers 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 believes that the number of participants in the Dubai market is likely to increase and that competition is likely to intensify. Increased competition in the Dubai market may lead to a decline in the sale prices of the Group's properties or an increase in development costs. Increased competition for purchasers, land, contractors, sub-contractors and consultants may restrict the Group's ability to launch additional projects. Increased competition for land to develop and for the services of quality contractors and sub-contractors may require the Group to acquire land which is less attractive to the Group or accept terms for the purchase of land or provision of services that are less favourable than are currently available, which could result in increased development costs and lower profit margins to the Group, thereby having a potential material adverse effect on the Group's business, financial condition, results of operations and prospects.

Existing and potential competitors in the property development market have established, and may establish in the future, co-operative relationships among themselves to enable them to address customer preferences better. Accordingly, new competitors, or alliances among existing competitors, may emerge or develop and rapidly acquire significant market share. The Group's competitors may lower their prices on units comparable to units sold by the Group, which may place downward pressure on the prices of the Group's units. The Group's competitors may also be able to adapt more quickly than the Group can to changes in customer demands and may be able to devote greater resources to their projects. Consequently, the Group's market position will depend on its ability to anticipate and respond to various competitive factors affecting the industry, including, but not limited to: (i) new competitors; (ii) competitive pricing strategies; (iii) changes in consumer demographics and preferences; and (iv) economic, political and social conditions in the region. Any failure by the Group to compete effectively could result in a loss of market share and could have a material adverse effect on the Group's business, financial condition, results of operations and prospects.

The construction of new developments involves health and safety risks.

A significant health and safety incidents 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 is 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 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.

Real estate valuation is inherently subjective and uncertain and based on assumptions which may prove to be inaccurate or affected by factors outside of Damac'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, significantly impact the determination of the fair value of Damac'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. 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 Damac's control and may adversely impact projects after their most recent valuation date. The valuations of the Group's properties included in this document 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 it 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 related 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 conditions, 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 Sajwani, who founded the Damac group of companies and has remained an integral part of the business over the past 11 years. Damac 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 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 document, the Guarantor's Executive Chairman and Chief Executive Officer, Hussain Sajwani, has provided personal guarantees in relation to certain of the Group's existing bank facilities as 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 bank facilities or renewing or extending any existing bank facilities. Although the Group believes that it will, as a listed company, be able to secure attractive bank financing in the absence of such personal guarantees, Damac cannot assure investors that the Group will be able to secure bank financing on terms that are as favourable as those previously obtained. To the extent the Group is unable to obtain adequate bank financing on terms that are acceptable to it, it may, from time to time, wish to continue to benefit from such personal guarantees.

Damac'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.

Damac's principal business of developing and constructing luxury residential, mixed-use, and commercial properties requires a significant amount of capital expenditure at the start of the construction process and Damac 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 local bank approved by 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 on which the units sold in the development are registered in purchasers' names, the remainder of the escrow funds are released to the developer only upon completion of the project.

If, due to a worsening economic outlook, falling property prices or otherwise, there were a drop in the levels of pre-sales, the Group may be forced to postpone or cancel projects.

Furthermore, should Damac 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.

Should the Group suffer a decline in its level of pre-sales or experience a significant number of cancellations by its customers and be unable to locate additional funds through sales of property assets from its land bank, it may be required to forgo other property development opportunities. 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 3,188 units completed in the period from beginning its first residential project in 2002 to the end of 2010, and with an additional 6,130 units completed between the end of 2010 and the end of 2013 and 23,340 more units scheduled to be completed by the end of 2017. The Group's revenue grew from US$ 692.0 million for the year ended 31 December 2012 to US$ 1,224.3 million for the year ended 31 December 2013.

A principal component of Damac's strategy is to continue to grow the Group's business, including through geographic expansion and diversification of the Group's product range. The Group is currently expanding its product portfolio to include a limited number of projects that incorporate an element of ongoing add-on services or management fees into the model. These include the operation of serviced branded apartments; the development and operation of Akoya by Damac and Akoya Park (together, "**Akoya**"), the first project for which Damac is acting as a master developer of lifestyle communities; and the provision of facility management and of owners' association services as required by UAE law for all buildings with multiple occupancy. With the exception of facility management services, almost all of these ancillary business activities have only recently begun to generate revenue for the Group.

Akoya is Damac's first project as master developer and represents approximately a third of Damac's pipeline, by number of units, as at 31 December 2013. The development offers premium branded mansions, villas, townhouses and apartments which have a higher percentage of saleable area to built-up area, increasing profit margins, and can be constructed with greater flexibility to adapt to customer demand than traditional high-rise apartment buildings. In addition, Damac has 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 Damac in collaboration with Paramount Hotel & Resorts, the project offers an ambience and reflection of Hollywood glamour and of a "California cool lifestyle" synonymous with Paramount Pictures over the past 110 years (see "*Description of the Group–Damac's Projects and Pipeline–Projects in progress*").

There can be no guarantee that Damac will find purchasers for its Akoya or Paramount units and other properties on terms and conditions that are satisfactory to it. In addition, Damac's customers of Akoya and Paramount units may be adversely affected by a range of factors which may therefore adversely affect the financial performance of the properties serviced by Damac and the cash flows generated by them.

Expansion into new products and services will subject the Group to various risks and challenges, including those relating to: (i) its lack of experience operating serviced branded apartments; (ii) developing community developments, and providing ongoing owners' association services; (iii) potential inability to meet customers' preferences and demands; (iv) potential difficulties in staffing and managing new operations; and (v) a potential lack of brand recognition and reputation. In particular, the development of community projects such as Akoya and the operation of concierge-type support for serviced apartments represent a considerable divergence from the Group's traditional business model. Any lack of customer satisfaction with the ambience of the community development once completed, 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 community projects 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 and the Trump Organization. The Group may enter into additional branding arrangements in the future. Any breakdown in the relationships between the Group and these entities, or any failure of these branded products to achieve the level of customer acceptance that Damac currently expects, 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 Akoya project as planned, customers who have acquired villas in the community project may not be able to enjoy the additional amenities (such as schools, spas and the golf course) or the overall environment. This, 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 Damac 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 subcontractors 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 subcontractors. 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; 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, 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. Damac's international projects, especially (but not limited to) those located in fast-growing cities (such as Riyadh) or in more underdeveloped countries (such as Iraq), 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 Damac's relationships with third party utility and road infrastructure providers, such as the 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 effect 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 Damac's business, financial condition, results of operations and prospects.

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 majority of the Group's business activity is based in Dubai, it intends to expand its business geographically to other parts of the Middle East and potentially beyond. Its pipeline of projects currently under development and land from its land bank that is scheduled for development are located in Saudi Arabia, Bahrain, Lebanon, Iraq, Jordan, the Maldives and Qatar. Of its pipeline of 42 projects in progress or projects scheduled for development, 12 are located outside Dubai.

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 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 master developers in Dubai. The costs involved in entering new markets and expanding operations may be higher than expected, and Group may face significant competition.

With its expansion into new markets, the Group could be subject to additional risks associated with establishing and conducting operations outside the UAE and the Middle East, 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 Iraq and 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 a material adverse effect on the Group's business, financial condition, results of operations and prospects.

The Group is dependent on the Damac brand and any damage to the brand caused by it or an infringement by a third party could materially adversely affect the Group.

The Group has operated under the Damac brand since its inception and the Group's strong brand has contributed significantly to the success of its business, including allowing it to realise higher prices on the Group's developments compared to those of its competitors. Any failure to meet the preferences and expectations of the Group's customers or to provide them with positive experiences, including due to circumstances beyond its control, could harm the Group's reputation and brand, as well as its ability to attract new customers and retain existing ones and its ability to realise expected prices on sales of the Group's units, any of which could have a material adverse effect on the Group's business, financial condition, results of operations and prospects. In addition, the Group has invested, and expects to continue to invest, significant amounts in developing and strengthening the Damac brand through the Group's marketing activities, through the engagement of external consultants and launching of new campaigns.

No assurance can be given that third parties will not infringe or seek to infringe the Damac brand. 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 Damac's brand and reputation. In addition, any actual or threatened legal actions could also damage the value of the Damac brand and the Group's reputation, which could have a material 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 master developers who acquire or are granted the same from the Government of Dubai for their own development or for resale. In either case, master developers are generally responsible for ensuring the provision of relevant infrastructure, including transport links and utilities. Sales of land acquired by government-linked master developers are at times effected through private transactions between the government-linked master developer and the relevant property developer, such as Damac, or through a public tender process. The Group may also acquire land directly from the Government of Dubai. 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 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 the UAE and the wider Middle East region or in other markets. Damac 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 outside of Dubai. The number of attractive expansion opportunities may be limited and may command high prices. In addition, Damac may be unable to enter into strategic partnerships with other governments and local companies outside Dubai 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 countries 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.

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 depends, in part, on the Group's ability to attract and retain experienced and/or qualified personnel. 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. In common with other construction companies in the UAE, the Group's contractors have traditionally recruited skilled and unskilled labour from countries such as India, Pakistan, Sri Lanka and the Philippines. 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 an environmental liability arises 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 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 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.

In addition, the presence of hazardous or toxic substances on or in a property may prevent, delay or restrict the development of such property, thereby negatively affecting the potential returns achievable on such property. Furthermore, the Group may become involved in claims or legal proceedings relating to environmental matters. 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 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 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 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 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 suffer 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.

Risks related to Dubai, the UAE and the Middle East region

The Group controls certain of its operating subsidiaries primarily through articles of association, supported by a trust ownership structure which complies with current UAE foreign ownership restrictions but which may be subject to challenge in the future.

UAE Federal Law No. 8 of 1984 (as amended) (the "**UAE Companies Law**") provides that every company incorporated in the UAE (other than companies incorporated in a free zone such as the DIFC) must have one or more shareholders who are UAE nationals (or entities wholly-owned by UAE nationals) who own not less than 51 per cent of that company's registered share capital. As a result, a foreign person or entity cannot own more than 49 per cent of the shares of a company incorporated under the UAE Companies Law (the Foreign Ownership Restriction).

The majority of Damac's revenues in 2011, 2012 and 2013 were attributable to its operations in the UAE, which are conducted through its four main operating subsidiaries. As the Guarantor is incorporated in the DIFC, it is considered to be a non-UAE company for the purposes of UAE Companies Law.

The Guarantor has operating control of two of its principal operating companies, which hold the Group's assets in Dubai, Abu Dhabi and Lebanon:

(a) Damac General Trading LLC; and

(b) Damac Properties Development Co. LLC,

(together, the "**UAE Holding Companies**").

The Guarantor also has operating control of two additional UAE holding companies which hold the Group's assets in Saudi Arabia, Damac Saudi LLC1 and Damac Saudi LLC2 (the "**Saudi Holding Companies**" and which, together with the UAE Holding Companies, are described as the "**Principal UAE Companies**").

The Guarantor has secured operating control of the Principal UAE Companies through:

(i) direct ownership rights entrenched in the constitutional documents (the "**Articles of Association**") of each of these companies which confer various protections relating to profit distribution, management rights, shareholder voting rights, distributions on liquidation and restrictions on share transfer;

(ii) certain contractual management rights;

(iii) a nominee arrangement; and

(iv) a DIFC trust structure (the "**DIFC Trust**"),

which, together, are designed to ensure compliance with the Foreign Ownership Restriction and the UAE Federal Law No. 17 of 2004 regarding Commercial Concealment (the "**Concealment Law**").

Similar structures adopted in the UAE have not been judicially tested or proven. It is possible that this structure could be subject to challenge by relevant authorities within the UAE or that there may be other unforeseen consequences of this structure. Foreign-owned companies formed in the UAE commonly employ corporate structures similar to that implemented by Damac and, based on the advice of its legal advisers, Damac is not aware of any UAE authorities having unilaterally investigated or taken action against a company that has implemented such arrangements (either through nominees or through a DIFC trust structure). However, should any challenge to the structure be raised, there is no certainty as to the approach that the UAE courts would take in relation to the application of UAE law, including the Concealment Law, and public policy and there is a risk that, construed as a whole, these arrangements could be considered contrary to UAE law and to violate public policy in the UAE.

The Concealment Law prohibits putting in place fronting arrangements to enable a non-UAE national or entity to undertake economic or professional activities which such national is not otherwise permitted to carry out within the UAE. Although the Concealment Law is in force, further regulations required to implement it have yet to be issued and accordingly its scope of application is uncertain. Damac understands that the current approach of UAE governmental authorities is not to enforce or apply the provisions of the Concealment Law, and is not aware of the Concealment Law having been invoked to date. Nonetheless, there can be no guarantee or assurance that the Concealment Law, if enforced, would not be applied to challenge the Group's trust structure. Furthermore, there is no certainty as to the approach that the Dubai courts would take in relation to the application of the Concealment Law if a challenge were brought in relation to the Group's structure. In addition to the risk of change of law or regulation, there are risks relating to changes in interpretation of existing laws and regulations by the authorities; however, based on advice from its legal advisers, the Group is not aware of any proposed changes in the law nor does it consider it likely that the UAE authorities will alter their current application and interpretation of existing laws and regulations. Based on the advice from its legal advisers, the Group believes that broad application by governmental authorities of the Concealment Law is unlikely, and that if such an approach were to be taken, it would more than likely have a material adverse effect on the UAE economy as a whole. However, as the Concealment Law exists, the UAE Federal Government is able to enforce the Concealment Law at any time. If the trust structure were to be challenged by a government authority or disapplied by a UAE court or the laws relating to the ownership of assets in the UAE or the interpretation of such laws were to change, Damac may be found to be in breach of the Foreign Ownership Restriction.

If Damac were to be found to be in breach of the Foreign Ownership Restriction, the Group could be subject to sanctions from UAE authorities or be required to restructure itself to comply with the Foreign Ownership Restriction. If Damac were not able to mitigate the effect on the Group, this could have a material adverse effect on the Group's business, financial condition, results of operations and prospects. In particular, this could result in the trust and option deed entered into by Maksab Holding Ltd, a company incorporated in the British Virgin Islands and 100 per cent directly owned by the Guarantor ("**BVICo**") and Damac TR Holding Ltd, a DIFC trust company that is 100 per cent owned by a trust nominee ("**TrustCo**") to implement the DIFC Trust (the "**Trust and Option Deed**") being held void on the basis that it is contrary to DIFC public policy, with the result that Damac could lose some of its contractual ability to control the identity of the UAE national that will hold the required 51 per cent of the shares to satisfy the Foreign Ownership Restriction (the "**UAE National Shareholder**") and its other shareholders. If the shareholding in any of the Principal UAE Companies were required to be restructured pursuant to an order of a governmental authority or a court order, this could result in the UAE National Shareholder taking an indirect shareholding of 51 per cent in each UAE Holding Company and a 99 per cent shareholding in each of the Saudi Holding Companies, although 99 per cent of the shares in the UAE National Shareholder (which also holds the Group's assets in Qatar directly) would continue to be held on behalf of the Group pursuant to a nominee arrangement with a UAE financial institution, Abu Dhabi Islamic Bank ("**ADIB**"). However, the Group believes that only a small number of persons could have legal standing to challenge the Group's structure in this way; it would most likely be limited to the relevant authorities (if they believe there has been a breach of the Concealment Law) or that the structure as a whole is designed to circumvent the provisions of the UAE Companies Law. The Group believes that this risk is remote, especially as the competent authorities in Dubai have given specific permission for Damac FC Holding Ltd, a DIFC holding company that is 100 per cent owned by TrustCo, to hold the shares in each of the Principal UAE Companies. In the event that the DIFC Trust were challenged in the DIFC Courts, there is a risk that it could be deemed to be contrary to the public policy of the DIFC. At present, there is no judicial precedent in this regard, and the Group considers it unlikely that the DIFC courts would seek to opine on matters which are properly within the jurisdiction of the Dubai courts. Accordingly, the Group believes that the DIFC courts would enforce the Trust and Option Deed in accordance with its terms. However, there can be no assurance that this will be the case. If the trust structure were successfully challenged and these risks crystallised, the consequences could have a material adverse effect on the Group's business, financial condition, results of operations and prospects.

If the DIFC Trust were successfully challenged, the Group would need to implement an alternative ownership structure to ensure that it enjoys the full benefit of its investment. If the Group were unable to implement such an alternative ownership or operating structure which replicates the benefits enjoyed by the Group under its current structure, or if the Group is subject to material fines for breaches of UAE law, it could have a material adverse effect upon the Group's business, financial condition, results of operations and prospects. In the event that the Group is required to implement an alternative ownership structure, it may need to find another UAE or GCC national to hold the requisite shares. There can be no assurance that the Group would be able to find a viable alternative, which could result in a material adverse effect on the Group's business, financial condition, results of operations and trading price of the Certificates. This could also have a material adverse effect on the Group's ability to continue to hold its indirect interest in and/or maintain control over its UAE operations. However, the Group believes that the protections it has secured in the constitutional documents of the Principal UAE Companies significantly reduce the risks associated with the structure, even in the event that the trust structure is successfully challenged. In particular, the Group has secured full management control (the wide ambit of which is set out in a power of attorney), a profit split of 80:20 in favour of the Group and a requirement for 100 per cent shareholder approval in respect of matters reserved for shareholders approval under the UAE Companies Law.

The various elements of the corporate structure used by the Group, along with other structures having a similar effect are commonly used in the UAE in circumstances where a foreign shareholder wishes to continue to retain a substantial portion of the economic returns of a UAE limited liability company (a "**UAE LLC**") and to exercise control over its direction. Other structures commonly used in the UAE are based on pure nominee arrangements, loans between shareholders in a UAE LLC for capital contribution and, to a lesser degree, Islamic financing arrangements (e.g. mudaraba). Based on legal advice from the Group's legal advisers, Damac believes that the trust structure coupled with nominee arrangements offers significantly more protection for foreign investors than these structures. Furthermore, the trust structure has been used by other entities in the UAE and is not unique or exclusive to the Group. Given that arrangements which permit foreign investors to enjoy benefits similar to those provided by the Group's structure are commonly used in the UAE, the Group believes that any successful challenge to the Group's structure which did not allow the Group to restructure its arrangements in such a way as to replicate the economic benefits and control mechanisms given by the Group's current structure, would have a material adverse effect on the UAE economy as a whole. In the Group's view any such decision would be inconsistent with the historic economic policy of the UAE Federal Government and the Government of Dubai.

In addition, the DED has wide discretion in relation to the Group's operating licences in Dubai and a successful challenge or enforcement action against the DIFC Trust might lead the DED to exercise its discretion to suspend the Group's Dubai operating licences (which would require it to suspend its operations). If this risk were to materialise, it could have a material adverse effect on the Group's business, financial condition, results of operations and prospects. If a challenge to the ownership structure were to be made public, this could have an adverse effect on the trading price of the Certificates, even if that challenge were unsuccessful or the results of that challenge remain outstanding.

Furthermore, if any of the management agreements entered into between BVICo as company manager and the relevant Principal UAE Company were to be deemed void as a result of any challenge to the structure, the Group may be unable to benefit from the revenue stream generated by those agreements, though management control would still be secured through the relevant constitutional documents of the Principal UAE Companies.

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 Iraq, 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, cash flows and prospects.

The UAE may introduce VAT.

Although the UAE does not currently impose value added tax ("**VAT**") on the sale of goods or services, there is a risk that this may change. In the period preceding the Global Financial Crisis, the Director General of Dubai Customs announced that his department had been investigating the possibility of introducing a VAT system across the UAE and that draft VAT laws had been submitted to the federal authorities. Although the Director General has stated that UAE customs duties would be cancelled upon the introduction of any new VAT system, the federal authorities have not yet provided full details of any proposed VAT system or confirmed a possible date of introduction. Any introduction of VAT may increase the pricing of the Group's property assets and services provided by the Group, making Damac's Dubai properties less attractive within the global property market. Furthermore, the 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 related to the Group's industry–The continued success of the Group's businesses 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 a 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 Damac's business, financial condition, results of operations and prospects.

The UAE may introduce corporation tax.

Damac 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 Damac's business, results of operations, cash flows and financial condition. 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 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, such as Iraq, in which the Group does business do not have firmly established legal and regulatory systems and have experienced economic, social or political instability. In addition, a 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 they are in compliance with all applicable anti-money laundering and anti-bribery rules at all times or that their anti-money laundering or anti-bribery policies are being effectively applied by their 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, results of operations and financial condition.

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, 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 of 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. The unrest in Iraq, the political events commonly and collectively referred to as the Arab Spring, the ongoing conflict in Syria, the Israeli-Palestinian conflict and other recent incidents of war, rebellion or revolution in various Middle East countries could have a prolonged negative effect on the economies of the respective affected countries and the region in general.

Since late 2010, there have been significant civil disturbances and political turmoil affecting several countries in the Middle East, which are referred to as part of the Arab Spring. These events have led to the collapse of the political regimes of Egypt, Tunisia and Libya. Syria is currently engaged in an extended civil war and there have on occasion been protests in other countries in the Middle East, including strikes, demonstrations, marches and rallies. In addition, since late 2011, tensions between western nations and Iran in respect of Iran's nuclear programme have escalated, with Iran threatening to block the Strait of Hormuz and western nations implementing more severe economic sanctions against Iran.

Such continuing instability and unrest in the Middle East and the wider 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 Damac 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 Middle East 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, restrictions on foreign ownership, 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 regional economy is dependent on the price of oil, which has been volatile.

The UAE economy as a whole, and the economies of other countries in the Middle East, 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 Middle East, 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; 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 2013, approximately 35 per cent of the Group's customers 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 Damac primarily operates is characterised by a lack of transparency in the real estate market.

According to the 2012 Global Real Estate Transparency Index published by Jones Lang LaSalle in June 2012, many of the real estate markets in which Damac operates are categorised as semi-transparent (Dubai, Abu Dhabi and Saudi Arabia), low-transparent (Qatar) or opaque (Iraq). In addition, other markets in which Damac 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 or 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 regulation 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 and unpredictably, 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 has recently been increased to four per cent which may result in a decrease in demand for properties in Dubai. 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 conditions, 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 US Dollar. The AED has been "pegged" at a fixed exchange rate to the US Dollar since 22 November 1997. The relative weakness of the US 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 US Dollar. Accordingly, the Group's ability to sell properties to customers purchasing in currencies other than the AED or another currency pegged to the US Dollar may be materially adversely affected if the US 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 Damac, would be materially 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

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 (other than pursuant to the Upstream Undertakings (as defined below under "*–Any termination or material change to certain intra-Group arrangements may result in a downgrade to the rating of the Certificates*")) to make funds available to the Guarantor for those payments. Generally, subject to the Upstream Undertakings, 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, save where the Upstream Undertakings apply. Save where the Upstream Undertakings apply, 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. As such, save where the Upstream Undertakings apply, the Guarantee will be structurally subordinated to the claims of creditors (including lenders and trade creditors) of the Guarantor's subsidiaries.

Any termination or material change to certain intra-Group arrangements may result in a downgrade to the rating of the Certificates

Certificateholders should note that certain of the Guarantor's subsidiaries (the "**Participating Subsidiaries**") have agreed with the Guarantor (and no other party) to make funds available to the Guarantor in order to enable the Guarantor to make timely payment of all amounts due by it under the Transaction Documents if the Guarantor is for any reason unable to do so (the "**Upstream Undertakings**"). It is anticipated that the Participating Subsidiaries will at all times consist of subsidiaries of the Guarantor which have incurred liabilities in the form of trade and other payables representing at least 75 per cent of the Group's trade and other payables as accounted for in the audited consolidated financial statements of the Group. The Guarantor has been advised by its legal counsel that, in the event of bankruptcy or insolvency proceedings in respect of any of the Participating Subsidiaries, the obligations of the relevant Participating Subsidiaries to the Guarantor under the Upstream Undertakings will rank *pari passu* with the obligations of such Participating Subsidiaries to their creditors generally, including trade creditors. As this is an intra-Group arrangement and the Guarantor's subsidiaries have no obligation, contingent or otherwise, to pay amounts due under the Guarantee itself, the Certificateholders will have no direct claim on the cash flows or assets of the Guarantor's subsidiaries as a result of the arrangements relating to the Upstream Undertakings. Certificateholders should note that, although the obligations of the Participating Subsidiaries are expressed in the Upstream Undertakings as being irrevocable and the Guarantor currently intends to retain these arrangements until the Scheduled Dissolution Date, there can be no assurance that such arrangements will continue to be in place after the Issue Date in such form or at all. None of the Trustee, the Certificateholders or the Delegate will have the ability to ensure that such arrangements remain in place. Certificateholders should also note that a termination, or any material change, in respect of these arrangements after the Issue Date may result in a downgrade to the rating attributed to the Certificates at the relevant time.

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 (subject to Condition 13) 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, fails to do so within a reasonable period and such failure 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 Guarantor and the Service Agent shall be to enforce their respective obligations under the Transaction Documents to which they are a party.

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 or any other person (including the Guarantor and the Service Agent) 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) 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 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 principal amount of less than U.S.$200,000 would need to purchase a principal 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 the Irish Stock Exchange 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 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 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 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 judgements. 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

Under UAE law, the obligations of a guarantor are collateral 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. In order to enforce a guarantee in the UAE courts, the underlying debt obligation may need to be proved.

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. 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 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. 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.

Any dispute under the Conditions and the Transaction Documents may also, at the option of the Delegate, be referred to the DIFC Courts. 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.

Under Article 7 of Law No. 16 of 2011, 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.

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.

Additional Risk Factors

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 depositary 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 *Shari'a* Supervisory Board of Citi Islamic Investment Bank E.C. and Dr. Hussein Hamid Hassan, the *Shari'a* advisor of Deutsche Bank AG, have confirmed that the Transaction Documents are, in their 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 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.

In addition, prospective 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 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 rather than *Shari'a* principles 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

Foreign Account Tax Compliance Act withholding may affect payments on the Certificates

Sections 1471 to 1474 of the U.S. Internal Revenue Code of 1986 ("**FATCA**") impose a new reporting regime and, potentially, a 30 per cent. withholding tax with respect to: (a) certain payments from sources within the United States; (b) "foreign passthru payments" made to certain non-U.S. financial institutions that do not comply with this new reporting regime; and (c) payments to certain investors that do not provide identification information with respect to interests issued by a participating non-U.S. financial institution. Whilst the Certificates are in global form and held within Euroclear and Clearstream, Luxembourg, in all but the most remote circumstances, it is not expected that FATCA will affect the amount of any payment received by Euroclear and Clearstream, Luxembourg. However, FATCA may affect payments made to custodians or intermediaries in the subsequent payment chain leading to the ultimate investor if any such custodian or intermediary generally is unable to receive payments free of FATCA withholding. It also may affect payment to any ultimate investor that is a financial institution that is not entitled to receive payments free of withholding under FATCA, or an ultimate investor that fails to provide its broker (or other custodian or intermediary from which it receives payment) with any information, forms, other documentation or consents that may be necessary for the payments to be made free of FATCA withholding. Investors should choose the custodians or intermediaries with care (to ensure each is compliant with FATCA or other laws or agreements related to FATCA) and provide each custodian or intermediary with any information, forms, other documentation or consents that may be necessary for such custodian or intermediary to make a payment free of FATCA withholding. Investors should consult their own tax adviser to obtain a more detailed explanation of FATCA and how FATCA may affect them. The Issuer's obligations under the Certificates are discharged once it has paid a common depositary for Euroclear and Clearstream, Luxembourg, and the Issuer has therefore no responsibility for any amount thereafter transmitted through Euroclear and Clearstream, Luxembourg and custodians or intermediaries. Prospective investors should refer to the section "*Taxation–Foreign Account Tax Compliance Act*".

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.

EU Savings Directive

Under EC Council Directive 2003/48/EC (the "**Directive**") on the taxation of savings income, Member States are required to provide to the tax authorities of another Member State details of certain payments paid by a person within its jurisdiction to an individual resident in that other Member State or to certain types of entities established in that other Member State. However, for a transitional period, Luxembourg and Austria are instead required (unless during that period they elect otherwise) to operate a withholding system in relation to such payments (the ending of such transitional period being dependent upon the conclusion of certain other agreements relating to information exchange with certain other countries). The Luxembourg government has announced its intention to elect out of the withholding system in favour of an automatic exchange of information with effect from 1 January 2015. A number of non-EU countries and territories have adopted similar measures to the Directive.

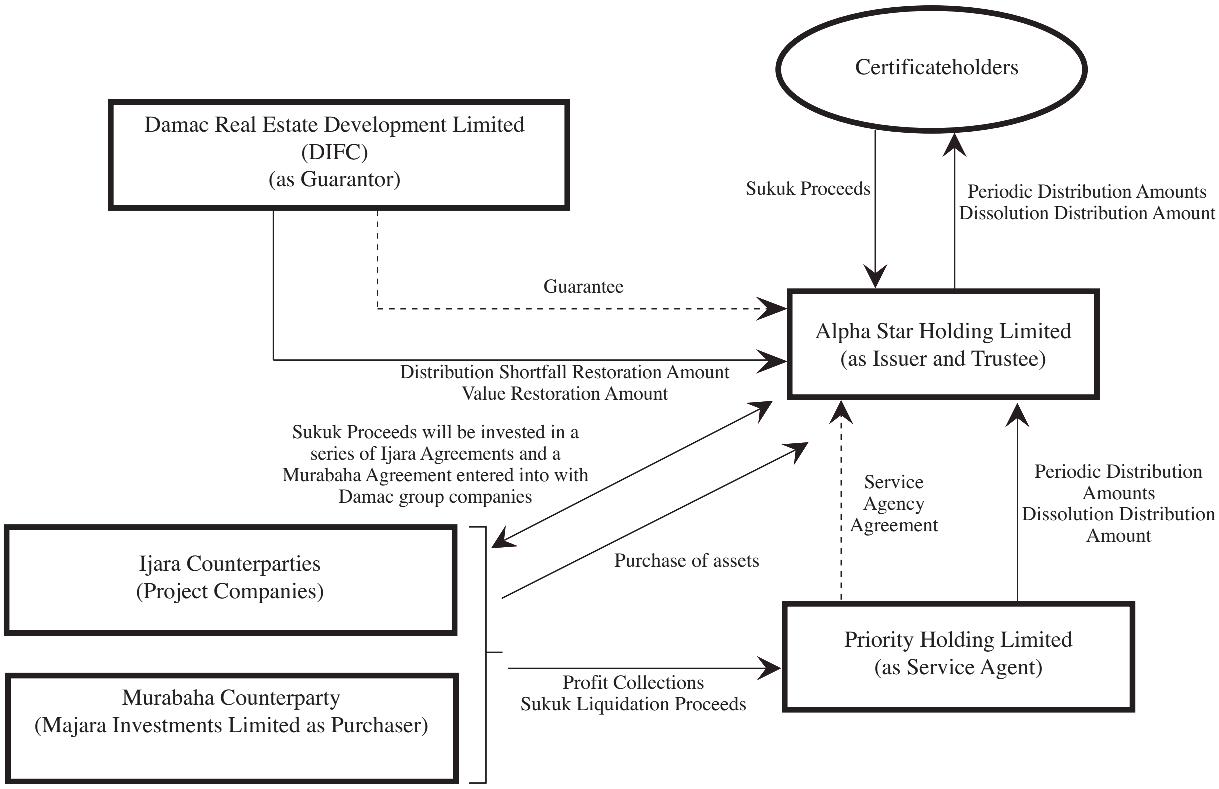
The European Commission has proposed certain amendments to the Directive which may, if implemented, amend or broaden the scope of the requirements described above.

If a payment were to be made or collected through a Member State which has opted for a withholding system and an amount of, or in respect of, tax were to be withheld from that payment, neither the Trustee nor any Paying Agent nor any other person would be obliged to pay additional amounts with respect to the Certificates as a result of the imposition of such withholding tax. The Trustee is required to maintain a Paying Agent in a Member State that is not obliged to withhold or deduct tax pursuant to the Directive.

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) a series of ijara agreements (the "**Ijara 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 entered into from time to time by the Trustee (acting through the Service Agent) and such subsidiaries; and

(b) 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, together with any replacement Murabaha Agreement entered into from time to time by the Trustee (acting through the Service Agent) and Majara Investment Limited,

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 (as defined below). 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 (as defined in the Conditions) 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 face amount of the Certificates must be invested in Ijara Agreements 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 purchase price, comprising the cost price and a mark up (profit). The profit element of the deferred purchase price will be paid by the purchaser at regular intervals coinciding with the Periodic Distribution Dates, with the remainder of the deferred purchase 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 and the Dissolution Distribution Amount (in each case, as defined in the Conditions) 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. Any Change of Control Dissolution Distribution Amount (as defined in the Conditions) 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 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 principal; (ii) an additional rental amount corresponding to profit; and (iii) 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 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 (as defined below); 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 purchase 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 of the Trustee (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 fixed rental (principal) from the Ijara Agreements and the cost price (principal) from the Murabaha Agreement; (ii) relevant insurance or 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 relevant Dissolution Date.

The Trust may be dissolved prior to the Scheduled Dissolution Date for any of the following reasons: (i) redemption following a Dissolution Event, (ii) an early redemption for tax reasons, (iii) at the option of the Certificateholders following a Change of Control Event (as defined in the Conditions), and (iv) 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.

In the case of (i), (ii) and (iv) 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 (iii) 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 and the Ijara Agreements (including pursuant to 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 paying 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.

Certificates	U.S.$650,000,000 trust certificates due 2019.
Trustee	Alpha Star Holding Limited, an exempted company with limited liability incorporated on 24 January 2012 under the laws of the Cayman Islands with registered number 265795 with its registered office at Maples Corporate Services Limited, PO Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands.
Ownership of the Trustee	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 one share is fully-paid and issued. The Trustee's entire issued share capital is held on trust for charitable purposes by DMS Bank & Trust Ltd. as share trustee under the terms of the Share Declaration of Trust.
Administration of the Trustee	The affairs of the Trustee are managed by Maples Corporate Services Limited (the "**Administrator**"), who has agreed to perform certain corporate functions and provide certain clerical, administrative and other services pursuant to a registered office agreement dated 1 February 2012 between the Administrator and the Trustee (the "**Registered Office Agreement**"). The Administrator's registered office is P.O Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands.
Guarantor	Damac Real Estate Development Limited, incorporated in the Dubai International Financial Centre ("**DIFC**") under DIFC Law No. 2 of 2009 (the "**DIFC Companies Law**") with registered no 1476.
Service Agent	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. The Service Agent is a wholly-owned subsidiary of the Guarantor.
Risk Factors	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 "*Risk Factors*".
Joint Global Coordinators	Barclays Bank PLC, Citigroup Global Markets Limited and Deutsche Bank AG, London Branch.
Joint Lead Managers	Abu Dhabi Islamic Bank P.J.S.C., Barclays Bank PLC, Citigroup Global Markets Limited, Deutsche Bank AG, London Branch, Dubai Islamic Bank P.J.S.C., Emirates NBD Capital Limited and National Bank of Abu Dhabi P.J.S.C.
Delegate	Deutsche Trustee Company Limited.
	Pursuant to the Declaration of Trust, the Trustee shall delegate to the Delegate certain of the present and future duties, powers, trusts, 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 obliged to) take enforcement action in the name of the Trustee against the Guarantor and/or the Service Agent following a Dissolution Event.
Principal Paying Agent	Deutsche Bank AG, London Branch.
Registrar and Transfer Agent	Deutsche Bank Luxembourg S.A.
Irish Listing Agent	The Bank of New York Mellon SA/NA, Dublin Branch.
Summary of the transaction structure and Transaction Documents	An overview of the structure of the transaction and the principal cash flows is set out under "*Structure Diagram and Cash Flows*" and a description of the principal terms of certain of the Transaction Documents is set out under "*Summary of the Principal Transaction Documents*".
Issue Date	9 April 2014
Issue Price	100 per cent.
Scheduled Dissolution Date	Unless the Certificates are previously redeemed or purchased and cancelled, the Certificates shall be redeemed by the Trustee at the Dissolution Distribution Amount on the Scheduled Dissolution Date (being 9 April 2019) and the Trust will be dissolved by the Trustee.
Dissolution Date	The Dissolution Date shall be, as the case may be: (i) the Scheduled Dissolution Date; (ii) following the occurrence of a Dissolution Event, the date on which the Certificates are redeemed in accordance with the provisions of Condition 12; (iii) following the occurrence of an early redemption for tax reasons, the date on which the Certificates are redeemed in accordance with the provisions of Condition 8; (iv) any Change of Control Put Right Date; or (v) the Clean Up Call Right Dissolution Date.
Periodic Distribution Dates	9 April and 9 October every year, commencing on 9 October 2014.
Periodic Distributions	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 and shall accrue at the rate of 4.970 per cent. per annum.
Return Accumulation Period	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.
Optional Redemption by the Trustee	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.

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 Control Put Right Date pursuant to Condition 8.

Optional Redemption by Certificateholders upon a Change of Control Event

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 Dissolution Distribution Amount, upon the occurrence of a Change of Control Event. A "**Change of Control Event**" shall occur if (i) Mr. Hussain Ali Habib Sajwani and/or his lineal descendants 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 own, directly or indirectly, more than 50 per cent. of the issued share capital of the Guarantor or otherwise cease to control, directly or indirectly, the Guarantor.

The terms of exercise are further described in Condition 8(c).

Form of Certificates

The Certificates will be issued in registered form 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 depositary 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. Definitive Certificates evidencing holdings of Certificates will be issued in exchange for interests in the Global Certificate only in limited circumstances.

Clearance and Settlement

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.

Denomination of the Certificates

The Certificates will be issued in registered form in face amounts of U.S.$200,000 and integral multiples of U.S.$l,000 in excess thereof.

Status of the Certificates

Each Certificate will represent an undivided ownership interest in the Trust Assets, will be a limited recourse obligation of the Trustee and will rank *pari passu* without any preference or priority with all other Certificates; see Condition 4.

The payment obligations of the Guarantor under the Transaction Documents to which it is a party 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.

Trust Assets

The Trust Assets comprise:

(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;

(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

(c) all moneys standing to the credit of the Transaction Account from time to time,

and all proceeds of the foregoing.

The Trustee shall hold 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 in accordance with the Declaration of Trust and the Conditions.

Dissolution Events

Subject to Condition 12, upon the occurrence of a Dissolution Event, the Trustee and/or the Delegate shall take the actions referred to in Condition 13.

Withholding Tax

Subject to Condition 9(b) and Condition 10, all payments in respect of the Certificates shall be made 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 DIFC, the United Arab Emirates or the Emirate of Dubai or any authority thereof 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 result in receipt by the Certificateholders of such amounts as would have been received 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 authority thereof 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 the Irish Stock Exchange 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.

Transaction Documents

The Declaration of Trust, the Agency Agreement, the Guarantee and the Service Agency Agreement are referred to herein as the "**Transaction Documents**".

Governing Law and Dispute Resolution

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.

The Declaration of Trust, the Agency Agreement, the Guarantee, the Service Agency Agreement, the Murabaha Agreement 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 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, the Guarantee or the Service Agency Agreement (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).

Each Sale and Purchase Agreement, Ijara Agreement and Purchase Undertaking 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.

The Registered Office Agreement is governed by the laws of the Cayman Islands and is subject to the non-exclusive jurisdiction of the courts of the Cayman Islands.

Limited Recourse

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.

Selling Restrictions

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 Dubai International Financial Centre), the Dubai International Financial Centre, the Kingdom of Saudi Arabia, the

Kingdom of Bahrain, the State of Qatar, Hong Kong, Singapore and Malaysia. See "*Subscription and Sale*" for further details.

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, as described in "*Use of Proceeds*".

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 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.$650,000,000.

The Certificates are constituted by a declaration of trust dated 9 April 2014 (the "**Issue Date**") between the Trustee, Damac Real Estate Development Limited (the "**Guarantor**") and Deutsche Trustee Company Limited 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, Deutsche Bank AG, 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 Maples Corporate Services Limited as requested 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 (ii) 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, 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) Mr. Hussain Ali Habib Sajwani and/or his lineal descendants 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 own, directly or indirectly, more than 50 per cent. of the issued share capital of the Guarantor or otherwise cease to control, directly or indirectly, the Guarantor,

and "**control**" for these purposes shall be the power to appoint and/or remove all or 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 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)) 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 Gross Indebtedness**" means, for any Measurement Period, the aggregate amount of all obligations of the Group for or in respect of Borrowings 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;

"**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);

(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 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 Condition 6(b); or

(c) **Breach of other obligations:** the Guarantor (acting in any capacity) does not perform or comply with any one or more 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, in each case save in connection with a Permitted Reorganisation; or

(g) **Order to pay specified amount**: one or more judgments or orders for the payment of any sum in excess of U.S.$25,000,000 (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 and unstayed for a period of 30 days after the date thereof; 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, 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; 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 (iii) 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 challenges, or does or causes to be done any act or thing evidencing an intention to repudiate or challenge, 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), together with the related Sale and Purchase Agreements, Purchase Undertakings and Ijara Service Agency Agreements, 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;

"**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 two Rating Agencies;

"**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 5 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 5 per cent. of EBITDA, or represent (or, in the case aforesaid, are equal to) not less than 5 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 5 per cent. of EBITDA, or its assets represent (or, in the case aforesaid, are equal to) not less than 5 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);

"**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 9 April and 9 October in each year, commencing on 9 October 2014, 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); and

(m) 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 (including for the avoidance of doubt, money market funds rated at least Aaa/MR1+ by Moody's) provided that, in each case, at the time the deposit is made or the certificate or obligation is acquired the then current rating of the unsecured and unguaranteed debt obligations of that institution (or, where the investment in question is guaranteed, of the guaranteeing institution) is P-l/A-1 and A-l+ or (if different) the then highest rating conferred in respect of such obligations by Moody's; 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 P-1/A-l and A-l + or (if different) the then highest rating conferred in respect of such obligations by Moody's; 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)(ix)(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 (vi) 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)(ix)(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) and (i) 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 4.970 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;

"**Registered Office Agreement**" means the registered office agreement entered into between the Trustee and the Administrator on or before the Issue Date;

"**Regulated Market**" means a regulated market for the purposes of the Markets in Financial Instruments Directive (Directive 2004/39/EC);

"**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 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;

"**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 9 April 2019;

"**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 7 April 2014;

"**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 assets purchased by or transferred to the Trustee (acting through the Service Agent) in connection with the entry into of the Sukuk Contracts;

"**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 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 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, together with any replacement Murabaha Agreement entered into from time to time 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 Gross Indebtedness to EBITDA Ratio**" has the meaning given to it in Condition 6(b)(ii);

"**Transaction Account**" means the account 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 two directors 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 will be entered into as soon as practicable; (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, with the prior written approval of the Registrar and the Delegate, provided that any such change is not materially prejudicial to the interests of the Certificateholders. 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, unless such holder requests otherwise and pays in advance to the relevant Transfer Agent the costs of such other method of delivery and/or such insurance as it may specify. 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, but upon payment of any tax or other governmental charges that may be imposed in relation to it (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), save in the case of their gross negligence, wilful default or fraud. Reference in these Conditions to gross negligence, wilful default or fraud means a finding to such effect by a court of competent jurisdiction in relation to the conduct of the relevant party; 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)(i)).

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)(i)) 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 Registered Office 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)(viii) and otherwise promptly upon request by the Delegate (and in any event within 10 Business Days of such request): (i) certifying compliance with the provisions of this Condition 6(a); and (ii) 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 the Irish Stock Exchange 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: (A) 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 additional 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 Gross Indebtedness to EBITDA (the "**Total Gross Indebtedness to EBITDA Ratio**") for the immediately preceding Measurement Period does not exceed 3.0:1; and

(c) the ratio of EBITDA to Consolidated Interest Expense (the "**EBITDA to Consolidated Interest Expense Ratio**") for the immediately preceding Measurement Period is not less than 2.5:1.

The provisions of this Condition 6(b)(ii) 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 they shall immediately apply again if and for so long as the Certificates subsequently fail to have Investment Grade Status.

(iii) **Limitation on indebtedness (Subsidiaries)**: it will procure that none of its Subsidiaries will Incur any Financial Indebtedness (other than Permitted Financial Indebtedness);

(iv) **Minimum Total Assets**: it will ensure that, at all times, the Total Assets are not less than US$2.0 billion;

(v) **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)(v) 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.$5,000,000 (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.$1,000,000 (or its equivalent in any other currency or currencies) in aggregate;

(vi) **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 Gross Indebtedness to EBITDA Ratio for the immediately preceding Measurement Period does not exceed 3.0:1;

(C) the EBITDA to Consolidated 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 since the Signing Date is less than 66 per cent. of the Consolidated Net Income of the Guarantor for the period (taken as one accounting period) from the beginning of the first semi-annual period commencing after the Signing Date to the end of the Guarantor's most recently ended semi-annual period for which financial statements are available at the time of such Restricted Payment (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 will be aggregated, provided that where the Consolidated Net Income for any semi-annual period is a deficit, 100 per cent. of such deficit shall be subtracted from the total),

save that no provision of this Condition 6(b)(vi) 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;

(vii) **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)(vii)(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.$5,000,000 (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)(v) 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;

(viii) **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; (iii) provide to the Delegate within a period of 60 days from the end of each quarterly period of each financial year of the Guarantor a trading update report that shall include (without limitation) details of its total sales booked and properties completed during the relevant period; and (iv) arrange for all such financial statements and trading updates to be published in accordance with the listing rules of the Irish Stock Exchange and the Market Rules of the Dubai Financial Services Authority;

(ix) **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;

(x) **Limitation on Line of Business**: it will not, and will not permit any Subsidiary of the Guarantor to, engage in any business other than a Related Business;

(xi) **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;

(xii) **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, 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 Gross Indebtedness to EBITDA Ratio for the immediately preceding Measurement Period does not exceed 3.0:1;

(d) the EBITDA to Consolidated 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)(xii), 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.

(xiii) **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)(viii) 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 Gross Indebtedness to EBITDA Ratio for the immediately preceding Measurement Period; (d) setting out the EBITDA to Consolidated 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;

(xiv) **Rating**: it will maintain a corporate rating with at least one Rating Agency; and

(xv) **Listing**: it will use all reasonable endeavours to maintain the listing and/or quotation of the Certificates with at least one of the Irish Stock Exchange 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.

(c) **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 (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 two directors 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 any applicable fiscal or other laws, regulations and directives in the place of payment, but without prejudice to the provisions of Condition 10. 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 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 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, (v) such other agents as may be required by any stock exchange on which the Certificates may be listed and (vi) a Paying Agent with a specified office in a European Union member state that will not be obliged to withhold or deduct tax pursuant to any law implementing European Council Directive 2003/48/EC or any other Directive implementing the conclusions of the ECOFIN Council meeting of 26-27 November 2000.

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 shall 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 DIFC, the United Arab Emirates or the Emirate of Dubai or any authority thereof 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 result in receipt by the Certificateholders of such amounts as would have been received by them had no such withholding or deduction been required, except that no such additional amounts shall be payable:

(a) **Other connection:** to, or to a third party on behalf of, 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)); or

(c) **Payment to individuals:** where such withholding or deduction is imposed on a payment to an individual and is required to be made pursuant to European Council Directive 2003/48/EC or any other Directive implementing the conclusions of the ECOFIN Council meeting of 26-27 November 2000 on the taxation of savings income or any law implementing or complying with, or introduced in order to conform to, such Directive; or

(d) **Payment through another Paying and Transfer Agent in a Member State of the European Union:** if the relevant Certificate is held by a Certificateholder who would have been able to avoid such withholding or deduction by arranging to receive the relevant payment through another Paying Agent in a Member State of the European Union.

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, fails to do so within a reasonable period and such failure 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 two 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 two 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 of the Certificateholders, (i) agree to any modification of any of the provisions of the Declaration of Trust, any Certificate or the Transaction Documents that is, in the opinion of the Delegate, of a formal, minor or technical nature or is made to correct a manifest error, or (ii) (A) agree to any other modification (except as mentioned in the Declaration of Trust), or to any waiver or authorisation of any breach or proposed breach, of any of the provisions of the Declaration of Trust, any Certificate or the Transaction Documents or (B) determine that any Dissolution Event or Potential Dissolution Event shall not be treated as such provided that such modification, waiver, authorisation or determination is in the opinion of the Delegate not materially prejudicial to the interests of the Certificateholders. Any such modification, authorisation or waiver shall be binding on the Certificateholders and, if the Delegate so requires, such modification shall be notified to the Certificateholders in accordance with Condition 17 as soon as practicable.

(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 appoint the Delegate to be its 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 duties, 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 Declaration of Trust) and discretions vested in the Trustee by the Declaration of Trust, that the Delegate may consider to be necessary or desirable in order to, upon the occurrence of a Dissolution Event or Potential Dissolution Event, 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, duties, 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 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 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. 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 have 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 Sukuk Contracts or the Sukuk Assets, Periodic Distribution Amounts or profit 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 depositary for Euroclear and Clearstream, Luxembourg (the "**Common Depositary**") and will be registered in the name of a nominee for the Common Depositary. 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 Definitive 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 the holder of 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 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 Creation Online 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 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 Definitive Certificates

Interests in the Global Certificate will be exchangeable (free of charge), in whole but not in part, for Definitive 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 Definitive 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 Definitive 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 Definitive Certificates.

In this Prospectus, "**Definitive 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).

DESCRIPTION OF THE TRUSTEE

General

Alpha Star Holding Limited, an exempted company with limited liability, was incorporated on 24 January 2012 under the Companies Law (as amended) of the Cayman Islands with company registration number 265795. 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 Maples Corporate Services Limited, P.O. Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands, and its telephone number is +971 4 373 1000.

The authorised share capital of the Trustee is U.S.$50,000 shares of U.S.$1.00 each, of which one share has been issued as at the date of this Prospectus. All of the issued shares (the "**Shares**") are fully-paid and are held by DMS Bank & Trust Ltd. 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 Qualified 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 set out in clause 3 of its Memorandum of Association as registered or adopted on 24 January 2012.

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:

Name	Principal Occupation
Kevin Phillip	Independent director services
Jonathan Bain	Independent director services

The business address of each of the Directors is DMS House, 20 Gensis Close, P.O.Box 314, Grand Cayman, KY1-1104, Cayman Ilsands.

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.

The Administrator

Maples Corporate Services 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 Registered Office Agreement entered into between the Trustee and the Administrator, the Administrator has agreed to perform in the Cayman Islands various corporate functions on behalf of the Trustee and the provision of certain clerical, administrative and other services until termination of the Registered Office 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 Registered Office 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 Registered Office Agreement provides that either party shall be entitled to terminate such agreement by giving at least three months' notice in writing.

The Administrator's principal office is P.O. Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands.

The Directors of the Trustee are all employees or officers of the Share Trustee 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 special purpose combined financial statements of the Group as at and for the periods ended 31 December 2011 and 31 December 2012 and the audited consolidated financial statements of the Group as at and for the period ended 31 December 2013.

The financial information has been extracted without material adjustment from the Financial Information section of this document 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.

	Year ended 31 December		
Consolidated income statement	**2011**	**2012**	**2013**
		(US$ million)	
Revenue	666.9	692.0	1,224.3
Gross Profit	250.3	281.4	788.0
Profit for the period	150.3	212.5	641.5
Total comprehensive income for the period	150.3	212.5	642.0

	As at 31 December		
Consolidated statement of financial position	**2011**	**2012**	**2013**
		(US$ million)	
Total Assets	2,324.4	2,270.3	3,041.5
Total Shareholders' (Deficit)/Equity	(73.6)	139.9	659.1
Total Liabilities	2,398.0	2,130.4	2,382.4
Total Shareholders' Funds and Liabilities	2,324.4	2,270.3	3,041.5

	Year ended 31 December		
Consolidated statement of cash flows	**2011**	**2012**	**2013**
		(US$ million)	
Net cash (used in)/generated from operating activities	(49.6)	26.6	484.1
Net cash used in investing activities	(12.5)	(2.0)	(12.4)
Net cash (used in)/generated from financing activities	(22.6)	1.1	(31.8)
Cash and cash equivalents at the end of period	80.1	105.8	545.7

The following table shows the reconciliation of operating profit to EBITDA for the Group for the years ended 31 December 2013, 31 December 2012 and 31 December 2011, respectively:

	Year ended 31 December		
	2011	**2012**	**2013**
		(US$ million)	
Operating profit for the year	151.6	212.6	636.4
Other income	2.2	2.9	5.7
Depreciation	2.8	3.5	3.6
(Reversal of) / provision for impairment on development properties	54.0	11.6	(27.1)
EBITDA	**210.6**	**230.6**	**618.6**

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 period as the sum of (i) its operating profit for that period, (ii) its other income for that period, (iii) its depreciation for that period 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 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 Guarantor'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 2013, 31 December 2012 and 31 December 2011, respectively.

	Year ended 31 December		
	2011	**2012**	**2013**
	(US$ million, unless otherwise stated)		
EBITDA[(1)]	**210.6**	**230.6**	**618.6**
EBITDA margin[(2)]	31.6%	33.4%	50.6%
Gross debt/EBITDA[(3)]	0.5x	0.5x	0.1x
EBITDA/interest[(4)]	27.4x	42.0x	126.3x
Loan to Value[(5)]	6.0%	6.2%	3.4%

(1) Calculated as the sum of (i) operating profit for the year, (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).

(2) Calculated as EBITDA divided by total revenue.

(3) Calculated as bank borrowings divided by EBITDA.

(4) Calculated as EBITDA divided by finance costs.

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

The Group's results during the period under review reflect the emergence of the property industry in Dubai from the Global Financial Crisis which began in the latter half of 2007 and intensified in 2008 and the lead times required for projects under construction and development to be recognised in revenue.

There has been no significant change in the financial or trading position of the Group since 31 December 2013, which is the end of the period covered by the selected financial information set out in the table above.

Dividend Policy

Assuming that sufficient distributable reserves are available at the time, the Guarantor intends to target a payout ratio of between 30 per cent. to 50 per cent. of its distributable earnings in 2014. The Guarantor aims to maintain a progressive dividend policy thereafter, but reserves the flexibility to amend the policy in the future depending on market conditions.

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 document under "*Financial Information*". The Annual Financial Statementshave been prepared in accordance with the basis of preparation as described in Note 3 (*Significant Accounting Policies – Basis of Preparation*) of the Notes to the 2012 Financial Statements and Note 2 (*Basis of Preparation – Basis of Consolidation*) of the Notes to the 2013 Financial Statements (as applicable).

This discussion contains forward-looking statements that involve risks and uncertainties. Damac'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 document.

In the discussion that follows, references to the "period under review" refer to the period from 1 January 2011 through 31 December 2013.

Overview

For the period under review, Damac's business consisted almost exclusively of the acquisition of land, the design and construction of high-end residential and mixed-use developments on that land and the selling of completed residential and commercial units in those developments. Damac does not conduct its own construction operations.

Historically, Damac's operations were conducted almost exclusively in Dubai. At present, Damac owns and is developing or planning the development of land in other markets in the Middle East and beyond. While Damac anticipates that the majority of its operations will continue to be conducted in Dubai in the short and medium term, it is selectively expanding operations elsewhere in the Middle East and beyond where it perceives a need for high-end developments and sees potential for attractive returns.

Damac's revenues consist predominately of revenues from sales of residential and commercial units. Even though Damac 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 the construction and the transfer of the risks and rewards of ownership to the buyer. In respect of each unit sold prior to full completion of construction of the building, revenue from the sale of that unit is recognised only when the entire building is complete and the risks and rewards of the unit are transferred to the purchaser. 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". This approach to revenue and cost recognition means that the results in any given period are directly linked to the timing of completion and delivery of buildings, which can give rise to periodic, large-value revenue recognition events.

Damac's principal cash requirements are funds for development and construction; for acquisition of land for its land bank; and to a lesser extent for working capital. Damac has historically been able to fund much of its development and construction costs through "off-plan" sales, from operating cash flow and, less frequently, from equity. This funding structure has resulted in relatively low leverage, in spite of the cash-intensive nature of the business. In Dubai, funds received on presales are required by regulation to be held in escrow and applied primarily to development and construction costs as prescribed by the regulator. For property acquisitions for its land bank and for working capital, Damac relies principally on its operating cash flow. Damac has also used term loans as a cost effective and reliable source of external funding for working capital and land acquisition. At 31 December 2013, bank indebtedness accounted for 2.8 per cent of the Group's total Shareholders' funds and liabilities.

The Group's results during the period under review reflect the emergence of the property industry in Dubai from the Global Financial Crisis and the lead times required for projects under construction and development to be recognised in revenue. During 2010, the Group's focus was on developing and constructing new projects in response to changing market conditions but most of the revenue for this work was realised in subsequent periods. Accordingly, the Group suffered a loss in 2010 but has shown improving results in subsequent periods.

Trends and Factors Affecting Results of Operations

Damac'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 of project completion

Damac is able to recognise revenues and associated costs for units in a given project only to the extent that the project has been completed and individual units have been sold and the risks and rewards of the unit have been transferred to the purchaser. A project is only considered complete when a building completion certificate ("**BCC**") has been delivered for the project by the relevant authorities, which in Dubai means that all units in the project are complete and ready for habitation. Accordingly, Damac's results of operations for a given period will directly relate to the number of projects completed in that period. Similarly, Damac's ability to predict its revenues and gross profit for any given period depends on the ability of its execution team to work with contractors to establish and deliver on a realistic completion schedule. Following the Global Financial Crisis and the subsequent downturn in the Dubai property market, Damac experienced a sharp decline in demand for units from the fourth quarter of 2008 and through 2009, resulting in curtailment and consolidation of projects then in development and postponement or cancellation of new projects. Although development activity picked up strongly in late 2009 and 2010, Damac completed only one project in 2010 with a project value of US$ 105.0 million. The development and construction activity of 2009 and 2010 resulted in projects coming on line in subsequent years, with five projects completed in 2011 with an aggregate project value of US$ 754.1 million and three projects completed in 2012 with an aggregate project value of US$ 693.0 million. Damac completed eight projects in 2013 and is currently scheduled to complete twelve projects in 2014, although the actual dates of completion could vary from this schedule.

Timing and effectiveness of selling efforts

Damac recognises revenue for units in a completed project when a purchase contract for the relevant unit has been signed, and in respect of which at least 50 per cent of the purchase price has been received (or, for periods ending prior to 1 January 2013, 70 per cent of the purchase price), and the risks and rewards of the unit are transferred to the purchaser. Accordingly, its ability to sell units prior to or shortly after completion has a direct impact on reported revenues and gross profit.

Damac's business model of "buy, design, sell and build" is driven by its sale of a significant proportion of units in developments "off-plan" and in the early stages of construction. Under UAE law, Damac is permitted to commence sales when it has paid for the land in full, provided funding for 20 per cent of the project construction costs and met certain other conditions. Damac generally requires off-plan customers to pay at least 30 per cent of the total sales price within 180 days after signing the unit reservation form. Typically 30 to 40 per cent of Damac'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 presales 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, Damac's business has historically been financed from presales, along with sales of previously completed units, and it has not been required to utilise significant amounts of external debt. To the extent that Damac is not able to generate targeted levels of presales, 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 Damac achieves on its properties are important to its levels of revenue and gross profit. With respect to its projects in Dubai, Damac operates in a global market of luxury property end-users and investors from around the world. Damac's sales team proactively identifies countries and markets worldwide where it believes 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 Damac's projects instead of to those of its Dubai-based competitors. The extent to which Damac'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

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 and thus tend to result in lower margins. Likewise, commercial properties tend to result in lower margins than residential properties. In addition, Damac 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

Damac's profit margins are directly correlated to its ability to manage its costs and to make cost-effective purchasing decisions. The biggest factor in Damac's cost-control efforts is its proactive approach to procurement, with Damac retaining responsibility for the commercial terms of the supply arrangements under construction contracts. Specifically, when entering into a construction contract with the general contractor, Damac 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, Damac's internal engineers and other specialists work closely with contractors throughout the construction process to ensure that project cost efficiency is maximised. Damac 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 Damac'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, Damac maintains close relationships with the 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, reducing the associated level of risk to Damac.
- For Damac's branded projects (Versace Home, FENDI Casa, Paramount Hotels & Resorts and Trump), the brand licensing fees represent a relatively small portion of project costs. Damac believes that the higher sales prices it achieves on these projects will more than offset the related branding fees, resulting in significantly higher profit margins on those projects relative to Damac's unbranded projects. Likewise, for serviced apartments, Damac believes that the higher sales revenues it will achieve on those projects is likely to outweigh the development costs associated with such serviced apartments, resulting in higher profit margins.

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

Macroeconomic and political conditions

The majority of Damac'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 Dubai government 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 Damac'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, Damac has seen an increase in interest from Russian investors following the recent difficulties in the Cyprus banking market. Similarly, Damac has seen an increase in sales to Saudi investors over the past two years.

Dubai's attractiveness as a tourist destination and transit hub can have a significant impact on Damac's ability to attract investors from around the world. Damac believes that there is a correlation between the significantly increased numbers of tourists and airport traffic over the past two years and the increased interest in its property units.

Exchange rates

The sales prices of Damac'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 Damac's developed properties. Declines in the trading value of the U.S. dollar against the currencies in which Damac's customers receive income or hold assets result in Damac'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 Damac's properties becoming more expensive to those customers. Any substantial strengthening of the U.S. dollar against the currencies of customers in Damac's target markets not pegged to the U.S. dollar could increase the prices of Damac's property units for customers in those markets and reduce the revenues that Damac is able to achieve.

Description of Certain Line Items from the Consolidated Income Statement

Revenue

Damac recognises revenue from the sale of its units in its consolidated income statement when the risks and rewards of ownership of the unit are transferred to the buyer, which under Dubai regulation can only happen when the project is complete. More specifically, revenue in respect of a particular unit is recognised when all the following conditions are met:

1. A BCC has been issued by the relevant municipal or zoning authority in respect of the project as a whole, which means that all units in the project are complete and fully functional and ready for inhabitation.
2. A sale contract has been entered into by Damac and the buyer (or buyers) and it has been signed by all parties.
3. The buyer's commitment to the contract for the property purchase has been demonstrated through a minimum payment to Damac that is equal, for periods commencing on 1 January 2013, to 50 per cent of the agreed purchase price and, for previous periods, 70 per cent of the purchase price.
4. Damac has transferred risk and rewards of the unit to the purchaser.

The amount of revenue recognised is the full purchase price of sold units, even if less than 100 per cent has been paid. Any delays in the completion of projects will result in a delay in the recognition of the related revenue, regardless of how many units are presold and how much of that purchase price has been paid.

To the extent Damac 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 "Trade and other payables". Under Dubai 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 Damac 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 full amount of the purchase price is recorded as revenue in that period, the amount of "Trade and other payables" recorded in respect of the property is reversed and any amounts still owing on the property are recorded as "Trade and other receivables".

The Akoya project will include sales of plots of land for construction of villas and townhouses that can, at the option of the purchaser, be constructed either by Damac or another developer. Damac recognises revenue for the sale of the 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, Damac recognises the revenue when:

1. A sale contract has been entered into by Damac and the buyer (or buyers) and it has been signed by all parties.
2. The buyer's commitment to the contract for the property purchase has been demonstrated through the payment to Damac of at least 20 per cent of the agreed purchase price of the land plot. Land plot sales on the Akoya project commenced in June 2013. Therefore revenue recognition from such land sales has been reflected in the Guarantor's consolidated income statement for the year ended 31 December 2013.

Cost of sales

Cost of sales include 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 recognised is the lower of fair market value and actual cost. At the point when revenue from the sale of a completed unit is recognised, the corresponding value of the unit is removed from the consolidated statement of financial position, and the aggregate incurred costs are recognised on the consolidated income statement as "cost of sales".

Project development and construction costs are allocated at the time of project completion based on the ratio of the value of the sold units in the project to the expected total sales value of all units in the project. The expected total sales value is calculated as the sum of the value of actual sales and value of unsold inventory (based on prices achieved on recent 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 values, downward adjustments in the asset value of inventory can result in a non-cash cost in the consolidated income statement. In addition, the assessment for inventory valuation can result in changes to the cost allocation ratios for a project, since any decrease in market value will be reflected in the value of inventory while the value of the sold units will, for cost allocation purposes, remain fixed for any given selling price. This allocation methodology can mean that relatively small downward shifts in market prices for inventory can have a disproportionately larger impact on project costs allocated to that inventory when it is sold, which can exacerbate the adjustment required in respect of inventory under "cost of sales". In an environment of increasing property values, the reverse is true, with an expected decrease in cost allocation ratios for units sold. Please see note 7 in "*Financial Information*" section of this document for disclosure of the Group's cost of sales for prior year balances using its current accounting estimates for cost allocation.

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 Damac'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 license fees paid for sales offices that are externally owned and operated. In addition, where units have been sold but remaining payments are overdue by more than 180 days, Damac recognises an impairment of that account receivable and records the value of that impairment under "general, administrative and selling expenses".

Brokerage commissions

Brokerage represents the amounts paid to external sales agents and commissions represent the amounts paid to members of Damac'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 Damac in respect of fixed assets such as information technology hardware, office furniture and non-structural building components (such as moveable interior walls). Damac 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. Damac is required periodically to compare the recorded value of that property (the lower of fair market value and incurred cost) against the current fair market value. To the extent that the current fair market value is lower than the recorded value, Damac 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.

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 paid to the Guarantor for their consent to further sales of properties by customers.

Finance income

Interest 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 periods indicated:

	For the year ended 31 December		
	2011	**2012**	**2013**
		(US$ million)	
Revenue	666.9	692.0	1,224.3
Cost of Sales	(416.6)	(410.6)	(436.3)
Gross profit	**250.3**	**281.4**	**788.0**
Other operating income	1.1	5.5	69.4
General, administrative and selling expenses	(37.0)	(44.6)	(181.1)
Brokerage commissions	(6.0)	(14.6)	(63.4)
Depreciation	(2.8)	(3.5)	(3.6)
Reversal of/(provision for) impairment on development properties	(54.0)	(11.6)	27.1
Operating profit	**151.6**	**212.6**	**636.4**
Other income	2.2	2.9	5.7
Finance income	4.2	2.5	4.3
Finance costs	(7.7)	(5.5)	(4.9)
Profit for the period	**150.3**	**212.5**	**641.5**

Year ended 31 December 2013 compared to year ended 31 December 2012

Revenue

Revenue increased by US$ 532.3 million, or 76.9 per cent, from US$ 692.0 million in the year ended 31 December 2012 to US$ 1,224.3 million in the year ended 31 December 2013. This increase is principally the result of completion of eight projects with an aggregate project value of US$ 813.0 million, with 72.1 per cent by value of units (US$ 586.2 million) recorded as sold by 31 December 2013, compared with three projects for the same period in 2012 with an aggregate project value of US$ 693.0 million, with 87.8 per cent by value of units (US$ 604.3 million) were recognised as revenue by period-end. Revenues from sales of units completed in previous years and from the sale of land contributed US$ 637.5 million to total revenue in the year ended 31 December 2013 and US$ 87.5 million in the year ended 31 December 2012, but was partially offset by the lower quantum of revenue recognised on projects delivered in earlier years. This increase is also partially accounted for by the reduction as of 1 January 2013 in the percentage of payment required for revenue from the purchase to be recognised, from 70 per cent in previous years to 50 per cent in 2013. See above "*Description of Certain Line Items from the Consolidated Income Statement – Revenue*".

Cost of sales

Cost of sales increased by US$ 25.7 million, or 6.3 per cent, from US$ 410.6 million in the year ended 31 December 2012 to US$ 436.3 million in the year ended 31 December 2013. This increase was primarily due to a higher number of projects being recognised in revenue during the period in 2013. This increase reflects, among other things, an upward adjustment in the value of unsold properties held as inventory in 2013. As explained above under "*Description of Certain Line Items from the Consolidated Income Statement – Cost of sales*", this resulted in a lower proportion of cost of sales being allocated to the units sold in that year.

Gross profit

Gross profit increased by US$ 506.6 million, or 180.0 per cent., from US$ 281.4 million in the year ended 31 December 2012 to US$ 788.0 million in the year ended 31 December 2013. As a percentage of revenue, gross profit was 40.7 per cent in the year ended 31 December 2012 and 64.4 per cent in the year ended 31 December 2013. The main reason for this increase in absolute terms and as a percentage of revenue was revenue recognition on projects and sale of land plots with higher gross margins.

Other operating income

Other operating income increased by US$ 63.9 million, or 1161.8 per cent, from US$ 5.5 million in the year ended 31 December 2012 to US$ 69.4 million in the year ended 31 December 2013. This increase was primarily due to an increase in income from customer down-payments that are forfeited upon cancellation of unit sales.

General, administrative and selling expenses

General, administrative and selling expenses increased by US$ 136.5 million, or 306.1 per cent., from US$ 44.6 million in the year ended 31 December 2012 to US$ 181.1 million in the year ended 31 December 2013. This increase was primarily due to an increase in payroll costs (US$ 46.2 million), advertising and marketing expenditures (US$ 37.4 million), legal and professional charges (US$ 11.5 million) and the creation of a provision for doubtful debts of US$ 24.4 million. These increases reflect growth in the size of Damac's operations and its investment in marketing activity.

Brokerage commissions

Brokerage commissions increased by US$ 48.8 million, or 334.2 per cent., from US$ 14.6 million in the year ended 31 December 2012 to US$ 63.4 million in the year ended 31 December 2013. This increase was primarily due to the growth in sales achieved during the year ended 31 December 2013 compared to the year ended 31 December 2012 and a result of an increased level of sales being made through the Group's own sales offices in 2013.

Depreciation

Depreciation increased by US$ 0.1 million, or 2.9 per cent, from US$ 3.5 million in the year ended 31 December 2012 to US$ 3.6 million in the year ended 31 December 2013. This increase was primarily due to fewer assets becoming fully depreciated during the year 2013.

Provision for impairment on development properties

Provision for impairment on development properties was US$11.6 million for the year ended 31 December 2012 and was followd by a reversal of provision of US$ 27.1 million for the year ended 31 December 2013. This gain in the provision position reflects a reversal of provisions taken in previous years, reflecting an upturn in macroeconomic conditions and a resulting improvement in current and expected future sales prices.

Operating profit

Operating profit increased by US$ 423.8 million, or 199.3 per cent., from US$ 212.6 million for the year ended 31 December 2012 to US$ 636.4 million for the year ended 31 December 2013. As a percentage of revenue, operating profit increased from 30.7 per cent for the year ended 31 December 2012 to 52.0 per cent for the year ended 31 December 2013. This increase, both in absolute terms and as a percentage of revenue, is principally due to increased revenues and gross profit, resulting from increased sales, off-set by increased general, administrative and selling expenses.

Other income

Other income increased by US$ 2.8 million, or 96.6 per cent, from US$ 2.9 million in the year ended 31 December 2012 to US$ 5.7 million in the year ended 31 December 2013. This increase was primarily due to an increase in miscellaneous income related to fees income.

Finance income

Finance income increased by US$ 1.8 million, or 72.0 per cent, from US$ 2.5 million in the year ended 31 December 2012 to US$ 4.3 million in the year ended 31 December 2013. This increase was primarily due to an increase in fixed deposits held with banks during the period in 2013.

Finance costs

Finance costs decreased by US$ 0.6 million, or 10.9 per cent, from US$ 5.5 million in the year ended 31 December 2012 to US$ 4.9 million in the year ended 31 December 2013. This decrease was primarily due to a decrease in bank loans and overdrafts during the year 2013.

Profit for the period

Profit for the period increased by US$ 429.0 million, or 201.9 per cent., from US$ 212.5 million in the year ended 31 December 2012 to US$ 641.5 million in the year ended 31 December 2013, for the reasons stated above.

Year ended 31 December 2012 compared to year ended 31 December 2011

Revenue

Revenue increased by US$ 25.1 million, or 3.8 per cent, from US$ 666.9 million in the year ended 31 December 2011 to US$ 692.0 million in the year ended 31 December 2012. These revenues resulted from the completion of five projects in 2011 with an aggregate project value of US$ 754.1 million, with 87.9 per cent by value of units (US$ 660.6 million) recognised as revenue by year-end, compared with three projects in 2012 with an aggregate project value of US$ 693.0 million, with 87.8 per cent by value of units (US$ 604.5 million) were recognised as revenue by year-end. Revenues from sales of units completed in previous years contributed US$ 6.3 million to total revenue in 2011 and US$ 87.5 million in 2012.

Cost of sales

Cost of sales decreased by US$ 6.0 million, or 1.4 per cent, from US$ 416.6 million in the year ended 31 December 2011 to US$ 410.6 million in the year ended 31 December 2012. This decrease reflects, among other things, an upward adjustment in the value of unsold properties held as inventory in 2012. As explained above under "*Description of Certain Line Items from the Consolidated Income Statement – Cost of sales*", this resulted in a lower proportion of cost of sales being allocated to the units sold in that year.

Gross profit

Gross profit increased by US$ 31.1 million, or 12.4 per cent, from US$ 250.3 million in the year ended 31 December 2011 to US$ 281.4 million in the year ended 31 December 2012. Gross profit as a percentage of revenue also increased, from 37.5 per cent for 2011 to 40.7 per cent for 2012, which reflects the considerably more favourable profit margin realised on units sold in the Park Towers complex in 2012. In addition, as explained above, the lower proportion of costs allocated to units sold during the year increased the profit margin for 2012.

Other operating income

Other operating income increased by US$ 4.4 million, or four-fold, from US$ 1.1 million in the year ended 31 December 2011 to US$ 5.5 million in the year ended 31 December 2012. The increase was mainly due to an increase of US$ 2.9 million in late payment fees from customers in 2012, supplemented by US$ 1.6 million on forfeited down-payments on cancelled unit purchases (compared to no such forfeited down-payments in 2011) and an increase in consent fees for resale.

General, administrative and selling expenses

General, administrative and selling expenses increased by US$ 7.6 million, or 20.5 per cent, from US$ 37.0 million in the year ended 31 December 2011 to US$ 44.6 million in the year ended 31 December 2012. The increase in 2012 was despite a US$ 6.2 million provision recognised in 2011 for the impairment of a trade receivable, and mainly reflected higher staff costs as headcount increased, and increases in advertising and sales promotion costs as Damac increased the size of its operations and its investment in marketing activity.

Brokerage commissions

Brokerage commissions increased by US$ 8.6 million, or 143.3 per cent, from US$ 6.0 million in the year ended 31 December 2011 to US$ 14.6 million in the year ended 31 December 2012. The higher commissions are a result of a substantially increased number of unit sales in 2012 (principally on uncompleted projects that had not yet resulted in corresponding revenue recognition).

Depreciation

Depreciation increased by US$ 0.7 million, or 25.0 per cent, from US$ 2.8 million in the year ended 31 December 2011 to US$ 3.5 million in the year ended 31 December 2012. The increase is mainly attributable to the depreciation of capital improvements in Damac's offices undertaken in 2012.

Provision for impairment on development properties

Provision for impairment on development properties was US$ 54.0 million in the year ended 31 December 2011 and US$ 11.6 million in the year ended 31 December 2012. The provision in 2011 reflected shifts in the market value of some of Damac's development properties, as the market price during this period fell below the recorded value based on cost.

Operating profit

Operating profit increased by US$ 61.0 million, or 40.2 per cent, from US$ 151.6 million for year ended 31 December 2011 to US$ 212.6 million for the year ended 31 December 2012. As a percentage of revenue, operating profit increased from 22.7 per cent for the year ended 31 December 2011 to 30.7 per cent for the year ended 31 December 2012. This increase, both in absolute terms and as a percentage of revenue, is principally due to increased revenues and gross profit, resulting from increased sales.

Other income

Other income increased by US$ 0.7 million, or 31.8 per cent, from US$ 2.2 million in the year ended 31 December 2011 to US$ 2.9 million in the year ended 31 December 2012 due to increase in management fee income.

Finance income

Finance income decreased by US$ 1.7 million, or 40.5 per cent, from US$ 4.2 million in the year ended 31 December 2011 to US$ 2.5 million in the year ended 31 December 2012. This decrease was mainly due to increased spend on construction activity in 2012, resulting in lower average amounts of cash held in escrow for units sold but not yet completed and, as a result, lower interest income.

Finance costs

Finance costs decreased by US$ 2.2 million, or 28.6 per cent, from US$ 7.7 million in the year ended 31 December 2011 to US$ 5.5 million in the year ended 31 December 2012. This decrease principally reflects reduced interest rates, including among other things the conversion of a loan in the amount of US$ 34.0 million from a Kuwati Dinar-denominated loan to a U.S. dollar-denominated loan.

Profit for the period

Profit for the period increased by US$ 62.2 million, or 41.4 per cent, from US$ 150.3 million in the year ended 31 December 2011 to US$ 212.5 million in the year ended 31 December 2012. This improvement is primarily attributable to the lower levels of provision for impairment of development properties in 2012, combined with improved profit margins and thus improved gross profit in 2012, primarily as a result of the profitable Park Towers project being completed and reflected in the consolidated income statement in 2012.

Liquidity and Capital Resources

Damac's principal cash requirements are funds for development and construction; for acquisition of land for its land bank; and to a lesser extent for working capital. Damac has, to date, been able to fund much of its development and construction costs through "off plan" presales, from operating cash flow and, less frequently, from equity from its shareholder. This funding structure has resulted in low leverage, in spite of the cash-intensive nature of the business. In Dubai, funds received on presales are required by regulation to be held in escrow and applied primarily to development and construction costs as prescribed by the regulator. For property acquisitions for its land bank and for working capital, Damac relies principally on its operating cash flow and, to a lesser extent, on term loans with banks.

Historical Cash Flows

The following table sets forth the audited consolidated statement of cash flows of the Group for the years ended 31 December 2012 and 2013 and the audited combined statement of cash flows for the year end 31 December 2011:

	For the year ended 31 December		
	2011	**2012**	**2013**
	(US$ million)		
Cash flows from operating activities			
Operating cash flows before changes in operating assets and liabilities	**217.6**	**231.3**	**644.3**
Decrease/(increase) in trade and other receivables	2.8	(7.2)	(369.3)
Decrease/(increase) in due from related parties	(84.6)	(1.7)	377.3
Increase/(decrease) in due to related parties	28.2	14.2	(310.0)
Increase/ (decrease) in trade and other payables	(347.9)	(302.6)	460.0
(Increase)/decrease in development properties	128.5	84.0	(310.8)
(Increase)/decrease in other financial assets	9.9	12.7	(5.7)
Cash (used in)/generated from operations	**(45.5)**	**30.7**	**485.8**
Finance cost paid	(8.0)	(6.0)	(4.9)
Interest received	4.2	2.3	3.8
Employees' end of service indemnity paid	(0.3)	(0.4)	(0.6)
Net cash (used in)/generated from operating activities	**(49.6)**	**26.6**	**484.1**
Cash flows from investing activities			
Purchases of property and equipment	(0.7)	(2.1)	(4.9)
Proceeds from disposal of property and equipment	—	—	—
(Increase)/decrease in deposits with an original maturity of greater than three months	(11.8)	0.1	(19.1)
Proceeds from sale of financial investments	—	—	11.6
Net cash used in investing activities	**(12.5)**	**(2.0)**	**(12.4)**
Cash flows from financing activities			
Bank borrowings during the period	—	0.1	97.9
Repayments of bank borrowings	(22.8)	—	(129.7)
Addition to share capital	0.2	1.0	—
Net cash (used in)/generated from financing activities	**(22.6)**	**1.1**	**(31.8)**

Net cash (used in)/generated from operating activities. Net cash (used in)/generated from operating activities principally reflects cash received from sales of properties in any given year, offset by expenditures for property development and construction. As revenue recognition for units sold is delayed until the project is completed and 50 per cent of the unit sales price has been received (70 per cent for periods ending prior to 1 January 2013), the cash generated by a property can precede the revenue recognised on the property by as much as two years or more.

Net cash generated from operating activities increased from US$ 26.6 million in the year ended 31 December 2012 to US$ 484.1 million in the year ended 31 December 2013. This increase was primarily due to a strong level of sales in the year ended 31 December 2013 compared to the year ended 2012, with cash received from sales exceeding cash paid for construction and development in 2013 and partially offset by an increase in trade and other receivables.

Net cash (used in)/generated from operating activities was US$ 49.6 million used in the year ended 31 December 2011, compared to US$ 26.6 million generated in the year ended 31 December 2012. The change was primarily due to an increased level of sales in 2012 compared to 2011, with cash received from sales exceeding cash paid for construction and development in 2012. Development and construction costs exceeded cash received from sales in 2011, principally due to the large number of projects actively in construction.

Net cash used in investing activities. Net cash used in investing activities was US$ 2.0 million used in the year ended 31 December 2012 compared to US$ 12.4 million used in the year ended 31 December 2013. This change was primarily due to an increase in the purchase of property, plant and equipment and an increase in fixed deposits partially offset by the sale of financial investments during 2013.

Net cash used in investing activities decreased from US$ 12.5 million used in the year ended 31 December 2011 to US$ 2.0 million used in the year ended 31 December 2012. For the year ended 31 December 2011, higher amounts were placed in fixed deposit arising out of escrow funds release upon completion of project. For the year ended 31 December 2012, net cash used in investing activities consisted primarily of purchase of property and equipment.

Net cash (used in)/generated from financing activities. Net cash generated from financing activities was US$ 1.1 million generated in the year ended 31 December 2012 and US$ 31.8 million was used in financing activities in the year ended 31 December 2013. This change was primarily due to a decrease in bank borrowings.

Net cash generated from/(used in) financing activities decreased from US$ 22.6 million used in the year ended 31 December 2011 compared to US$ 1.1 million generated in the year ended 31 December 2012, explained almost entirely by repayment of bank debt in 2011.

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 period 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 on occasion accomplished through putting in place bank guarantees. 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 with term loans from available banking channels. The Group generally has not relied on this indebtedness to complete its projects, as reflected in the low indebtedness levels shown on the Group's combined statement of financial condition during the period under review. The nature of the regulatory regime in Dubai is such that a project can be launched only if the Group has established an escrow account for that project. All the Group's escrow balances currently are only in respect of projects launched and where construction activity has commenced. While it is possible to have an escrow account where the project has been launched but construction has not yet started, presently no such escrow accounts exist since the Group does not have projects of this description.

Financing arrangements. Damac has currently entered into five different term loan agreements with five different banks:

- 2010 NBAD Facility – On 25 August 2010, Damac Properties Development Co. LLC, as borrower and Mr Hussain Sajwani, as guarantor, entered into a loan agreement with the National Bank of Abu Dhabi ("**NBAD**"), under which US$ 32.3 million was made available to it (the "**2010 NBAD Facility**"). The 2010 NBAD Facility was used to repay other amounts due to NBAD under a previous loan. The interest payable on the loan is four per cent above EIBOR and the loan is being repaid over 11 instalments. The loan outstanding as of 31 December 2013 was US$ 6.2 million, which is to be repaid on 31 March 2014. The underlying currency of the 2010 NBAD Facility is AED.

- 2013 AABK Facility – The facilities agreement dated 4 November 2013, between Al Ahli Bank of Kuwait K.S.C., as lender, Mr Hussain Sajwani, as guarantor, and Damac Properties Development Co. LLC, as borrower, provides a facility of US$ 24.5 million (comprising a term loan facility (US$ 4.1 million) and letters of guarantee (US$ 20.4 million)) (the "**2013 AABK Facility**"). The interest payable on the term loan is four and half percent above three-month LIBOR. The loan outstanding as of 31 December 2013 was US$ 3.7 million and the loan is payable in 18 quarterly instalments of US$ 204 thousand with the final instalment due on 27 June 2018. The underlying currency of the 2013 AABK Facility is AED.

- 2013 Emirates NBD Bank (PJSC) Facilities – On 6 November 2013, Emirates NBD Bank (PJSC) entered into facility agreements with the Guarantor's subsidiary Majara Investment Limited in the amount of US$ 3.8 million. On 11 December 2013 this loan was extended to 19 February 2014. Interest accrues on this loan at the rate of one-month LIBOR plus 2.35 per cent per annum. The loan outstanding as of 31 December 2013 was US$ 3.4 million.

  The 2012 Emirates NBD Bank (PJSC) and the 2013 Emirates NBD Bank (PJSC) Facilities are secured by an aggregate of US$ 30.5 million of marketable securities held as collateral.

- 2012 BankMed Facility – On 1 June 2012, BankMed SAL made available to Damac Properties Lebanon SAL, as borrower, a loan facility of US$ 15.0 million (the "**2012 BankMed Facility**"). The 2012 BankMed Facility replaced an existing facility. On 7 March 2013, BankMed SAL made an additional loan available to Damac Properties Lebanon SAL, as borrower, a loan facility of US$ 10.0 million. The interest payable on both these loans is 1.25 per cent above Beirut Reference Rate, with a floor rate at seven per cent, payable quarterly. The total loan outstanding as of 31 December 2013 was US$ 25.3 million and is to be repaid in two equal annual repayments.

- ADIB Facility – On 26 May 2013, Damac Properties Development Co. LLC, as borrower, entered into a new Islamic finance facility from Abu Dhabi Islamic Bank under which US$ 26.1 million (comprising of an Islamic finance facility of US$ 25.9 million and a labour guarantee limit for US$ 0.2 million) to Damac Properties Development Co. LLC (the "**ADIB Facility**"). The rate of interest, to be paid half yearly, is 4 per cent above six month EIBOR plus a margin of 0.59 per cent. The loan outstanding as of 31 December 2013 was US$ 20.1 million and is payable in 24 monthly instalments of US$ 0.83 million with the final instalment due on 31 December 2016. The underlying currency of the ADIB Facility is AED.

As described above, the 2010 NBAD Facility and the 2013 AABK Facility currently benefit from a personal guarantee issued by the Guarantor's Executive Chairman and Chief Executive Officer, Hussain Sajwani. The Group does not believe that such personal guarantees will be required in the future for the purpose of obtaining any new bank facilities or renewing or extending any existing bank facilities. Although the Group believes that it is, as a recently listed company, able to secure attractive bank financing in the absence of such personal guarantees, Damac cannot assure investors as to whether any such bank financing would be secured on terms that are as favourable as those previously obtained prior to listing.

Lease obligations. Damac enters into lease contracts for its head office space and its various sales offices in various cities around the world. At 31 December 2013, the aggregate annual amount owing under its various lease contracts was US$ 6.3 million.

Contractual Obligations and Commercial Commitments. The following table sets forth the aggregate maturities of Damac's debt, operating leases and other long-term obligations for the five years ended 31 December subsequent to 31 December 2013 and thereafter.

	For the year ended 31 December					
	2014	**2015**	**2016**	**2017**	**Thereafter**	**Total**
			(US$ million)			
Construction and Development obligations....	534.3	260.0	52.2	—	—	**846.5**
Long-term borrowings............	59.6	23.5	0.8	0.8	0.6	**85.3**
Capital lease obligations.........	—	—	—	—	—	**—**
Operating lease obligations.....	2.6	1.8	1.2	0.7	—	**6.3**
Total	**596.5**	**285.3**	**54.2**	**1.5**	**0.6**	**938.1**

Capital Expenditure Plan. Damac has in place a capital expenditure plan that principally relates to improvements in information technology and office infrastructure and the establishment of further sales offices. The aggregate amount of its planned expenditures from 1 January 2014 through to the end of 2017 is AED 60 million.

Licenses. From 1 January 2011 to 31 December 2013, Damac incurred a nominal fee of less than AED 1 per year relating to the licensing and use of its brand, which is owned by an affiliated company, which became a subsidiary of the Group following the pre-IPO reorganisation on 13 November 2013.

Off-balance sheet arrangements and contingent obligations. In order to launch a project and begin selling units in that project on a pre-sale basis, Damac 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, Damac would be responsible for the entire amount upon demand. The aggregate amount of its bank guarantees was US$ 79.8 million at 31 December 2013 and US$ 28.4 million at 31 December 2012. In addition, Damac 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.

Expected Sources of Funds

Damac plans to continue to meet its cash requirements for its construction obligations 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 term loan agreements with banks. Because Damac has generally not had difficulty in entering into adequate term loan agreements with banks, it has not found a need to enter into revolving credit agreements, which in the UAE market would be required to be secured, and which are thus less favourable to Damac than term loans. In addition, Damac has in the past sometimes relied on shareholder loans to meet its working capital requirements or for land purchases; however, going forward it does not intend to rely on shareholder loans.

Outside Dubai, Damac 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 Damac'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 Damac's land bank are paid in full with funds from non-escrowed cash and cash equivalents or from unsecured term loan facilities.

Damac 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

The majority of the Group's assets consist of development properties and, to a lesser extent, amounts due from related party and cash and bank balances. The majority of the Group's liabilities consist of trade and other payables and, to a much lesser extent, bank borrowings and amounts due to related parties.

Development properties

Development properties consist of land held for future development, land/properties under development and completed units 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 in the year ended 31 December 2013.

At 31 December 2011, 2012 and 2013, the recorded value of the Group's development properties was US$ 1,638.1 million, US$ 1,565.4 million and US$ 1,932.7 million, respectively. The decreasing amounts at year-end 2011 through year-end 2012 reflect cost of sales levels in excess of additions through purchase and construction and by provision levels at those period-ends. The increased amount at 31 December 2013 reflects additions through purchases that are in excess of cost of sales, supplemented by the reversal of provisions taken in previous years.

Land/properties under development constitute the majority of development properties, accounting for 85.2 per cent, 82.8 per cent and 85.4 per cent at 31 December 2011, 2012 and 2013, respectively. The increase in this percentage at 31 December 2013 reflects a decrease in both completed units (accounting for 10.3 per cent at that date) and land held for future development (4.3 per cent).

Amounts due from related parties

Amounts due from related parties result principally from cash that is lent to the Guarantor's Executive Chairman and Chief Executive Officer, Mr Hussain Sajwani or companies controlled by him. At 31 December 2011, amounts due from related parties also included payment due for properties that had been transferred to Mr Sajwani or companies controlled by him, but which had not yet been paid.

At 31 December 2011, 2012 and 2013, amounts due from related parties were US$ 460.2 million, US$ 439.1 million and nil, respectively.

Cash and bank balances

Cash and bank balances consist primarily of cash held in escrow, which are predominantly down payments on properties under contract that are not yet recorded as having been sold. 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.

At 31 December 2011, 2012 and 2013, cash and bank balances were US$ 93.6 million, US$ 119.2 million and US$ 578.2 million. The significant increase in cash balances at 31 December 2013 reflects increased sales levels, resulting in higher downpayments on properties under contract but not yet recorded as sold. To a lesser extent, this increased balance reflects the repayment of amounts due from related party discussed above.

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 each invoice date to settle outstanding dues.

At 31 December 2011, 2012 and 2013, trade and other receivables were US$ 35.0 million, US$ 63.2 million, US$ 409.5 million respectively. The higher level of trade and other receivables at 31 December 2013 compared with earlier periods-end reflects mainly an increase in amounts receivable from the Akoya project which was launched in the year 2013.

Trade and other payables

Trade and other payables consist principally of advances from customers, generally in the form of down payments on the purchase of properties under contract that are not yet recorded as having been sold. 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 2011, 2012 and 2013, trade and other payables were US$ 2,134.0 million, US$ 1,831.0 million and US$ 2,291.0 million, respectively. The higher level at 31 December 2013 compared to earlier periods-end reflects mainly provisions made for the land payment for the Akoya project.

Amounts due to related parties

Amounts due to related parties result principally from cash that is lent to the Group by the Guarantor's Executive Chairman and Chief Executive Officer, Mr Hussain Sajwani or companies controlled by him. At 31 December 2011, 2012 and 2013, amounts due to related parties were US$ 119.9 million, US$ 191.5 million and US$ 1.2 million, respectively.

Total Shareholders' (deficit)/equity

Total Shareholder's (deficit)/equity, representing the difference between assets and liabilities, was a deficit of US$ 73.6 million at 31 December 2011, equity of US$ 139.9 million at 31 December 2012 and equity of US$ 659.1 million at 31 December 2013. The deficit position in 2011 is a result of the high level of trade and other payables in that year, representing down payments received on properties under contract but not yet recognised as sold.

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.

On 3 December 2013, the Guarantor, Mr Hussain Sajwani and major shareholders entered into a relationship agreement (the "**Relationship Agreement**"), which regulates the commercial relationship between the Guarantor, Mr Hussain Sajwani, major shareholders and their respective associates. The principal purpose of the Relationship Agreement was to ensure that the Guarantor and its subsidiaries are capable at all times of carrying on their business independently of Mr Hussain Sajwani and major shareholders and that transactions and relationships with the major shareholders (including any transactions and relationships with any member of the Group) are conducted at arm's length and on normal commercial terms.

The Relationship Agreement provides that if any member of the Group intends to enter into, vary, amend, novate or terminate any contract or transaction with any substantial shareholder or any of their associates (each a "**Conflicted Transaction**") any Director who is not an independent non-executive director will not be permitted to vote on any resolution of the Board to approve the relevant Conflicted Transaction.

In addition to any other requirements imposed by the Relationship Agreement, if any member of the Group intends to enter into any Conflicted Transaction, the relevant substantial shareholder is required to abstain from voting in relation to the shares held by it on any resolution of the shareholders in relation to the relevant Conflicted Transaction.

As at 31 December for the years set out below, balances with related parties were as follows:

	As at 31 December		
	2011	**2012**	**2013**
		(US$ million)	
Due from related party			
Balances due from Mr Hussain Sajwani and entities under his control	460.2	439.1	—
Due to related party			
Balances due to Mr Hussain Sajwani and entities under his control	(119.9)	(191.5)	(1.2)
Net balances due from / (due to) related parties	340.3	247.6	(1.2)

For further detail on transactions with related parties, see Note 13 of the 2013 Financial Statements in respect of transactions entered into by the Guarantor with related parties.

Exposure to Financial Market Risk

Damac is exposed to financial market risk, principally in the form of fluctuations in interest rates and commodity prices.

Interest rate risk

Damac borrows money from banks 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$ 85.3 million as at 31 December 2013 (with 24 per cent accruing interest at a fixed rate floor at that date) and US$ 104.4 million as at 31 December 2012 (with 20.7 per cent accruing interest at a fixed rate floor at that date). If interest rates had been 50 basis points higher or lower and all other variables were held constant, profit for the period ended 31 December 2013 would have decreased or increased and for the period ended 31 December 2012 would have decreased or increased, by US$ 0.4 million and US$ 0.5 million, and profit for the period ended 31 December 2011 would have decreased or increased by US$ 0.5 million.

Damac 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. Damac continues to review the interest rate risk and the policies in place to manage this risk.

Commodity pricing risk

Damac 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 Damac 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, Damac believes that fluctuations in housing prices tend to be correlated with fluctuations in commodities prices, but Damac does not view commodity pricing fluctuations as posing a significant risk to its financial condition and results of operations.

Nonetheless, because the majority of its sales are made prior to the completion of construction, Damac 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. Damac manages this risk by assessing the feasibility of projects internally prior to launch through its Pricing Committee. After launch, Damac'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

Damac's functional currency is the AED, which is pegged to the U.S. dollar at a fixed rate of AED 3.675 to US$ 1.00. Damac, like other companies in the UAE, has adequate access to currency exchange markets for converting AED to U.S. dollars and vice versa. In the year ended 31 December 2013, 100 per cent of Damac's revenues and 97.5 per cent of its expenses were denominated in AED, U.S. dollars or other dollar-linked currencies. Damac believes that these levels are representative of its operations generally. Accordingly, Damac does not consider itself to have material levels of exposure to risk of currency risk.

Accounting Policies Requiring Management Judgement and Discretion

In preparing its IFRS financial statements, for certain line items Damac 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 Damac 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:

Revenue recognition: determining the point of handover

As described above under *"Description of Certain Line Items from the Statement of Comprehensive Income – Revenue",* Damac recognises revenue at the moment of handover. The Group makes an ongoing assessment of the minimum level of cash collection required for units to be handed over to buyers. This assessment takes into account market conditions prevailing at the time and the likely recoverability of any amounts still owing from the purchasers on these units.

In response to improvements in prevailing market conditions, during 2013 the Group reassessed the minimum cash collection threshold required for handover, reducing it from 70 per cent to 50 per cent. This has had an impact on the levels of revenue, receivables and associated provisions recorded for the year ended 2013 compared to those recorded for previous periods.

Cost of sales for units sold and recognised in revenue

Damac estimates the total cost to complete each project in order to determine the cost of sales that corresponds to revenue it has recognised. These estimates include the cost of providing infrastructure, potential claims by contractors and the cost of meeting other contractual obligations to customers.

Impairment of development properties

Damac reviews its development properties to assess whether there is an indication of impairment. In determining whether impairment losses should be recognised, Damac assesses the current selling prices of the property units that remain unsold at the reporting date and the anticipated costs for completion of those units. If the current selling prices are lower than the anticipated costs to complete, an impairment provision is recognised to reduce the recorded value of the units to the current selling price (the net realisable value). Determining the anticipated cost of completion and the current selling price requires management to exercise judgement and discretion.

Litigation

Damac is subject to litigation in the normal course of its business. In cases arising before completion of construction, no provision is made because no income from the project has yet been recognised (although the recognised value of any trade and other receivables relating to amounts due from those customers may be adjusted to reflect the dispute). In cases where construction has been completed (representing 44 per cent of litigation claims outstanding as at 31 December 2013), Damac recognises a provision where it believes that the outcome of such cases may have a material impact on the Group's financial position or financial performance. Damac believes that the outcome of its outstanding litigation will not have a material impact, and accordingly, it has not made provisions against any adverse determination of these cases. Damac's judgement in making this determination could prove to be wrong.

Provision for impairment on trade receivables

Damac reviews its receivables to assess the adequacy of provisions at least on a quarterly basis. Damac believes that the receivables that most expose it to payor credit risk are those recorded as trade receivables. In determining whether a trade receivable should be recognised as impaired and whether a corresponding provision should be recorded in the consolidated income statement, Damac makes judgements as to whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flows from that payor. 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 receivables. As a practical matter, Damac generally makes this provision where there is a payment in arrears for more than 180 days.

Cancellation fees

Damac 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 in accordance with the provisions of Dubai Law No. 13 of 2008. Pursuant to this law, Damac is required to inform the Dubai Land Department of a purchaser's breach of contract or payment default. The purchaser is given 30 days to rectify the breach or make the payment, failing which Damac can terminate that purchase contract and return certain amounts of the purchase price already paid. The Company has discretion to determine when all negotiations and communication channels with customers are exhausted and, correspondingly, when cancellation fees are recognised as other operating income.

DESCRIPTION OF THE GROUP

OVERVIEW

The Group is a leading developer of high-end property in the Middle East, with a strong track record in Dubai and a growing presence in other markets in the Middle East. Its award-winning developments include some of the most iconic buildings in Dubai's luxury property sector, and its brand is widely recognised throughout the region. Damac operates primarily in the residential segment of the luxury property sector but has also developed a number of commercial and mixed-use properties. Damac continually adapts its product offering in response to its customers' demands and is currently expanding the appeal of and demand for its residential units by adding to its products on offer: (i) fully serviced apartments and villas; (ii) apartments and villas that are co-branded with premium brands such as FENDI Casa, Versace Home and Paramount Hotels & Resorts; and (iii) villas and apartments in luxury lifestyle community developments such as its Akoya project which will be centred around a Trump International golf course. Since beginning its first residential project in 2002, Damac has sold units to nearly 12,000 customers from 130 countries and it has over 300,000 potential customers in its database.

Damac's property business was established in 1992 in its predecessor form by its Executive Chairman and Chief Executive Officer, Mr Hussain 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 properties to international and UAE-based customers. Since beginning its first residential project in 2002 to the end of 2013, Damac has completed 9,318 units (a majority of which are residential units in Dubai) equating to over 9.4 million square feet of delivered area, with a total project value of US$ 3.2 billion. In 2013, Damac delivered 2,123 units across 2.1 million square feet of saleable area. The Group has expanded geographically to replicate its business model outside Dubai and is currently developing iconic buildings in prime locations in other Middle East markets. As at 31 December 2013, it had 23,340 units comprising 30.4 million square feet of saleable area in progress across the Middle East. All of the units in progress are scheduled to be delivered by the end of 2017. Approximately 13 per cent of this saleable area in progress is located outside Dubai.

For the year ended 31 December 2012, the Group had revenues of US$ 692.0 million and made a profit for the period of US$ 212.5 million. For the year ended 31 December 2013, it had revenues of US$ 1,224.3 million and recorded a profit for the period of US$ 641.5 million. As at 31 December 2013, Damac had total assets of US$ 3,041.5 million.

Damac's primary business model comprises four main phases – buy, design, sell and build. For each project, Damac 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 Damac is generally paid for in cash upfront. Pursuant to Dubai regulations, project launch 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 Damac 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 2013, the Group had a land bank of 2.1 million square feet of saleable area of land comprising undeveloped parcels of land in prime locations in Dubai and Bahrain, which is targeted for delivery by the end of 2017. The Group seeks continually to identify opportunities to purchase additional land in Dubai and other Middle East locations that offer the potential to earn high returns on equity. 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 "—*Damac's Projects and Pipeline*".

KEY STRENGTHS

Damac benefits from the following key strengths:

Internationally recognised brand and leading independent property developer in Dubai

Damac is recognised as a leading developer of high-end property in the Middle East. The Group has a particular focus on premium residential properties. Damac delivered more residential units than any of its UAE focused peers in 2011, 2012 and the first half of 2013.

Since beginning its first residential project in 2002 to 31 December 2013, Damac has completed 9,318 units equating to over 9.4 million square feet of delivered area, with a total project value of US$ 3.2 billion. In 2013, Damac delivered 2,123 units across 2.1 million square feet of saleable area. Damac has sold units to nearly 12,000 customers from 130 countries and it has over 300,000 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 2013 despite the economic downturn, amounting in aggregate to 7,245 units delivered during this period. By way of comparison, the Group delivered 2,073 units between 2006 to 2008 (inclusive).

The Group's reputation and track record of delivering projects despite the economic downturn associated with the Global Financial Crisis, allows it to be a credible counterparty in negotiations with regulators and master developers in connection with planning permissions and land acquisitions.

Damac 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. Damac's strong reputation and internationally recognised brand is based on its track record of delivering on budget, high quality, luxury developments, such as Park Towers, Ocean Heights and Marina Terrace in Dubai. The Group believes that its strong position and its strong brand translates into higher sales volumes and prices, which also enables Damac to achieve higher profit margins than many of its competitors typically achieve.

Leading growth in the premium segment of the Dubai property market and beyond

Damac is a leading property developer in the Dubai market. One third of the world's population lives within a four-hour flight of Dubai and Dubai International Airport is the world's second busiest based on the number of international passengers in the 12 months to October 2013, 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 ten per cent in 2013 compared to 2012 by number of visitors, according to Jones Lang LaSalle.

Dubai has a well diversified economy, of which property forms a significant part 21 per cent according to Dubai Statistics Centre, a government body, in the first quarter of 2013), and the Government of Dubai has expended considerable resources to enhance and encourage the development of the real estate sector. Damac 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 focus is on the development of luxury property in prime locations, which is the main source of the recovery of Dubai's real estate market.

Dubai exhibits strong economic growth across key sectors following the Global Financial Crisis, with 4.5 per cent GDP growth in the third quarter of 2013, according to the Dubai Statistics Centre. The population of Dubai is also forecast to grow by an annual growth rate of five per cent over the period from 2012 to 2015 and seven per cent over the period from 2015 to 2020 underpinned by Dubai's continued appeal as a leading regional business hub, according to the Dubai Statistics Centre. As a result of this growth in tourism, GDP and the Dubai population, the residential property market has recovered strongly, with residential sales prices increasing by 15 per cent from December 2012 to December 2013 (according to Knight Frank's *Prime Global Cities Index for Q1 2014*). At the same time rents are increasing and, according to Global Property Guide, average rental yields for Dubai property in 2013 were 6.6 per cent compared to 4.3 per cent in New York and 2.1 per cent in London. These high rental yields coupled with a low annual cost of service and maintenance charges helps to support demand in the Dubai real estate market. In addition, the growing affluence (and hence disposable income and capital) of property investors in regional markets, as well as a limited supply of luxury properties, further drive demand for prime residential property in Dubai. There are currently no income, capital gains or stamp taxes payable in Dubai, other than a four per cent property transfer tax. Damac believes that regulatory changes in the Dubai property market, brought in both before and after the Global Financial Crisis, have sought to protect property investors and provide stability to the Dubai property market which increases Dubai's desirability as a market for property investment. Such regulatory protections include escrow requirements whereby a property developer is obliged to put any monies received on pre-sales into a discrete escrow account from which construction costs can be paid only on the satisfaction of certain construction milestones. Furthermore, real estate developers are required to have fully paid title to land and to have provided for at least 20 per cent of construction costs before commencing sales of units. These regulatory reforms continue to date, with new investor legislation currently being contemplated, including the draft law regarding the protection of real estate investors in Dubai (also referred to as the Investor Protection Law) and the recently issued Decree No. 21 of 2013 concerning the formation of a special judicial committee for the liquidation of cancelled real estate projects in Dubai. For further information on the regulatory environment, please refer to "*Regulatory Information*" section of this document.

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 financial services sectors, which represented approximately 23.6 per cent of Dubai's 2012 GDP according to Dubai Statistics Centre; (ii) consumer confidence in the UAE increasing in the 12 months to the date of this document; and (iii) a recovering business confidence index.

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 in the Middle East region and beyond including in the Maldives, Saudi Arabia, Qatar, Iraq, Lebanon, Jordan and Bahrain. Currently, the Group has projects in each of these countries which offers a platform for further growth.

Proven business model with strong profit margin generation and attractive returns

Damac's gross profit margins for projects delivered during the three-year period ended 31 December 2013 averaged 51 per cent per annum. The Group's gross profit margins on projects delivered during the three-year period ended 31 December 2009 varied between 27 and 53 per cent and have averaged 44 per cent per annum for the entire period from 1 January 2006 to the end of 2013. 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 on equity 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 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.

Damac targets those projects where it believes that a two times return on equity for the project can be achieved or exceeded over a four-year period.

Damac's commitment to high returns on equity 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. Damac 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

Damac 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 2013, it had 23,340 units comprising 30.4 million square feet of saleable area in progress across the Middle East, all of which is scheduled to be delivered by the end of 2017, with 5,724 units across 4,492 million square feet of saleable area to be completed by the end of 2014. Approximately 13 per cent by saleable area of these projects under development are located outside Dubai. Further details of the pipeline are set out under "—*Damac's Projects and Pipeline*". In addition, the Group maintains an inventory of completed units available for sale and as at 31 December 2013, had 669 completed units available for sale. As at 31 December 2013, it also held 2.1 million square feet of saleable area of land that is awaiting development and is continuously acquiring new land to replenish this land bank. This land bank of undeveloped land comprises approximately 4 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 2013.

The property market in Dubai is largely shaped by "master developers", which are wholly or partially government-owned entities responsible for developing previously unbuilt land in Dubai. These master developers acquire large plots of land from the Government of Dubai for development; agree on a development plan for the property with the Real Estate Regulatory Authority ("**RERA**"); and arrange for electricity, water, wastewater management, roads and other requisite infrastructure before either developing individual plots or selling them to developers such as Damac. In order to fund their operations, these master developers rely to some degree on selling plots of land to developers such as Damac. If certain plots of land are not developed, the desirability of the entire lifestyle community decreases. Accordingly, there is some degree of interdependence between developers, such as Damac, and these government-linked master developers. Given Damac's strong track record of delivery, Damac believes it is well positioned to obtain further land from these government-linked master developers. The Group's strong relationships with the 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.

Damac 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. Damac also seeks to manage its land bank efficiently so as to capitalise on demand and thereby maximise its financial returns. Damac'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. Accordingly, by the end of 2017, the Group plans to have delivered all properties currently in its land bank. 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 those 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 apartments and serviced apartments is intended to enhance its future growth. Please see "—*Damac's Projects and Pipeline*" section for further details. In particular, the growth in tourism in Dubai is driving demand for serviced apartments, 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. 8,088 of its units in-progress and in-planning are designed as serviced apartments. These achieve an average of 25 to 30 per cent higher yields than conventional apartments, which underpins investors' appetite for this category. Although the principal purpose of the add-on services connected with serviced apartments 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.

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 and Paramount Hotels & Resorts, as an opportunity to stimulate customer interest and thereby volume of sales and pricing of its units, especially in the context of growing investor demand from emerging markets. These co-branding arrangements are another factor differentiating Damac's products from those of its competitors and have a positive effect on how Damac's own brand is perceived. Units which are co-branded typically achieve sales prices which are on average 25 to 30 per cent higher than those achieved for non-branded apartments. Where such co-branded apartments are also supported by Damac's luxury services, such as private chefs and butlers, these price premiums increase. Approximately 46 per cent of branded units in projects in-progress are designed as serviced apartments.

In-house design, sales, execution, service and hospitality capabilities

Damac 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.

Damac'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 multi-national external brokers allows the Group to target customers in their home locations or by people familiar with the customers' culture and language. As at 31 December 2013, the in-house sales team comprised 453 full-time employees, which the Group believes to be one of the largest sales teams in the UAE. As at 31 December 2013, the Group's network of external brokers comprised 2,082 broker contacts of 90 different nationalities of which 862 were active and accounted for 49 per cent. of sales over the three financial years to 31 December 2013. Damac'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 2013, the Group conducted 103 roadshows in 37 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 the demand to approach 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.

Damac has an in-house design team who add value to projects by ensuring that designs are cost effective and engineered to achieve the optimum saleable area 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 commercial to residential (and vice versa) where market conditions are such that another use is more profitable than that originally envisaged.

Damac has an experienced project management team which focuses on controlling costs, monitoring contractors and pro-actively 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 that focuses on providing the highest standards of customer care throughout the lifecycle of the customer relationship. Damac 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. This customer satisfaction is evidenced by the fact that 28 per cent of the Group's customers from 1 January to 31 December 2013 are repeat customers. 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 owner's association and general facilities management services for the common areas of Damac's completed projects. This is a dedicated customer service provided by Damac after completion of a development and the handover of units to the purchasers.

It is now expanding into providing luxury hotel services for units it intends to sell as serviced apartments, having set up a discrete in-house team for this purpose. These services will include (i) concierge services, (ii) food and beverage and (iii) housekeeping and general room services as a standard. Customers can further opt into more personalised services such as: (i) private chefs, (ii) personal shopping, (iii) baby sitting, and (iv) butlers. 8,088 units of its projects in-progress and in-planning are being developed as serviced apartments. The hospitality sector has performed strongly with an increase in tourism in Dubai driving demand not only for hotel rooms but also for serviced apartments. Damac seeks to capitalise on its strong brand and track record for delivering luxury products by marketing its luxury units with luxury services. Its services will be provided by its own in-house team ensuring that these will be provided to the standards of an international five-star hotel.

Low leverage strategy with fully paid land

Part of Damac's conservative business model of paying the majority of construction costs from instalment payments received on sales of units allows it to operate at low levels of leverage. As at 31 December 2013, the Group had total borrowings of US$ 85.3 million compared to US$ 104.4 million of total borrowings as at 31 December 2012. At 31 December 2013, Damac held a land bank comprising 2.1 million square feet of saleable area of land that it intends to develop, sell and build by the end of 2017 but for which the ''Design'' phase has not as yet commenced. Almost all of this land has been fully paid for in cash, except in respect of the land for the Akoya project which will be paid for in instalments over the course of a period of five years which started on 23 October 2012. 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 U.S.$1 million to U.S.$2 million break fee.

When signing sales agreements with customers, Damac generally retains the right to move the customer into an equivalent or better unit, should that prove to be in Damac'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, Damac believes that it would have access to bank credit and would seek to sell its existing inventory if required to complete projects.

Damac believes its conservative and flexible capital structure alongside management's agility enables Damac 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 commercial to residential; (ii) stopping and/or delaying project construction at certain developments; and (iii) moving customers to more advanced projects thereby allowing Damac to consolidate the number of projects under construction in response to changing market conditions. Damac 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 who were able to maximise saleable area efficiency of progressed projects under development, whilst retaining the appeal and attractiveness of such projects to meet the premium standards expected by the Group's customers. Consequently, Damac believes that it was able to deliver more units during the period from 2011 to mid-2013 than any of its competitors. Following the property downturn, Damac 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, Damac has taken additional steps to increase its flexibility in its contracts with customers and contractors.

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 draws its knowledge and skills from both local and international experience.

Damac's Executive Chairman and Chief Executive Officer, Mr Hussain Sajwani, founded the Damac business in 1992 in its predecessor form and owns or controls, directly or indirectly, each major shareholder (being Al Khazna Company Limited, Najah Company Limited, Imtiaz Holding Limited, Sahira Company Limited and Al Firdous Holding Limited). He has over 30 years of experience in management and is well connected in Dubai and the Middle East region.

The success of the Group has also been shaped by a number of other key individuals with significant experience in the sector. The Group Chief Finance Officer, Mr Adil Taqi, has 20 years of experience in management and has been employed with the Group since 2006. The Group's Managing Director, Mr Ziad El Chaar, was the Group's Managing Director heading up sales and marketing prior to December 2013 and has been employed by the Group since 2005. The General Manager – Development and Technical, Mr Sherif Seleem, has 25 years of experience in the construction industry. The Group also has an extensive level of operational senior management many of whom have worked with the Group since its establishment in 2002 in its current form and who have been instrumental to the Group's success.

STRATEGY

Damac's strategic goal is to deliver attractive returns to investors as a leading developer of luxury residential properties across the Middle East and beyond. To achieve this strategic goal, Damac is focused especially on the following:

Executing its business model and delivering its existing pipeline of projects while securing landbank

Damac is focused on executing its proven business model of "Buy", "Design", "Sell" and "Build", 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. Based on its current project pipeline, Damac has sufficient land for its projects through to the end of 2017. Given Damac's strong track record of delivery of projects, Damac believes it is well-positioned to obtain further land from 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 Akoya project, where Damac is effectively serving as a master developer for this iconic lifestyle community.

As at 31 December 2013, Damac was developing 23,340 units equating to 30.4 million square feet of saleable area under development in Dubai, the Maldives and across the Middle East. This inventory of units for sale equates to approximately 40 months of sales measured at the average sale rate achieved by the Group over the 12 months ended 31 December 2013. These projects are scheduled to be sold and built by the end of 2017 with 5,724 units across 4.5 million square feet of saleable area to be completed by the end of 2014. In addition, at 31 December 2013, Damac held a land bank comprising 2.1 million square feet of saleable area of land that it intends to develop, sell and build by the end of 2017 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 project which will be paid for in instalments over the course of a period of five years (which started on 23 October 2012). However, to the extent sales have been launched for a parcel of land for a particular phase of the Akoya project, 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. Damac believes that its track record over the past decade demonstrates that it is well placed to meet this challenge and thereby to deliver high returns for its investors.

Once a suitable parcel of land has been identified and acquired, the Group generally begins its "Design" phase, implementing its premium focused product design process in order to achieve premium prices for the Group's units. The Group's in-house design team also includes its project management team which adopts a pro-active approach to project development management, thereby reducing the costs of construction for any given project, resulting in higher gross profit margins for the Group. Another key factor of Damac's "Design" phase is its in-house team's ability to change designs of any given project quickly in response to changing market conditions. For example, it successfully transitioned the Cosmopolitan (previously branded the Corner) project from a commercial property to a residential property offering serviced apartments following the Group's evaluation of the improved marketability of serviced residential units during the Global Financial Crisis. In the three years to 31 December 2013, total construction costs (excluding land acquisition costs) as a percentage of project value ranged from 33 per cent to 55 per cent. The Group also relies heavily on its internal design team, which works closely with internationally recognised architects and contractors to ensure that iconic designs are combined with increased saleable area efficiency in line with Damac's brand and track record for luxury properties. The Group believes that its success in achieving this forms the basis of its reputation and has been instrumental in making it one of the leading property developers in the Middle East. Going forward, Damac also intends to enhance its brand and reputation with projects that go beyond luxury and quality to include a "wow" factor that distinguishes them from projects developed by Damac's competitors. A key example of this is the Akoya project which Damac is seeking to develop as a full-service luxury community surrounding a golf resort, complete with mansions, villas and apartment buildings, as well as a full range of community infrastructure and facilities including schools, supermarkets, restaurants and a boutique hotel.

During the "Sell" phase of the project life cycle, Damac's comprehensive multi-faceted marketing approach ensures a healthy flow of funds to finance construction costs through supporting wide reaching fast launch times. This is complemented by a well designed unit release strategy that ensures the majority of construction cost outlays match instalment payments from customers. Damac typically does not release the entire available inventory in a project at the same time, but instead offers units for sale in response to and in anticipation of demand, thereby maximising pricing and its gross profit margins. This active management of the sale process allows Damac both to control its working capital requirements (funding construction costs from off-plan sales) and maximise the prices it achieves for its units. Although Damac will have sufficient cash at bank or in escrow, less amounts payable to banks, to fund its committed project expenditure and operating expenses for the 12 month period from the date of this document, should Damac receive insufficient funds from off-plan sales of units, it may need to postpone or cancel projects, or generate cash through the sale of land and properties in the longer-term. Its strong in-house marketing team and large network of international brokers ensure that Damac reaches a global audience through its 15 sales offices in key locations as well as by undertaking frequent roadshows in key target markets where it has no such sales offices. Damac believes its large scale, well functioning marketing and sales platform is a clear differentiator and competitive advantage between Damac and its competitors, which helps drive significant capital efficiencies.

Damac believes its in-house capabilities enable efficient and on budget project execution during the "Build" of a project. A main focus of this team is on strict cost control and meticulous project planning, allowing the Group to achieve high returns on equity through speed of execution thereby recycling its capital efficiently for further investments. The in-house project execution and execution support team of 312 people, as at 31 December 2013, is also supported by a wide pool of reputable service providers.

Continuing selective expansion into new markets that offer high returns on equity and diversification of risk

Although the bulk of Damac's projects have been and will continue to be based in Dubai, it continues to seek opportunities in other Middle East markets and beyond, where doing so may allow it: (i) to enhance its reputation; (ii) to achieve high returns on equity; and (iii) to diversify its portfolio. The Group currently has 11 projects in progress outside Dubai, and will continue to add to this pipeline of projects outside its core market, Dubai. The focus going forward will be in markets where there is strong demand for Damac's products that offer scaleable opportunities, and in which the Group can replicate its successful Dubai model, including Saudi Arabia, Qatar and Iraq. Damac will seek to enhance its returns on a selective basis by increasing its presence in these and other attractive markets.

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 its return on equity, Damac intends to continue to offer development products that allow it to generate maximum returns, including by expanding its product offering. In particular, Damac is beginning to offer units for sale in developments in which it provides full luxury 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. 8,088 units in projects in-progress and in-planning will be developed as serviced apartments. A number of these developments will contain a full range of restaurant and entertainment options, increasing their luxury appeal. The Group is also expanding into the development of new luxury lifestyle communities with the development of the Akoya project. Akoya is the Group's first project as master developer and represents approximately a third of

Damac's pipeline, by number of units, as at 31 December 2013. The development offers premium branded mansions, villas, townhouses and apartments which have a higher percentage of saleable area to built up area, increasing profit margins, and can be constructed with greater flexibility to adapt to customer demand than traditional high-rise apartment buildings.

In addition, and as a further example of its ability to adapt quickly to changing customer preferences and to capitalise on its strong brand, Damac plans to continue offering units that are co-branded with such names as Paramount Hotels & Resorts, FENDI Casa and Versace Home. These associations with premium brands further differentiates the Damac 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 allowing Damac to achieve superior margins. Damac 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 return on equity.

OPERATING ENVIRONMENT

In Dubai, Damac's developments are all located on land that the Government of Dubai has designated as land which both UAE and non-UAE nationals may buy. The principal source of land for Damac in Dubai is master developers, who are responsible for providing infrastructure and utilities (such as electricity, water and sewerage) for Damac's developments. Master developers in Dubai, including Emaar, Nakheel and Dubai Properties, generally 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 and then sell the remainder to property developers like Damac to develop individual projects. 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 Damac 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 Damac. If those plots of land are not then developed, the desirability of the lifestyle community decreases. Given Damac's strong track record of delivery of projects, Damac 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 Damac'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 Damac 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, the Group sources its land from both public and private bodies. In doing so, it benefits from a wide network of contacts across the region.

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 document.

In Dubai, as a result of the regulatory regime, customers pay instalments into an escrow account 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 Dubai Land Department (the "**DLD**") approved escrow trustee engineer. Any project finance acquired by Damac 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 "*Build Phase*" below for further detail. Damac's standard sale and purchase agreement does not provide for unilateral withdrawal by the customer. In the event that Damac terminates a sale and purchase agreement as a result of the purchaser's default, Damac 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. Damac 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 board committees.

If payment remains outstanding following the deadline specified in the relevant sale and purchase agreement, Damac 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 Damac 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).

DAMAC'S PROJECTS AND PIPELINE

Damac has a track record of 9,318 completed units (of which 8,596 units are located in Dubai and 722 units are located outside Dubai) equating to 9.4 million square feet of saleable area. In 2013, Damac delivered 2,123 units across 2.1 million square feet of saleable area. As at 31 December 2013, it had approximately 23,340 units under construction equating to 30.4 million square feet of saleable area in six different countries, with scheduled completion dates ranging from 2014 to the end of 2017.

The table below shows the number of completed, in progress and planned projects in each of the locations in which Damac operates, as at 31 December 2013.

	Completed units	Units in progress	Planned units	Total units	Completed saleable area	Saleable area in progress	Planned saleable area	Total saleable area
					('000 sq ft)	*('000 sq ft)*	*('000 sq ft)*	*('000 sq ft)*
Dubai	8,596	20,521	1,576	30,693	8,639	26,548	1,710	36,898
Abu Dhabi	722	539	—	1,261	768	607	—	1,375
Jordan	—	398	—	398	—	527	—	527
Saudi Arabia	—	695	—	695	—	1,026	—	1,026
Lebanon	—	189	—	189	—	344	—	344
Qatar	—	778	—	778	—	833	—	833
Iraq	—	220	—	220	—	552	—	552
Bahrain	—	—	446	446	—	—	429	429
Total	**9,318**	**23,340**	**2,022**	**34,680**	**9,407**	**30,437**	**2,139**	**41,983**

Key operational and performance metrics for projects

Damac 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 area, 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 document. As these are not standardised measures, they may not be directly comparable to similar measures that are published by other companies.

Completed projects

Since 2002 to the end of 2013, Damac has completed an aggregate of 9,318 units (of which 8,596 are located in Dubai and 722 units are located outside Dubai) equating to over 9.4 million square feet of saleable area, and with a total project value of approximately US$ 3.2 billion with 5,724 units across 4.5 million square feet of saleable area to be completed by the end of 2014. To date, Damac's projects have consisted primarily of luxury high-rise developments with mostly residential units and in some developments a limited amount of retail and other mixed-use space. In addition, 842 of the completed units were commercial in nature.

The table below sets out key information about the Group's completed projects as at 31 December 2013, ordered by completion date.

	Started	**Completed**	**Total no. of units**	**Total BUA**	**Total saleable area**	**Booked Sales**	**Inventory value**	**Total project value**	**Project gross profit margin**
				('000 sq ft)	*('000 sq ft)*	*(US$ million)*	*(US$ million)*	*(US$ million)*	*(%)*
Dubai									
Marina Terrace	2003	2006	200	575	308	66	—	66	36
The Waves Tower	2004	2006	256	698	377	76	—	76	42
Lake Terrace	2006	2008	573	760	414	82	0	82	27
Executive Heights	2006	2008	181	796	369	149	3	153	53
The Crescent	2006	2008	863	1,128	610	167	1	168	45
Lake View	2006	2009	545	789	431	98	3	101	43
Emirate Gardens	2007	2010	570	757	487	103	1	104	33
Business Tower	2008	2011	166	404	197	59	2	61	39
Lago Vista	2007	2011	1,018	1,335	755	205	4	209	46
Ocean Heights	2007	2011	585	1,252	804	357	11	368	43
Smart Heights	2007	2011	205	668	327	102	10	112	48
XL Tower	2008	2011	164	435	195	63	2	66	44
Emirates Gardens 2	2008	2012	563	779	506	112	2	115	41
Park Towers	2007	2012	776	1,746	998	448	51	499	50
Tuscan Residences	2008	2012	530	754	500	119	3	122	41
Business Central	2010	2013	228	446	246	82	7	89	48
The Signature	2010	2013	355	703	387	221	23	245	57
Suburbia	2010	2013	387	685	394	64	51	115	44
Park Central	2010	2013	145	236	121	36	9	45	22
Green Park	2011	2013	113	159	102	17	5	22	28
Madison Residences	2010	2013	173	232	111	11	19	30	23
Abu Dhabi									
Marina Bay	2010	2013	384	785	406	167	19	186	51
Ocean Scape	2010	2013	338	775	361	120	9	129	25
Totals / averages	—	—	**9,318**	**16,898**	**9,407**	**2,925[(1)]**	**236**	**3,161**	**45**

Note:

(1) Booked sales for completed and off-plan projects on an annual basis for each of the years ended 31 December 2012 and 2013 were US$661 million and US$2,458 million, respectively.

Projects in progress

A project becomes a 'project in progress' at launch. As at 31 December 2013, Damac had approximately 23,340 units on 30.4 million square feet of saleable area under development in six countries, with a total project value of approximately US$ 12.5 billion. The table below sets out key information about the Group's projects currently in progress, ordered by total project value.

	Scheduled year of completion	Total no. of units	Total BUA	Total saleable area	Booked Sales	Inventory value	Total project value
			('000 sq ft)	*('000 sq ft)*	*(US$ million)*	*(US$ million)*	*(US$ million)*
Dubai							
Akoya by Damac – Golf Course Developments	2017	7,406	17,228	12,613	673	3,835	4,508
Akoya Park	2017	1,880	4,828	4,150	247	1,163	1,410
Damac Towers by Paramount	2016	1,961	3,724	1,975	501	749	1,250
Damac Heights	2016	643	1,471	894	189	468	657
Privé by Damac (Damac HQ)	2016	884	1,106	537	94	222	316
The Distinction	2016	305	649	392	98	174	271
Lakeside	2014	1,967	2,216	944	199	47	246
Upper Crest	2015	391	656	402	150	89	239
The Signature 2	2017	215	527	269	—	212	212
Town Central	2016	591	1,122	605	—	198	198
Capital Bay	2014	359	682	334	120	43	163
The Cosmopolitan	2014	360	543	291	125	24	149
Lincoln Park	2014	856	966	534	101	46	146
The Constella	2017	610	913	505	—	144	144
Paramount Hotel JMH Waterfront (Maritime City)	2016	276	438	196	42	81	123
Water's Edge	2014	217	431	217	103	16	119
Bays' Edge	2016	252	462	243	79	35	115
The Vantage	2017	370	655	363	—	104	104
Executive Bay	2014	295	620	286	84	15	99
Jumeirah Golf Estate	2017	33	231	231	—	91	91
The Vogue	2014	188	346	157	52	27	79
Amber Residence	2014	272	330	211	33	43	77
Suburbia C	2017	103	233	114	—	33	33
Green Park B	2017	87	175	87	—	25	25
Abu Dhabi							
Shams	2017	539	1,018	607	—	297	297
Jordan							
The Courtyard/The Heights/The Lofts	2014	398	1,073	527	76	27	104
Saudi Arabia							
Damac Esclusiva	2016	395	930	500	26	269	295
Al Jawharah	2014	300	838	526	178	73	251
Qatar							
Burj Damac Marina	2015	136	369	187	62	30	91
Burj Damac Waterfront	2016	130	359	180	2	86	88
The Piazza 2	2014	238	386	218	67	5	72
The Piazza	2014	274	607	248	76	1	77
Lebanon							
Damac Tower	2015	189	495	344	95	167	261
Iraq							
Pinnacle Tower	2016	140	409	281	—	115	115
Princess Tower	2016	80	388	271	—	111	111
Totals/averages		**23,340**	**47,422**	**30,437**	**3,470**	**9,064**	**12,534**

Projects in planning

In addition to projects already in progress, as at 31 December 2013, Damac is in the planning stage for projects encompassing 2.1 million square feet of saleable area with targeted completion dates between 2014 and 2017. These projects are located in Dubai and Bahrain and have a total project value of US$ 771 million. The table below sets out key information about the Group's projects currently in planning, ordered by total project value.

	Total GFA	Planned saleable area	Total project value	Estimated Units
	('000 sq ft)	*('000 sq ft)*	*(US$ million)*	
Dubai				
Tuscan Residences 2	1,026	939	268	851
Executive Suites	139	125	61	121
Meydan	125	112	58	112
Parkside	202	182	52	166
Madison Residences 2	140	147	42	130
Central Square	151	136	39	123
Cultural Village	77	69	17	73
Bahrain				
Bahrain Bay	476	429	233	446
Totals/averages	**2,336**	**2,139**	**771**	**2,022**

Land Cost and Construction Cost

The table below sets out key information about the land cost and construction cost of the Group's projects as a percentage of total Project Value.

Year	**2010**	**2011**	**2012**	**2013**
Land cost[(1)] as a percentage of total project value[(2)]	15%	9%	14%	15%
Construction cost[(3)] (excluding land cost) as a percentage of total project value	53%	47%	40%	37%
Gross profit margin	32%	44%	46%	48%[(4)]

The table below sets out key information about the efficiency of the Group's projects as a percentage of total Saleable Area.

Year	**2010**	**2011**	**2012**	**2013**
Saleable area ('000 sq ft)	487	2,278	2,005	2,129
BUA ('000 sq ft)	757	4,093	3,280	4,021
Saleable area efficiency[(5)]	64%	56%	61%	53%

(1) Land cost comprises the cost incurred for the acquisition of the land and related fees in respect of the Group's projects completed in the relevant year.

(2) Total project value comprises the aggregate sum of booked sales and inventory value in relation to the Group's projects as at 31 December 2013.

(3) Construction cost comprises the aggregate of the construction costs, enabling costs, consultants fees, authority fees and all other costs that were necessary to make properties ready for handover in respect of the Group's projects completed in the relevant year.

(4) The gross profit margin calculation for 2013 takes into account information relating only to apartment buildings completed in that year (Akoya has therefore been excluded).

(5) Saleable area efficiency is the ratio of saleable area to BUA.

Overview of key projects

Completed projects:

Park Towers

Park Towers is a completed twin tower mixed-use complex in the DIFC in Dubai. Each tower has 49 storeys offering customers the opportunity to purchase luxury one, two and three bedroom apartments in a variety of layouts.

The towers are designed to ensure that each of the 530 residential units has a wide balcony offering views of the DIFC.

The towers comprise 530 luxury residential units, 120 retail units and 126 office units, with a total saleable area of 998,397 square feet. Park Towers has a project value of US$ 499 million and was completed in 2012. As at 31 December 2013, Damac had 75 units remaining in its inventory for this project.

The project won the "Best Mixed-Use Development" in the world at the Arabian Property Awards in 2011.

Ocean Heights

Ocean Heights is a completed 84 storey residential complex on the edge of Dubai Marina, with a variety of shopping malls, restaurants and public areas all within close walking distance. Built close to the water's edge, Ocean Heights offers views of the waterfront and Palm Jumeirah. Ocean Heights offers on-premises health facilities, a swimming pool and a children's recreational area and was the first Damac project to have a total project value over US$ 365 million.

Ocean Heights contains 585 units with a total saleable area of 803,679 square feet. Ocean Heights has a project value of US$ 368 million and was completed in 2011. As at 31 December 2013, Damac had only 10 units remaining in its inventory for this project.

The Signature

The Signature is Damac's first development that contains luxury serviced branded apartments and is located adjacent to the Dubai Mall. This 50 storey high-rise development will offer customers the opportunity to purchase contemporary luxury one, two or three bedroom apartments, which are fully furnished. Those serviced branded apartments and some of the buildings on the development are managed and serviced by Damac Maison to the standards of an international five-star hotel.

The development comprises 355 units with a total saleable area of 387,102 square feet. The Signature has a project value of US$ 245 million and was completed in May 2013. As at 31 December 2013, Damac had sales in place for over 92 per cent of the project's total saleable area.

Projects in progress:

Akoya by Damac and Akoya Park

Akoya by Damac and Akoya Park (together, "**Akoya**") is the Group's first project as master developer and represents approximately a third of Damac's pipeline, by number of units, as at 31 December 2013. Akoya will be 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. Damac believes that it represents a unique and exciting alternative to its existing inventory of high-rise units. Akoya is designed as a gated, green community of single-family mansions and villas surrounding a golf course owned by Damac. 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 resort residents.

Damac 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 Akoya 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.

Akoya is designed to contain a total saleable area of 16.8 million square feet (which represents the Akoya by Damac land originally acquired and the Akoya Park land acquired at a later date) with an expected project value of US$ 5,918 million. Akoya is scheduled to complete in multiple stages between 2015 and 2017. The land for the Akoya project is also being paid for in instalments. The total outstanding consideration amounts to US$ 179 million as at 31 January 2014, which is being paid for in instalments corresponding to phases in its development ending in October 2016 and title to the land is registered as these instalment payments are made. Damac has already sold 1,437 units from launch of the Akoya project to 31 December 2013 for approximately US$ 920 million.

As at 28 February 2014, (i) contracts have been awarded for the construction of the substation, 700 villas and five low-rise apartments; (ii) consultant contracts have been awarded for infrastructure development, design and construction supervision for the aforementioned villas and low-rise apartments and the golf course; (iii) major earthworks have been completed on the golf course; and (iv) mobilisation and excavation has commenced on the villas and apartments by the contractors.

Damac Towers by Paramount

Damac Towers by Paramount comprise four towers stretching 250 metres high and will offer one, two and three bedroom luxury serviced branded apartments. Developed by Damac in collaboration with Paramount Hotel & Resorts, the project offers an ambience and reflection of Hollywood glamour and of a "California cool lifestyle" synonymous with Paramount Pictures over the past 110 years. Damac intends to sell 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 hotel complex to be operated by Paramount Hotels & Resorts, which will have 842 units in that tower. Although operated by Paramount Hotels & Resorts, Damac is the owner of this hotel and it is expected to be revenue generating for the Group following completion. Damac Towers will include exclusive access to green and pool areas, numerous health facilities, in-grounds parking and numerous high-end dining establishments.

Damac Towers by Paramount are designed to contain an aggregate of 1,961 units (including the hotel) with a total saleable area of 1,974,777 square feet. Damac Towers by Paramount has a project value of US$ 1,250 million and is scheduled to complete in 2016. As at 31 December 2013, Damac had sales in place for approximately 44 per cent of the project's total saleable area.

Damac Heights

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 penthouses, duplexes, three, two and one bedroom apartments in Dubai.

The top 40 storeys of Damac Heights have been allocated to Damac Residenze, 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 643 units with a total BUA of 1,471,352 square feet and saleable area of 893,506 square feet. Damac Heights has a project value of US$ 657 million and is scheduled to complete in 2016.

Damac Esclusiva

Riyadh Tower by FENDI, also marketed as Damac Esclusiva, will be a 30-storey high-rise development in central Riyadh, Saudi Arabia, facing Kingdom Tower, providing 395 luxury serviced branded apartments. Approximately half of the apartments will feature interior design (including furniture and furnishings) by FENDI Casa and the remaining will be branded by Paramount. Given the style and privacy demanded by the top-end customers whom the Group expects to be interested in this project, applications to purchase units in this tower are by invitation only. Damac's intention is for Damac Esclusiva to provide some of the most exclusive and luxurious high-rise residential units in Saudi Arabia. In addition to providing the on-premises gym, pool and spa facilities and high-end restaurants of many of its other developments, Damac Esclusiva will offer a range of personalised services comparable to those provided by luxury hotels, including shopping and at-home chef services which will be provided by Damac Maison.

Damac Esclusiva has a targeted project value of US$ 295 million and is targeted to complete in 2016.

Damac Tower

Situated in the downtown area of Beirut, Damac Tower is a luxury residential project currently under construction. The luxury private apartments will comprise fittings and fixtures provided by the luxury Italian designer, Versace Home, in a variety of design packages for customers to choose from. The project comprises 189 units, which includes studios, one, two, three and four bedroom apartments and five retail units.

Damac Tower contains a total saleable area of 344,082 square feet. Damac Tower has a project value of US$ 261 million and is scheduled to complete in 2015.

Damac Tower won the property award for "Best High Rise Architecture" at the International Property Awards in 2010, which is widely considered in the real estate industry to be one of the most prestigious awards.

Al Jawharah

Al Jawharah is a luxury residential project under construction in Jeddah, Saudi Arabia. The project offers customers the opportunity to acquire penthouses as well as one, two or three bedroom apartments and, in respect of higher floors, either unfurnished or fully furnished by Damac's partner, Versace Home, according to customers' preferences or requirements. Al Jawharah is located on the Jeddah Corniche (ocean drive) and will provide waterfront views of the Red Sea. The Group believes that Al Jawharah represents a unique opportunity in Jeddah for luxury living in a high-rise development with full luxury amenities, including gym, swimming pool and spa, squash court, game room and on-premises parking.

Al Jawharah is designed to contain 300 units with a total saleable area of 525,825 square feet. Al Jawharah has a project value of US$ 251 million and is scheduled to complete in 2014. As at 31 December 2013, Damac had sales in place for approximately 76 per cent of the project's total saleable area.

BUSINESS MODEL

While the Group has historically focused on Dubai, it has expanded its operations to other countries in the Middle East, such as Saudi Arabia, Lebanon and Qatar. 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 a phased strategy of "Buy", "Design", "Sell" and "Build", supported by attention to detail, value creation, proactive cash-flow management and customer care for every phase of the development life cycle. 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 ongoing 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 branded apartments in its Damac Esclusiva and Damac Towers by Paramount developments, hotels in its Paramount developments, and the ongoing ownership of a golf course in its Akoya development. Notwithstanding these projects, Damac 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 (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 Damac's strategy to adapt to the changing preferences of its customers.

Each phase of Damac's business model is set out below in more detail.

The "Buy" phase

In this phase, Damac actively seeks to purchase land in prime locations. This is critically important to Damac because a property in a prime location typically commands a price premium of 15 to 25 per cent. Damac 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.

Damac'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 Damac's present land bank and finished inventory, results of feasibility studies, payment terms and the relevant master developer's development guidelines (which determine the type of development Damac is able to build).

In addition, when evaluating international opportunities, Damac'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 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 Damac's payment for the land is made either in instalments or in a lump sum. In Dubai, once Damac 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 Damac. In Dubai, typically title is evidenced by an affection plan which is issued by the master developer in Damac's name and which will also show the interests acquired by the Group on completion of the development. Receipt of the affection plan gives Damac the right to register title at the DLD. See also "*Regulatory Information*" section of this document for more detail on regulation of the Dubai real estate sector.

With the exception of land sourcing related to master developments such as Akoya (which can 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 master developer has delivered the plot to Damac 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 master developer. The objective of the "Design" phase is to create a development design that increases value, represents Damac'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 Damac's business and, Damac 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 Damac's project team considers to be the most appropriate design for the development, focussing 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 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 Damac'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 Damac 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 Damac developments);
- appropriate specifications within each unit (selecting high quality paint finishes, tiling, whiteware, kitchen appliances, and bathroom fittings); and
- cost effectiveness.

In Dubai, the master developer 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.

Damac's developments have been recognised for their iconic designs. Amongst the awards Damac received in 2013 are the following:

- "Best Developer Middle East" award by The Overseas Property Professional;
- "Middle East Property CEO of the Year" award by ITP Arabian Business Awards;
- "Real Estate CEO of the Year" award by Gold Business Industry Awards;
- 2013 Arabian Property Awards for the following:
  - "Best Development Marketing for Dubai" with Damac Towers by Paramount Hotels and Resorts;
  - "Best Golf Development for Arabia" with Akoya by Damac;
  - "Best Developer Website"; and
  - "Best Residential High Rise Development for Dubai" with Damac Towers by Paramount Hotels and Resorts.

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 master developer, local authorities and RERA and all relevant consents to commence off-plan sales, the "Sell" phase commences. In this phase Damac 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. Damac'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, Damac 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.

Damac'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.

Damac seeks to differentiate itself from its competitors by deploying innovative sales and marketing tactics in this phase. For example, Damac provides potential customers with "3D walkthroughs" and model apartments in order to give them tangible and "living experiences" of Damac's properties. From the first expression of interest from a potential customer, Damac implements its customer relationship management. Damac has dedicated sales offices in Dubai, Abu Dhabi, Doha, Jeddah, Riyadh, Damman, Jordan, Lebanon, and Baghdad. It also undertakes extensive and frequent roadshows in countries in which the Group has no sales offices.

The Group utilised the services of 453 sales representatives employed full-time as at 31 December 2013 across 15 sales offices in key cities in six countries and had a further 2,082 broker contacts of which 862 were active as at 31 December 2013 and which are of 90 different nationalities. The sales representatives are located in the Kingdom of Saudi Arabia (63), Jordan (1), Lebanon (3), Qatar (5) and the UAE (381). 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, Damac'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.

Damac believes that its recognised brand, as well as Damac's partnerships with other luxury brands, such as Versace Home, FENDI Casa and Paramount Hotels & Resorts promote sales and drive increased profit margins, as well as provide a global marketing platform. In relation to the Damac Towers by Paramount, over 400 units were sold in two phases in a period of only nine weeks. The demand for those units was so high that Damac launched additional road shows marketing the units specifically in Saudi Arabia, Qatar and Singapore. As those partnerships are exclusive to Damac in specific cities, Damac will be the only developer permitted to market projects internationally in conjunction with those brands in those cities. It has already benefited from an increased global profile due to its coverage with Paramount Hotels & Resorts at the 2013 Cannes Film Festival.

As there is a strong demand for serviced apartments in Dubai and potentially in the Middle East, Damac is expanding 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 Signature project. The services will be provided by "Damac Maison". The services that the Group will be offering will include 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 will be provided by Damac's in-house team. This will be an additional income generating revenue stream for the Group and will primarily allow Damac to sell the units in those projects at a premium to unserviced apartments.

Damac'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 Damac's capital efficiency. Although the terms of Damac's sale and purchase agreements can vary depending on the development and requirements imposed by the relevant 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 unit reservation form; 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 Damac 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 Damac'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 document for further information. This capital structure, coupled with Damac'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 Damac to minimise reliance on external financing to build its properties.

The average time required for the construction phase is from 24 to 37 months for high-rise units (depending on the number of floors in the building).

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

Damac outsources construction of its developments to third party contractors. Damac'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. Damac has a policy of not using the same contractor simultaneously on multiple developments in order to reduce the risk of delay in completion. As part of the tendering process, Damac 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 Damac enjoys good relationships with major contractors in Dubai and has approximately ten core contractors, Damac does not have any formal preferred contractor relationships which commit it to deal only with certain entities. This allows Damac greater flexibility in selecting a contractor for each development particularly as regards availability and specific expertise.

Historically, Damac'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 Damac 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 Damac and the contractor) ("cost plus"). Construction contracts may be terminated by Damac at will with the majority of these contracts having pre-agreed termination fees payable by Damac in such circumstances.

Damac pays contractors according to the applicable terms of the individual contracts, although they typically invoice Damac monthly. Damac 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*" section of this document 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

Damac manages the financial risk associated with contractor delays by enforcing performance guarantees and delay penalties if necessary. Damac 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, Damac 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 Damac 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 Damac.

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. In accordance with the Condominium Law of 2007, Damac provides 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.

Damac 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 Branded Apartments

In addition to providing owners' association and facilities management services for its completed projects, Damac will also be providing luxury, high-end in-house services to owners of serviced branded apartments in respect of 17 projects. These services will encompass traditional facilities management services but also services more generally associated with hotels. As such, Damac will provide 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 Signature project in the Burj district of Dubai will be the first project launched by Damac which will be marketed as serviced branded apartments and will be operated by Damac Maison. A portion of the units for sale in the Damac Towers by Paramount development will be sold as serviced branded apartments branded with Paramount.

The hospitality sector in Dubai is performing strongly and is exhibiting favourable dynamics for serviced apartments. The strong growth in Dubai tourism in 2012 continued into 2013 with Dubai expecting 20 million visitors annually by 2020 and is expected to be one of the top three tourist destinations by 2017, according to the 2013 Middle East Hotel Survey Report, 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 hotel rooms in comparison to this rise in demand is likely to result in favourable economic dynamics for serviced apartments. Damac intends to capitalise on its facilities management experience by providing more serviced apartments in its offering.

8,088 of units in-progress or in-planning are designed as serviced apartments. 1,118 of units in-progress are designed as hotel rooms. These achieve on average 20 to 30 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, Damac 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 Damac'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 Damac property, the services team will work closely with the team providing owners' association and facilities management services. Damac is analysing the competitive environment for serviced branded apartments 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 the serviced branded apartment projects will be able to include those units in the building's "rental pool". This "rental pool" will also be managed by Damac, which will charge a commission for this service. In order to participate in the "rental pool", a unit must: (i) meet Damac'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. Through a collaboration that Damac has entered into with RCI LLC, a global provider of exchange holiday services, Damac will also offer its customers who want to use their serviced apartment for a limited period of time each year the opportunity to include the unit in the "rental pool" for the remainder of the year. This allows Damac's customers, through RCI LLC, to exchange weeks for which they include their unit in the rental pool for weeks in other apartments from a global network of apartments.

CUSTOMER BASE

Damac has sold units to nearly 12,000 customers from 130 countries and it has over 300,000 potential customers in its database. The customer base is managed by Damac's client relationship management team and through its network of international sales offices and agents. The following table illustrates the regions from which Damac's customer base by units and by sales for the year ended 31 December 2013 were derived.

Region	Percentage of Units	Sales
Africa	11%	12%
Asia	27%	20%
Europe	10%	9%
Middle East	49%	55%
North America	1%	1%
Other	3%	3%

The following table illustrates the nationalities of Damac's customer base by value of sales for the years 2007 to 2013:

Nationality	Percentage
Saudi Arabia	19.9.%
UAE	7.1%
India	6.2%
Pakistan	6.1%
United Kingdom	4.9%
Qatar	4.1%
Nigeria	3.6%
Iran	3.5%
Russia	3.3%
Yemen	3.2%

The following table illustrates the regions from which Damac's customer base by value was derived for the years 2007 to 2010:

Region	Percentage
Africa	10%
Europe	28%
Middle East	42%
Americas	4%
Rest of the World	1%
Sub-Continent	15%

The following table illustrates the regions from which Damac's customer base by value was derived for the years 2011 to 2013:

Region	Percentage
Africa	12%
Europe	9%
Middle East	56%
Americas	4%
Rest of the World	1%
Sub-Continent	18%

Typically, more than 50 per cent of Damac'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.

Damac'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.

Damac'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 28 per cent of the Group's customer base are repeat customers.

COMPETITIVE POSITION

In Dubai, Damac 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 Damac'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 Damac, 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;
- 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 Bank Group, however, trading in its shares is currently suspended. 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 Damac undertakes other developments in Dubai, it may also need to compete for the land on which the developments are to be located.

Prior to the Global Financial Crisis, Damac believes there were more than 100 privately owned property developers. Other privately owned property developers which existed prior to the Global Financial Crisis have largely disappeared from the competitive landscape due to the problems in the Dubai property market as a result of the Global Financial Crisis and the ensuing financial difficulties faced by these entities. This led to the emergence of Damac and Emaar as the leading property developers in Dubai with completed inventory for sale following the Global Financial Crisis. Their respective strong brands based on their respective strong track records of project delivery meant that customers continued to trust Damac and Emaar to deliver units sold off-plan.

In addition, outside Dubai, the Group competes with a variety of local developers as well as other major Dubai based property developers such as Emaar.

Damac believes that there were more than 100 privately owned property developers in Dubai prior to the Global Financial Crisis. As a result of the new regulatory framework and higher barriers to entry in the industry which have come into effect since the Global Financial Crisis, the number of developers in the Dubai market has fallen from more than 100 developers to approximately a dozen developers as at the date of this Prospectus.

Damac 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 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, Damac 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 Damac to better and faster adapt to changing market conditions;
- it has the most extensive sales team and brokers network in Dubai and the Middle East 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

Damac 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.

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 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 new network has been 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 both through virtual desktops and physical desktops and laptops connected to the main servers.

Damac undertakes periodic reviews and systems audits. The Group upgraded most of its information technology systems in 2008 and is currently in the process of upgrading its systems again following an external audit undertaken in 2012.

In terms of software, Damac uses Oracle's industry standard eBusiness Suite ERP System for managing its finance, general procurement, sales, sales operation, CRM and other key functions across all locations and countries. Damac 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. Its 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".

Damac 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. Damac is also in the process of setting 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.

Damac 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. Damac 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.

Damac 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, Damac 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. Damac'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, Damac hires an external health and safety consultant to perform this task and report directly to Damac's project manager. Damac always seeks to ensure compliance with all local municipality and the highest international health and safety guidelines and regulations.

Damac 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, Damac 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, Damac 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.

INSURANCE

Damac recognises that risk is part of its business. In evaluating risk, Damac 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, Damac 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 Group level:

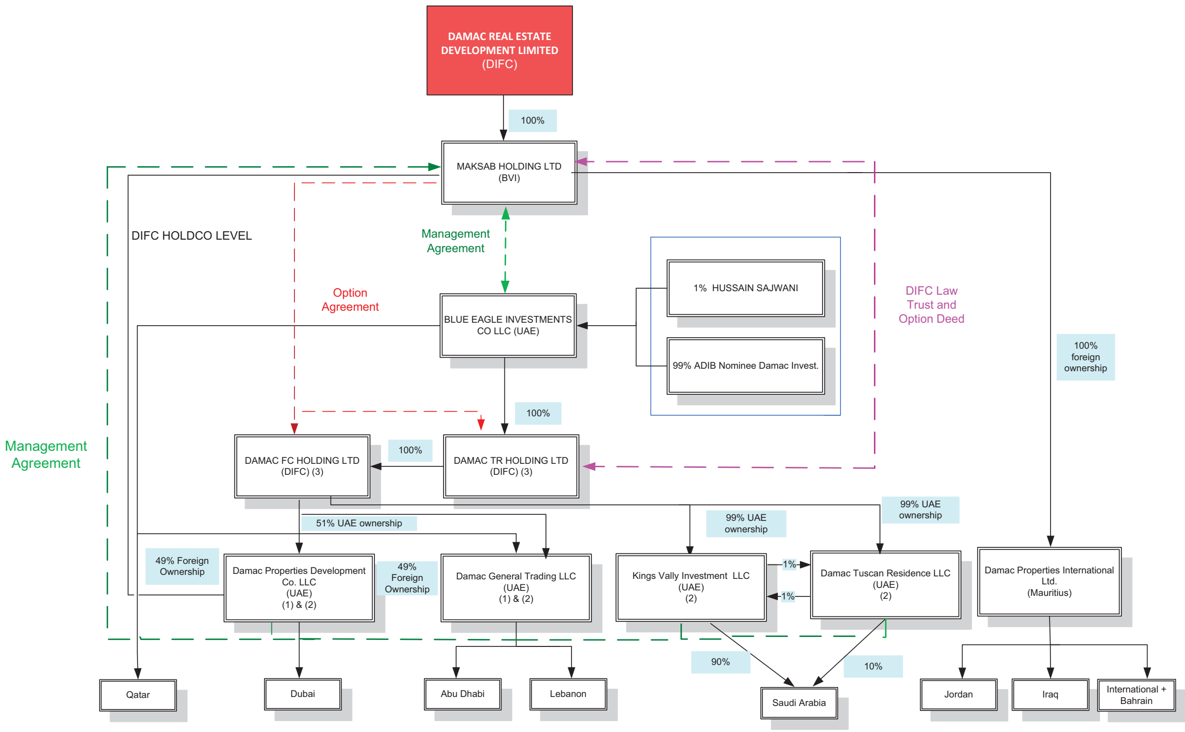
- Life and personal accident insurance;
- Workmen's compensation insurance;
- Medical insurance;
- Public liability insurance;
- Property all risks insurance;
- Motor fleet insurance;
- Business level insurance;
- Money insurance;
- Office content insurance;
- Fidelity guarantee insurance; and
- D&O indemnity insurance.

As part of its business model, Damac selects external contractors and engineers to detail, design and construct its properties. Damac 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 Akoya project, in connection with which the Group will operate in a manner similar to a master developer, it itself has taken out property all insurance, machinery insurance and contractors' all risk insurance.

ORGANISATION, DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES OF THE GROUP

Damac'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 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$ 650,000,000, consisting of 650,000,000 Ordinary Shares, with a nominal value of US$ 1 each.

In December 2013, Sahira Company Limited and Al Firdous Holding Limited (the ''**Selling Shareholders**'') sold 30,950,059 global depositary 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 Sajwani owns, directly or indirectly, 85.7 per cent of the Ordinary Shares in the Guarantor.

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 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

Damac's personnel is organised into the following principal divisions and committees:

Sales

Damac's sales team 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 presence in six countries with its own sales offices including: three in Dubai, four in Saudi Arabia and one in each of Doha, Beirut, Amman and Baghdad. Each office and each sales person can offer and sell units in any of Damac'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 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.

Marketing

Damac'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 Erikson and Fitch in relation to major initiatives such as the serviced branded apartment developments and the launch of the Akoya golf community.

Corporate Communications

Damac's corporate communications division is responsible for all day-to-day in-house and external communications relating to Damac. Working on a daily basis with local, regional and international media, the corporate communications team is tasked with managing Damac's news output. This includes media relations, internal communications, brand management, reputational risk management and mitigation, corporate social responsibility and issues management. The team are also responsible for all social media activity and work closely with the marketing team on branding and Damac's corporate message.

Customer Relationship Management

Damac's customer relationship management team is responsible for the entire lifecycle of Damac'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 the requests from customers. The team is also responsible for the handover process of completed units.

Project Management

Damac's projects management team 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 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.

Business Development

Damac's business 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 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

Damac'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 Vice President, 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

Damac'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 Damac's day-to-day legal requirements, including negotiating contracts for land acquisition and/or with contractors, brand licensing arrangements, the partnerships with FENDI Casa, Versace Home, Paramount Hotels & Resorts and the Trump Organization. It also appoints and manages external counsel for litigious matters and in relation to specialist advice.

Facilities Management

Damac's in-house strata and owners' association facilities management team comprised 28 members as at 31 December 2013. This team is responsible for providing both owners' association services, as required by law for jointly owned developments, and general facilities management services for the common areas of Damac's completed projects. In connection with this role, the Facility 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.

Serviced Branded Apartments

Damac's in-house hospitality services team is responsible for managing the Group's growing portfolio of leisure assets in the serviced branded apartment developments as well as for managing the limited number of hotels currently owned by the Group. It provides various services, such as the concierge services in those developments.

Talent Acquisition, Training and other Human Resources

Damac's human resources division comprises three teams: (i) talent acquisition; (ii) training; and (iii) human resources. The day-to-day activities of this division typically encompass recruitment, induction, training, performance management and administration.

Information Technology

Damac'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 Damac's offices and maintains IT systems.

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

Damac'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 Design, the General Manager for Development and Technical, the Managing Director, Projects and the Vice President Project Finance.

Finance Committee

Damac'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).

Damac'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

Damac'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 Damac and non-Damac 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 Vice President for Finance.

Tender Committee

Damac'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 the Board has 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 installments 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. Damac reports customer payment defaults to the Group's Finance Committee and contacts the defaulting customer via client relationship contacts (including the sale and marketing office that made the sale).

Investment Committee

Damac'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

Damac'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, Risk and Compliance, the Vice President for Finance and the General Counsel.

DIRECTORS

The following table lists the names, ages and positions of the Directors of the Guarantor:

Name	Position	Age
Mr Hussain Sajwani....................	Executive Chairman and Chief Executive Officer	60
Mr Adil Taqi...............................	Group Chief Finance Officer	42
Mr Ziad El Chaar.......................	Managing Director	44
Professor John Wright................	Senior Independent Director	72
Mr Farooq Arjomand.................	Non-Executive Director	55
Mr Ayalur Subbaraman.............	Non-Executive Director	60

In the five years preceding the date of this Prospectus, no member of the Board of Directors 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, Executive Heights, 20th Floor, TECOM Area, PO Box 2195, Dubai, United Arab Emirates.

The management expertise and experience of each of the Directors is set out below:

Mr Hussain Sajwani – Executive Chairman and Chief Executive Officer

Mr Hussain 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 Hussain 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 Damac's growth from its inception, in October 2011, under Mr Hussain Sajwani's initiative, the Group launched its hospitality division which will provide bespoke services to residents in more than 4,000 serviced branded apartments in Damac projects which are expected to be completed or to be under development by the end of 2013.

Mr Hussain Sajwani received his Bachelor of Arts degree in Economics from the University of Washington in the United States. Mr Hussain 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 Hussain 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 Hussain Sajwani also established Al Jazeira Services Co SAOG, a company listed on the Muscat Securities Market with a capitalisation of over US$ 125 million. Mr Hussain 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 Hussain 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. Hussain Sajwani first invested in this business and then helped to establish and build that company to its current size. Mr Hussain Sajwani is currently chairman of Al Jazeira 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 Jazeira Services, Global Logistics Services Co. and Al Atilia Insurance Company.

Mr Hussain Sajwani 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 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 Damac's real estate investments. Prior to joining Damac 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 Jazeira Services Co. SAOG.

Mr Ziad El Chaar – Managing Director

Mr El Chaar graduated with a Bachelor of Science in Biology in 1990 and received a Master of Business Administration in 1998 from the American University of Beirut.

From 1993 to 2005, Mr El Chaar worked for Fattal Holding, which is the largest distribution and representation company in the Levant (Lebanon, Syria, Jordan and Iraq). From 1997 to 2001, Mr El Chaar was General Manager in Syria for the same company during which time he turned the sales and distribution parts of the business in Syria from loss making to profit generating within three years. From 2001 to 2005, Mr El Chaar was Group Executive Director of Fattal Holding and remained on the board of that company until 2008.

Mr El Chaar joined Damac in 2005 as Vice President of International Sales. Mr El Chaar became International General Manger in 2006 and remained in that role until the beginning of 2009 when he became General Manager of operations. Since the beginning of 2011, Mr El Chaar has been the Managing Director of Damac and is currently the Guarantor's Managing Director.

Professor John 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 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.

Professor Wright is also a visiting professor at Glasgow University Business School.

Mr Farooq 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 Ayalur Subbaraman – Non-Executive Director

Mr Subbaraman received a Bachelor of Technology (Chemical Engineering) from the Indian Institute of Technology – Madras in 1976, and a Post Graduate Diploma in Management (Financial Management) from the Indian Institute of Management – Bangalore in 1978.

Mr Subbaraman is currently the Group General Manager of the Abu Hani Group in Muscat, Oman. Previously, Mr. Subbaraman was a Senior Vice President of DAMAC Properties Company LLC in Dubai, where he reported to Mr Sajwani directly.

Mr Subbaraman has been a leader of strategic and operational teams in the Middle East region since 1989. His career spans over 35 years of senior-level executive experience across varied industries and markets, and has included senior positions as the CEO of Oman Filters Industry Co (SAOG), as the General Manager of Oasis Water Co. LLC in Oman, and as the General Manager of Muscat Manufacturers Co for Industrial and Cooking Gasses SAOG.

SENIOR MANAGEMENT

The following table lists the names, ages and positions of the Senior Managers of the Guarantor:

Name	Position	Age
Mr Sherif Seleem	General Manager – Development & Technical	47
Mr Amit Pathak	Head of Audit, Risk and Compliance	42
Mr M.P. John	Senior Vice President, Human Resources and Talent Acquisition	48
Mr Patrick Doolan	General Counsel	56
Mr Shaun Langdon	Senior Vice President, Damac Hotels	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, Executive Heights, 20th Floor, TECOM Area, PO Box 2195, Dubai, United Arab Emirates.

The management expertise and experience of each of the Senior Managers is set out below:

Mr Sherif Seleem – General Manager – Development & Technical

Mr Seleem received his Bachelor of Science in Architecture in 1988 from the University of Cairo. Mr Saleem is a member of the Egyptian Syndicate of Engineers and a member of the Australian Institute of Board Directors.

Sherif Seleem joined the Group in January 2012. Mr Seleem is the general manager of the Group's development and technical team which is responsible for the management of more than 60 projects in different design and construction stages and the evaluation of more than 10 development opportunities per month.

Mr Seleem has a wide range of experience in undertaking feasibility studies, master planning, project direction, design direction, project management and construction management of major urban and building projects. Mr Seleem lead on the design and construction phases on a significant number of major commercial, retail, residential, sports, tourism, recreational and industrial projects in various countries across the MENA region such as Qatar, the UAE, Sudan, Egypt, Syria, Libya and Algeria. He was also involved in the master planning and design management of a number of large developments in China, Singapore and Australia.

Previously, Mr Seleem held the position of Chief Technical Officer and was a member of the executive management team at Qatar Project Management Company. Mr Seleem was also the Chief Executive Officer of Golden Sands, one of the leading real estate development companies in Qatar. He was also a director and board member of GHD, a leading international architectural and engineering consultant company. In addition, he worked as the Middle East operation manager for Meinhardt Pty Ltd., an international engineering and architectural firm.

Mr Amit Pathak – Head of Audit, Risk and Compliance

Mr Pathak qualified as a Chartered Accountant from the Institute of Chartered Accountants of India in 1997 and as a Certified Internal Auditor from the Institute of Internal Auditors USA in 2001. Mr Pathak has gained considerable experience in Risk Based Internal Audit and Finance while working for leading organisations in the Middle East in the Aviation, Hospitality, Real Estate & Property Development industries.

Mr Pathak joined Damac at the end of May 2013 and is responsible for the Group's Audit, Risk and Compliance functions. Prior to joining Damac, Mr Pathak was working with TECOM Investments, a subsidiary of Dubai Holding which builds, manages and develops business parks.

Mr M. P. John – Senior Vice President – Human Resources and Talent Acquisition

Mr John holds a Masters degree from Mahatma Gandhi University, Kerala, India. From 1998 to 2003, Mr John worked for an international search and selection company as the General Manager.

Mr John joined Damac in 2003. Since joining, Mr John has played a leading role in the Human Resources department, which has responsibility for Damac's talent sourcing, management and retention, training and development, compensation and benefits. Mr John is the Senior Vice President of the Human Resources and Talent Acquisition Departments.

Mr Patrick Doolan – General Counsel

Mr Doolan received his LLM from Sydney University in 1999 and has also been a member of the Chartered Institute of Arbitrators since 2004.

From 1985 to 1991, Mr Doolan held various commercial management positions in engineering and construction companies in the United Kingdom. From 1991 to 2001, Mr Doolan was Company Secretary and Commercial Manager at Simon Engineering (Australia) Pty Ltd. From 2002 to 2003, Mr Doolan was Legal Counsel of Minister of Electricity and Water, Bahrain, before being appointed Legal Counsel of Qatar General Electricity and Water Corporation in 2004, where Mr Doolan remained until 2006. Since 2006, Mr Doolan has been the Head of Legal at Damac and is the Guarantor's General Counsel.

Mr Shaun Langdon – Senior Vice President, Hotels Management

Mr Shaun Langdon received his Diploma in Hotel Management from the Blue Mountains International Hotel Management School, New South Wales, Australia in 1994. He also has various management qualifications from Cornell University in the US.

Mr Shaun Langdon joined Damac in February 2013 as Senior Vice President in the hotels management department. His career in the hospitality industry spans 22 years, and includes assignments in India, Nepal, Bangladesh, Australia, New Zealand, Thailand and Malaysia. He has held positions in InterContinental Hotels and Resorts, such as Regional Director for food and beverage in Australia, New Zealand and the South Pacific, and Regional General Manager and Director of Projects in South West Asia. His responsibilities have included managing the operating and pre-opening of hotels and representing brands such as InterContinental, Crowne Plaza and Holiday Inn.

BOARD COMMITTEES

Nomination Committee

The Nomination Committee will assist the Board in discharging its responsibilities relating to the composition of the Board, performance of Board members, induction of new directors, appointment of committee members and succession planning for senior management. The Nomination Committee will be responsible for evaluating the balance of skills, knowledge, diversity and experience on the Board, the size, structure and composition of the Board, retirements and appointments of additional and replacement directors and will make appropriate recommendations to the Board on such matters.

The Nomination Committee will prepare a description of the role and capabilities required for a particular appointment.

The UK Corporate Governance Code provides that a majority of the members of the Nomination Committee should be independent non-executive directors. the Guarantor's Nomination Committee will be comprised of three members, all of whom are independent Non-Executive Directors (namely Mr Farooq Arjomand, Professor John Wright and Mr Ayalur Subbaraman). The chairman of the Nomination Committee will be Mr Farooq Arjomand. The Guarantor therefore considers that it will comply with the UK Corporate Governance Code recommendations regarding the composition of the Nomination Committee.

The Nomination Committee will meet formally at least twice a year and otherwise as required. The duties and activities of the Nomination Committee during the year will be disclosed in the Guarantor's annual report.

Remuneration Committee

The Remuneration Committee will assist the Board in determining its responsibilities in relation to remuneration and will have 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 Board level.

The UK Corporate Governance Code provides that the Remuneration Committee should comprise at least three members, all of whom are independent non-executive directors. The membership of the Guarantor's Remuneration Committee will comprise three members, all of whom are independent Non-Executive Directors, (namely Professor John Wright, Mr Ayalur Subbaraman and Mr Farooq Arjomand). The chairman of the Remuneration Committee will be Professor John Wright. The Guarantor therefore considers that it will comply with the UK Corporate Governance Code recommendations regarding the composition of the Remuneration Committee.

The Remuneration Committee will meet formally at least twice each year and otherwise as required. The Remuneration Committee will consider 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. The Remuneration Committee 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 will be determined by the full Board, or where required the Guarantor's articles of association (the "**Articles**"), the Shareholders.

Audit Committee

The Audit Committee will assist the 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 will report to the Board on how it has discharged its responsibilities and, separately, an individual section of the annual report will describe the work of the Audit Committee. Where requested by the Board, the Audit Committee will review the content of the annual report and accounts and advise the 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 UK Corporate Governance Code recommends that the audit committee should comprise at least three members, who should all be independent Non-Executive Directors, and that at least one member should have recent and relevant financial experience. The membership of the Guarantor's Audit Committee will comprise three members, all of whom are independent Non-Executive Directors, (namely Professor John Wright, Mr Farooq Arjomand and Mr Ayalur Subbaraman). Professor John Wright, an independent Non-Executive Director, is considered by the Board to have recent and relevant financial experience and will be chairman of the Audit Committee. The Guarantor considers that it will comply with the recommendations of the UK Corporate Governance Code regarding the composition of the Audit Committee.

The Audit Committee will formally meet at least three times per year and otherwise as required. The Audit Committee will consider and make recommendations to the 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 effect 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 will be 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 Damac's employees as at 31 December for the years 2008 to 2013.

Year	Number of Employees
2008	808
2009	425
2010	433
2011	449
2012	705
2013	1,393

As at 28 February 2014, Damac had 1,503 employees. In order to support the renewed growth in the Group's operations, Damac 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 health insurance, various allowances and bonuses to its local employees.

Damac recognises the importance of the calibre and the motivation of its employees. A performance management system has been implemented where Damac'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 Damac 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 2013, did not exceed U.S.$ 2.8 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, the UAE does have a longstanding territorial dispute with Iran over three islands in the Arabian (or Persian) Gulf.

ECONOMY OF THE UAE

The UAE is the second largest economy in the GCC region after Saudi Arabia. Although it has a more diversified economy than most of the other countries in the GCC region, its wealth remains largely based on oil and gas.

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 sub-continent, Central Asia, Africa and beyond.

The recent political upheavals in the Middle East, popularly known as the Arab Spring, 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.

Following more than four per cent contraction in 2009 due to the Global Financial Crisis and the resultant slump in its real estate sector and a fall in manufacturing, the economy has gained significant momentum with GDP growth accelerating each year since 2010. In 2011, the UAE economy stopped contracting and experienced 1.3 per cent growth, followed by a real GDP growth of 4.2 per cent in 2012 (with the oil sector growing by 6.6 per cent and the non-oil sector by 3.1 per cent). Despite uncertainty surrounding the global economy, especially in Europe and North America, the UAE's economy is expected to grow in excess of four per cent in 2013.

The economic environment for 2013 has witnessed renewed confidence and shows encouraging signs in the real estate, trade, tourism, aviation and retail sectors, in addition to the traditional oil sector. On the real estate side, the average house prices in Dubai have risen by 19 per cent in 2012, which growth has been sustained in 2013 with prices rising by about 10 per cent since the beginning of the year. The stock exchanges in the UAE also reflect the growing confidence in the economy with the Dubai Financial Market share index having risen by around 30 per cent since the beginning of the year and having been ranked as one of the best performing stock exchanges globally.

It is reported that the IMF expects the UAE's GDP to increase from AED 1.416 trillion (US$ 386 billion) in 2012 to AED 1.445 trillion (US$ 394 billion) in 2013. The Washington-based Institute for International Finance predicts that the UAE's GDP will exceed AED 1.5 trillion (US$ 410 billion) in 2014.

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 Sharia (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 sole 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 exceeds 2.1 million, with a significant portion of the population being comprised of non-UAE nationals (approximately 91 per cent) drawn primarily from the Indian subcontinent, Europe and other Arab countries. According to the Dubai Statistics Centre, approximately 78 per cent of this population is estimated to be male and 22 per cent female.

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.

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. Most significant is the recent launch by the Ruler of Dubai of the Sheikh Mohammad Bin Rashid city, which is to be completed over the next five to seven years. A city within a city, it is reported that in addition to residential buildings based on green standards, the project will feature the world's biggest shopping mall, a public park (30 per cent larger than London's Hyde Park), a universal studios theme park and approximately 100 hotels.

According to Jones Lang Lasalle's first quarter 2013 report on the real estate sector in Dubai, the Emirate witnessed investment worth AED 68 billion in its real estate sector in 2012 with the principal investors being GCC nationals (AED 18 billion), UAE nationals (AED 13 billion), Indians (AED 9 billion), British nationals (AED 5 billion), Pakistanis (AED 4 billion) and others (AED 19 billion). Jones Lang LaSalle's Dubai Real Estate Market Overview Q2 2013 stated: "The outlook for the industry is positive due to the strong economic growth experienced by the Emirate since 2012."

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 freehold property anywhere within Dubai and non-GCC expatriates and foreigners to own property on a freehold or leasehold basis only in designated areas within Dubai.

The Registration Law also provides that the Department of Lands and Property shall solely, to the exclusion of others, be authorised to register any real rights over property and long term leases. The Registration Law established the Real Property Register at the Dubai Land Department. 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.

In addition to individual ownership, it is possible for foreigners to own property in Dubai through off-shore companies established in the Jebel Ali free zone.

DUBAI REAL ESTATE REGULATORY AUTHORITIES

Dubai Land Department ("DLD")

The DLD is responsible for registration of all property transactions and of all property developers within the Emirate of Dubai.

Real Estate Regulatory Agency ("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 a diverse population in Dubai. Its work includes urban planning and supervision of construction, environmental protection and improvement, conservation of public parks, regulation and maintenance of international quality standards in construction and building materials, food and consumable items, professional services in laboratory certification and accreditation.

Dubai Civil Defence

The Dubai Civil Defence Department is responsible for ensuring compliance with safety standards, which include installation of fire safety and other emergency equipment.

Roads and Transport Authority ("RTA")

For master developers engaged in the development of a lifestyle community, the roads networks and master plans must also be approved by the RTA.

RELEVANT REAL ESTATE LEGISLATION

RERA and Escrow Accounts

The Escrow Law was introduced on 28 June 2007 and, together with the associated regulations, governs the way in which purchase price instalments paid by purchasers of "off-plan" developments are dealt with. Under the Escrow Law, developers are required to register with RERA and to set up escrow accounts for each development. Purchasers will pay their requisite purchase price instalments directly into the relevant escrow account. Importantly, the monies credited to the escrow account shall not be subject to attachment in favour of a developer's creditors.

The escrow account will be managed by a financial institution approved by RERA. An escrow agent, also approved by RERA, 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 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 upon which the units sold in the development are registered in the names of the buyers in order for the developer to address any remedial works required during that period.

Developers are permitted to use up to five per cent of the value of the project for "soft costs" associated with the development such as advertising, brokers' fees and other disbursements. RERA oversees the operation of the escrow accounts and has the ability to carry out audits to ensure that the 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 AED 100,000.

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 and the Executive Council's Decree No. 6 of 2010.

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 dispositions 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 disposition of units must be paid to DLD and developers are only permitted to collect limited "administration fees" upon such disposition; 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 thereon. 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 the developer wishes to terminate an off-plan sales agreement by virtue of the purchaser's default and the compensation that a developer may obtain in such circumstances. In the event that a purchaser breaches any of its obligations of the off-plan sales agreement, then the following procedures shall be followed:

(i) the developer shall notify the purchaser asking it to abide by its contractual obligations and the developer shall provide a copy of the notice to the DLD.

(ii) the DLD shall give the purchaser a period of 30 days from the date of the developer sending the notice to fulfil its contractual obligations;

(iii) if at the end of the notice period the purchaser has not fulfilled its contractual obligations, the developer may:

(iv) where it has completed at least 80 per cent of the project, retain the full amount paid by the purchaser and either sell the real estate unit at a public auction and collect the remaining sums owed to it by the purchaser or retain up to 40 per cent of the value of the real estate unit and re-sell it by way of a private sale;

(v) where it has completed construction of at least 60 per cent of the project, terminate the contract and retain up to 40 per cent of the purchase price stated in the contract;

(vi) where it has commenced construction but less than 60 per cent of the project has been completed, terminate the contract and retain up to 25 per cent of the purchase price stated in the contract; and

(vii) where construction has not yet commenced for reasons beyond the developer's control, and there is no negligence on the developer's part, terminate the contract and retain up to 30 per cent of the purchase price stated in the contract.

For the purpose of paragraphs (ii) and (iii) above, the developer 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.

For the purposes of paragraph (iv) 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 for public interest;

b) a government authority stops work on the project due to re-planning reasons;

c) excavations or service networks are found on the project's location;

d) the master developer makes modifications in the project's location resulting in changing the project's borders and area in a way that affects the sub-developer in executing its obligations; and

e) any other causes the DLD may deem out of the developer's control.

In addition, Law No. 9 of 2009 amending certain provisions of Law No. 13 provides 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 the money 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 which purchasers are entitled within 60 days of the project cancellation decision.

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 will have a 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 is anticipated and required to enable vertical, horizontal and/or volumetric subdivision of properties. 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 which developers must comply with 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 a 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 will be provided to a purchaser as part of the developer's "Disclosure Statement" requirements 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 the Emirate of 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 less than the average similar rent, the maximum increase shall be equivalent to five per cent of rent value;
- if the rent is between 21 per cent and 30 per cent less than the average similar rent, the maximum increase shall be equivalent to 10 per cent of rent value;
- if the rent is between 31 per cent and 40 per cent less than the average similar rent, the maximum increase shall be equivalent to 15 per cent of rent value; and
- if the rent is less than 40 per cent of the average similar rent, the maximum increase shall be equivalent to 20 per cent of rent value.

The 2013 decree is stated to apply to the free zones of Dubai, including the DIFC.

Property Mortgage Rules

The UAE Central Bank issued Circular No. 31/2013 dated 28/10/2013 setting maximum 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.

Proposed Changes to Property Laws

The DLD is planning a series of new property laws, which are scheduled to be implemented by 2015. The changes to legislation are expected to cover laws governing investors, owners' associations, contract templates, project finance, brokerage and liquidations.

Liquidation of Cancelled Real Estate Projects

His Highness, Sheikh Mohammed Bin Rashid Al Maktoum, Ruler of Dubai, recently issued Decree No.21 of 2013 concerning the formation of a special judicial committee for the liquidation of cancelled real estate projects in the Emirate of Dubai and the settlement of the relevant rights.

The main aim of the special committee (the "**Committee**") is to expedite the process of liquidation of real estate projects which have been cancelled and to consolidate the process for investors to seek compensation against developers for cancelled real estate projects. It aims to further facilitate quicker proceedings, particularly since court and arbitration proceedings have not only been lengthy but also expensive.

As a consequence all Courts in the Emirate of Dubai (including the Dubai International Financial Centre) may not now consider any demand or claim relating to cancelled real estate projects. All such claims must now be considered by the Committee. In addition, the Courts are required to refer any current 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 a local UAE company (that is, 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 can own 100 per cent of a UAE company in many circumstances. 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, the 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 another. These provisions could apply to liability claims against developers. The Civil Code provides for a distinction 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 it was a natural result of the harmful act). The Civil Code also contains provisions dealing with liability caused due to negligence and direct or indirect actions of the person responsible. 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. The Labour Law does not apply to 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 as these employees are 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 recently 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 this legislation. The UAE Ministry of Environment and Water is currently the federal body having responsibility 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 an establishment from discharging pollutants into the environment. Premises or shops located near the coast line which discharge pollution may only be established after conducting an environmental impact assessment survey and 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. Criminal liability attaches to an individual or individuals and not the company, although any conviction of an individual can play against the company in any later UAE civil court proceedings. Any type of environmental damage 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 potentially large and of serious consequence.

The maximum penalty under the law includes 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 1997 the UAE Dirham has been pegged to the US 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

The UAE does not impose taxes on income or individuals or corporations except with respect to foreign banks and oil and gas companies. Accordingly, the UAE does not impose any property or capital gains tax on property owners. 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 as part of the monthly water and electricity costs. Where the property is not rented, the fee is calculated on the basis of RERA's rent index.

The Dubai Land Department charges a transfer fee equal to four per cent of the purchase price of the property to register a transfer of ownership.

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.

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.

Dubai and certain other Emirates impose taxes on some goods and services (including sales of alcoholic beverages, hotel and restaurant bills and residential leases). However, there is no generally applicable sales tax or VAT in the UAE. The UAE does not impose taxes on dividends (paid or received), interest payments or royalty payments.

THE DUBAI STRATEGIC PLAN 2015

The Dubai Strategic Plan 2015 ("**DSP**") was announced by H.H. Sheikh Mohammad Bin Rashid Al Maktoum, Vice President and Prime Minister of the UAE, Ruler of Dubai, on 3 February 2007 to address increasing rents, inflation and road congestion. The DSP sets out a strategic approach to develop Dubai's most dynamic economic sectors including the livelihood and social condition of all residents, including both UAE and non-UAE nationals. The most significant aspect of the DSP is the identification of five areas where reform is considered necessary to accord with the times and targets of the future. These are: economic development; social development; infrastructure; land and environment; safety, security and justice; and public sector excellence. It is understood that, as a result of the Global Financial Crisis, the Government of Dubai is currently reassessing the stated aims of the DSP in the area of economic development. The stated aims in all other areas are to remain unchanged.

According to the DSP the future strategic growth of Dubai is based on six key "building blocks" namely tourism, trade, transportation, finance, professional services and construction. The development of these "building blocks" will be strategically supported by seven horizontal growth enablers, which will be addressed in parallel. These are: human capital, productivity, innovation, cost of living and doing business, quality of life, economic policy and institutional framework, and laws and regulations. In terms of infrastructure, land and the environment, the DSP covers four main areas: urban planning; energy, electricity and water; roads and transportation and the environment. It will target sustainable development and seek to provide a balanced infrastructure that includes all aspects of development, while protecting the environment.

An integrated roads and transportation system will be constructed to facilitate movement and improve safety. This will include greater use of public transport, reduced use of private cars, increased road network and transportation system capacity, the use of modern technology to make the transport system more efficient and more effective management of accidents and emergencies. The DSP also highlights the efforts already being made to improve road safety by enforcing safety audits, developing and implementing safety standards and influencing driver behaviour through awareness, stricter regulations and effective enforcement.

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 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 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 (as defined in the Conditions) 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 face amount of the Certificates must be invested in Ijara Agreements at all times, 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 purchase price, comprising the cost price and a mark up (profit). The profit element of the deferred purchase price will be paid by the purchaser at regular intervals coinciding with the Periodic Distribution Dates, with the remainder of the deferred purchase 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 of the Trustee (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 Sukuk Contracts and the Sukuk Assets (in part or in full, as applicable) 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 for the purpose of paragraph (b) and (c) below (without double-counting), and only to the extent that a Distribution Shortfall Restoration Amount or a Value Restoration Amount (as the case may be) is due and payable, the prompt performance by each relevant Sukuk Contract Counterparty of its obligations under those Sukuk Contract(s);

(b) undertakes 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 (or on behalf of) the Trustee, the relevant Distribution Shortfall Restoration Amount (if any) specified in that Payment Notice by depositing the same in the relevant Transaction Account;

(c) undertakes to pay to the Principal Paying Agent (on behalf of the Trustee), immediately upon receipt of a Payment Notice from (or on behalf of) the Trustee, the relevant Value Restoration Amount (if any) referred to in that Payment Notice by depositing the same in the relevant Transaction Account; and

(d) agrees with the Trustee that, to the extent 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 Guarantor to indemnify the Trustee in respect of any loss (i) incurred as a result of any relevant Sukuk Contract Counterparty failing to pay any amount expressed to be due and payable by it under a Sukuk Contract when it should have been paid; (ii) incurred by the Trustee and payable by the Service Agent in the circumstances set out in the Service Agency Agreement; and/or (iii) incurred as a result of the Service Agent failing to pay any additional amounts expressed to be due and payable under certain provisions of the Service Agency Agreement.

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 duties, powers, trusts, authorities 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, subject to certain provisions of the Declaration of Trust, does not affect the Trustee's continuing role and obligations as trustee.

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 either 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 SukukAssets (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.

A Transaction Account will be established in the name of the Trustee. Monies received in the Transaction Account will, *inter alia*, comprise payments of Periodic Distribution Amounts and 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, amongst other things, 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 Definitive 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.

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 Issuer 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 Issuer 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 7 February 2012 (being 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 Issuer 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 Issuer 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 Issuer 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) and (ii) the Guarantor has undertaken under the Transaction Documents 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.

EU Savings Directive

Under EC Council Directive 2003/48/EC on the taxation of savings income, Member States are required to provide to the tax authorities of another Member State details of payments of interest (or similar income, which may include Periodic Distribution Amounts) paid by a person within its jurisdiction to an individual resident in that other Member State or to certain limited types of entities established in that other Member State. However, for a transitional period, Austria and Luxembourg are instead required (unless during that period they elect otherwise) to operate a withholding system in relation to such payments (the ending of such transitional period being dependent upon the conclusion of certain other agreements relating to information exchange with certain other countries). The Luxembourg government has announced its intention to elect out of the withholding system in favour of an automatic exchange of information with effect from 1 January 2015. A number of non-EU countries and territories (including Switzerland) have agreed to adopt similar measures (a withholding system in the case of Switzerland). The European Commission has proposed certain amendments to the Directive, which may if implemented amend or broaden the scope of the requirements described above.

The Proposed Financial Transactions Tax

The European Commission has published a 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'').

The proposed FTT has very broad scope and could, if introduced in its current form, 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 exempt.

Under current proposals 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.

The FTT proposal remains subject to negotiation between the participating Member States and is the subject of legal challenge. 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

FATCA imposes a new reporting regime and potentially a 30 per cent. withholding tax with respect to certain payments to (i) any non-U.S. financial institution (a ''foreign financial institution'', or ''FFI'' (as defined by FATCA)) that does not become a ''Participating FFI'' by entering into an agreement with the U.S. Internal Revenue Service (the ''**IRS**'') to provide the IRS with certain information in respect of its account holders and investors or is not otherwise exempt from or in deemed compliance with FATCA and (ii) any investor (unless otherwise exempt from FATCA) that does not provide information sufficient to determine whether the investor is a U.S. person or should otherwise be treated as holding a ''United States account'' of the Issuer (a ''Recalcitrant Holder''). The Issuer may be classified as an FFI.

The new withholding regime will be phased in, beginning 1 July 2014 for payments from sources within the United States and will apply to ''foreign passthru payments'' (a term not yet defined) no earlier than 1 January 2017. This withholding would potentially apply to payments in respect of (i) any 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 after the ''grandfathering date'', which is the later of (a) 1 July 2014 and (b) the date that is six months after the date on which final U.S. Treasury regulations defining the term foreign passthru payment are filed with the Federal Register, or which are materially modified on or after the grandfathering date and (ii) any Certificates characterised as equity or which do not have a fixed term for

U.S. federal tax purposes, whenever issued.

The United States and a number of other jurisdictions have announced their intention to negotiate intergovernmental agreements to facilitate the implementation of FATCA (each, an ''**IGA**''). Pursuant to FATCA and the ''Model 1'' and ''Model 2'' IGAs released by the United States, an FFI in an IGA signatory country could be treated as a ''Reporting FI'' not subject to withholding under FATCA on any payments it receives. Further, an FFI in a Model 1 IGA jurisdiction generally would not be required to withhold under FATCA or an IGA (or any law implementing an IGA) (any such withholding being a "**FATCA Withholding**") from payments it makes. The Model 2 IGA leaves open the possibility that a Reporting FI might in the future be required to withhold as a Participating FFI on foreign passthru payments and payments that it makes to Recalcitrant Holders. Under each Model IGA, a Reporting FI would still be required to report certain information in respect of its account holders and investors to its home government or to the IRS.

The United States has recently concluded several IGAs with jurisdictions in respect of FATCA. The Cayman Islands Government has agreed a Model 1 IGA with the United States. The terms of such IGA have not yet been published, but are expected to be broadly similar to those agreed with the United Kingdom and the Republic of Ireland, taking into account the nature of the Cayman Islands' financial services. Under such IGA (which has yet to be formally signed by both parties), the Issuer will not be required to enter an agreement with the IRS, but may instead be required to register with the IRS to obtain a Global Intermediary Identification Number and then comply with Cayman Islands legislation that would be implemented to give effect to such IGA. The terms of such legislation are at this stage still uncertain and it is not yet clear whether the Issuer will be a certified deemed compliant entity with no reporting required or a registered deemed compliant entity which would require the Issuer to report to the Cayman Islands Tax Information Authority, which will exchange such information with the IRS under the terms of the IGA. It is also anticipated that, under the terms of the IGA, withholding will not be imposed on payments made to the Issuer, or on payments made by the Issuer to the Certificateholders, unless the IRS has specifically listed the Issuer as a non-participating financial institution, or the Issuer has otherwise assumed responsibility for withholding under United States tax law. The Issuer and financial institutions through which payments on the Certificates are made may be required to withhold FATCA Withholding if (i) any FFI through or to which payment on such Certificates is made is not a Participating FFI, a Reporting FI, or otherwise exempt from or in deemed compliance with FATCA or (ii) an investor is a Recalcitrant Holder.

Whilst the Certificates are in global form and held within Euroclear or Clearstream, Luxembourg (together, the "**ICSDs**"), it is expected that FATCA will not affect the amount of any payments made under, or in respect of, the Certificates by the Issuer, any paying agent and the Common Depositary, given that each of the entities in the payment chain between the Issuer and the participants in the ICSDs is a major financial institution whose business is dependent on compliance with FATCA and that any alternative approach introduced under an IGA will be unlikely to affect the Certificates. The documentation expressly contemplates the possibility that the Certificates may go into definitive form and therefore that they may be taken out of the ICSDs. If this were to happen, then a non-FATCA compliant holder could be subject to FATCA Withholding. However, definitive Certificates will only be printed in remote circumstances.

FATCA is particularly complex and its application is uncertain at this time. The above description is based in part on regulations, official guidance and Model IGAs, all of which are subject to change or may be implemented in a materially different form. Prospective investors should consult their tax advisers on how these rules may apply to the Issuer and to payments they may receive in connection with the Certificates.

TO ENSURE COMPLIANCE WITH IRS CIRCULAR 230, EACH TAXPAYER IS HEREBY NOTIFIED THAT: (A) ANY TAX DISCUSSION HEREIN IS NOT INTENDED OR WRITTEN TO BE USED, AND CANNOT BE USED BY THE TAXPAYER FOR THE PURPOSE OF AVOIDING U.S. FEDERAL INCOME TAX PENALTIES THAT MAY BE IMPOSED ON THE TAXPAYER; (B) ANY SUCH TAX DISCUSSION WAS WRITTEN TO SUPPORT THE PROMOTION OR MARKETING OF THE TRANSACTIONS OR MATTERS ADDRESSED HEREIN; AND (C) THE TAXPAYER SHOULD SEEK ADVICE BASED ON THE TAXPAYER'S PARTICULAR CIRCUMSTANCES FROM AN INDEPENDENT TAX ADVISER.

SUBSCRIPTION AND SALE

Pursuant to a subscription agreement (the "**Subscription Agreement**") dated 7 April 2014 between the Trustee, the Guarantor, the Service Agent and Abu Dhabi Islamic Bank P.J.S.C., Barclays Bank PLC, Citigroup Global Markets Limited, Deutsche Bank AG, London Branch, Dubai Islamic Bank P.J.S.C., Emirates NBD Capital Limited and National Bank of Abu Dhabi P.J.S.C. (together, the "**Joint Lead Managers**"), the Trustee has agreed to issue and sell to the Joint Lead Managers U.S.$650,000,000 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 Issuer 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 any member of 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 Dubai International Financial Centre unless such offer is:

(a) an "Exempt Offer" in accordance with the Markets Rules (MKT) module of the Dubai Financial Services Authority (the "**DFSA**"); and

(b) made only to persons who meet the Professional Client criteria set out in Rule 2.3.2 of the DFSA Conduct of Business Module.

Kingdom of Saudia 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 being made as a private placement under Article 10 or Article 11 of the "Offer of Securities Regulations" as issued by the Board of the Saudi Arabian Capital Market Authority ("**CMA**") resolution number 2-11-2004 dated 4 October 2004 and amended by the Board of the Capital Market Authority resolution number 1-28-2008 dated 18 August 2008 (the "**KSA Regulations**"), through a person authorised by the CMA to carry on the securities activity of arranging and following a notification to the CMA under the KSA Regulations.

Each Joint Lead Manager has represented and agreed that any offer of Certificates to a Saudi Investor will be made in compliance with the KSA Regulations.

The offer of Certificates shall not therefore constitute a "public offer" pursuant to the KSA Regulations, but is subject to the restrictions on secondary market activity under Article 17 of the KSA Regulations. Any Saudi Investor who has acquired Certificates pursuant to a private placement 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" (as defined in Article 10 of the KSA Regulations); (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 17 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;

(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

Each Joint Lead Manager has represented and agreed that it has not offered or sold, and will not offer or sell, 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, including the Qatar Financial Centre; 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); (ii) to "professional investors" within the meaning of 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 (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32) of Hong Kong or which do not constitute an offer to the public within the meaning of that Ordinance; 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, 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 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 persons in Singapore other than (i) to an institutional investor under Section 274 of the Securities and Futures Act, Chapter 289 of Singapore (the "**SFA**"), (ii) to a relevant person pursuant to Section 275(1), or any person pursuant to Section 275(1A), 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 provision 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) and Schedule 7 or Section 230(1)(b) read together with Schedule 8 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 Issuer, the Trustee, the Delegate or any of the other Joint Lead Managers shall have any responsibility therefor.

None of the Issuer, the Trustee, the Guarantor or any Joint Lead Manager has made any representation that any action will be taken in any jurisdiction by the Joint Lead Managers or the Issuer, the Trustee or the Guarantor 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.

GENERAL INFORMATION

Approval of the Prospectus, Admission to Trading and Listing of Certificates

Application has been made to the Irish Stock Exchange 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. 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 9 April 2014. The total expenses related to the admission to trading are estimated to be €5,000.

The Bank of New York Mellon SA/NV, Dublin Branch is acting solely in its capacity as listing agent for the Issuer 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. 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 1 April 2014. Alpha Star Holding Limited, in its capacity as Issuer and 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 17 March 2014. 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 2014.

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 105493215 and ISIN XS1054932154.

The address of Euroclear is Euroclear Bank S.A./N.V., 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 2013, and no material adverse change in the prospects of the Guarantor or the Group since 31 December 2013. 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.

For the purposes of Regulation 31 Schedule 1 3(2)(f) of the Irish Prospectus Regulations (as defined below) the auditors confirm that they are responsible for the 2012 Financial Statements included in the Prospectus and that they have taken all reasonable care to ensure that the information contained in the report is, to the best of their knowledge, in accordance with the facts and contains no omission likely to affect its import. This statement is included in the Prospectus in compliance with Annex IX item 1.2 of the Prospectus Directive. In this paragraph, "**Irish Prospectus Regulations**" means the Prospectus Directive (Directive D2003/71/EC) Regulations 2005 (S.I. No. 324 of 2005), as amended.

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 2012 and 31 December 2013 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.

Shari'a Approvals

The transaction structure relating to the Certificates (as described in this Prospectus) has been approved by the *Shari'a* Supervisory Board of Citi Islamic Investment Bank E.C. and Dr. Hussein Hamid Hassan, the *Shari'a* advisor of Deutsche Bank AG. 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 Shari'a Supervisory Board of Citi Islamic Investment Bank E. C.

Dr. Nazih Hammad

Dr. Nazih Hammad is a graduate of Faculty of *Shari'a* at University of Damascus, Syria and holds a PhD in Islamic Jurisprudence from Cairo University, Egypt. He has taught in the faculty of *Shari'a* at Um Alqura University, Makkah for 17 years. In addition to advising Citi Islamic Investment Bank E.C. and other Islamic finance institutions and funds, he is a member of the Islamic Fiqh Academy, Auditing and Accounting Organisation for Islamic Financial Institutions and Fiqh Islamic Council of North America. Dr. Nazih Hammad is the author of several research papers and books on Islamic jurisprudence and banking and finance.

Sheikh Nizam Yaquby

Sheikh Nizam Yaquby studied traditional Islamic studies under the guidance of eminent Islamic scholars from different parts of the world. He has a BA in economics & comparative religions from McGill University, Canada. He has served in Bahrain Mosques from 1981 to 1990 where he taught Tafsir, Hadith and Fiqh in Bahrain since 1976. In addition to advising Citi Islamic Investment Bank E.C. and other Islamic finance institutions and funds, Sheikh Nizam Yaquby is a member of the Islamic Fiqh Academy and Auditing and Accounting Organisation for Islamic Financial Institutions. He has published several articles and books on various Islamic subjects including banking and finance.

Dr. Mohammed Ah' Elgari

Dr. Mohammed Ali Elgari holds a PhD in economics from the University of California. Dr. Mohammed Ali Elgari is a Professor of Islamic Economics and the former Director of the Centre for Research in Islamic Economics at King Abdul Aziz University in Saudi Arabia, where he also served as a Professor of Islamic Economics. In addition to advising Citi Islamic Investment Bank E.C. and other Islamic finance institutions and funds, he is a member of the Islamic Fiqh Academy and is the Director of Center for Research in Islamic Economics at King Abdulaziz University in Jeddah. He has published numerous articles and books on Islamic banking and finance and is the editor of the Review of Islamic Economics and a member of the Academic Committee of Islamic Development Bank.

Description of the Shari'a advisor of Deutsche Bank AG

Dr. Hussein Hamid Hassan

Dr. Hussein is currently a member of the *Shari'a* supervisory committees of many Islamic financial institutions, the President of the Assembly of Muslim jurists, America and legal advisor to the President of Kazakhastan. Dr. Hussein has authored 21 books on Islamic law, finance, economics and other areas, in addition to more than 400 research articles.

Dr. Hussein was formerly the Economic Advisor to the Government of Kyrgz, advisor to the President of Pakistan and the President of the Islamabad International Islamic University.

Dr Hussein is currently the President and Member of the Fatwa and *Shari'a* Board for many banks and financial institutions both in the Middle East and internationally.

FINANCIAL INFORMATION

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

Consolidated financial statements
and independent auditor’s report
For the year ended 31 December 2013

DAMAC Real Estate Development Limited, DIFC

Table of contents	**Pages**

Director's Report
For the year ended 31 December 2013

The Directors have pleasure in submitting their report together with the audited consolidated financial statements of the Company and its subsidiaries (the "Group") for the year ended 31 December 2013. The net profit for the year is US$ 641.5 million (2012: US$ 212.5 million).

Principal activities

The principal activity of the Group is the development of properties, with continued focus in the current year on developing and delivering properties in Dubai.

The movement in retained earnings is as follows:

	US$ Million	US$ Million
Balance at 31 December 2012		12.5
Total comprehensive income for the year		
Revenue	1,224.3	
Cost of sales	(436.3)	
Interest and other income	74.5	
Expenses	(221.0)	
Total		641.5
Transfer to statutory reserve		(0.3)
Dividend paid		(119.7)
Balance at 31 December 2013		**534.0**

On behalf of the Board of Directors

Chairman

Deloitte.

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INDEPENDENT AUDITOR'S REPORT

The Shareholders
DAMAC Real Estate Development Limited, DIFC
Dubai
United Arab Emirates

Audit Report on the Consolidated Financial Statements

We have audited the accompanying 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 of 31 December 2013, and the consolidated statements of comprehensive income, cash flows and changes in shareholders' equity for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

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

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

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

Deloitte.

INDEPENDENT AUDITOR'S REPORT (continued)

Opinion

In our opinion, the consolidated financial statements presents fairly, in all material respects, the financial position of **DAMAC Real Estate Development Limited, DIFC and its subsidiaries** as of 31 December 2013 and its financial performance and cash flows for the year then ended, in accordance with International Financial Reporting Standards.

Deloitte & Touche

3 March 2014

Consolidated statement of financial position
As at 31 December 2013

	Notes	2013 US$ Million	2012 US$ Million
ASSETS			
Property and equipment	8	**12.5**	11.2
Development properties	9	**1,932.7**	1,565.4
Other financial assets	10	**77.9**	72.2
Trade and other receivables	11	**409.5**	63.2
Financial investments	12	**30.7**	-
Due from related parties	13	**-**	439.1
Cash and bank balances	14	**578.2**	119.2
Total Assets		**3,041.5**	2,270.3
SHAREHOLDERS' EQUITY AND LIABILITIES			
Shareholders' Equity			
Share capital	15	**650.0**	86.4
Statutory reserve	16	**41.3**	41.0
Group restructuring reserve	15	**(566.7)**	-
Investment revaluation reserve		**0.5**	-
Retained earnings		**534.0**	12.5
Total Shareholders' Equity		**659.1**	139.9
Liabilities			
Bank borrowings	17	**85.3**	104.4
Due to related parties	13	**1.2**	191.5
Provision for employees' end of service indemnity	18	**4.9**	3.5
Trade and other payables	19	**2,291.0**	1,831.0
Total Liabilities		**2,382.4**	2,130.4
Total Shareholders' Equity and Liabilities		**3,041.5**	2,270.3

Chairman

Director

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

Consolidated statement of comprehensive income
For the year ended 31 December 2013

	Notes	2013 US$ Million	2012 US$ Million
Revenue	20	**1,224.3**	692.0
Cost of sales	9	**(436.3)**	(410.6)
Gross profit		**788.0**	281.4
Other operating income	21	**69.4**	5.5
General, administrative and selling expenses	22	**(181.1)**	(44.6)
Brokerage commissions		**(63.4)**	(14.6)
Depreciation	8	**(3.6)**	(3.5)
Reversal of /(provision for) impairment on development properties	9	**27.1**	(11.6)
Operating profit		**636.4**	212.6
Other income	23	**5.7**	2.9
Finance income		**4.3**	2.5
Finance costs		**(4.9)**	(5.5)
Profit for the year		**641.5**	212.5
Other comprehensive income			
Items that will not be reclassified subsequently to profit or loss		**-**	-
Items that may be reclassified subsequently to profit or loss		**0.5**	-
Total comprehensive income for the year		**642.0**	212.5
Earnings per share			
Basic and diluted (US Cents)	29	**99**	N/A

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

Consolidated statement of changes shareholders' in equity
For the year ended 31 December 2013

	Share Capital US$ Million	Statutory reserve US$ Million	Group restructuring reserve US$ Million	Investment revaluation reserve US$ Million	Retained earnings/ (losses) US$ Million	Total US$ Million
Balance at 1 January 2012	85.4	41.0	-	-	(200.0)	(73.6)
Total comprehensive income for the year	-	-	-	-	212.5	212.5
Share capital addition	1.0	-	-	-	-	1.0
Balance at 31 December 2012	86.4	41.0	-	-	12.5	139.9
Balance at 1 January 2013	86.4	41.0	-	-	12.5	139.9
Total comprehensive income for the year	-	-	-	0.5	641.5	642.0
Group restructuring reserve (Note 15)	563.6	-	(566.7)	-	-	(3.1)
Transfer to statutory reserve (Note 16)	-	0.3	-	-	(0.3)	-
Dividend paid (Note 13)	-	-	-	-	(119.7)	(119.7)
Balance at 31 December 2013	650.0	41.3	(566.7)	0.5	534.0	659.1

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

Consolidated statement of cash flows
For the year ended 31 December 2013

	2013 US$ Million	2012 US$ Million
Cash flows from operating activities		
Profit for the year	**641.5**	212.5
Adjustments for:		
Depreciation of property and equipment (Note 8)	**3.6**	3.5
Provision for employees' end of service indemnity (Note 18)	**2.0**	1.1
Gain on disposal of financial investments (Note 23)	**(0.3)**	-
Finance costs	**4.9**	5.5
Finance income	**(4.3)**	(2.5)
Provision for / (reversal of) for impairment for trade receivables (Note 11)	**24.0**	(0.4)
(Reversal of)/provision for impairment on development properties (Note 9)	**(27.1)**	11.6
Operating cash flows before changes in operating assets and liabilities	**644.3**	231.3
Increase in trade and other receivables	**(369.3)**	(7.2)
Decrease/(increase) decrease in due from related parties	**377.3**	(1.7)
(Decrease)/increase in due to related parties	**(310.0)**	14.2
Increase/(decrease) in trade and other payables	**460.0**	(302.6)
(Increase)/decrease in development properties	**(310.8)**	84.0
(Increase)/decrease in other financial assets	**(5.7)**	12.7
Net cash generated from operations	**485.8**	30.7
Finance costs paid	**(4.9)**	(6.0)
Interest received	**3.8**	2.3
Employees' end of service indemnity paid (Note 18)	**(0.6)**	(0.4)
Net cash generated from operating activities	**484.1**	26.6
Cash flows from investing activities		
Purchases of property and equipment (Note 8)	**(4.9)**	(2.1)
(Increase)/decrease in deposits with an original maturity of greater than three months (note 14)	**(19.1)**	0.1
Proceeds from disposal of financial investments (Note 12)	**11.6**	-
Net cash (used in) / from investing activities	**(12.4)**	(2.0)
Cash flows from financing activities		
Bank borrowings during the year (note 17)	**97.9**	0.1
Repayments of bank borrowing (note 17)	**(129.7)**	-
Addition to share capital – net	**-**	1.0
Net cash (used in)/generated from financing activities	**(31.8)**	1.1
Net increase in cash and cash equivalents	**439.9**	25.7
Cash and cash equivalents at the beginning of the year	**105.8**	80.1
Cash and cash equivalents at the end of the year (Note 14)	**545.7**	105.8

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

1. Establishment and operations

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

The Company completed its Global Depository Receipts Listing on the London Stock Exchange on 3 December 2013.

The Parent and its subsidiaries (collectively the ''Group'') are involved in the development of properties in the Middle East.

The Parent is controlled by Mr. Hussain Ali Habib Sajwani (the "Chief Executive Officer"). These consolidated financial statements have been prepared applying the pooling of interest method as explained in Note 2.

2. Basis of preparation

Group restructuring

On 31 October 2013, the Company was incorporated as a new holding company for the Group. On 3 December 2013 (the "transfer date"), the Company 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.

Before the transfer date, the subsidiaries of the Company were ultimately controlled by the Chief Executive Officer which is consistent with the group of entities consolidated as at 31 December 2012. The legal entities constituting the Group for these consolidated financial statements have not previously constituted a legal group. This transaction has been accounted for under the pooling of interest method, where the consolidated financial statements of the Company are presented as a continuation of an existing group on the principle of ultimate common control and, therefore, outside the scope of IFRS 3 *Business Combinations*.

Consequently, the comparative information for the year ended as at 31 December 2012 presented in these consolidated financial statements are the results and financial position of DAMAC Properties Development Co. LLC, DAMAC General Trading LLC, DAMAC Properties Service Co. SHJ. LLC, DAMAC Real Estate Services Co. LLC, DAMAC Hotels Management LLC, DAMAC Crescent Properties Co. LLC, DAMAC Luxury Real Estate Properties Co. LLC, DAMAC Heritage Properties Co. LLC, Malak Al Rafidayn Properties Investment, Alaam Al-Dariha General Trading Limited, Luxury Facilities Management Co. (LLC), Silver Crown Properties Co. (LLC), Ocean Pearl Real Estate Company LLC, Al Hikmah International Enterprises LLC, and Excel Operations Company Limited (together the "Combined Group") as the group restructuring was only effected on 3 December 2013.

In anticipation of the group restructuring, certain entities were removed from the beneficial ownership of the Chief Executive Officer between 1 July 2013 and 3 December 2013 to become legal subsidiaries of the Group. Refer to Note 5 for further details.

Notes to the consolidated financial statements
For the year ended 31 December 2013 (continued)

2. Basis of preparation (continued)

Statement of compliance

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

Functional and reporting currency

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).

Basis of consolidation

The consolidated financial statements are prepared under the historical cost convention, except for certain financial instruments that have been measured at fair value. The principal accounting policies adopted in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all periods presented.

The Company consolidated 100% of the operations, assets and liabilities of the subsidiaries listed below which in total are 77 (2012: 57) companies (together the "Group").

Entity	Country of incorporation	Principal activities	Legal interest	Economic interest
Global Properties Company Limited	United Arab Emirates	Real estate development	100%	100%
Middle East Properties Company Limited	United Arab Emirates	Real estate development	100%	100%
Damac Fortune Properties Company Ltd	United Arab Emirates	Real estate development	100%	100%
Damac General Trading LLC	United Arab Emirates	Holding company	100%	100%
Damac Properties Development Co LLC	United Arab Emirates	Holding company	100%	100%
Damac Properties Co. LLC	United Arab Emirates	Holding company	100%	100%
Marina Terrace Co. LLC	United Arab Emirates	Real estate development	100%	100%
Damac Gulf Properties LLC	United Arab Emirates	Real estate development	100%	100%
Lake Terrace Co. LLC	United Arab Emirates	Real estate development	100%	100%
Damac Star Properties LLC	United Arab Emirates	Real estate development	100%	100%
Island Oasis Properties LLC	United Arab Emirates	Real estate development	100%	100%
Damac Crescent Properties LLC	United Arab Emirates	Real estate development	100%	100%
Damac Development LLC	United Arab Emirates	Real estate development	100%	100%

Notes to the consolidated financial statements
For the year ended 31 December 2013 (continued)

2. Basis of preparation (continued)

Entity	*Country of incorporation*	*Principal activities*	*Legal interest*	*Economic interest*
Damac Heritage Properties Co LLC	United Arab Emirates	Real estate development	100%	100%
Damac Luxury Real Estate Properties Co LLC	United Arab Emirates	Real estate development	100%	100%
Damac Crescent Properties Co LLC	United Arab Emirates	Real estate development	100%	100%
The Waves FZ LLC	United Arab Emirates	Real estate development	100%	100%
Damac Real Estate Developers FZ LLC	United Arab Emirates	Real estate development	100%	100%
Damac Properties FZ LLC	United Arab Emirates	Real estate development	100%	100%
Damac Lake View Company Limited	United Arab Emirates	Real estate development	100%	100%
Damac Properties Company Limited	United Arab Emirates	Real estate development	100%	100%
Damac Park Towers Company Limited	United Arab Emirates	Real estate development	100%	100%
Damac Crown Properties Company Limited	United Arab Emirates	Real estate development	100%	100%
Damac Properties Company Limited	Saudi Arabia	Real estate development	100%	100%
Damac Properties Qatar WLL	Qatar	Holding company	100%	100%
Valencia Development Company WLL	Bahrain	Real estate development	100%	100%
Damac Investment & Properties (Jordan) LLC	Jordan	Real estate development	100%	100%
Damac Properties Lebanon SAL	Lebanon	Real estate development	100%	100%
Alaam Al-Dariha General Trading Limited	Iraq	Real estate development	100%	100%
Malak Al Rafidayn Properties Investment	Iraq	Real estate development	100%	100%
Tilal Development Holding SAL	Lebanon	Holding company	100%	100%
Luxury Facilities Management Co. LLC	United Arab Emirates	Facilities management	100%	100%
Luxury Owner Association Management Services	United Arab Emirates	Facilities management	100%	100%
Damac Properties Services Co. Shj LLC	United Arab Emirates	Sales office	49%	100%
Damac Real Estate Services Co LLC	United Arab Emirates	Holding company	100%	100%
Elegance Marketing Co LLC	United Arab Emirates	Marketing and public relations	100%	100%
Damac Homes LLC	United Arab Emirates	Group treasury operation	100%	100%
Damac Ocean Heights Co. LLC	United Arab Emirates	Sales office	100%	100%

Notes to the consolidated financial statements
For the year ended 31 December 2013 (continued)

2. Basis of preparation (continued)

Basis of consolidation (continued)

Entity	*Country of incorporation*	*Principal activities*	*Legal interest*	*Economic interest*
Damac Star Properties LLC (Branch) Morouj Rotana	United Arab Emirates	Sales office	100%	100%
Royal Crown Properties Co. LLC	United Arab Emirates	Holding company	100%	100%
Frontline Investment Management Co. LLC	United Arab Emirates	Shell company	100%	100%
Damac Ocean Heights Co. LLC (Branch) OH	United Arab Emirates	Sales office	100%	100%
Damac Star Properties LLC (Branch) Al Seef	United Arab Emirates	Sales office	100%	100%
Ocean Pearl Real Estate Company LLC	United Arab Emirates	Real estate development	100%	100%
Middle East Dubai	Qatar	Shell Company	100%	100%
Premier Vision Property Development	Qatar	Shell company	100%	100%
Heritage Properties	Qatar	Shell company	100%	100%
Al-Imaratieh Properties LLC	Jordan	Real estate development	100%	100%
Damac Lebanon SAL (Holding)	Lebanon	Holding company	100%	100%
Al Hikmah International Enterprises LLC	Qatar	Project development	49%	100%
Al Aman Investment Management Co. LLC	United Arab Emirates	Holding company	100%	100%
Damac Properties International Ltd.	Mauritius	Holding company	100%	100%
Excel Operations Company Limited	United Arab Emirates	Holding company	100%	100%
Damac Hotels Management LLC	United Arab Emirates	Hotels management	100%	100%
Namaa Properties Development LLC	United Arab Emirates	Real estate development	100%	100%
Damac Properties Company Limited (Branch)	Saudi Arabia	Sales office	100%	100%
Quality Investment Co LLC	United Arab Emirates	Shell company	100%	100%
Luxury Facilities Management Co. LLC (Branch)*	United Arab Emirates	Facilities management	100%	100%
Maksab Holding Limited*	BVI	Holding company	100%	100%
Kings Valley Investment Co LLC*	United Arab Emirates	Shell company	100%	100%
Blue Eagle Investment Co LLC*	United Arab Emirates	Trust arrangement	100%	100%
Majara Investments Limited*	BVI	Investment company	100%	100%
Star Luxury LLC*	Russia	Sales office	99%	100%
Damac FC Holding Co Ltd*	United Arab Emirates	Holding company	100%	100%

Notes to the consolidated financial statements
For the year ended 31 December 2013 (continued)

2. Basis of preparation (continued)

Basis of consolidation (continued)

Entity	Country of incorporation	Principal activities	Legal interest	Economic interest
Damac TR Holding Co Ltd*	United Arab Emirates	Holding company	100%	100%
Damac Tuscan Residence LLC*	United Arab Emirates	Holding company	100%	100%
Prosperity Trading WOFE*	China	Trading company	100%	100%
Daman Holding Limited*	BVI	Shell company	100%	100%
Arjann Holdings Limited*	BVI	Shell company	100%	100%
Damac Ocean Heights Company* Limited*	United Arab Emirates	Real estate development	100%	100%
Bright Gulf Investments Limited*	BVI	Shell company	100%	100%
Accredited Holding Limited*	BVI	Shell company	100%	100%
Ali Habib Kukar's Real Estate Office*	Saudi Arabia	Sales office	100%	100%
Damac Enterprises & Management Co. LLC*	United Arab Emirates	Trade marks	100%	100%
Damac Enterprises Co. Ltd*	Mauritius	Trade marks	100%	100%
Damac Media And Marketing LLC*	United Arab Emirates	Marketing and public relations	100%	100%
Sadaf Investment Limited*	United Arab Emirates	Holding Company	100%	100%

* These entities became part of the Group during the year ended 31 December 2013.

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.

3. Adoption of new and revised IFRS

3.1 Revised IFRS applied with no material effect on the consolidated financial statements

The following new and revised IFRS have been adopted in these consolidated financial statements. The adoption of these new and revised IFRS have not had any material impact on the amounts reported for the current and prior periods but may affect the accounting for future transactions or arrangements.

- Amendments to IFRS 7 *Financial Instruments Disclosures: Offsetting of Financial Assets and Financial Liabilities*

3. Adoption of new and revised IFRS (continued)

3.1 Revised IFRS applied with no material effect on the consolidated financial statements (continued)

The amendments to IFRS 7 require entities to disclose information about rights of offset and related arrangements (such as collateral posting requirements) for financial instruments under an enforceable master netting agreement or similar agreement.

- IFRS 13 *Fair Value Measurement*

The Group has applied IFRS 13 for the first time in the current year. IFRS 13 establishes a framework for measuring fair value and is applicable to both financial and non-financial instruments. IFRS 13 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions. Fair value under IFRS 13 is an exit price regardless of whether that price is directly observable or estimated using another valuation technique.

- Amendments to IAS 1 *Presentation of Items of Other Comprehensive Income*

The Group has applied the amendments to IAS 1 for the first time in the current year. The amendments to IAS 1 require items of other comprehensive income to be grouped into two categories in the other comprehensive income section: (a) items that will not be reclassified subsequently to profit or loss and (b) items that may be reclassified subsequently to profit or loss. The amendments have been applied retrospectively, and hence the presentation of items of other comprehensive income has been modified to reflect the changes. Other than the above mentioned presentation changes, the application of amendments to IAS 1 does not result in any impact on the consolidated statement of comprehensive income.

- IFRS 10 *Consolidated Financial Statements and IAS 27 Separate Financial Statements*

IFRS 10 establishes a single control model that applies to all entities including special purpose entities. IFRS 10 replaces the parts of previously existing IAS 27 *Consolidated and Separate Financial Statements* that dealt with consolidated financial statements and SIC-12 *Consolidation – Special Purpose Entities*. IFRS 10 changes the definition of control in such a manner that to meet the definition of control, all three criteria must be met including: (a) an investor has power over an investee; (b) the investor has exposure or rights to variable returns from its involvement with the investee; and (c) the investor has the ability to use its power over the investee to affect the amount of the investor's returns. IFRS 10 had no impact on the consolidation of investments held by the Group.

Notes to the consolidated financial statements
For the year ended 31 December 2013 (continued)

3 Adoption of new and revised IFRS (continued)

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

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

New and revised IFRS	***Effective for annual periods beginning on or after***
▪ IFRS 9 requires all recognised financial assets that are within the scope of IAS 39 *Financial Instruments: Recognition and Measurement* to be subsequently measured at amortised cost or fair value. Specifically, debt instruments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. All other debt and equity instruments are measured at their fair values at the end of subsequent accounting periods. IFRS 9 also changes the criteria regarding the classification and measurement of financial liabilities relating to changes in the credit risk of that liability. For financial liabilities that are designated as at fair value through profit or loss, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Previously, under IAS 39, the entire amount of the change in the fair value of the financial liability designated as at fair value through profit or loss was presented in profit or loss.	1 January 2017
▪ Amendments to IAS 32 *Financial Instruments: Presentation* relating to application guidance on the offsetting of financial assets and financial liabilities.	1 January 2014
▪ Amendments to IFRS 10, IFRS 12 and IAS 27.	1 January 2014

Management anticipates that these new standards, interpretations and amendments will be adopted in the Group’s consolidated financial statements for the period beginning 1 January 2014 or as and when they are applicable and adoption of these new standards, interpretations and amendments may have no material impact on the consolidated financial statements of the Group in the period of initial application.

4. Significant accounting policies

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. The major component of the Group's revenue has been from the sale of individual units from the Group's development properties. From 2013 the Group has commenced the sale of land plots and has recognised revenues.

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

Sales of property

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

Sale of land

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

Contracts for provision of construction services

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

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

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

Repossession of units

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

Notes to the consolidated financial statements
For the year ended 31 December 2013 (continued)

4. Significant accounting policies (continued)

Revenue recognition (continued)

Management fees

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

Interest income

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

Cost of sales

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

The cost of development properties recognised in profit or loss on sale is determined with reference to the specific cost incurred on the property sold and an allocation of any non-specific cost based on the relative value of the property sold.

Development properties

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

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

Provisions

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 2013 (continued)

4. Significant accounting policies (continued)

Property and equipment

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

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

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

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

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

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

Impairment of property and equipment

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 profit or loss, 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.

4. Significant accounting policies (continued)

Impairment of tangible assets (continued)

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 profit or loss, 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.

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.

Leases

For the years ended 31 December 2012 and 31 December 2013, the Group did not have any finance leases and all leases have been classified as operating leases.

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

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

Foreign currencies

The individual financial statements of each Group entity are prepared in local currency, being the currency of the primary economic environment in which these entities operates (the functional currency).

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

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

4. Significant accounting policies (continued)

Financial instruments

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

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

Financial assets

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

Loans and receivables

Trade receivables, loans and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Loans and receivables are measured at amortised cost applying the effective interest method, less any impairment.

Available-for-sale financial assets

The Group's investments in shares and bonds are classified as being available-for-sale and are stated at fair value. Fair value is determined in the manner described in Note 25.

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

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.

Notes to the consolidated financial statements
For the year ended 31 December 2013 (continued)

4. Significant accounting policies (continued)

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 profit or loss.

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 profit or loss to the extent that the carrying amount of the investment, at the date the impairment is reversed, does not exceed what the amortised cost would have been had the impairment not been recognised.

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

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.

Notes to the consolidated financial statements
For the year ended 31 December 2013 (continued)

4. Significant accounting policies (continued)

Financial instruments (continued)

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

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

Financial liabilities

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

Derecognition of financial liabilities

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

Effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument 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.

Taxation

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

Borrowing costs

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

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Notes to the consolidated financial statements
For the year ended 31 December 2013 (continued)

4. Significant accounting policies (continued)
Group restructuring reserve

The group restructuring reserve arose on consolidation under the pooling of interests method used for the group restructuring which took place on 3 December 2013. This represents the difference between the share capital of the "Combined Group" and the Company at the date of the restructuring. This reserve is not distributable.

Statutory reserve

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

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.

5. Business combination under common control

On 3 December 2013, the Company became the legal holding company of 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 their underlying subsidiaries. As explained in Note 2, this transaction falls outside the scope of IFRS 3 *Business Combinations*, therefore the pooling of interests method is applied and the consolidated financial statements of the Group are presented as a continuation of the "Combined Group". The following accounting treatment was applied:

a) the assets and liabilities of the "Combined Group" were recognised and measured in the consolidated financial statements at the pre-combination carrying amounts, without restatement to fair value;
b) the retained earnings and other equity balances of the "Combined Group" immediately before the business combination, and the results for the period from 1 January 2013 to the date of the business combination are those of the "Combined Group" as the Company did not trade prior to the transaction; and
c) comparative numbers presented in the consolidated financial statements are those of the "Combined Group" for the year ended and as at 31 December 2012.

6. Critical accounting judgments and key sources of estimation uncertainty

In the application of the Group's accounting policies, which are described in Note 4, 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.

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

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

Critical accounting judgments in applying accounting policies

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

Litigation

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

Cancellation fees

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

Revenue recognition: determining the point of handover

As defined in the Group's revenue recognition policy (Note 4), the Group recognises revenue at the point of handover. Management makes an on-going assessment of the minimum level of cash collection required for units to be handed over to buyers. This assessment considers market conditions prevalent at the time and the likely recoverability of any receivable balances to be recognised for these units / plots of land.

As a response to improvements in prevailing market conditions, during 2013, management reassessed the Group's minimum cash collection threshold, resulting in lower minimum threshold for unit handover. This has an impact on the level of revenue, receivables and associated provisions in the year.

Escrow accounts

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

Impairment of development properties

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

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

Critical accounting judgments in applying accounting policies (continued)

Impairment of development properties (continued)

identified loss event or condition to reduce the cost of development properties in the consolidated statement of financial position to net realisable value.

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

At 31 December 2013 the Group's management engaged an independent external valuation expert to determine the market value for each of the properties. The market values, and future expected sales proceeds have been used in the assessment of net realisable value and calculation of the required impairment as at 31 December 2013.

Key sources of estimation uncertainty

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

Going concern assumption

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

Completion of projects

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

Provision for impairment on trade receivables

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

Notes to the consolidated financial statements
For the year ended 31 December 2013 (continued)

7. Segmental analysis

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

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

	2013 US$ Million	2012 US$ Million
Revenue		
Domestic	**1,224.3**	692.0
International	**-**	-
Total revenue	**1,224.3**	692.0
Development properties		
Domestic	**1,358.1**	1,135.7
International	**574.6**	429.7
Total development properties	**1,932.7**	1,565.4

8. Property and equipment

	Furniture and fixtures US$ Million	**Tools and office equipment US$ Million**	**Motor vehicles US$ Million**	**Total US$ Million**
Cost				
At 31 December 2011	11.8	14.0	0.5	26.3
Additions	1.9	0.2	-	2.1
At 31December 2012	13.7	14.2	0.5	28.4
Additions	4.2	0.4	0.3	4.9
At 31 December 2013	**17.9**	**14.6**	**0.8**	**33.3**
Accumulated depreciation				
At 31 December 2011	6.0	7.4	0.3	13.7
Charge for the year	1.8	1.7	-	3.5
At 31 December 2012	7.8	9.1	0.3	17.2
Charge for the year	3.1	0.4	0.1	3.6
At 31 December 2013	**10.9**	**9.5**	**0.4**	**20.8**
Net book value				
At 31 December 2013	**7.0**	**5.1**	**0.4**	**12.5**
At 31 December 2012	5.9	5.1	0.2	11.2

Notes to the consolidated financial statements
For the year ended 31 December 2013 (continued)

9. Development properties

	2013 **US$ Million**	2012 US$ Million
Balance at the beginning of the year	**1,565.4**	1,638.1
Additions	**745.6**	325.7
Transfers to cost of sales	**(434.8)**	(409.7)
Transfers from a related party (Note 13)	**29.4**	22.9
Impairment reversal/(provision)	**27.1**	(11.6)
Balance at the end of the year	**1,932.7**	1,565.4

Impairment of development properties

At 31 December 2013, the Group's management reviewed the carrying value of its land held for future development and development properties by assessing the net realisable value of each project. The key judgment in this review was estimating the realisable value of a project, which is determined by forecasting sales rates, expected sales prices and estimated costs to complete. In support of the review work performed, management engaged an independent external valuation expert to determine the market value for each of the projects including the expected sales prices.

This review resulted in an impairment reversal of US$ 27.1 million during the year (2012 provision: US$ 11.6 million), reflecting an upturn in macroeconomic conditions and a resulting improvement in current and expected future sales prices.

Following these impairment reversals, US$ 161.4 million (2012: US$ 144.1 million) are valued at fair value less costs to sell rather than at historical cost.

Assets held as development properties

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

	2013 **US$ Million**	2012 US$ Million
Land held for future development	**83.8**	185.2
Land / properties under development	**1,650.4**	1,295.8
Completed properties	**198.5**	84.4
	1,932.7	1,565.4

Total borrowing costs capitalised during the year are US$ 2.2 million (2012: US$ 4.5million).

Notes to the consolidated financial statements
For the year ended 31 December 2013 (continued)

10. Other financial assets

	2013 **US$ Million**	2012 US$ Million
Escrow retention accounts	**72.8**	69.9
Margin deposits	**4.9**	2.3
Other deposits	**0.2**	-
	77.9	72.2

In accordance with applicable laws, the Group holds funds under escrow in banks accounts managed by approved agents. These funds must be held in these escrow accounts for a fixed period of one year after completion of the relevant development properties, at which point they are released to the Group. These funds carry interest at commercial rates.

At 31 December 2013, margin deposits are held by banks under lien against credit facilities issued to the Group and carry interest at commercial rates.

11. Trade and other receivables

	2013 **US$ Million**	2012 US$ Million
Trade receivables	**329.8**	6.1
Less: Provision for impairment on trade receivables	**(29.8)**	(5.8)
	300.0	0.3
Advances and deposits	**104.4**	60.3
Prepayments and other receivables	**5.1**	2.6
	409.5	63.2

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

As a response to improvements in prevailing market conditions, during 2013, management reassessed the Group's minimum cash collection threshold resulting in a lower minimum threshold for unit handover, and hence revenue recognition occurring with larger outstanding receivables balances than in previous periods. Further, the Group has recognised revenue on the sale of land plots for the first time in 2013, for which the outstanding amounts receivable at the point of revenue recognition are significant. These changes have driven the increase in the trade receivables balance and there is an associated increase in the level of provision for impairment on receivable balances.

Notes to the consolidated financial statements
For the year ended 31 December 2013 (continued)

11. Trade and other receivables (continued)

Movement in the provision for impairment on trade receivables:

	2013 US$ Million	2012 US$ Million
Balance at beginning of the year	**5.8**	6.2
Provision/(reversal) for the year (Note 22)	**24.0**	(0.4)
Balance at end of the year	**29.8**	5.8

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:

			Past due but not impaired		
	Total US$ Million	Neither past due nor impaired US$ Million	1 - 60 days US$ Million	61 - 180 days US$ Million	> 180 days US$ Million
31 December 2013	**300.0**	**288.0**	**9.0**	**3.0**	-
31 December 2012	0.3	-	0.1	0.2	-

Ageing of impaired trade receivables is as follows:

	2013 US$ Million	2012 US$ Million
1 - 60 days	**1.4**	-
61 - 180 days	**0.6**	-
Above 180 days	**27.8**	5.8
	29.8	5.8

12. Financial investments

	2013 US$ Million	2012 US$ Million
Available-for-sale financial investments	**30.7**	-

Notes to the consolidated financial statements
For the year ended 31 December 2013 (continued)

12. Financial investments (continued)

On 30 June 2013 the Group acquired the entire share capital of Majara Investments Limited ("Majara") from a related party. The primary activity of Majara is investment in financial instruments, including but not limited to, debt and equity instruments, with a view to earn returns through capital appreciation and interest/dividend from such financial instruments.
The total consideration was US$ 40.1 million, which was equal to the net assets of Majara at the date of acquisition, with assets and liabilities being valued using the 'fair value' method. The consideration was settled by reducing the outstanding balances owed by the related party to the Group by US$ 40.1 million. Following table summarises the net assets acquired:

	US$ Million
Available-for-sale financial investments	41.5
Trade and other receivables	0.7
Cash and bank balances	10.6
Total assets	**52.8**
Bank borrowings	(12.7)
Total net assets acquired	**40.1**

During the year, financial investments with a fair value of US$ 11.3 million were disposed for a consideration of US$ 11.6 million. The resulting gain on disposal of US$ 0.3 million was recorded in profit or loss.

13. Related party transactions

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

The Group from time to time finances the working capital needs of other related parties. At the reporting date, balances with related parties were as follows:

	2013 US$ Million	2012 US$ Million
Due from related parties		
Balances due from the Chief Executive Officer and entities under his control	**-**	439.1
Due to related parties		
Balances due to the Chief Executive Officer and entities under his control	**1.2**	191.5

Notes to the consolidated financial statements
For the year ended 31 December 2013 (continued)

13. Related party transactions (continued)

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

	2013	2012
	US$ Million	US$ Million
Chief Executive Officer		
Transfers of development properties (Note 9)	**29.4**	22.9
Dividend*	**119.7**	-
Settlement through asset transfer (net)**	**(40.1)**	-

**Dividend*

A dividend of US$ 119.7 million was declared on 30 June 2013. No cash was paid to settle this dividend, and the total amount declared was offset against amounts owed by the Chief Executive Officer.

***Settlement through asset transfer*

On 30 June 2013 the Chief Executive Officer settled US$ 40.1 million of amounts payable to the Group through the transfer of Majara Investments Limited ("Majara"). The primary activity of Majara is investment in financial instruments, including but not limited to, debt and equity instruments, with a view to earn returns through capital appreciation and interest/dividend.

The total consideration of US$ 40.1 million was equal to the net assets of Majara at the date of acquisition, with assets and liabilities being valued using the 'fair value' method. Refer Note 12 for further details.

Remuneration of Directors and key-management personnel

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

	2013	2012
	US$ Million	US$ Million
Short term employee benefits	**2.7**	1.8
Termination benefits – EOSB	**0.1**	0.1
	2.8	1.9

Notes to the consolidated financial statements
For the year ended 31 December 2013 (continued)

14. Cash and bank balances

	2013 US$ Million	2012 US$ Million
Cash on hand	**5.7**	0.7
Cash held in escrow	**497.7**	101.0
Bank balances	**42.3**	4.1
Fixed deposits	**32.5**	13.4
Cash and bank balances	**578.2**	119.2
Less:		
Fixed deposits with an original maturity of greater than three months	**(32.5)**	(13.4)
Cash and cash equivalents	**545.7**	105.8

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

15. Share capital

	2013 US$ Million	2012 US$ Million
Authorised, issued and fully paid share capital	**650.0**	86.4

	Number of shares	**31 December 2013 US$ Million**	**30 June 2013 US$ Million**	31 December 2012 US$ Million
DAMAC Real Estate Development Limited, DIFC	**650,000,000**	**650.0**	**N/A**	N/A
DAMAC Properties Development Co LLC	**300,000,000**	**-**	**81.5**	81.5
DAMAC General Trading LLC	**3,000,000**	**-**	**0.8**	0.8
Kings Valley Investment Co.	**3,000,000**	**-**	**0.8**	N/A
DAMAC Tuscan Residences LLC	**300,000**	**-**	**0.2**	N/A
DAMAC Properties International Limited, Mauritius	**1**	**-**	**-**	N/A
DAMAC Properties Services Co. Sharjah LLC	**3,000,000**	**-**	**-**	0.8
DAMAC Real Estate Services Co LLC	**3,000,000**	**-**	**-**	0.8
DAMAC Hotels Management LLC	**3,000,000**	**-**	**-**	0.8
DAMAC Crescent Properties Co LLC	**1,000,000**	**-**	**-**	0.3

Notes to the consolidated financial statements
For the year ended 31 December 2013 (continued)

15. Share capital (continued)

	Number of shares	31 December 2013 US$ Million	30 June 2013 US$ Million	31 December 2012 US$ Million
DAMAC Luxury Real Estate Properties Co LLC	**1,000,000**	-	-	0.3
DAMAC Heritage Properties Co LLC	**1,000,000**	-	-	0.3
Malak Al Rafidayn Properties Investment	**900,000**	-	-	0.2
Alaam Al-Dariha General Trading Limited	**600,000**	-	-	0.2
Luxury Facilities Management Co. (LLC)	**300,000**	-	-	0.1
Silver Crown Properties Co.(LLC)	**300,000**	-	-	0.1
Ocean Pearl Real Estate Company LLC	**300,000**	-	-	0.1
Al Hikmah International Enterprises LLC	**200,000**	-	-	0.1
Excel Operations Company Limited	**50,000**	-	-	-
		650.0	**83.3**	86.4

The Company was incorporated on 31 October 2013 with a share capital of 50,000 shares at a par value of US$ 1 each. Reductions in share capital as at 30 June 2013 of US$ 3.1 million were as a result of changes to the legal structure of the “Combined Group”, whereby the ownership of certain entities within the Group was consolidated.

Group restructuring reserve

On 3 December 2013, the Company completed its GDR listing on London Stock Exchange and issued an additional 649,950,000 shares at a par value of US$ 1 each. The group restructuring reserve arises on consolidation under the pooling of interests method used for the group restructuring which took place on 3 December 2013. This represents the difference between the share capital of the “Combined Group” and DAMAC Real Estate Development Limited, DIFC at the date of the group restructuring. This reserve is not distributable.

16. Statutory reserve

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

Notes to the consolidated financial statements
For the year ended 31 December 2013 (continued)

17. Bank borrowings

	2013 US$ Million	2012 US$ Million
Bank loans	**71.4**	98.8
Overdrafts	**13.9**	5.6
	85.3	104.4

Banks and financial institutions

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

The bank loans include the following:

	Name of the entity which holding the loan	**2013 US$ Million**	2012 US$ Million
Facility 1	DAMAC Properties Development Co. LLC	**3.7**	11.5
Facility 2	DAMAC Properties Development Co. LLC	**-**	28.5
Facility 3	DAMAC Properties Development Co. LLC	**6.2**	33.1
Facility 4	DAMAC Properties Development Co. LLC	**20.1**	4.1
Facility 5	DAMAC Properties Development Co. LLC	**-**	10.0
Facility 6	DAMAC Properties SAL Holding	**25.3**	11.6
Facility 7	Majara Investments Limited	**16.1**	-
		71.4	98.8

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

	2013 US$ Million	2012 US$ Million
On demand or within one year	**59.6**	75.3
In the second year	**23.5**	23.3
In the third to fifth year inclusive	**2.2**	5.8
	85.3	104.4
Less: Amount due for settlement within 12 months	**(59.6)**	(75.3)
Amount due for settlement after 12 months	**25.7**	29.1

At 31 December 2013, bank borrowings carry interest rates based on EIBOR/DIBOR/LIBOR plus agreed commercial margins. Details for the weighted average interest rate payable on the Group's loan facilities is included in Note 26.

Notes to the consolidated financial statements
For the year ended 31 December 2013 (continued)

17. Bank borrowings (continued)

Security arrangement

At 31 December 2013, bank facilities (including overdrafts) were secured by:

Personal guarantee

The Chief Executive Officer has provided personal security over borrowings totaling US$ 86 million. A family member of the Chief Executive Officer has provided personal security over borrowings totaling US$ 16 million.

Corporate guarantees of Group entities

Corporate guarantees for the borrowings from Facility 1, Facility 3 and Facility 4 are provided by the borrowing entities in the Group. In certain instances additional corporate guarantees are provided by the operational subsidiaries of the borrowing entities or by other entities not within the Group but under the control of the Chief Executive Officer.

Shares pledged by entities under common control

The credit facility provided by Facility 3 is secured against shares held by the Chief Executive Officer.

Mortgages over plots of land

Loans from Facility 1, Facility 3, Facility 4, Facility 6, totaling US$ 55.2 million as of 31 December 2013 are secured by plots of land. The carrying value of these plots of land totaled US$ 152.1 million as at 31 December 2013.

Bonds pledge

Loans from Facility 7, totaling US$ 16 million as of 31 December 2013 are secured by bonds held by the Group. The carrying value of these bonds totaled US$ 30.7 million as at 31 December 2013.

18. Provision for employees' end of service indemnity

	2013	2012
	US$ Million	US$ Million
Balance at the beginning of the year	**3.5**	2.8
Charge for the year	**2.0**	1.1
Payments during the year	**(0.6)**	(0.4)
Balance at the end of the year	**4.9**	3.5

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

Notes to the consolidated financial statements
For the year ended 31 December 2013 (continued)

19. Trade and other payables

	2013 **US$ Million**	2012 US$ Million
Advances from customers	**1,715.3**	1,587.0
Accruals	**101.6**	98.8
Other payables	**142.3**	57.4
Retentions payable	**99.3**	80.3
Provision for development properties payments	**232.5**	7.5
	2,291.0	1,831.0

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

20. Revenue

	2013 **US$ Million**	2012 US$ Million
Constructed apartments	**799.2**	692.0
Sale of land	**425.1**	-
	1,224.3	692.0

As a response to improvements in prevailing market conditions, during 2013, management reassessed the Group’s minimum cash collection threshold resulting in a lower minimum threshold for revenue recognition. Further, the Group has recognised revenue on the sale of land plots for the first time in 2013.

21. Other operating income

	2013 **US$ Million**	2012 US$ Million
Penalties from overdue customers	**4.4**	3.9
Income from cancellation of units	**64.9**	1.6
Unit registration and transfer fees	**0.1**	-
	69.4	5.5

Notes to the consolidated financial statements
For the year ended 31 December 2013 (continued)

22. General, administrative and selling expenses

	2013 US$ Million	2012 US$ Million
Staff costs	**72.4**	26.2
Advertising and sales promotion	**46.1**	8.7
Legal and professional	**12.4**	0.9
Rent and license fees	**6.8**	2.3
Repairs and maintenance	**4.9**	0.3
Bank charges	**2.6**	0.8
Travel and conveyance	**2.4**	0.7
Communication	**1.7**	0.6
Provision for /(reversal of) impairment on trade receivables (Note 11)	**24.0**	(0.4)
Other	**7.8**	4.5
	181.1	44.6

The increase in provision for impairment on trade receivables in 2013 reflects a significant increase in exposure to trade receivables on unit purchases in this year and associated provisions. This results from an increase in the level of revenue recognised on units with outstanding cash balances due from the buyers.

23. Other income

	2013 US$ Million	2012 US$ Million
Management fees	**2.0**	2.7
Gain on disposal of financial investments	**0.3**	-
Other	**3.4**	0.2
	5.7	2.9

24. Contingent liabilities

	2013 US$ Million	2012 US$ Million
Bank guarantees	**79.8**	28.4

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

Notes to the consolidated financial statements
For the year ended 31 December 2013 (continued)

25. 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 4 to the consolidated financial statements.

(b) Categories of financial instruments

	2013 US$ Million	2012 US$ Million
Financial assets		
Loans and receivables (including cash and cash equivalents)	**956.6**	630.8
Financial investments	**30.7**	-
	987.3	630.8
Financial liabilities		
At amortised cost	**435.3**	532.4

(c) Fair value of financial instruments

The Group held the following financial instruments at fair value at 31 December 2013. The Group has no financial instruments with fair values that are determined by reference to significant unobservable inputs i.e. those that would be classified as level 3 in the fair value hierarchy, nor have there been any transfers of assets or liabilities between levels of the fair value hierarchy.

Except as detailed in the following table, the directors consider that the carrying amounts of financial assets and financial liabilities recognised in the consolidated financial statements approximate their fair values.

		Fair value measurements at the end of the reporting period using:	
Description	**31 December 2013 US$ Million**	**Quoted prices in active markets for identical assets/liabilities (Level 1) US$ Million**	**Significant other observable inputs (Level 2) US$ Million**
Financial assets			
Financial investments	30.7	30.7	-
Total	**30.7**	**30.7**	**-**

Notes to the consolidated financial statements
For the year ended 31 December 2013 (continued)

26. Financial risk management

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

The Group does not hold or issue derivative financial instruments.

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

(a) Market risk

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

The Group does not hold or issue derivative financial instruments.

(b) Interest rate risk management

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

Interest rate sensitivity analysis

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

If interest rates had been 50 basis points higher/lower and all other variables were held constant, the Group's profit for the period ended 31 December 2013 would decrease/increase by US$ 0.4 million (31 December 2012: decrease/increase by US$ 0.5 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 to not represent significant currency risk to the Group.

(d) Credit risk management

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

Notes to the consolidated financial statements
For the year ended 31 December 2013 (continued)

26. Financial risk management (continued)

(d) Credit risk management (continued)

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

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

(e) Liquidity risk management

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

Liquidity and interest risk tables

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

	Weighted average effective interest rate %	Less than 1 year US$ Million	1 - 2 years US$ Million	3 - 5 years US$ Million	Total US$ Million
31 December 2013					
Non-interest bearing		**350.0**	**-**	**-**	**350.0**
Variable interest rate instruments	**5.32**	**59.6**	**23.5**	**2.2**	**85.3**
		409.6	**23.5**	**2.2**	**435.3**
31 December 2012					
Non-interest bearing		428.0	-	-	428.0
Variable interest rate instruments	5.77	75.3	23.3	5.8	104.4
		503.3	23.3	5.8	532.4

26. Financial risk management (continued)

(e) Liquidity risk management (continued)

Liquidity and interest risk tables (continued)

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

	Weighted average effective interest rate %	Less than 1 year US$ Million	1 - 2 years US$ Million	3 - 5 years US$ Million	Total US$ Million
31 December 2013					
Non-interest bearing		**876.9**	**-**	**-**	**876.9**
Variable interest rate instruments	**2.41**	**110.4**	**-**	**-**	**110.4**
		987.3	**-**	**-**	**987.3**
31 December 2012					
Non-interest bearing		545.2	-	-	545.2
Variable interest rate instruments	2.25	85.6	-	-	85.6
		630.8	-	-	630.8

27. 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 17, cash and cash equivalents and equity attributable to owners of the Group, comprising issued capital, reserves and retained earnings as disclosed in the consolidated statement of changes in equity.

28. Commitments

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

	2013 US$ Million	2012 US$ Million
- Contracted for	**846.5**	628.5
- Committed but not contracted for	**2,728.2**	630.1
	3,574.7	1,258.6
Commitments in respect of future land payments classified under development properties	-	19.1

Notes to the consolidated financial statements
For the year ended 31 December 2013 (continued)

28. Commitments (continued)

Future instalments receivable from customers under contracts for sale of properties directly related to the Group's commitments for the development and construction of assets related to these future receivables amounted to US$ 2.5 billion as of 31 December 2013 (31 December 2012: US$ 1.4 billion).

29. Earnings per share

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

	2013	2012
Profit for the year (US$ million)	**641.5**	212.5
Number of ordinary shares (million)	**650.0**	NA
Earnings per ordinary share – basic and diluted (US$)	**0.99**	NA

There were no instruments or any other items which could cause an antidilutive effect on the earnings per share calculation. As explained in Note 2, the Group was restructured on 3 December 2013. Since the transaction falls outside the scope of IFRS 3 *Business Combinations,* so the pooling of interests method is applied and the consolidated financial statements of the Group are presented as a continuation of the ''Combined Group''. If the share capital had been consistent in 2012, the comparable EPS would have been US$ 0.33 per share.. Refer to Note 5 for further details.

30. Approval of the consolidated financial statements

The consolidated financial statements for the year ended 31 December 2013 were approved by the Board and authorised for issue on 3 March 2014.

DAMAC Properties Group
Dubai - United Arab Emirates

Special purpose combined financial statements
and independent auditors report
For the year ended 31 December 2012

DAMAC Properties Group

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INDEPENDENT AUDITOR'S REPORT

DAMAC Properties Group
Dubai
United Arab Emirates

Audit Report on the Special Purpose Combined Financial Statements

We have audited the accompanying special purpose combined financial statements of **DAMAC Properties Group** (collectively, the "Group"), which comprise the special purpose combined statement of financial position as at 31 December 2012, the special purpose combined statement of comprehensive income, changes in shareholders' equity/(deficit) and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information. The special purpose combined financial statements have been prepared by management of the Group.

Management's Responsibility for the Special Purpose Combined Financial Statements

Management is responsible for the preparation and fair presentation of these special purpose combined financial statements in accordance with Note 3 to the special purpose combined financial statements, and for such internal control as management determines is necessary to enable the preparation of special purpose combined financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

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

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

Cont'd...

Deloitte.

INDEPENDENT AUDITOR'S REPORT (continued)

Opinion

In our opinion, the special purpose combined financial statements present fairly, in all material respects, the financial position of the Group as at 31 December 2012, and their financial performance and cash flows for the year then ended in accordance with the basis of preparation as set out in Note 3 to the special purpose combined financial statements.

Basis of Accounting and Restriction on Distribution

Without modifying our opinion, we draw attention to Note 3 to the special purpose combined financial statements which describes the basis of preparation. The special purpose combined financial statements are prepared to provide the Ultimate Beneficial Owner with a view of the financial position of the Group as at 31 December 2012, and its financial performance for the year then ended for the purpose of an anticipated public transaction. As a result, the special purpose combined financial statements may not be suitable for another purpose. Our report is intended solely for the **DAMAC Properties Group** and should not be distributed to any other parties.

Deloitte & Touche

7 October 2013

Combined statement of financial position as at 31 December 2012

	Notes	2012 US$ Million	2011 US$ Million
ASSETS			
Property and equipment	5	11.2	12.6
Properties under development	6	1,565.4	1,638.1
Trade and other receivables	7	63.2	35.0
Other financial assets	8	72.2	84.9
Due from related parties	9	439.1	460.2
Cash and bank balances	10	119.2	93.6
Total Assets		2,270.3	2,324.4
EQUITY AND LIABILITIES			
Equity			
Share capital	11	86.4	85.4
Statutory reserves	12	41.0	41.0
Retained earnings/(losses)		12.5	(200.0)
Total Equity		139.9	(73.6)
Liabilities			
Bank borrowings	14	104.4	104.3
Loan from the Ultimate Beneficial Owner	13	-	37.0
Provision for employees' end of service indemnity	15	3.5	2.8
Due to a related party	9	191.5	119.9
Trade and other payables	16	1,831.0	2,134.0
Total Liabilities		2,130.4	2,398.0
Total Shareholders' Funds and Liabilities		2,270.3	2,324.4

The accompanying notes form an integral part of these special purpose combined financial statements.

Combined statement of comprehensive income
For the year ended 31 December 2012

	Notes	2012 US$ Million	2011 US$ Million
Revenue		**692.0**	666.9
Cost of sales		**(410.6)**	(416.6)
Gross profit		**281.4**	250.3
Other operating income	17	**5.5**	1.1
General, administrative and selling expenses	18	**(44.6)**	(37.0)
Brokerage commissions		**(14.6)**	(6.0)
Depreciation of property and equipment	5	**(3.5)**	(2.8)
Provision for impairment on properties under development	6	**(11.6)**	(54.0)
Operating profit		**212.6**	151.6
Other income	19	**2.9**	2.2
Finance income		**2.5**	4.2
Finance cost		**(5.5)**	(7.7)
Profit for the year		**212.5**	150.3
Other comprehensive income		**-**	-
Items that will not be reclassified subsequently to profit or loss		**-**	-
Items that may be reclassified subsequently to profit or loss		**-**	-
Total comprehensive income for the year		**212.5**	150.3

The accompanying notes form an integral part of these special purpose combined financial statements.

Combined statement of changes in shareholders' equity/(deficit)
For the year ended 31 December 2012

	Share capital US$ Million	Statutory reserve* US$ Million	Retained earnings/ losses US$ Million	Total US$ Million
Balance at 31 December 2010	85.2	41.0	(350.3)	(224.1)
Total comprehensive income for the year	-	-	150.3	150.3
Transfer of statutory reserve	-	-	-	-
Share capital addition	0.2	-	-	0.2
Balance at 31 December 2011	**85.4**	**41.0**	**(200.0)**	**(73.6)**
Total comprehensive income for the year	-	-	212.5	212.5
Share capital addition	1.0	-	-	1.0
Balance at 31 December 2012	**86.4**	**41.0**	**12.5**	**139.9**

**Statutory reserve represents sum total of the statutory reserves of the individual entities of the Group.*

The accompanying notes form an integral part of these special purpose combined financial statements.

Combined statement of cash flows
For the year ended 31 December 2012

	2012 US$ Million	2011 US$ Million
Cash flows from operating activities		
Profit for the year	**212.5**	150.3
Adjustments for:		
Depreciation of property and equipment (Note 5)	**3.5**	2.8
Provision for employees' end of service indemnity (Note 15)	**1.1**	0.8
Finance costs	**5.5**	7.7
Interest income	**(2.5)**	(4.2)
(Reversal)/provision for impairment for trade receivable (Note 7)	**(0.4)**	6.2
Provision for impairment on properties under development (Note 6)	**11.6**	54.0
Operating cash flows before changes in operating assets and liabilities	**231.3**	217.6
(Increase)/decrease in trade and other receivables	**(7.2)**	2.8
Decrease/(increase) in due from due from related parties	**(1.7)**	(84.6)
Decrease in trade and other payables	**(302.6)**	(347.9)
Increase in due to a related party	**51.2**	28.2
Decrease in development properties	**84.0**	128.5
Cash generated from/(used in) operations	**55.0**	(55.4)
Finance costs paid	**(6.0)**	(8.0)
Interest received	**2.3**	4.2
Employees' end of service indemnity paid	**(0.4)**	(0.3)
Net cash generated from/(used in) operating activities	**50.9**	(59.5)
Cash flows from investing activities		
Decrease/(increase) in other financial assets	**12.7**	(1.9)
Purchases of property and equipment	**(2.1)**	(0.7)
Net cash generated/(used in) from investing activities	**10.6**	(2.6)
Cash flows from financing activities		
Net payments of bank borrowings	**0.2**	(22.8)
Proceeds on issuance of share capital	**1.0**	0.2
Repayment of shareholders loan	**(37.0)**	
Net cash used in financing activities	**(35.8)**	(22.6)
Net increase/(decrease) in cash and cash equivalents	**25.7**	(84.7)
Cash and cash equivalents at the beginning of the year	**80.1**	164.8
Cash and cash equivalents at the end of the year (Note 10)	**105.8**	80.1

The accompanying notes form an integral part of these special purpose combined financial statements.

Notes to the special purpose combined financial statements
For the year ended 31 December 2012

1. Establishment and operations

DAMAC Properties Group of Companies represents the entities listed below for the year ended 31 December 2012. These financial statements combine 100% of the operations, assets and liabilities of the entities listed below including their subsidiaries which in total are 57 (2011: 51) companies (together the "Group") which are ultimately controlled by Mr. Hussain Sajwani (the "Ultimate Beneficial Owner"). The principal activity of the Group is development of properties in the Middle East.

Entity	*Place of Incorporation*	*Legal owner*	*Date of incorporation*
Damac Properties Development Co. LLC and its subsidiaries	Dubai - United Arab Emirates	Zuhour Investment LLC	23-Mar-97
Damac Properties Services Co. LLC, Sharjah	Sharjah - United Arab Emirates	Damac Properties (Dubai) CO. PSC	30-Apr-08
Damac Luxury Real Estate Properties Co. LLC	Abu Dhabi - United Arab Emirates	Vision Investment	2-May-06
Damac Heritage Properties Co. LLC	Abu Dhabi - United Arab Emirates	Damac Fortune Properties Co. Ltd	2-May-06
Ocean Pearl Real Estate Company LLC	Abu Dhabi - United Arab Emirates	Mustafa Salman	1-Mar-10
Luxury Facilities Management Co. LLC	Dubai - United Arab Emirates	Ali Kokar	7-Nov-05
Union Community Owner Association Management Services	Dubai - United Arab Emirates	Ali Kokar	23-Jan-11
Damac Properties International Limited	Mauritius	Zahra Sajwani	11-July-07
Damac General Trading LLC	Dubai - United Arab Emirates	Damac Properties (Dubai) CO. PSC	5-Aug-96
Silver Crown Properties Co. LLC	Dubai - United Arab Emirates	Damac Properties (Dubai) CO. PSC	16-Feb-04
Damac Cresent Properties Co. LLC	Abu Dhabi - United Arab Emirates	Vision Investment	2-May-06
Al Hikmah International Enterprises LLC	Doha - Qatar	Mohammed Murad - Hussain Sajwani	17-Feb-04
Alaam Al-Dariha General Trading Limited	Iraq	Ali Hussain Abdul Wahab	22-May-04
Malak Al Rafidayn Properties Investment	Iraq	Ali Hussain Abdul Wahab	31-Jan-12
Damac Crown Properties Company Limited	Jafza - Dubai - United Arab Emirates	Damac Properties Company Limited	30-May-06
Damac Real Estate Services Co LLC	Dubai - United Arab Emirates	Damac Properties (Dubai) CO. PSC	13-Jan-08
Excel Operations Company Limited	Jafza - Dubai - United Arab Emirates	Faisal Sajwani	30-May-06
Damac Hotels Management LLC	Dubai - United Arab Emirates	Mohammed Kokar	16-May-12

The beneficial ownership of the above entities is with the Ultimate Beneficial Owner either directly or indirectly through beneficial ownership agreements by virtue of which special purpose combined financial statements of the Group have been produced.

2. Adoption of new and revised International Financial Reporting Standards (IFRSs)

2.1 Revised IFRSs applied with no material effect on the special purpose combined financial statements

The following new and revised IFRSs have been adopted in these special purpose combined financial statements. The adoption of these new and 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 - Deferred Tax: Recovery of Underlying Assets*

The amendments provide an exception to the general principles of IAS 12 for investment property measured using the fair value model in IAS 40 *Investment Property* by the introduction of a rebuttable presumption that the carrying amount of the investment property will be recovered entirely through sale. The amendments are effective for annual periods beginning on or after 1 January 2012 with retrospective application.

- Amendments to IFRS 7 *Financial Instruments: Disclosures Transfers of Financial Assets*

The amendments increase the disclosure requirements for transactions involving transfers of financial assets. These amendments are intended to provide greater transparency around risk exposures of transactions when a financial asset is transferred but the transferor retains some level of continuing exposure in the asset. The amendments also require disclosures where transfers of financial assets are not evenly distributed throughout the period. The amendments are effective for annual periods beginning on or after 1 July 2011. Entities need not provide the disclosures required by the amendments for any period presented that begins before the date of the initial application of the amendments.

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

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

New and revised IFRSs	*Effective for annual periods beginning on or after*
• Amendments to IFRS 1 *Government Loans* provide relief to first-time adopters of IFRSs by amending IFRS 1 to allow prospective application of IAS 39 or IFRS 9 and paragraph 10A of IAS 20 *Accounting for Government Grants and Disclosure of Government Assistance* to government loans outstanding at the date of transition to IFRSs.	1 January 2013
• Amendments to IFRS 7 *Financial Instruments*: Disclosures relating to disclosures about the initial application of IFRS.	1 January 2015 (or otherwise when IFRS 9 is first applied)
• Amendments to IFRS 7 *Financial Instruments: Disclosures* enhancing disclosures about offsetting of financial assets and liabilities.	1 January 2013
• Amendments to IFRS 7 *Financial Instruments: Disclosure* - Enhancing Disclosures about Offsetting of Financial Assets and Financial Liabilities.	1 January 2013

Notes to the special purpose combined financial statements
For the year ended 31 December 2012 (continued)

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

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

New and revised IFRSs	*Effective for annual periods beginning on or after*
Key requirements of IFRS 9 are described as follows:	
▪ IFRS 9 requires all recognised financial assets that are within the scope of IAS 39 *Financial Instruments: Recognition and Measurement* to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent accounting periods.	1 January 2015
▪ The most significant effect of IFRS 9 regarding the classification and measurement of financial liabilities relates to the accounting for changes in the fair value of a financial liability (designated as at fair value through profit or loss) attributable to changes in the credit risk of that liability. Specifically, under IFRS 9, for financial liabilities that are designated as at fair value through profit or loss, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Previously, under IAS 39, the entire amount of the change in the fair value of the financial liability designated as at fair value through profit or loss was presented in profit or loss.	
• IFRS 10 *Consolidated Financial Statements** uses control as the single basis for consolidation, irrespective of the nature of the investee. IFRS 10 requires retrospective application subject to certain transitional provisions providing an alternative treatment in certain circumstances. Accordingly, IAS 27 *Separate Financial Statements** and IAS 28 *Investments in Associates and Joint Ventures** have been amended for the issuance of IFRS 10.	1 January 2013
• IFRS 11 *Joint Arrangements** establishes two types of joint arrangements: joint operations and joint ventures. The two types of joint arrangements are distinguished by the rights and obligations of those parties to the joint arrangement. Accordingly, IAS 28 *Investments in Associates and Joint Ventures* has been amended for the issuance of IFRS 11.	1 January 2013

Notes to the special purpose combined financial statements
For the year ended 31 December 2012 (continued)

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

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

<u>*New and revised IFRSs*</u>	*Effective for annual periods* <u>*beginning on or after*</u>
• IFRS 12 *Disclosure of Interests in Other Entities** combines the disclosure requirements for an entity's interests in subsidiaries, joint arrangements, associates and structured entities into one comprehensive disclosure standard.	1 January 2013
• IFRS 13 *Fair Value Measurement* issued in May 2011 establishes a single framework for measuring fair value and is applicable for both financial and non-financial items.	1 January 2013
• Amendments to IAS 1 - *Presentation of Other Comprehensive Income*. The amendments retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate statements. However, items of other comprehensive income are required to be grouped into those that will and will not subsequently be reclassified to profit or loss with tax on items of other comprehensive income required to be allocated on the same basis.	1 July 2012
• Amendments to IAS 19 *Employee Benefits* eliminate the "corridor approach" and therefore require an entity to recognise changes in defined benefit plan obligations and plan assets when they occur.	1 January 2013
• Amendments to IAS 32 *Financial Instruments: Presentation* relating to application guidance on the offsetting of financial assets and financial liabilities.	1 January 2014
• IFRIC 20 *Stripping Costs in the Production Phase of a Surface Mine*.	1 January 2013
• Annual Improvements to *IFRSs 2009 - 2011 Cycle*	1 January 2013

The annual improvements include the amendments to five IFRSs which have been summarized below:

- IFRS 1 *First Time Adoption of International Financial Reporting Standards* - Repeated application of IFRS 1.
- IFRS 1 *First Time Adoption of International Financial Reporting Standards* - Borrowing costs.
- IAS 1 *Presentation of Financial Statements* - Clarification of the requirements for comparative information.
- IAS 16 *Property, Plant and Equipment* - Classification of servicing equipment.
- IAS 32 *Financial Instruments: Presentation* - Tax effect of the distribution to the holders of equity instruments.
- IAS 34 *Interim Financial Reporting* - Interim financial reporting and segment information for total assets and liabilities.

Notes to the special purpose combined financial statements
For the year ended 31 December 2012 (continued)

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

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

New and revised IFRSs	*Effective for annual periods beginning on or after*
• Amendments to IFRS 10, IFRS 12 and IAS 27 - Guidance on Investment Entities On 31 October 2012, the IASB published a final standard on investment entities, which amends IFRS 10, IFRS 12, and IAS 27 and introduces the concept of an investment entity in IFRSs. The amendments establish an exception to IFRS 10's general consolidation principle for investment entities, requiring them to "measure particular subsidiaries at fair value through profit or loss, rather than consolidate them." In addition, the amendments outline required disclosures for reporting entities that meet the definition of an investment entity.	1 January 2014

*In May 2011, a package of five Standards on consolidation, joint arrangements, associates and disclosures was issued, including IFRS 10, IFRS 11, IFRS 12, IAS 27 (as revised in 2011) and IAS 28 (as revised in 2011). In June 2012, the amendments to IFRS 10, IFRS 11 and IFRS 12 were issued to clarify certain transitional guidance on the application of these IFRSs for the first time. These five standards are effective for annual periods beginning on or after 1 January 2013. Earlier application is permitted provided that all of these five standards are applied early at the same time.

Management anticipates that these new standards, interpretations and amendments will be adopted in the Group's financial statements for the period beginning 1 January 2013 or as and when they are applicable and adoption of these new standards, interpretations and amendments may have no material impact on the special purpose combined financial statements of the Group in the period of initial application.

3. Significant accounting policies

Basis of preparation

The special purpose combined financial statements for the year ended 31 December 2012 comprises the historical financial statements of businesses within the Group represented by the companies in United Arab Emirates, Saudi Arabia, Lebanon, Jordan, Bahrain, Qatar and Iraq which are listed in note 1. These legal entities do not constitute a legal group. Accordingly, the special purpose financial statements, which have been prepared specifically for the Ultimate Beneficial Owner, are prepared on a basis that combines the results and assets and liabilities of the specified entities.

Internal transactions within the Group have been eliminated on combination.

The special purpose combined financial statements have been prepared in accordance with International Financial Reporting Standards (''IFRS'') that are effective for financial periods beginning on or after 1 January 2012.

Notes to the special purpose combined financial statements
For the year ended 31 December 2012 (continued)

3. Significant accounting policies

Basis of preparation (continued)

IFRS does not provide for the preparation of combined historical financial statements, and accordingly the preparation of the special purpose combined financial statements results in the following material departure from IFRS:

- The historical financial statements are prepared on a combined basis and therefore do not comply with the requirements of IAS 27 *Consolidated and Separate Financial Statements*, however the combined historical financial statements have been prepared by applying the principles underlying the consolidation procedures of IAS 27.

In all other respects IFRS has been applied. This basis of preparation has resulted in the following:

- A number of entities owned and controlled by the Ultimate Beneficial Owner have been combined from the date the Ultimate Beneficial Owner obtained control, with any interests in the entity not owned by the Ultimate Beneficial Owner being reflected as minority interest.

The special purpose combined financial statements have been prepared based on the following:

- The assets, liabilities and the profit or loss of the entities comprising the Group have been aggregated. All transactions and balances between entities included within the special purpose combined financial statements have been eliminated. Transactions and balances with the Ultimate Beneficial Owner and connected persons do not eliminate within the combined Group and are classified as related party transactions.

- There are certain entities within the Group where the legal ownership is held by other parties, for example in jurisdictions where the legal title to land cannot be held directly, or indirectly, by foreign nationals. In such instances common control has been identified based on the funding of transactions provided by and the delegation of authority assigned to the Ultimate Beneficial Owner through a beneficial agreement. The historical financial statements are combined on the basis that the arrangements made result in the Ultimate Beneficial Owner having control over these entities.

The principal accounting policies are set out below.

Statement of compliance

The special purpose combined financial statements have been prepared in accordance with IFRS.

Functional and reporting currency

The reporting currency of the Group is United Arab Dirham ("AED"). These special purpose combined financial statements are presented in United States Dollars ("US$") applying the US$ to AED peg rate of 3.675. 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 operates (the functional currency).

Notes to the special purpose combined financial statements
For the year ended 31 December 2012 (continued)

3. Significant accounting policies (continued)

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.

Properties in the course of construction for rental or administrative purposes, or for purposes not yet determined, are carried at cost, less any recognised impairment loss. Cost includes professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

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

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

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

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

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 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 pre-tax 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 profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

3. Significant accounting policies (continued)

Impairment of tangible assets (continued)

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 profit or loss, 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.

Development properties

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

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

Investment properties

Land held by the Group on which a project has not yet been announced is classified as investment properties, which is accounted at the amounts paid and due to be paid as at the reporting date. The Group has elected to adopt the cost model for investment properties. Accordingly investment properties are carried at cost less any accumulated impairment losses.

Properties are transferred from investment properties to development properties when and only when there is a change in use, which is evidenced by commencement of development with a view to sell. Such transfers are made at the carrying book value of the properties at the date of transfer.

The Group determines at each reporting date whether there is any objective evidence that investment properties are impaired. Whenever the carrying amount of an investment property exceeds its recoverable amount, an impairment loss is recognised in profit or loss.

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. The expected costs of these benefits are accrued over the period of employment.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument 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.

Notes to the special purpose combined financial statements
For the year ended 31 December 2012 (continued)

3. Significant accounting policies (continued)

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable.

Sales of property

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

The Group determines the point of recognition to be the time at which the buyer is entitled to take possession of the property (handover date).

Sale of land

Revenue from sale of land is recognised when the significant risks and rewards of ownership of the land have passed to the buyer, usually when the buyer has right of access, construction, assignment or sale.

Construction contracts

Where the outcome of a construction contract can be estimated reliably, revenue and costs are 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. Variations in contract work, claims and incentive payments are included to the extent that they have been agreed with the customer.

Where the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised to the extent of contract costs incurred that it is probable will be recoverable. Contract costs are recognised as expenses in the period in which they are incurred. Where it is probable that the total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

Repossession of units

In the event the Group has already recognised revenue on a unit and subsequently this unit is repossessed, the Group will treat the repossession as a new transaction, with the property deemed to be repurchased at a cost (which includes the dues from the customer and refund, if any, issued to the customer) on the date of repossession.

Management fees

Management fees are recognised, in line with the property management contracts, in the period to which they relate, when the amount of fees can be reliably measured, it is probable that the economic benefits associated with the transaction will flow to the entity and the costs incurred for the transaction can be measured reliably. Such fees are recognised in the accounting period in which the services are rendered.

Notes to the special purpose combined financial statements
For the year ended 31 December 2012 (continued)

3. Significant accounting policies (continued)

Revenue recognition (continued)

Dividend and interest income

Dividend income from investments is recognised when the right to receive payment has been established.

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

Cost of sales

Cost of sales includes the cost of land and development costs. Development costs include the cost of infrastructure and construction. The cost of development properties recognised in the statement of comprehensive income on sale, is determined with reference to the specific cost incurred on the property sold and an allocation of any non-specific cost based on the relative size of the property sold.

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.

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.

Foreign currencies

The reporting currency of the Group is United Arab Dirham ("AED"). These special purpose combined financial statements are presented in United States Dollars ("US$") applying the US$ to AED peg rate of 3.675. 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 operates (the functional currency).

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

Exchange differences are recognised in profit or loss in the period in which they arise.

Notes to the special purpose combined financial statements
For the year ended 31 December 2012 (continued)

3. Significant accounting policies (continued)

Borrowing costs

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

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

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.

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 (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

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

3. Significant accounting policies (continued)

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 except for prepayments, other financial assets, due from related parties and cash and cash equivalents) are measured at amortised cost applying the effective interest method.

Impairment of financial assets

Financial assets, other than those that are FVTPL, 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, the estimated future cash flows of the investment have been impacted.

Objective evidence of impairment could include:

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

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

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

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of a provision account. When a trade receivable is considered uncollectible, it is written off against the provision account. Subsequent recoveries of amounts previously written off are credited against the provision account. Changes in the carrying amount of the provision account are recognised in profit or loss.

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 profit or loss 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.

3. Significant accounting policies (continued)

Financial instruments (continued)

Financial liabilities and equity instruments issued by the Group

Classification as debt or equity

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

Equity instruments

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

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

Financial liabilities

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

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss. Deposits and advances received from customers relating to cancelled contracts are recognised in profit or loss only after complete hand over of the respective project's units and management has determined that they will not offer such credit as rebate to the respective customer.

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.

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

Critical accounting judgments in applying accounting policies

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

Impairment of development properties

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

Impairment of investment properties

The Group has elected to adopt the cost model for investment properties. Accordingly, investment properties are carried at cost less any accumulated impairment losses. The Group determines at each reporting date whether there is any objective evidence that the investment properties are impaired. The Group management estimates the market value of properties based on the current market conditions and comparative transactions conducted by the Group. Whenever the carrying amount of an investment property exceeds its recoverable amount, an impairment loss is recognised in profit or loss.

Allocation of costs and expenses

Due to the adoption of shared services concept for common facilities and services of the Group, relevant costs are allocated by management to other entities under common control.

Litigation

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

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.

Classification of properties

Management decides at the time of acquisition of the property whether it should be classified as development property or investment property. The Group classifies properties as development property when the intention is to develop the properties for the purpose of selling them to third parties and development activities have commenced. The Group classifies properties as investment properties when the intention is to hold them for rental, capital appreciation or for undetermined use. The Group changes classification when the intention changes.

Notes to the special purpose combined financial statements
For the year ended 31 December 2012 (continued)

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

Critical accounting judgments in applying accounting policies (continued)

Provision for impairment on trade receivables

The Group reviews its receivables to assess adequacy of provisions at least on an annual basis. The Group's credit risk is primarily attributable to its trade receivables and amounts due from related parties. In determining whether provisions should be recognised in profit or loss, 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.

Cancellation fees

Management believes that in relation to defaulting customers in UAE, once all negotiations and communication channels with the customers for renegotiating or for future payments are exhausted, it is appropriate to terminate contracts as per Real Estate Regulatory Agency (RERA) regulations, and recognise the proportion of income as per RERA regulations. Cancellations are always subject to RERA regulations.

Key sources of estimation uncertainty

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

Going concern assumption

The Group's management has performed assessment of the Group's ability to continue as a going concern, which covers a period of twelve months from the reporting date, based on certain identified events and conditions that, individually or collectively, may cast significant doubt on the Group's ability to continue as a going concern.

The Group's management has prepared its business and cash flow forecasts for the twelve months from the reporting date on a conservative basis. The forecasts have been prepared taking into consideration the nature and condition of its business, the degree to which it is affected by external factors and other financial and non-financial data available at the time of preparation of such forecasts.

On the basis of such forecasts, the management is of the opinion that the Group will be able to continue its operations for the next twelve months from the reporting date and that the going concern assumption used in the preparation of these special purpose combined financial statements is appropriate. The appropriateness of the going concern assumption is reassessed on each reporting date.

Notes to the special purpose combined financial statements
For the year ended 31 December 2012 (continued)

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

Key sources of estimation uncertainty (continued)

Estimated useful lives of property and equipment

The costs of items of property and equipment are depreciated on a systematic basis over the estimated useful lives of the assets. The Group reviews the estimated useful lives of property and equipment at the end of each annual reporting period. Management has determined the estimated useful lives of each category of assets based on the following factors:

- Expected usage of the assets;
- expected physical wear and tear, which depends on operational and environmental factors; and
- legal or similar limits on the use of the assets.

Management believes the depreciation method utilised reflects the pattern in which the assets' future economic benefits are expected to be consumed by the Group. Management has not made estimates of residual values for any items of property and equipment at the end of their useful lives as these have been deemed to be insignificant.

5. Property and equipment

	Furniture and fixtures US$ Million	Tools and office equipment US$ Million	Motor vehicles US$ Million	Total US$ Million
At 31 December 2010	11.3	13.8	0.5	25.6
Additions	0.5	0.2	-	0.7
At 31 December 2011	11.8	14.0	0.5	26.3
Additions	1.9	0.2	-	2.1
At 31 December 2012	**13.7**	**14.2**	**0.5**	**28.4**
Accumulated depreciation				
At 31 December 2010	4.9	5.7	0.3	10.9
Charge for the year	1.1	1.7	-	2.8
At 31 December 2011	6.0	7.4	0.3	13.7
Charge for the year	1.8	1.7	-	3.5
At 31 December 2012	**7.8**	**9.1**	**0.3**	**17.2**
Carrying amount				
At 31 December 2012	**5.9**	**5.1**	**0.2**	**11.2**
At 31 December 2011	5.8	6.6	0.2	12.6

Notes to the special purpose combined financial statements
For the year ended 31 December 2012 (continued)

6. Properties under development

	2012 US$ Million	2011 US$ Million
Balance at the beginning of the year	**1,638.1**	1,802.9
Additions	**331.8**	281.3
Transfers to cost of sales	**(409.7)**	(409.9)
Transfers from related party (Note 9)	**22.9**	17.8
Disposals	**(6.1)**	-
Impairment loss	**(11.6)**	(54.0)
Balance at the end of the year	**1,565.4**	1,638.1

	2012 US$ Million	2011 US$ Million
Completed properties	**84.4**	74.7
Properties under development	**1,295.8**	1,396.3
Land held for future development	**185.2**	167.1
	1,565.4	1,638.1

The balance includes land with a *(plot numbers 762,763,764 and 765 located in Amman, Jordan parcel number (14) Al Lowaibdah Al Wastani)* value of US$ 8.3 million (2011: US$ 8.3 million) acquired by Damac Investment & Properties LLC, Jordan during the year of 2006. The land is restricted against the legal case (Number 732/2009) filed in Jordan.

In 2005, Damac Properties Lebanon SAL acquired parcels of land (1396 Block 20 La Residence) that were under holding on joint ownership since full payment had not been made. During the year ended 31 December 2012, Damac Properties Lebanon SAL settled the total amount and the lands were registered in its name.

7. Trade and other receivables

	2012 US$ Million	2011 US$ Million
Trade receivables	**6.1**	6.7
Less: Provision for impairment on trade receivables	**(5.8)**	(6.2)
	0.3	0.5
Advances and deposits	**60.3**	32.4
Prepayments and other receivables	**2.6**	2.1
	63.2	35.0

Notes to the special purpose combined financial statements
For the year ended 31 December 2012 (continued)

7. Trade and other receivables (continued)

Movement in the provision for impairment on trade receivables:

	2012 US$ Million	2011 US$ Million
Balance at beginning of the year	**6.2**	-
Provision for the year (Note 19)	**-**	6.2
Reversal of provision during the year (Note 19)	**(0.4)**	-
Balance at end of the year	**5.8**	6.2

Trade receivables represent amounts due from customers under unit reservation contracts for which revenue has been recognised and pertain to amounts due according to the contractual payment schedules with buyers that have not yet been collected as of the reporting date.

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 receivables is as follows:

	2012 US$ Million	2011 US$ Million
1 - 60 days	**0.1**	0.2
61 - 180 days	**0.2**	0.3
Above 180 days	**5.8**	6.2
	6.1	6.7

8. Other financial assets

	2012 US$ Million	2011 US$ Million
Escrow retention accounts	**69.9**	79.6
Margin deposits	**2.3**	5.3
	72.2	84.9

Pursuant to the laws applicable to the Group entities in the Middle East, the Group holds funds in bank accounts under escrow for property transactions. These escrow retention accounts are released after a period of one year or more, after completion of the relevant projects and carry interest at commercial rates.

At 31 December 2012, fixed and margin deposits are held by banks under lien against credit facilities issued to the Group and carry interest at commercial rates.

Notes to the special purpose combined financial statements
For the year ended 31 December 2012 (continued)

9. Related party transactions

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

The Group from time to time finance the working capital needs of other related parties.

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

	2012 US$ Million	2011 US$ Million
Due from related parties		
Ultimate Beneficial Owner	**439.1**	460.2
Due to a related party		
Ultimate Beneficial Owner	**187.4**	109.4
Entity under common management and control	**4.1**	10.5
	191.5	119.9

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

	2012 US$ Million	2011 US$ Million
Ultimate Beneficial Owner		
Transfers of investment property from related party (Note 6)	**22.9**	17.8
Transfer of credit notes from Ultimate Beneficial Owner	**(20.4)**	(13.0)
Entity under common management and control		
Draieh General Contracting Co.		
Construction services provided (contract works)	**48.4**	21.3

In 2012, the Group reviewed its core and non-core operations and as a result transferred investment properties from a related party at their carrying values effective 31 December 2012 of US$ 22.9 million (2011: US$ 17.7 million) which was offset against the Ultimate Beneficial Owner receivable.

	2012 US$ Million	2011 US$ Million
Other related parties		
Corporate overheads allocated to other related parties (Note 18)	**23.9**	24.2

Notes to the special purpose combined financial statements
For the year ended 31 December 2012 (continued)

10. Cash and cash equivalents

	2012 US$ Million	2011 US$ Million
Cash on hand	0.7	1.6
Cash held in escrow	101.0	68.1
Fixed deposits	13.4	13.5
Bank balances	4.1	10.4
Cash and bank balances	119.2	93.6
Less: Fixed deposits with an original maturity of greater than three months	(13.4)	(13.5)
	105.8	80.1

Pursuant to the laws applicable to the Group entities in the Middle East, the Group holds funds in bank accounts under escrow for property transactions. These escrow funds released against development related costs as required under local laws. At 31 December 2012, bank balances which carry interest at commercial rates includes US$ 75.9 million (2011: US$ 64.2 million) held in property escrow accounts.

11. Share capital

	2012 US$ Million	2011 US$ Million
Authorised, issued and fully paid share capital	86.4	85.4

The above share capital consists of the followings:

	Number of shares	2012 US$ Million	2011 US$ Million
Damac Properties Development Co LLC	300,000,000	81.5	81.5
Damac General Trading LLC	3,000,000	0.8	0.8
Damac Properties Services Co. Sharjah LLC	3,000,000	0.8	0.8
Damac Real Estate Services Co LLC	3,000,000	0.8	0.8
Damac Hotels Management LLC	3,000,000	0.8	-
Damac Crescent Properties Co LLC	1,000,000	0.3	0.3
Damac Luxury Real Estate Properties Co LLC	1,000,000	0.3	0.3
Damac Heritage Properties Co LLC	1,000,000	0.3	0.3
Malak Al Rafidayn Properties Investment	900,000	0.2	-
Alaam Al-Dariha General Trading Limited	600,000	0.2	0.2
Luxury Facilities Management Co. (LLC)	300,000	0.1	0.1
Silver Crown Properties Co.(LLC)	300,000	0.1	0.1
Ocean Pearl Real Estate Company LLC	300,000	0.1	0.1
Al Hikmah International Enterprises LLC	200,000	0.1	0.1
Excel Operations Company Limited	50,000	-	-
		86.4	85.4

Notes to the special purpose combined financial statements
For the year ended 31 December 2012 (continued)

12. Statutory reserve

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

13. Loan from the Ultimate Beneficial Owner

This loan was provided interest free by the Ultimate Beneficial Owner with no repayment terms.

14. Bank borrowings

	2012 US$ Million	2011 US$ Million
Overdrafts	**5.6**	0.1
Bank loans	**98.8**	104.2
	104.4	104.3

The borrowings are repayable as follows:

	2012 US$ Million	2011 US$ Million
On demand or within one year	**75.3**	21.3
In the second year	**23.3**	66.1
In the third to fifth year inclusive	**5.8**	16.9
	104.4	104.3
Less: Amount due for settlement within 12 months	**(75.3)**	(21.3)
Amount due for settlement after 12 months	**29.1**	83.0

The bank loan includes the following;

	Name of the entity which is holding the loan	**2012 US$ Million**	2011 US$ Million
Al Ahli Bank - Kuwait	Damac Properties Development Co LLC	**11.5**	18.2
Burgan Bank - Kuwait	Damac Properties Development Co LLC	**28.5**	34.0
National Bank of Abu Dhabi	Damac Properties Development Co LLC	**33.1**	33.1
Abu Dhabi Islamic Bank	Damac Properties Development Co LLC	**4.1**	6.7
United Arab Bank	Damac Properties Development Co LLC	**10.0**	12.2
Bank Med Sal	Damac Properties SAL Holding	**11.6**	-
		98.8	104.2

Notes to the special purpose combined financial statements
For the year ended 31 December 2012 (continued)

14. Bank borrowings (continued)

At 31 December 2012, bank borrowings at Damac Properties Development Co LLC carry interest rates based on EIBOR/DIBOR/LIBOR plus agreed commercial margins.

At 31 December 2012, bank facilities are secured by:

a) Personal guarantee of one of the shareholders of Damac Properties Co. P.S.C.;
b) Corporate guarantees of Group entities;
c) Demand promissory note and unconditional financial guarantees;
d) Shares pledged by entities under common control; and
e) Mortgages over plots of land.

During the year ended 31 December 2012, Damac Properties Lebanon SAL signed an agreement with BankMed Sal for two credit facilities as shown below;

1. USD 15,000,000 for equity refinancing purposes, for a 3 year period, with a 1 year grace period from the date of the Loan Agreement signature, repayable over 2 equal annual installments starting at the end of the grace period.

2. USD 10,000,000 for financing construction projects, repayable in a bullet payment after 2 years from the signature of the Loan Agreement.

These loans are subject to an annual interest rate determined on the basis of the Beirut reference rate fixed by the bank association in Lebanon, added by 1.25% with a floor rate estimated at 7%.

15. Provision for employees' end of service indemnity

	2012 US$ Million	2011 US$ Million
Balance at beginning of the year	**2.8**	2.3
Charge for the year	**1.1**	0.8
Payments during the year	**(0.4)**	(0.3)
Balance at end of the year	**3.5**	2.8

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

16. Trade and other payables

	2012 US$ Million	2011 US$ Million
Advances from customers	**1,587.0**	1,875.5
Accruals	**98.8**	34.1
Other payables	**57.4**	157.6
Provisions	**7.5**	2.4
Retentions	**80.3**	64.4
	1,831.0	2,134.0

Notes to the special purpose combined financial statements
For the year ended 31 December 2012 (continued)

17. Other operating income

	2012 US$ Million	2011 US$ Million
Penalties from overdue customers	**3.9**	1.0
Income from cancellation of units	**1.6**	-
Unit registration and transfer fees	**-**	0.1
	5.5	1.1

Penalties from overdue customers represent penalties charged to customers on late payment of contractual dues as per sale and purchase agreement.

18. General, administrative and selling expenses

	2012 US$ Million	2011 US$ Million
Staff costs	**26.2**	17.5
Advertising and sales promotion	**8.7**	3.6
Rent and license fees	**2.3**	4.9
Bank charges	**0.8**	1.3
Legal and professional	**0.9**	1.1
Communication	**0.6**	0.4
Repairs and maintenance	**0.3**	0.3
Travel and conveyance	**0.7**	0.5
Printing and stationery	**0.2**	0.1
Water and electricity	**0.1**	-
(Reversal)/allowances for impairment on trade receivables (Note 7)	**(0.4)**	6.2
Other	**4.2**	1.1
	44.6	37.0

The above expenses are net of corporate overheads allocated to other related parties.

19. Other income

	2012 US$ Million	2011 US$ Million
Management fee	**2.7**	1.8
Other	**0.2**	0.4
	2.9	2.2

Notes to the special purpose combined financial statements
For the year ended 31 December 2012 (continued)

20. Contingent liabilities

	2012 US$ Million	2011 US$ Million
Bank guarantees	**28.4**	10.2

21. 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 special purpose combined financial statements.

(b) *Categories of financial instruments*

	2012 US$ Million	2011 US$ Million
Financial assets		
Loans and receivables (including cash and cash equivalents)	**630.8**	639.3
Financial liabilities		
At amortised cost	**532.4**	517.3

(c) *Fair value of financial instruments*

The fair value of financial assets and liabilities at the year-end date approximates to their carrying amounts in the special purpose combined statement of financial position.

22. Financial risk management

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

The Group does not hold or issue derivative financial instruments.

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

(a) *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.

22. Financial risk management (continued)

(a) 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 period ended 31 December 2012 would decrease/increase by US$ 0.5 million (31 December 2011: decrease/increase by US$ 0.5 million). This is mainly attributable to the Group's exposure to variable rate financial instruments.

(b) Foreign currency risk management

Foreign currency transactions of the Group are denominated either in US Dollar, AED, GCC countries, Jordan, Iraq or Lebanon currencies which are pegged to the US Dollar.

(c) Credit risk management

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

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

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

(d) 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 table detail the Group's remaining contractual maturity for its non-derivative financial liabilities. The table 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.

Notes to the special purpose combined financial statements
For the year ended 31 December 2012 (continued)

22. Financial risk management (continued)

(d) Liquidity risk management (continued)

Liquidity and interest risk tables (continued)

	Weighted average effective interest rate %	Less than 1 year US$ Million	1 - 5 years US$ Million	Greater than 5 years US$ Million	Total US$ Million
31 December 2012					
Non-interest bearing		**428.0**	**-**	**-**	**428.0**
Variable interest rate instruments	**5.97**	**75.3**	**29.1**	**-**	**104.4**
		503.3	**29.1**	**-**	**532.4**
31 December 2011					
Non-interest bearing		413.0	-	-	413.0
Variable interest rate instruments	5.30	21.3	83.0	-	104.3
		434.3	83.0	-	517.3

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 - 5 years US$ Million	Greater than 5 years US$ Million	Total US$ Million
31 December 2012					
Non-interest bearing		**545.2**	**-**	**-**	**545.2**
Variable interest rate instruments	**2.25**	**85.6**	**-**	**-**	**85.6**
		630.8	**-**	**-**	**630.8**
31 December 2011					
Non-interest bearing		557.9	-	-	557.9
Variable interest rate instruments	2.81	84.9	-	-	84.9
		642.8	-	-	642.8

Notes to the special purpose combined financial statements
For the year ended 31 December 2012 (continued)

23. 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 Group's overall strategy remains unchanged from 2011.

The capital structure of the Group consists of debt, which includes the borrowings disclosed in Note 14, cash and cash equivalents and equity attributable to owners of the Group, comprising issued capital, reserves and retained earnings as disclosed in the special purpose combined statement of changes in shareholders' equity.

24. Commitments

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

	2012 US$ Million	2011 US$ Million
- Contracted for	**628.5**	810.9
- Committed but not contracted for	**630.1**	649.8
	1,258.6	1,460.7
Commitments in respect of future land payments classified under investment properties	**19.1**	12.7

Future instalments receivable from customers under contracts for sale of properties directly related to the Group's commitments for the development and construction of assets related to these future receivables amounted to US$ 1.4 billion as of 31 December 2012 (31 December 2011: US$ 1.6 billion).

25. Approval of the special purpose combined financial statements

The special purpose combined financial statements for the year ended 31 December 2012 were approved by the Ultimate Beneficial Owner and authorised for issue on 7 October 2013.

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