Emaar Development PJSC and its Subsidiary
(Formerly known as Emaar Development LLC)

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

Emaar Development PJSC and its Subsidiary
(Formerly known as Emaar Development LLC)

Consolidated Financial Statements
For the Year Ended 31 December 2018

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DIRECTORS' REPORT

The Board of Directors of Emaar Development PJSC (the "Company") and its Subsidiary (the "Group") has pleasure in submitting the consolidated statement of financial position of the Group as at 31 December 2018 and the related consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year ended 31 December 2018.

Principal activities

The principal activities of the Group are property development and development management in the UAE.

Financial results

The Group has recorded a net profit attributable to the owners of the Parent of AED 3,901 million for the year ended 31 December 2018.

In accordance with the Articles of Association of the Company and UAE Federal Law No. (2) of 2015, an appropriation of AED 419 million is made to a legal reserve from the distributable profit of AED 4,195 million from 21 November 2017 to 31 December 2018. The transfer of profit to legal reserve will be allocated until it reaches 50% of the paid-up share capital.

During the year, a cash dividend of AED 0.26 per share was paid which was approved by the shareholders of the Company at the General Meeting held on 17 October 2018.

The balance of the distributable profit after considering appropriation to legal reserve and dividend paid is transferred to retained earnings. Total shareholders' funds as at 31 December 2018 amount to AED 7,945 million.

Outlook for 2019

Emaar Development had a remarkable year driven by strong Dubai property sales in the UAE and international markets resulting in sales backlog of AED 36 billion (including its joint ventures and joint development agreements) to be recognised as revenue over the coming years.

The Groups significant backlog and robust development pipeline sets the platform to continue delivering on our founding objective of 'shaping the future'. Towards this we shall continue to focus on setting benchmarks in design, build quality and choice of amenities. Our successful strategy to unlock the true potential of Emaar's property development business has been aimed at delivering long-term value for our shareholders, and we will continue to focus on our core competency.

DIRECTORS' REPORT (continued)

Directors

Mr. Mohamed Ali Alabbar	(Chairman)
Mr. Jamal Majed Theniyah	(Vice Chairman)
Mr. Ahmed Jamal Jawa	(Director)
Mr. Arif Obeid Al Dehail	(Director)
Dr. Aisha Bin Bishr	(Director)
Mr. Abdulla Alawar	(Director)
Mr. Adnan Kazim	(Director)

Auditors

Ernst and Young were appointed as external auditors of the company for the year ended 31 December 2018. The Board of Directors has recommended Ernst and Young as the auditors for 2019 for approval by the shareholders at the forthcoming Annual General Meeting.

On behalf of the Board

Mohamed Ali Alabbar
Chairman
Dubai, United Arab Emirates

20 March 2019

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INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF EMAAR DEVELOPMENT PJSC

Report on the audit of the consolidated financial statements

Opinion

We have audited the accompanying consolidated financial statements of Emaar Development PJSC ("the Company") and its subsidiary (together "the Group"), which comprise the consolidated statement of financial position as at 31 December 2018, and the related consolidated statement of comprehensive income, changes in equity and cash flows for the period then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Group as at 31 December 2018 and its financial performance and its cash flows for the period then ended in accordance with International Financial Reporting Standards ("IFRSs").

Basis of opinion

We conducted our audit in accordance with International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* (the "IESBA Code") together with the ethical requirements that are relevant to our audit of the consolidated financial statements in the United Arab Emirates, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

Other matter

The consolidated financial statements of the Group for the year ended 31 December 2017 were not audited and our opinion does not relate to the results for that year, which are presented only for comparison purposes.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the consolidated financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF EMAAR DEVELOPMENT PJSC (continued)

Key audit matters	How our audit addressed the key audit matters

(i) Revenue recognition on sale of properties

Note 2.4 to the consolidated financial statements includes the accounting policy followed by the Group for recognising revenue on sale of properties.

The Group early adopted IFRS 15 - *Revenue from Contracts with Customers* issued by the International Accounting Standards Board (IASB) with effect from 1 January 2015. Revenue recognition on sale of properties, including villas, apartments, commercial units and plots of land, involves significant inherent risks due to the judgment and estimation involved. Audit of judgments around the percentage of completion of projects including the costs incurred to date against the total cost of the project and the successful completion of the project in the absence of sale of all the units under development was an item requiring significant audit attention, in particular consideration of: • The ability of the Group to enforce payment for work completed under the terms of its contract thereby meeting the IFRS 15 criteria for revenue recognition over time; • The total expected cost of completion of the real estate development to which the sold unit belongs; • The likelihood of collection of the remaining sales consideration; • The sales incentives or other valuable considerations offered in the sales purchase agreements; and • The amount of infrastructure costs to be incurred to complete the development as committed.	We reviewed the contracts on a sample basis for sale of real estate units including villas, apartments, commercial units and plots of land to identify the performance obligations of the Group under these contracts and assessed whether these performance obligations are satisfied over time or at a point in time based on the criteria specified under IFRS 15. Our focus under these contracts included the determination of whether the Group has enforceable right to payment for performance completed to date in order to satisfy ourselves over the revenue recognition under these contracts. We performed test of details on a sample basis to determine that the costs incurred on the developments are recorded and capitalised. We also assessed the allocation of these costs to the sold and unsold units based on their relative area in the real estate development projects by review of the project wise summary of the cost allocation prepared by the management. We evaluated the Group's budget and forecasting accuracy associated with project costs and estimating costs to complete. We assessed project costs to date and estimates for remaining development risks. In addition, we evaluated the adequacy of the disclosures regarding revenue recognition on sale of properties. Note 2.4 to the consolidated financial statements includes the accounting policy followed by the Group for recognising revenue on sale of properties.

INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF EMAAR DEVELOPMENT PJSC (continued)

Key audit matters	How our audit addressed the key audit matters

(ii)Impairment review of development properties

The Group assesses indicators of impairment on its development properties, both for completed projects and projects under development, on an ongoing basis due to the volatility in the market values. The Group uses valuations carried out by third party valuers to ascertain impairment on these properties. The valuation of the properties involves significant estimation and assumptions. Any variation in the estimation / assumptions used for the valuation of the property could have a material impact on the consolidated financial statements of the Group. In determining a project's valuation the valuers use the direct comparison method for completed projects and the residual appraisal method for projects under development. The Direct Comparison method involves the analysis of transactions relating to direct comparable units where available and is deemed an appropriate approach to adopt in making an assessment of market value. For projects under development, the value of the project is determined by estimating the fair value of the completed project using a capitalisation method less estimated costs to completion and a risk premium. The existence of significant estimation uncertainty warrants significant audit attention in this area as the amounts involved are very significant. There were also a number of specific factors affecting the valuations in the year which we considered when making our assessment.	We involved our internal real estate valuation specialists to review the valuation reports for selected properties and assessed whether the valuation approach and methods used are in accordance with the established standards for valuation of the properties and suitable for use in determining the fair value for the purpose of assessment of impairment loss. Our internal specialist also assessed the assumptions used by the third party valuers in the valuation process. We have performed audit procedures to assess whether the source data used for the valuation are reasonable by comparing the source data used in the valuation to the management reports, and other procedures to obtain insight into the calculation models used to determine the recoverable value. We have discussed the source data and the related estimation uncertainties with various project officers and management. We also considered the reasonableness of other assumptions that are not so readily comparable with published benchmarks, such as discount rates, rate of return etc. Where assumptions were outside the expected range or otherwise unusual, and/or valuations showed unexpected movements, we extended our audit procedures and, when necessary, held further discussions with the management. We also evaluated the competence, objectivity and independence of the third party valuers, and the experience of the management personnel involved in the valuation process.

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INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF EMAAR DEVELOPMENT PJSC (continued)

Other information

Other information consists of the information included in the Directors' Report, other than the consolidated financial statements and our auditor's report thereon. Management is responsible for the other information.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the management and Audit Committee for the consolidated financial statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with IFRSs and in compliance with the applicable provisions of the articles of association of the Company and the UAE Federal Law No. (2) of 2015, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The Audit Committee is responsible for overseeing the Group's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objective is to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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Auditor's responsibilities for the audit of the consolidated financial statements (continued)

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF EMAAR DEVELOPMENT PJSC (continued)

Report on other legal and regulatory requirements

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

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

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

iii) the Company has maintained proper books of account;

iv) the financial information included in the Directors' Report is consistent with the books of account of the Company;

v) no investments in shares and stocks were made during the year ended 31 December 2018;

vi) note 23 reflects material related party transactions and the terms under which they were conducted;

vii) based on the information that has been made available to us, nothing has come to our attention which causes us to believe that the Company has contravened during the financial period ended 31 December 2018 any of the applicable provisions of the UAE Federal Law No. (2) of 2015 or of its articles of association which would materially affect its activities or its financial position as at 31 December 2018; and

viii) note 5 reflects the social contributions made during the year.

For Ernst & Young

Signed by:
Anthony O'Sullivan
Partner
Registration No: 687

20 March 2019

Dubai, United Arab Emirates

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2018

(US$ 1.00 = AED 3.673)

	Notes	***21 November 2017 to 31 December 2018* AED'000 (Unaudited)***	***31 December 2018 AED'000***	*31 December 2017 AED'000 (Unaudited)*
Revenue	4	**16,611,535**	**15,433,410**	8,862,968
Cost of revenue	4	**(9,372,700)**	**(8,732,977)**	(5,101,768)
GROSS PROFIT		**7,238,835**	**6,700,433**	3,761,200
Selling, general and administrative expenses	5	**(1,364,228)**	**(1,256,704)**	(645,822)
Finance income	6	**180,324**	**162,677**	130,495
Finance costs		**(186,132)**	**(169,701)**	(36,681)
Other income		**148,299**	**139,588**	103,275
Share of results of joint ventures	12	**65,928**	**58,327**	2,840
PROFIT FOR THE PERIOD/ YEAR		**6,083,026**	**5,634,620**	3,315,307
Other comprehensive income		**-**	**-**	-
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD/ YEAR		**6,083,026**	**5,634,620**	3,315,307
ATTRIBUTABLE TO:				
Owners of the Parent		**4,194,631**	**3,901,158**	2,742,621
Non-controlling interest		**1,888,395**	**1,733,462**	572,686
		6,083,026	**5,634,620**	3,315,307
Earnings per share attributable to the owners of the Parent: - basic and diluted earnings per share (AED)	20	**1.05**	**0.98**	3.29

** The period from 21 November 2017 to 31 December 2018 is disclosed to provide additional information on the results post the initial public offering.*

The accompanying notes 1 to 27 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 31 December 2018

		(US$ 1.00 = AED 3.673)	
	Notes	***31 December 2018 AED'000***	*31 December 2017 AED'000 (Unaudited)*
ASSETS			
Bank balances and cash	7	**6,857,094**	9,611,896
Trade and unbilled receivables	8	**6,002,460**	1,566,296
Other assets, receivables, deposits and prepayments	9	**4,704,853**	3,141,553
Development properties	10	**12,368,253**	9,359,957
Loans to joint ventures	11	**527,428**	405,630
Investments in joint ventures	12	**59,333**	565
Property, plant and equipment	13	**58,359**	67,174
TOTAL ASSETS		**30,577,780**	24,153,071
LIABILITIES AND EQUITY			
Liabilities			
Trade and other payables	14	**10,262,488**	5,837,435
Advances from customers	15	**5,075,731**	7,695,335
Retentions payable	16	**617,065**	477,872
Interest-bearing loans and borrowings	17	**3,931,028**	3,921,423
Provision for employees' end-of-service benefits		**24,565**	21,223
TOTAL LIABILITIES		**19,910,877**	17,953,288
EQUITY			
Equity attributable to owners of the Parent			
Share capital	18	**4,000,000**	4,000,000
Legal reserve	19	**419,614**	150
Retained earnings		**3,525,123**	1,083,429
		7,944,737	5,083,579
Non-controlling interests		**2,722,166**	1,116,204
TOTAL EQUITY		**10,666,903**	6,199,783
TOTAL LIABILITIES AND EQUITY		**30,577,780**	24,153,071

The consolidated financial statements were authorised for issue on 20 March 2019 by:

Chairman

Director

The accompanying notes 1 to 27 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2018

	Attributable to the owners of the Parent						
	Share capital AED'000	*Legal reserve AED'000*	*Retained earnings AED'000*	*Shareholder's contribution AED'000*	*Total AED'000*	*Non-controlling interests AED'000*	*Total equity AED'000*
Balance at 21 November 2017 (*Unaudited*)*	4,000,000	150	-	789,956	4,790,106	961,271	5,751,377
Profit for the period	-	-	4,194,631	-	4,194,631	1,888,395	6,083,026
Other comprehensive income for the period	-	-	-	-	-	-	-
Total comprehensive income for the period	-	-	4,194,631	-	4,194,631	1,888,395	6,083,026
Movement in shareholder's contribution (Note 23(ii))	-	-	789,956	(789,956)	-	-	-
Dividend (Note 25)	-	-	(1,040,000)	-	(1,040,000)	(127,500)	(1,167,500)
Transfer to legal reserve (Note 19)	-	419,464	(419,464)	-	-	-	-
Balance at 31 December 2018	**4,000,000**	**419,614**	**3,525,123**	**-**	**7,944,737**	**2,722,166**	**10,666,903**
Balance at 1 January 2018 (*Unaudited*)	4,000,000	150	1,083,429	-	5,083,579	1,116,204	6,199,783
Profit for the year	-	-	3,901,158	-	3,901,158	1,733,462	5,634,620
Other comprehensive income for the year	-	-	-	-	-	-	-
Total comprehensive income for the year	-	-	3,901,158	-	3,901,158	1,733,462	5,634,620
Dividend (Note 25)	-	-	(1,040,000)	-	(1,040,000)	(127,500)	(1,167,500)
Transfer to legal reserve (Note 19)	-	419,464	(419,464)	-	-	-	
Balance at 31 December 2018	**4,000,000**	**419,614**	**3,525,123**	**-**	**7,944,737**	**2,722,166**	**10,666,903**

** The period from 21 November 2017 to 31 December 2018 is disclosed to provide additional information on the results post the initial public offering.*

The accompanying notes 1 to 27 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (continued)

For the year ended 31 December 2018

	Attributable to the owners of the Parent						
	Share capital AED'000	*Statutory reserve AED'000*	*Retained earnings AED'000*	*Shareholder's contribution AED'000*	*Total AED'000*	*Non-controlling interests AED'000*	*Total equity AED'000*
Balance at 31 December 2016 (*Audited*)	300	150	-	6,751,772	6,752,222	763,518	7,515,740
Profit for the year	-	-	293,473	2,449,148	2,742,621	572,686	3,315,307
Other comprehensive income for the year	-	-	-	-	-	-	-
Total comprehensive income for the year	-	-	293,473	2,449,148	2,742,621	572,686	3,315,307
Dividend paid to shareholders (Note 25)	-	-	-	(3,909,675)	(3,909,675)	-	(3,909,675)
Dividend of a subsidiary	-	-	-	-	-	(220,000)	(220,000)
Movement in shareholder's contribution (Note 23(ii))	3,999,700	-	789,956	(5,291,245)	(501,589)	-	(501,589)
Balance at 31 December 2017 *(Unaudited)*	4,000,000	150	1,083,429	-	5,083,579	1,116,204	6,199,783

The accompanying notes 1 to 27 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2018

(US$ 1.00 = AED 3.673)

	Notes	***21 November 2017 to 31 December 2018**** ***AED'000*** ***(Unaudited)***	***31 December 2018*** ***AED'000***	*31 December 2017* *AED'000* *(Unaudited)*
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit for the period/ year		**6,083,026**	**5,634,620**	3,315,307
Adjustments for:				
Share of results of joint ventures	12	**(65,928)**	**(58,327)**	(2,840)
Depreciation	5	**17,347**	**15,725**	14,496
Provision for employees' end-of-service benefits, net		**3,526**	**3,342**	3,833
Finance costs		**186,132**	**169,701**	36,681
Finance income	6	**(180,324)**	**(162,677)**	(130,495)
Cash from operations before working capital changes		**6,043,779**	**5,602,384**	3,236,982
Trade and unbilled receivables		**(4,683,632)**	**(4,436,164)**	(94,016)
Other assets, receivables, deposits and prepayments		**(1,720,482)**	**(1,568,283)**	(1,416,053)
Development properties		**(5,373,551)**	**(3,008,296)**	(3,337,652)
Advances from customers		**(2,791,240)**	**(2,619,604)**	(440,335)
Trade and other payables		**6,463,917**	**4,425,950**	2,778,540
Retentions payable		**167,688**	**139,193**	59,127
Net cash (used in) from operating activities		**(1,893,521)**	**(1,464,820)**	786,593
CASH FLOWS FROM INVESTING ACTIVITIES				
Finance income received		**192,287**	**167,660**	136,717
Loan to joint ventures		**(116,298)**	**(121,798)**	(365,008)
Amounts incurred on property, plant and equipment	13	**(6,910)**	**(6,910)**	(55)
Investment in a joint venture		**(441)**	**(441)**	(150)
Deposits maturing after three months	7	**1,569,660**	**1,788,057**	1,296,434
Net cash from investing activities		**1,638,298**	**1,826,568**	1,067,938
CASH FLOWS FROM FINANCING ACTIVITIES				
Finance costs paid		**(176,064)**	**(160,993)**	(35,321)
Borrowings from financial institutions		**-**	**-**	3,966,840
Dividends paid	25	**(1,167,500)**	**(1,167,500)**	(4,129,675)
Movement in shareholder's contribution		**-**	**-**	(501,589)
Net cash used in financing activities		**(1,343,564)**	**(1,328,493)**	(699,745)
(DECREASE)/ INCREASE IN CASH AND CASH EQUIVALENTS		**(1,598,787)**	**(966,745)**	1,154,786
Cash and cash equivalents at the beginning of the period/year		**8,387,541**	**7,755,499**	6,600,713
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	7	**6,788,754**	**6,788,754**	7,755,499

** The period from 21 November 2017 to 31 December 2018 is disclosed to provide additional information on the results post the initial public offering.*

The accompanying notes 1 to 27 form an integral part of these consolidated financial statements.

1 CORPORATE INFORMATION

The incorporation of Emaar Development PJSC (the "Company") as a Public Joint Stock Company was approved by the Securities and Commodities Authority according to Federal Law No.4 of 2000 on 20 November 2017 and the registration certificate was issued on 21 November 2017. The Company's registered office is at P.O. Box 48882, Dubai, United Arab Emirates ("UAE").

The Company is a subsidiary of Emaar Properties PJSC (the "Ultimate Parent"), a company incorporated in the UAE and listed on the Dubai Financial Market. The legal status of the Company has been converted from a limited liability company to a Public Joint Stock Company (PJSC) by selling 20% through an Initial Public Offering ("IPO"). The Company is listed on the Dubai Financial Market and its shares are traded with effect from 22 November 2017. The Company and its subsidiary constitute the Group (the "Group").

The principal activities of the Group are property development and development management in the UAE.

As per the articles of association of the Company, the first financial year shall be from the date of registration in the commercial register to 31 December 2018. Accordingly, these are the first set of financial statements of the Company after the IPO. The comparative information in the consolidated financial statements represents the Build-to-sell (BTS) real estate business of the Group transferred from the Ultimate Parent. The comparative information for the period from 1 January 2017 to 31 December 2017 are not audited and are presented only for comparison purposes.

2.1 BASIS OF PREPARATION

As part of the IPO, the Ultimate Parent entered into a Master Transfer Agreement ("MTA") on 29 September 2017 with the Company for the transfer of its Build-to-sell (BTS) real estate development business (sale of condominiums, villas, commercial units and plots of land) in the UAE to the Company. As per the MTA all assets and liabilities relating to the BTS real estate development business of the Ultimate Parent are transferred to the Company. As this transaction is between entities under common control, which is scoped out under IFRS 3 – *Business Combinations*, the Company has chosen to present the consolidated financial statements as if the BTS real estate development business was with the Company from the beginning of the earliest period presented. Further, as per the MTA, certain warranty provisions and advances from customers relating to BTS real estate developments which were completed in the prior years are retained in the books of the Ultimate Parent as these obligations will continue to be serviced by the Ultimate Parent company. In addition, based on the MTA, the Company will also continue to manage the development of Build-to-Operate (BTO) and Build-to-lease (BTL) assets on behalf of the Ultimate Parent for which the Company will receive management fees at an agreed rate. The Ultimate Parent also transferred its interest in the BTS real estate development business of its subsidiary, Dubai Hills Estate LLC to the Company. The interest of the Ultimate Parent in the BTS real estate development business of joint ventures has also been transferred to the Company. As at 31 December 2018, the legal formalities for such transfers of BTS assets to the Company are completed.

The consolidated financial statements of the Group are prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board ("IASB") and applicable requirements of the United Arab Emirates Federal law No. (2) of 2015.

The consolidated financial statements have been prepared in United Arab Emirates Dirhams (AED), which is the Company's functional and presentation currency, and all values are rounded to the nearest thousand except where otherwise indicated. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

The consolidated financial statements have been prepared on a historical cost basis. Historical cost is generally based on the fair value of the consideration given in exchange for assets.

Certain comparative amounts have been reclassified to conform to the presentation used in these consolidated financial statements.

2.1 BASIS OF PREPARATION (continued)

Basis of consolidation
The consolidated financial statements comprise the financial statements of the Company and entity controlled by the Company (its subsidiary) as at 31 December 2018. Control is achieved where all the following criteria are met:

(a) the Company has power over an entity (i.e., existing rights that give it the current ability to direct the relevant activities of the investee);
(b) the Company has exposure, or rights, to variable returns from its involvement with the entity; and
(c) the Company has the ability to use its power over the entity to affect the amount of the Company's returns.

When the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee
- Rights arising from other contractual arrangements
- The Group's voting rights and potential voting rights

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

Subsidiary
Subsidiaries are fully consolidated from the date of acquisition or incorporation, 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 Company, using consistent accounting policies. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies. All intra-group balances, transactions, unrealised gains and losses resulting from intra-group transactions and dividends are eliminated in full.

Share of comprehensive income/ loss within a subsidiary is attributed to the non-controlling interests even if that results in a deficit balance.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

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

Details of the Company's subsidiary is as follows:

Subsidiary	*Place of incorporation*	*Principal activity*	*Percentage of beneficial interest*
Dubai Hills Estate LLC	UAE	Property development	50.00%

2.1 BASIS OF PREPARATION (continued)

Basis of consolidation (continued)
Joint ventures
Joint ventures are those entities over whose activities the Group has joint control, established by contractual agreement and requiring unanimous consent for strategic financial and operating decisions.

The Group's investment in associated companies and joint ventures are accounted for using the equity method of accounting. Under the equity method of accounting, investments in associated companies and joint ventures are carried in the consolidated statement of financial position at cost, plus post-acquisition changes in the Group's share of net assets of the associated and joint venture companies, less any impairment in value.

The consolidated statement of comprehensive income reflects the Group's share of results of its associates and joint ventures. Unrealised profits and losses resulting from transactions between the Group and associated companies and its joint ventures are eliminated to the extent of the Group's interest in the associated companies and joint ventures.

2.2 SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of these consolidated financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures and the disclosure of contingent liabilities at the reporting date. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the assets or liabilities affected in future periods.

Estimates and their underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised.

The key judgments and estimates and assumptions that have a significant impact on the consolidated financial statements of the Group are discussed below:

Judgments
Satisfaction of performance obligations
The Group is required to assess each of its contracts with customers to determine whether performance obligations are satisfied over time or at a point in time in order to determine the appropriate method of recognising revenue. The Group has assessed that based on the sale and purchase agreements entered into with customers and the provisions of relevant laws and regulations, where contracts are entered into to provide real estate assets to customer, the Group does not create an asset with an alternative use to the Group and usually has an enforceable right to payment for performance completed to date. In these circumstances the Group recognises revenue over time. Where this is not the case revenue is recognised at a point in time.

Determination of transaction prices
The Group is required to determine the transaction price in respect of each of its contracts with customers. In making such judgment the Group assesses the impact of any variable consideration in the contract, due to discounts or penalties, the existence of any significant financing component in the contract and any non-cash consideration in the contract.

In determining the impact of variable consideration the Group uses the "most-likely amount" method in IFRS 15 whereby the transaction price is determined by reference to the single most likely amount in a range of possible consideration amounts.

Transfer of control in contracts with customers
In cases where the Group determines that performance obligations are satisfied at a point in time, revenue is recognised when control over the asset that is the subject of the contract is transferred to the customer. In the case of contracts to sell real estate assets this is generally when the consideration for the unit has been substantially received and there are no impediments in the handing over of the unit to the customer.

2.2 SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS (continued)

Judgments (continued)

Classification of investments

Management designates at the time of acquisition of securities whether these should be classified as at fair value or amortised cost. In judging whether investments in securities are classified as at fair value or amortised cost, management has considered the detailed criteria for determination of such classification as set out in IFRS 9 *Financial Instruments.*

Consolidation of subsidiary

The Group has evaluated all the investee entities including special purpose entities to determine whether it controls the investee as per the criteria laid out by IFRS 10 *Consolidated Financial Statements.* The Group has evaluated, amongst other things, its ownership interest, the contractual arrangements in place and its ability and the extent of its involvement with the relevant activities of the investee entities to determine whether it controls the investee.

Estimations and assumptions

Impairment of trade, unbilled receivables and other receivables

An estimate of the collectible amount of trade and other receivables is made when collection of the full amount is no longer probable. For individually significant amounts, this estimation is performed on an individual basis.

Effective 1 January 2018, amouts which are not individually significant, but which are past due, are assessed collectively and a provision applied based on expected credit losses on such receivables. Until 31 December 2017, impairment was assessed and provision applied according to the length of the time past due.

Useful lives of property, plant and equipment

The Group's management determines the estimated useful lives of its property, plant and equipment for calculating depreciation. This estimate is determined after considering the expected usage of the asset or physical wear and tear. The management periodically reviews estimated useful lives and the depreciation method to ensure that the method and period of depreciation are consistent with the expected pattern of economic benefits from these assets.

Allocation of transaction price to performance obligation in contracts with customers

The Group has elected to apply the input method in allocating the transaction price to performance obligations where revenue is recognised over time. The Group considers that the use of the input method, which requires revenue recognition on the basis of the Group's efforts to the satisfaction of the performance obligation, provides the best reference of revenue actually earned. In applying the input method, the Group estimates the cost to complete the projects in order to determine the amount of revenue to be recognised. These estimates include the cost of providing infrastructure, potential claims by contractors as evaluated by the project consultant and the cost of meeting other contractual obligations to the customers.

Cost to complete the 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 as evaluated by the project consultant and the cost of meeting other contractual obligations to the customers.

Impairment of non-financial assets

The Group assesses whether there are any indicators of impairment for all non-financial assets at each reporting date. The non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. When value in use calculations are undertaken, management estimates the expected future cash flows from the asset or cash-generating unit and chooses a suitable discount rate in order to calculate the present value of those cash flows.

Fair value measurement of financial instruments

When the fair values of financial assets and financial liabilities recorded in the statement of financial position cannot be measured based on quoted prices in active markets, their fair value is measured using valuation techniques including the discounted cash flow (DCF) model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgement is required in establishing fair values. Judgements include considerations of inputs such as liquidity risk, credit risk and volatility.

2.3 CHANGES IN THE ACCOUNTING POLICIES AND DISCLOSURES

(a) New standards, interpretations and amendments adopted by the Group

The accounting policies adopted in the preparation of the consolidated financial statements are consistent with those followed in the preparation of the Group's most recent consolidated financial statements, except for the adoption of new standards, interpretations and amendments effective as of 1 January 2018. Although these new standards and amendments apply for the first time in 2018, they do not have a material impact on the consolidated financial statements of the Group. The nature and the impact of each new standard or amendment is described below:

IFRS 9 Financial Instruments

IFRS 9 *Financial Instruments* replaces IAS 39 *Financial Instruments: Recognition and Measurement* for annual periods beginning on or after 1 January 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement; impairment; and hedge accounting.

The Group early adopted IFRS 9- Phase 1 *Classification and Measurement of Financial Instruments* in the prior years, and adopted the other two aspects of IFRS 9 namely, Impairment and Hedge accounting from 1 January 2018 with the initial application date of 1 January 2018. With the exception of hedge accounting, which the Group applied prospectively, the Group has applied IFRS 9 - Impairment retrospectively. The effect of adopting IFRS 9 is, as follows:

Impairment

The adoption of IFRS 9 requires the Group to account for impairment losses for financial assets by replacing IAS 39's incurred loss approach with a forward-looking Expected Credit Loss (ECL) approach.

IFRS 9 requires the Group to record an allowance for ECLs for all loans and other debt financial assets not held at fair value through profit or loss (FVPL). ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive. The shortfall is then discounted at an approximation to the asset's original effective interest rate.

For trade and unbilled receivables and other receivables, the Group has applied the standard's simplified approach and has calculated ECLs based on lifetime expected credit losses. The Group has established a provision matrix that is based on the Group's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

For other debt financial assets (i.e., loans and investment in debt securities), the ECL is based on the 12-month ECL. The 12-month ECL is the portion of lifetime ECLs that results from default events on a financial instrument that are possible within 12 months after the reporting date. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECL.

The Group considers a financial asset in default when contractual payment are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group.

Management assessed the expected credit losses as prescribed by the requirements of IFRS 9 against trade and unbilled receivables, other receivables, loans and investment in debt securities and concluded that there was no material impact on the consolidated financial statements.

Hedge accounting

The Group applied hedge accounting prospectively. At the date of the initial application, all of the Group's existing hedging relationships were eligible to be treated as continuing hedging relationships. Consistent with prior periods, the Group has continued to designate the change in fair value of the entire forward contract in the Group's cash flow hedge relationships and, as such, the adoption of the hedge accounting requirements of IFRS 9 had no significant impact on the Group's consolidated financial statements.

Under IAS 39, all gains and losses arising from the Group's cash flow hedging relationships were eligible to be subsequently reclassified to profit or loss. However, under IFRS 9, gains and losses arising on cash flow hedges of forecast purchases of non-financial assets need to be incorporated into the initial carrying amounts of the non-financial assets. The Group currently only has a hedge of financial assets and liabilities. This change only applies prospectively from the date of initial application of IFRS 9 and has no impact on the presentation of comparative figures.

2.3 CHANGES IN THE ACCOUNTING POLICIES AND DISCLOSURES (continued)

(a) New standards, interpretations and amendments adopted by the Group (continued)

IFRIC Interpretation 22 Foreign Currency Transactions and Advance Considerations
The Interpretation clarifies that, in determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which an entity initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, then the entity must determine the date of the transactions for each payment or receipt of advance consideration. This Interpretation does not have any impact on the Group's consolidated financial statements.

Amendments to IAS 40 Transfers of Investment Property
The amendments clarify when an entity should transfer property, including property under construction or development into, or out of investment property. The amendments state that a change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. A mere change in management's intentions for the use of a property does not provide evidence of a change in use. These amendments do not have any impact on the Group's consolidated financial statements.

Amendments to IFRS 2 Classification and Measurement of Share-based Payment Transactions
The IASB issued amendments to IFRS 2 Share-based Payment that address three main areas: the effects of vesting conditions on the measurement of a cash-settled share-based payment transaction; the classification of a share-based payment transaction with net settlement features for withholding tax obligations; and accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash settled to equity settled. On adoption, entities are required to apply the amendments without restating prior periods, but retrospective application is permitted if elected for all three amendments and other criteria are met. The Group has no share-based payment transactions therefore, these amendments do not have any impact on the Group's consolidated financial statements.

Amendments to IFRS 4 Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts
The amendments address concerns arising from implementing the new financial instruments standard, IFRS 9, before implementing IFRS 17 Insurance Contracts, which replaces IFRS 4. The amendments introduce two options for entities issuing insurance contracts: a temporary exemption from applying IFRS 9 and an overlay approach. These amendments do not have any impact on the Group's consolidated financial statements.

Amendments to IAS 28 Investments in Associates and Joint Ventures - Clarification that measuring investees at fair value through profit or loss is an investment-by-investment choice
The amendments clarify that an entity that is a venture capital organisation, or other qualifying entity, may elect, at initial recognition on an investment-by-investment basis, to measure its investments in associates and joint ventures at fair value through profit or loss. If an entity that is not itself an investment entity, has an interest in an associate or joint venture that is an investment entity, then it may, when applying the equity method, elect to retain the fair value measurement applied by that investment entity associate or joint venture to the investment entity associate's or joint venture's interests in subsidiaries. This election is made separately for each investment entity associate or joint venture, at the later of the date on which: (a) the investment entity associate or joint venture is initially recognised; (b) the associate or joint venture becomes an investment entity; and (c) the investment entity associate or joint venture first becomes a parent. These amendments do not have any impact on the Group's consolidated financial statements.

Amendments to IFRS 1 First-time Adoption of International Financial Reporting Standards - Deletion of short-term exemptions for first-time adopters
Short-term exemptions in paragraphs E3–E7 of IFRS 1 were deleted because they have now served their intended purpose. These amendments do not have any impact on the Group's consolidated financial statements.

2.3 CHANGES IN THE ACCOUNTING POLICIES AND DISCLOSURES (continued)

(b) Standards, amendments and interpretations in issue but not effective

At the date of authorisation of these consolidated financial statements, other than the standards and interpretations adopted by the Group (as described above) the following standards, amendments and interpretations were in issue but not yet effective.

IFRS16 was issued in January 2016 and it replaces IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases-Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under IAS 17. The standard includes two recognition exemptions for lessees – leases of 'low-value' assets (e.g., personal computers) and short-term leases (i.e., leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

Lessees will be also required to remeasure the lease liability upon the occurrence of certain events (e.g., a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset.

Lessor accounting under IFRS 16 is substantially unchanged from today's accounting under IAS 17. Lessors will continue to classify all leases using the same classification principle as in IAS 17 and distinguish between two types of leases: operating and finance leases.

IFRS 16, which is effective for annual periods beginning on or after 1 January 2019, requires lessees and lessors to make more extensive disclosures than under IAS 17.

Impact assessment of IFRS 16 Leases

Management is in the process of assessing the impact of IFRS 16 to the Group's consolidated financial statements. The application of the IFRS 16 may have impact on amounts reported and disclosures made in the Group's consolidated financial statements. However, it is not practical to provide a reasonable estimate of effects of the application of the standards until the Group performs a detailed review.

IFRS10, IAS 28 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture - (The IASB has deferred the effective date of these amendments indefinitely, but an entity that early adopts the amendments must apply them prospectively). The Group will apply these amendments when they become effective.;

IFRS 17 Insurance Contracts - IFRS 17 will replace IFRS 4 Insurance Contracts (effective for reporting periods beginning on or after 1 January 2021, with comparative figures required. Early application is permitted, provided the entity also applies IFRS 9 and IFRS 15 on or before the date it first applies IFRS 17);

IFRIC 23 Uncertainty over Income Tax Treatment - IFRIC Interpretation 23 - An entity has to determine whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments. The approach that better predicts the resolution of the uncertainty should be followed. The interpretation is effective for annual reporting periods beginning on or after 1 January 2019, but certain transition reliefs are available.

IFRS 9 Prepayment Features with Negative Compensation - Amendments to IFRS 9 - Under IFRS 9, a debt instrument can be measured at amortised cost or at fair value through other comprehensive income, provided that the contractual cash flows are 'solely payments of principal and interest on the principal amount outstanding' (the SPPI criterion) and the instrument is held within the appropriate business model for that classification. The amendments to IFRS 9 clarify that a financial asset passes the SPPI criterion regardless of the event or circumstance that causes the early termination of the contract and irrespective of which party pays or receives reasonable compensation for the early termination of the contract.

The amendments should be applied retrospectively and are effective from 1 January 2019, with earlier application permitted. These amendments have no impact on the consolidated financial statements of the Group.

2.3 CHANGES IN THE ACCOUNTING POLICIES AND DISCLOSURES (continued)

(b) Standards, amendments and interpretations in issue but not effective (continued)

IAS 19 Plan Amendment, Curtailment or Settlement - Amendments to IAS 19 - The amendments apply to plan amendments, curtailments, or settlements occurring on or after the beginning of the first annual reporting period that begins on or after 1 January 2019, with early application permitted. These amendments will apply only to any future plan amendments, curtailments, or settlements of the Group.

IAS 28 Long-term interests in associates and joint ventures - Amendments to IAS 28 - The amendments clarify that an entity applies IFRS 9 to long-term interests in an associate or joint venture to which the equity method is not applied but that, in substance, form part of the net investment in the associate or joint venture (long-term interests). This clarification is relevant because it implies that the expected credit loss model in IFRS 9 applies to such long-term interests. The amendments should be applied retrospectively and are effective from 1 January 2019, with early application permitted. Since the Group does not have such long-term interests in its associate and joint venture, the amendments will not have an impact on its consolidated financial statements.

Annual Improvements 2015-2017 Cycle (issued in December 2017)
These improvements include:

- IFRS 3 Business Combinations - Clarification that, when an entity obtains control of a business that is a joint operation, it applies the requirements for a business combination achieved in stages, including remeasuring previously held interests in the assets and liabilities of the joint operation at fair value. (effective for business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 January 2019, with early application permitted);
- IFRS 11 Joint Arrangements - A party that participates in, but does not have joint control of, a joint operation might obtain joint control of the joint operation in which the activity of the joint operation constitutes a business as defined in IFRS 3.The amendments clarify that the previously held interests in that joint operation are not remeasured. (effective for annual reporting periods beginning on or after 1 January 2019);
- IAS 12 Income Taxes - The amendments clarify that the income tax consequences of dividends are linked more directly to past transactions or events that generated distributable profits than to distributions to owners. (effective for annual reporting periods beginning on or after 1 January 2019, with early application is permitted);
- IAS 23 Borrowing Costs - The amendments clarify that an entity treats as part of general borrowings any borrowing originally made to develop a qualifying asset when substantially all of the activities necessary to prepare that asset for its intended use or sale are complete (effective for annual reporting periods beginning on or after 1 January 2019, with early application is permitted);
- IFRIC Interpretation 23 Uncertainty over Income Tax Treatment (effective for annual reporting periods beginning on or after 1 January 2019).

The Group does not expect the adoption of the above new standards, amendments and interpretations to have a material impact on the future consolidated financial statements of the Group.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Revenue recognition
The Group has adopted IFRS 15 and has applied the following accounting policy in the preparation of its consolidated financial statements.

Revenue from contracts with customers
The Group recognises revenue from contracts with customers based on a five step model as set out in IFRS 15:

Step 1. Identify the contract(s) with a customer: A contract is defined as an agreement between two or more parties that creates enforceable rights and obligations and sets out the criteria for every contract that must be met.
Step 2. Identify the performance obligations in the contract: A performance obligation is a promise in a contract with a customer to transfer a good or service to the customer.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition (continued)

Revenue from contracts with customers (continued)

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

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

Step 5. Recognise revenue when (or as) the entity satisfies a performance obligation.

The Group satisfies a performance obligation and recognises revenue over time, if one of the following criteria is met:

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

For performance obligations where one of the above conditions are not met, revenue is recognised at the point in time at which the performance obligation is satisfied.

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

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

Revenue is recognised in the consolidated statement of comprehensive income to the extent that it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably.

Interest income
Interest income is recognised as the interest accrues using the effective interest method, under which the rate used exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

Development services
Revenue from rendering of development management services is recognised when the outcome of the transaction can be estimated reliably, by reference to the stage of completion of the development obligation at the reporting date. Where the outcome cannot be measured reliably, revenue is recognised only to the extent that the expenses incurred are eligible to be recovered.

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. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant and equipment
Property, plant and equipment are stated at cost less accumulated depreciation and any impairment in value. Depreciation is calculated on a straight-line basis over the estimated useful lives as follows:

Sales centers (included in land and buildings)	1 - 5 years
Computers and office equipment	2 - 5 years
Motor vehicles	3 - 5 years
Furniture and fixtures	2 - 10 years

No depreciation is charged on land and capital work-in-progress. The useful lives and depreciation method are reviewed periodically to ensure that the method and period of depreciation are consistent with the expected pattern of economic benefits from these assets.

Expenditure incurred to replace a component of an item of property, plant and equipment that is accounted for separately is capitalised and the carrying amount of the component that is replaced is written off. Other subsequent expenditure is capitalised only when it increases future economic benefits of the related item of property, plant and equipment. All other expenditure is recognised in the consolidated statement of comprehensive income as the expense is incurred.

Property, plant and equipment are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of property, plant and equipment may not be recoverable. Whenever the carrying amount of property, plant and equipment exceeds their recoverable amount, an impairment loss is recognised in the consolidated statement of comprehensive income. The recoverable amount is the higher of fair value less costs to sell of property, plant and equipment and the value in use. The fair value less costs to sell is the amount obtainable from the sale of property, plant and equipment in an arm’s length transaction while value in use is the present value of estimated future cash flows expected to arise from the continuing use of property, plant and equipment and from its disposal at the end of its useful life.

Reversal of impairment losses recognised in the prior years are recorded when there is an indication that the impairment losses recognised for the property, plant and equipment no longer exist or have reduced.

Development properties
Properties acquired, constructed or in the course of construction for sale in the ordinary course of business are classified as development properties and are stated at the lower of cost or net realisable value. Cost includes:

- Freehold and leasehold rights for land;
- Amounts paid to contractors for construction; and
- Borrowing costs, planning and design costs, costs of site preparation, professional fees for legal services, property transfer taxes, construction overheads and other related costs.

Net realisable value is the estimated selling price in the ordinary course of the business, based on market prices at the reporting date and discounted for the time value of money if material, less costs to completion and the estimated costs of sale.

The cost of development properties recognised in the consolidated statement of comprehensive income on sale is determined with reference to the specific costs incurred on the property sold and an allocation of any non-specific costs based on the relative size of the property sold.

The management reviews the carrying values of the development properties on an annual basis.

Investment in joint ventures
A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The Group’s investments in its joint ventures are accounted for using the equity method.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investment in joint ventures (continued)
Under the equity method, the investment in joint ventures is initially recognised at cost. The carrying amount of the investment is adjusted to recognise changes in the Group's share of net assets of the joint venture since the acquisition date. Goodwill relating to the joint ventures is included in the carrying amount of the investment and is neither amortised nor individually tested for impairment.

The consolidated statement of comprehensive income reflects the Group's share of the results of operations of its joint ventures after tax and non-controlling. Unrealised gains and losses resulting from transactions between the Group and its joint ventures are eliminated to the extent of the interest in the joint venture.

The financial statement of the joint ventures are prepared for the same reporting period as the Group. When necessary, adjustments are made to bring the accounting policies in line with those of the Group.

After application of the equity method, the Group determines whether it is necessary to recognise an impairment loss on its investment in its joint ventures. At each reporting date, the Group determines whether there is any objective evidence that the investment in the joint venture is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the joint venture, and its carrying value and recognises the impairment losses in the consolidated statement of comprehensive income.

Upon loss of significant influence over the joint control over the joint venture, the Group measures and recognises any retained investment at its fair value. Any differences between the carrying amount of the joint venture upon loss of significant influence and the fair value of the retained investment and proceeds from disposal is recognised in the consolidated statement of comprehensive income. When the remaining investment in joint venture constitutes significant influence, it is accounted for as an investment in joint venture.

Financial assets
Initial recognition and measurement
Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income (OCI), and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under IFRS 15.

In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the Group commits to purchase or sell the asset.

Subsequent measurement
For purposes of subsequent measurement, financial assets are classified in four categories:

- Financial assets at amortised cost (debt instruments)
- Financial assets at fair value through profit or loss
- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments)
- Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments)

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial assets (continued)

Subsequent measurement (continued)

Financial assets at amortised cost (debt instruments)
This category is the most relevant to the Group. The Group measures financial assets at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortised cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

The Group's financial assets at amortised cost includes trade and unbilled receivables, deposits and other receivables, amounts due from related parties and loans to joint ventures.

Financial assets at fair value through profit and loss
Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortised cost or at fair value through OCI, as described above, debt instruments may be designated at fair value through profit or loss on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

Financial assets at fair value through profit or loss are carried in the consolidated statement of financial position at fair value with net changes in fair value recognised in the consolidated statement of comprehensive income.

This category includes derivative instruments which the Group had not irrevocably elected to classify at fair value through OCI. Dividends on listed equity investments are also recognised as other income in the statement of profit or loss when the right of payment has been established.

A derivative embedded in a hybrid contract, with a financial liability or non-financial host, is separated from the host and accounted for as a separate derivative if: the economic characteristics and risks are not closely related to the host; a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and the hybrid contract is not measured at fair value through profit or loss. Embedded derivatives are measured at fair value with changes in fair value recognised in profit or loss. Reassessment only occurs if there is either a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required or a reclassification of a financial asset out of the fair value through profit or loss category.

A derivative embedded within a hybrid contract containing a financial asset host is not accounted for separately. The financial asset host together with the embedded derivative is required to be classified in its entirety as a financial asset at fair value through profit or loss.

The Group does not have any financial assets at fair value through profit and loss.

Financial assets designated at fair value through OCI (equity instruments)
Upon initial recognition, the Group can elect to classify irrevocably its equity investments as equity instruments designated at fair value through OCI when they meet the definition of equity under *IAS 32 Financial Instruments: Presentation* and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognised as other income in the statement of profit or loss when the right of payment has been established, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at fair value through OCI are not subject to impairment assessment.

The Group does not have any financial assets designated at fair value through OCI (equity instruments) as at the reporting date.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial assets (continued)

Subsequent measurement (continued)

Financial assets at fair value through OCI (debt instruments)
The Group measures financial assets at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective of both holding to collect contractual cash flows and selling; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

For debt instruments at fair value through OCI, interest income, foreign exchange revaluation and impairment losses or reversals are recognised in the statement of profit or loss and computed in the same manner as for financial assets measured at amortised cost. The remaining fair value changes are recognised in OCI. Upon derecognition, the cumulative fair value change recognised in OCI is recycled to profit or loss.

The Group does not have any financial assets designated at fair value through OCI (debt instruments) as at the reporting date.

Derecognition
A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is primarily derecognised when:

- The rights to receive cash flows from the asset have expired; or
- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a ‘pass-through’ arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group’s continuing involvement in the asset. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset, is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Cash and cash equivalents
For the purpose of the consolidated statement of cash flows, cash and cash equivalents consist of cash in hand, bank balances and short-term deposits with an original maturity of three months or less, net of outstanding bank overdrafts.

Trade and unbilled receivables
Trade receivables are stated at original amount less a provision for any uncollectible amounts. An estimate for doubtful debts is made when collection of the full amount is no longer probable. When a trade receivable is uncollectible, it is written off against provision for doubtful debts. Subsequent recoveries of amounts previously written off are credited to the consolidated income statement.

Services rendered but not billed at the reporting date are accrued as per the terms of the agreements as unbilled receivables.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial assets (continued)

Foreign exchange gains and losses
The fair value of financial assets denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the end of the reporting period. The foreign exchange component forms part of its fair value gain or loss. For financial assets classified as at fair value through profit or loss, the foreign exchange component is recognised in the consolidated statement of comprehensive income. For financial assets designated at fair value through consolidated other comprehensive income any foreign exchange component is recognised in other comprehensive income. For foreign currency denominated debt instruments classified at amortised cost, the foreign exchange gains and losses are determined based on the amortised cost of the asset and are recognised in the 'other gains and losses' line item in the consolidated statement of comprehensive income.

Impairment of financial assets
Effective 1 January 2018, the Group recognises an allowance for expected credit losses ("ECL") for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive. The shortfall is then discounted at an approximation to the asset's original effective interest rate.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For trade and unbilled receivables and other receivables, the Group applies a simplified approach in calculating ECLs based on lifetime expected credit losses. The Group has established a provision matrix that is based on the Group's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment. The expected credit losses are recognised in the consolidated statement of comprehensive income.

The Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Until 31 December 2017, the Group assessed at each reporting date whether there is any evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and where observable data indicates that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

If there was objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the financial assets carrying amount and the present value of estimated future cash flows. The present value of the estimated future cash flows is discounted at the financial assets original effective interest rate. If a financial asset has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate.

For financial assets carried at amortised cost, the carrying amount is reduced through the use of an allowance account and the amount of the loss is recognised in the consolidated statement of comprehensive income. Interest income on such financial assets was continued to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income was recorded as part of finance income in the consolidated statement of comprehensive income.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of non-financial assets
The Group assesses at each reporting date whether there is an indication that a non-financial asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. 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. In determining fair value less costs to sell, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded entities or other available fair value indicators.

Impairment losses are recognised in the consolidated statement of comprehensive income in those expense categories consistent with the function of the impaired asset.

For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Group estimates the asset's or cash-generating unit's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the consolidated statement of comprehensive income.

Financial liabilities and equity instruments issued by the Group
Debt and equity instruments are classified as either financial liabilities or as equity instruments in accordance with the substance of the contractual agreements. Financial liabilities within the scope of IFRS 9 are classified as financial liabilities at fair value through profit or loss, loans and borrowings, or as derivative instrument as appropriate. The Group determines the classification of its financial liabilities at the initial recognition.

Trade and other payables
Liabilities are recognised for amounts to be paid in the future for goods or services received, whether billed by the supplier or not.

Loans and borrowings
Term loans are initially recognised at the fair value of the consideration received less directly attributable transaction costs.

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest rate method. Gains and losses are recognised in the consolidated statement of comprehensive income when the liabilities are derecognised as well as through the amortisation process.

Other financial liabilities
Other financial liabilities are initially measured at fair value, net of transaction costs and are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

Derecognition of financial liabilities
The Group derecognises financial liabilities when, and only when, the Group’s obligations are discharged, cancelled or they expire. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, then the difference in the respective carrying amounts is recognised in the consolidated statement of comprehensive income.

Offsetting of financial instruments
Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Leases
The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement at inception date and whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset.

Group as a lessee
Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor, are classified as operating leases. Payments, including prepayments, made under operating leases (net of any incentives received from the lessor) are charged to the consolidated statement of comprehensive income in accordance with the terms of the lease contracts over the lease term based on a systematic basis as this method is more representative of the time pattern in which use of benefit are derived from the leased assets.

End-of-service benefits
The Group provides end-of-service benefits to its 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.

With respect to its eligible UAE and GCC national employees, the Group makes contributions to a pension fund established by the UAE General Pension and Social Security Authority calculated as a percentage of the employees' salaries. The Group's obligations are limited to these contributions, which are expensed when due.

Provisions
Provisions are recognised when the Group has a legal or constructive obligation as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and the amount can be reliably estimated. When the Group expects some or all of a provision to be reimbursed, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the consolidated statement of comprehensive income net of any reimbursement.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation at the end of the reporting period, using a rate that reflects current market assessments of the time value of money and the risks specific to the obligation.

Provisions are reviewed at each statement of financial position date and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of resources embodying economic benefits will be required to settle the obligation, the provision is reversed.

Foreign currency translations
The consolidated financial statements are presented in AED which is the functional currency of the Company. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

Transactions in foreign currencies are recorded in the functional currency at the rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the reporting date. All differences are taken to the consolidated statement of comprehensive income. Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition are treated as assets and liabilities of the foreign operation and translated at the closing rate.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of the gain or loss on the change in fair value of the item.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair value measurement
The Group measures financial instruments, such as investment in securities and hedges, at fair value at each reporting date.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability or the most advantageous market for the asset or liability.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

For investments traded in an active market, fair value is determined by reference to quoted market bid prices.

The fair value of interest-bearing items is estimated based on discounted cash flows using interest rates for items with similar terms and risk characteristics.

For unquoted equity investments, fair value is determined by reference to the market value of a similar investment or is based on the expected discounted cash flows.

The fair value of forward foreign exchange contracts is calculated by reference to current forward exchange rates with the same maturity.

Fair value of interest rate swap contract is determined by reference to market value for similar instruments.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the consolidated financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 – Fair value measurements are those derived from quoted prices in an active market (that are unadjusted) for identical assets or liabilities.
- Level 2 – Fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3 – Fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

For assets and liabilities that are recognised in the consolidated financial statements on a recurring basis, the Group determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorisation at the end of each reporting period.

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

3 SEGMENT INFORMATION

For management purposes, the Group is organised into one segment based on its products and services, which is the real estate development business. Accordingly, the Group only has one reportable segment. Management monitors the operating results of the business as a single unit for the purpose of making decisions about resource allocation and performance assessment.

Business segments
Revenue, operating results, assets and liabilities presented in the consolidated financial statements relates to the real estate development business of the Group.

Geographic segment
The Group is currently operating only in the UAE, hence the operating results, assets and liabilities presented it the consolidated financial statements relates to its operation in the UAE.

4 REVENUE AND COST OF REVENUE

	21 November 2017 to 31 December 2018 AED'000 (Unaudited)	***31 December 2018 AED'000***	*31 December 2017 AED'000 (Unaudited)*
Revenue			
Sale of condominiums	**8,425,100**	**7,900,171**	5,106,681
Sale of villas	**7,337,105**	**6,794,476**	3,171,943
Sale of commercial units, plots of land and others	**849,330**	**738,763**	584,344
	16,611,535	**15,433,410**	8,862,968
Cost of revenue			
Cost of condominiums	**5,312,199**	**4,998,829**	3,171,080
Cost of villas	**3,824,460**	**3,527,429**	1,704,170
Cost of commercial units, plots of land and others	**236,041**	**206,719**	226,518
	9,372,700	**8,732,977**	5,101,768

Below is the split of revenue recognised over a period of time and single point in time:

	21 November 2017 to 31 December 2018 AED'000 (Unaudited)	***31 December 2018 AED'000***	*31 December 2017 AED'000 (Unaudited)*
- Over a period of time	**16,096,697**	**15,019,175**	8,554,064
- Single point in time	**514,838**	**414,235**	308,904
	16,611,535	**15,433,410**	8,862,968

5 SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

	21 November 2017 to 31 December 2018 AED'000 (Unaudited)	***31 December 2018 AED'000***	*31 December 2017 AED'000 (Unaudited)*
Sales and marketing expenses	**408,528**	**388,711**	179,153
Payroll and related expenses	**268,613**	**231,266**	160,426
Property management expenses	**118,023**	**108,954**	60,536
Depreciation of property, plant and equipment (Note 13)	**17,347**	**15,725**	14,496
Other expenses	**551,717**	**512,048**	231,211
	1,364,228	**1,256,704**	645,822

During the year/ period ended 31 December 2018, no social contribution has been made by the Group (2017: Nil).

6 FINANCE INCOME

	21 November 2017 to 31 December 2018 AED'000 (Unaudited)	***31 December 2018 AED'000***	*31 December 2017 AED'000 (Unaudited)*
Finance income on fixed and call deposits with banks	**158,706**	**144,042**	123,546
Other finance income	**21,618**	**18,635**	6,949
	180,324	**162,677**	130,495

7 BANK BALANCES AND CASH

	2018 AED'000	*2017 AED'000 (Unaudited)*
Cash in hand	**1,055**	2
Current and call bank deposit accounts	**6,761,990**	7,157,195
Fixed deposits maturing within three months	**25,709**	598,302
Cash and cash equivalents	**6,788,754**	7,755,499
Fixed deposits maturing after three months	**68,340**	1,856,397
	6,857,094	9,611,896

Cash at banks earn interest at fixed rates based on prevailing bank deposit rates. Short-term fixed deposits are made for varying periods between one day and three months, depending on the immediate cash requirements of the Group, and earn interest at the respective short-term deposit rates.

Fixed deposits maturing after three months earn interest at rate of 3.2% per annum (2017: between 1.3% and 2.55% per annum).

The Group is required to maintain certain deposits/balances amounting to AED 6,798,327 thousands (2017: AED 9,128,019 thousands) with banks against advances received from customers on sale of development properties which are deposited into escrow accounts. These deposits/balances are not under lien.

8 TRADE AND UNBILLED RECEIVABLES

	2018 ***AED'000***	*2017* *AED'000* *(Unaudited)*
Trade receivables		
Amounts receivables within 12 months, net	**1,089,432**	765,232
Unbilled receivables		
Unbilled receivables within 12 months	**3,580,644**	706,231
Unbilled receivables after 12 months, net	**1,332,384**	94,833
	4,913,028	801,064
Total trade and unbilled receivables	**6,002,460**	1,566,296

The above trade receivables are net of AED 56,629 thousands (2017: AED 56,629 thousands) relating to provision for doubtful debts representing management's best estimate of expected loss on trade receivables which are past due for more than 90 days. All other receivables are considered recoverable.

Movement in the provision for doubtful debts during the year is as follows:

	2018 ***AED'000***	*2017* *AED'000* *(Unaudited)*
Balance at the beginning and end of the year	**56,629**	56,629

At 31 December, the ageing analysis of net trade and unbilled receivables is as follows:

			Past due but not impaired			
	Total *AED'000*	*Neither past due nor impaired* *AED'000*	*Less than 30 days* *AED'000*	*Between 30 to 60 days* *AED'000*	*Between 60 to 90 days* *AED'000*	*More than 90 days* *AED'000*
2018	**6,002,460**	**4,913,028**	**28,345**	**28,535**	**232,523**	**800,029**
2017 (Unaudited)	1,566,296	801,064	99,936	43,020	13,819	608,457

Refer note 26(a) on credit risks of trade and unbilled receivables, which discusses how the Group manages and measures credit quality of trade and unbilled receivables that are neither past due nor impaired.

9 OTHER ASSETS, RECEIVABLES, DEPOSITS AND PREPAYMENTS

	31 December 2018 AED'000	*31 December 2017 AED'000 (Unaudited)*
Due from related parties (note 23)	**2,256,407**	1,288,548
Advances to contractors and others	**1,226,639**	1,106,207
Deferred sales commission (i)	**731,416**	666,144
Value added tax recoverable	**304,770**	-
Prepayments	**24,978**	7,294
Accrued interests	**157**	5,140
Other receivables and deposits	**160,486**	68,220
	4,704,853	3,141,553

The above receivables are expected to be recovered within 12 months from the reporting date.

(i) The deferred sales commission expense incurred to obtain or fulfill a contract with the customers is amortised over the period of satisfying performance obligations where applicable.

10 DEVELOPMENT PROPERTIES

	31 December 2018 AED'000	*31 December 2017 AED'000 (Unaudited)*
Balance at the beginning of the year	**9,359,957**	6,022,305
Add: Costs incurred during the year	**11,741,273**	8,651,935
Less: Costs transferred to cost of revenue during the year	**(8,732,977)**	(5,101,768)
Less: Transferred to Ultimate Parent (i)	**-**	(81,019)
Less: Transferred to affiliated entities (i)	**-**	(131,496)
Balance at the end of the period/year	**12,368,253**	9,359,957

(i) Represents infrastructure cost of build to lease/operate assets (BTL / BTO) charged to Ultimate Parent and its affiliated entities as per the MTA. As agreed in the MTA, development of all infrastructure relating to the projects, including BTL / BTO assets will be carried out by the Company and transferred to the Ultimate Parent and its affiliated entities at an agreed rate.

Properties acquired, constructed or in the course of construction for sale in the ordinary course of business are classified as development properties and include the costs of:

- Freehold and leasehold rights for land;
- Amounts paid to contractors for construction including the cost of construction of infrastructure; and
- Borrowing costs, planning and design costs, costs of site preparation, professional fees for legal services, property transfer taxes, construction overheads and other related costs.

Common infrastructure cost is allocated to various projects and forms part of the estimated cost to complete a project in order to determine the cost attributable to revenue being recognised. The development span of some of the development properties is estimated to be over 10 years.

During the year 31 December 2018, an amount of AED 13,527 thousands (2017: AED 12,026 thousands) was capitalised as cost of borrowings for the construction of development properties.

11 LOANS TO JOINT VENTURES

	31 December 2018 AED'000	*31 December 2017 AED'000 (Unaudited)*
Zabeel Square LLC	**237,653**	201,463
Emaar Dubai South DWC LLC	**289,775**	204,167
	527,428	405,630

Loans to joint ventures are unsecured, repayable on demand and do not carry any interest.

12 INVESTMENTS IN JOINT VENTURES

	31 December 2018 AED'000	*31 December 2017 AED'000 (Unaudited)*
Emaar Dubai South DWC LLC (i)	**59,333**	415
Zabeel Square LLC (ii)	**-**	150
Net investment in joint ventures as at year end	**59,333**	565

(i) During 2015, the Ultimate Parent entered into a joint venture agreement with Dubai Aviation City Corporation for the development of the Emaar South project. The joint venture was incorporated in the UAE on 9 May 2016 and operates under the name of Emaar Dubai South DWC LLC ("Emaar South"), in which the Ultimate Parent has a 50% interest. The entity is primarily involved in property development activities.

(ii) On 9 January 2017, the Ultimate Parent entered into a joint venture agreement with Meraas Zabeel Owned by Meraas Venture One Person Company LLC for the purpose of mix-use development in the UAE. The Ultimate Parent has 50% equity interest in the joint venture company, Zabeel Square LLC ("Zabeel Square").

The Group's interest in the above investments are accounted for using the equity method in the consolidated financial statements.

During 2017, based on the MTA, the Ultimate Parent transferred its interest in the BTS real estate development business of the joint ventures to the Company. Accordingly, the joint venture partners agreed for a change in the initial shareholders' agreement and to transfer the interest of the Ultimate Parent in the joint venture companies to the Company. The legal formalities for transfer of such assets were completed in 2017.

The following table summarises the statement of comprehensive income of the Group's joint ventures for the year ended 31 December 2018:

	Emaar Dubai South DWC LLC AED'000	***Zabeel Square LLC AED'000***	***Total AED'000***
Revenue	**581,085**	**-**	**581,085**
Total comprehensive income for the year	**117,836**	**(1,182)**	**116,654**
Profit / (loss) attributable to owners of the Parent	**117,836**	**(1,182)**	**116,654**
Group's share of profit / (loss) for the year	**58,918**	**(591)**	**58,327**

12 INVESTMENTS IN JOINT VENTURES (continued)

The following table summarises the statement of comprehensive income of the Group's joint ventures for the year ended 31 December 2017 (unaudited):

	Emaar Dubai South DWC LLC AED'000	*Zabeel Square LLC AED'000*	*Total AED'000*
Revenue	65,982	-	65,982
Total comprehensive income for the year	5,680	-	5,680
Profit attributable to owners of the Parent	5,680	-	5,680
Group's share of profit for the year	2,840	-	2,840

No dividend received during the year from joint ventures.

The financial information of the Group's joint ventures included above has been adjusted to bring their accounting policies in line with the accounting policies followed by the Group.

The following table summarises the statements of financial position of the Group's joint ventures as at 31 December 2018:

	Emaar Dubai South DWC LLC AED'000	***Zabeel Square LLC AED'000***	***Total AED'000***
Total assets (including cash and cash equivalents of AED 86,609 thousands)	**835,754**	**651,135**	**1,486,889**
Total liabilities	**717,088**	**652,016**	**1,369,104**
Net assets	**118,666**	**(881)**	**117,785**
Group's share of net assets	**59,333**	**-**	**59,333**

The following table summarises the statements of financial position of the Group's joint ventures as at 31 December 2017 *(unaudited):*

	Emaar Dubai South DWC LLC AED'000	*Zabeel Square LLC AED'000*	*Total AED'000*
Total assets (including cash and cash equivalents of AED 158,276 thousands)	563,729	606,255	1,169,984
Total liabilities	562,899	605,955	1,168,854
Net assets	830	300	1,130
Group's share of net assets	415	150	565

As at 31 December 2018, the Group's joint ventures had commitments of AED 2,668,267 thousands (2017: AED 2,876,454 thousands).

13 PROPERTY, PLANT AND EQUIPMENT

2018:	*Land and building AED'000*	*Computers and office equipment AED'000*	*Furniture and fixtures AED'000*	*Motor vehicles AED'000*	*Total AED'000*
Cost:					
At 1 January 2018	58,357	92	34,602	-	93,051
Additions	-	5,589	1,297	24	6,910
At 31 December 2018	**58,357**	**5,681**	**35,899**	**24**	**99,961**
Accumulated depreciation:					
At 1 January 2018	11,185	86	14,606	-	25,877
Depreciation charge for the year (note 5)	5,836	1,127	8,759	3	15,725
At 31 December 2018	**17,021**	**1,213**	**23,365**	**3**	**41,602**
Net carrying amount:					
At 31 December 2018	**41,336**	**4,468**	**12,534**	**21**	**58,359**

2017:	*Land and building AED'000*	*Computers and office equipment AED'000*	*Furniture and fixtures AED'000*	*Motor vehicles AED'000*	*Total AED'000*
Cost:					
At 1 January 2017	58,357	82	34,557	-	92,996
Additions	-	10	45	-	55
At 31 December 2017	58,357	92	34,602	-	93,051
Accumulated depreciation:					
At 1 January 2017	5,349	63	5,969	-	11,381
Depreciation charge for the year (note 5)	5,836	23	8,637	-	14,496
At 31 December 2017	11,185	86	14,606	-	25,877
Net carrying amount:					
At 31 December 2017	47,172	6	19,996	-	67,174

14 TRADE AND OTHER PAYABLES

	31 December 2018 AED'000	*31 December 2017 AED'000 (Unaudited)*
Creditors for land purchase	**3,879,624**	2,249,630
Project contract cost accruals and provisions	**2,964,291**	2,193,014
Payable to related parties (note 23)	**1,655,418**	609,564
Trade payables	**818,022**	330,972
Funding from a related party (note 23) (i)	**353,403**	-
Sales commission payable	**96,526**	44,718
Payable to authorities	**52,905**	32,562
Other payables and accruals	**442,299**	376,975
	10,262,488	5,837,435

(i) Represents funding received from the Ultimate Parent which carries interest rate of LIBOR plus 1.4% per annum and is payable on demand.

Trade and other payables (other than (i) above) are non-interest bearing and for explanations on the Group's credit risk management process (refer note 26(a)).

15 ADVANCES FROM CUSTOMERS

	31 December 2018 AED'000	*31 December 2017 AED'000 (Unaudited)*
Balance at the beginning of the year	**7,695,335**	8,135,670
Add: Amount billed during the year	**12,746,443**	8,354,065
Less: Revenue recognised during the year	**(15,366,047)**	(8,794,400)
Balance at the end of the year	**5,075,731**	7,695,335

The aggregate amount of the sale price allocated to the performance obligations of the Group that are unsatisfied / partially unsatisfied as at 31 December 2018 is AED 29,725,081 thousands (2017: AED 33,644,734 thousands). The Group expects to recognise these unsatisfied performance obligations as revenue over a period of 3 to 5 years.

Revenue during the year, as stated above, is significantly recognised from the balance at 1 January 2018.

16 RETENTIONS PAYABLE

	31 December 2018 AED'000	*31 December 2017 AED'000 (Unaudited)*
Retentions payable within 12 months	**279,650**	184,533
Retentions payable after 12 months	**337,415**	293,339
	617,065	477,872

17 INTEREST-BEARING LOANS AND BORROWINGS

	31 December 2018 AED'000	*31 December 2017 AED'000 (Unaudited)*
Balance at the beginning of the year	**3,966,840**	-
Add: Borrowings drawn down during the year	-	3,966,840
Balance at the end of the year	**3,966,840**	3,966,840
Less: Unamortised portion of directly attributable costs	**(35,812)**	(45,417)
Net interest-bearing loans and borrowings at the end of the year	**3,931,028**	3,921,423

The outstanding balance of Interest-bearing loans are payable after 12 months from the reporting date.

Unsecured
During 2017, the Company has entered into a 5 year Murabaha financing facility agreement for an amount of USD 1,300,000 thousands (AED 4,774,900 thousands) with First Abu Dhabi Bank PJSC. The Murabaha Facility is assigned against cash flows of certain projects of the Company, carries profit rate at LIBOR plus 1.4% per annum (2017: LIBOR plus 1.4% per annum) and is fully repayable by 2022. As at the reporting date, the Company has drawn down USD 1,080,000 thousands (AED 3,966,840 thousands) from this facility. The Facility is presented in the consolidated financial statements at AED 3,931,028 thousands (2017: AED 3,921,423 thousands), net of unamortised directly attributable transaction cost.

18 SHARE CAPITAL

	31 December 2018 AED'000	*31 December 2017 AED'000 (Unaudited)*
Authorised capital: 8,000,000,000 shares of AED 1 each (2017: 8,000,000,000 shares of AED 1 each)	**8,000,000**	8,000,000
Issued and fully paid-up: 4,000,000,000 shares of AED 1 each (2017: 4,000,000,000 shares of AED 1 each)	**4,000,000**	4,000,000

19 LEGAL RESERVE

According to Article number 61 of the Articles of Association of the Company and Article 239 of the UAE Federal Law No. (2) of 2015, 10% of the annual net profit shall be allocated to legal reserve until it reaches 50% of the paid-up share capital. The Company has transferred AED 419,464 thousands to legal reserve from net profit for the period 21 November 2017 to 31 December 2018.

20 EARNINGS PER SHARE

Basic earnings per share amounts are calculated by dividing net profit or loss for the year attributable to the owners of the Parent by the weighted average number of ordinary shares outstanding during the year.

Diluted earnings per share amounts are calculated by dividing the net profit or loss attributable to the owners of the Parent by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on conversion of all the dilutive potential ordinary shares into ordinary shares.

The information necessary to calculate basic and diluted earnings per share is as follows:

	2018 ***AED'000***	*2017* *AED'000* *(Unaudited)*
Earnings:		
Profit attributable to the owners of the Parent	**3,901,158**	2,742,621

	2018	*2017*
Number of shares in thousands		
Weighted-average number of ordinary shares for basic earnings per share	**4,000,000**	832,877

	2018	*2017*
Earnings per share:		
- basic and diluted earnings per share (AED)	**0.98**	3.29

21 GUARANTEES AND CONTINGENCIES

The Group has provided a performance guarantee of AED 5,614,424 thousands (2017: AED 5,169,960 thousands) to the Real Estate Regulatory Authority (RERA), Dubai for its projects as per RERA regulations.

22 COMMITMENTS

At 31 December 2018, the Group had commitments of AED 8,403,111 thousands (2017: AED 13,487,245 thousands). This represents the value of contracts entered into by the Group including contracts entered into for purchase of plots of land at year end, net of invoices received and accruals made at that date. There were certain claims submitted by contractors relating to various projects of the Group in the ordinary course of business from which it is anticipated that no material unprovided liabilities will arise.

Operating lease commitments - Group as lessee

The Group has entered into operating lease agreements for properties, office facilities and equipment. These leases have an average life of between 1 to 3 years. There are no restrictions placed upon by the Group on entering into these leases. Future minimum rentals payable under non-cancellable operating leases as at 31 December are as follows:

	2018 ***AED'000***	*2017* *AED'000* *(Unaudited)*
Within one year	**6,966**	6,966
After one year but not more than three years	**5,225**	12,191
	12,191	19,157

23 RELATED PARTY DISCLOSURES

For the purpose of these consolidated financial statements, parties are considered to be related to the Group, if the Group has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group and the party are subject to common control or common significant influence. Related parties may be individuals or other entities.

Related party transactions
During the year, the following were the significant related party transactions, which were carried out in the normal course of business on terms agreed between the parties:

	31 December 2018 AED'000	*31 December 2017 AED'000 (Unaudited)*
Ultimate Parent:		
Selling, general and administrative expenses (refer (i) below)	**491,617**	215,894

	31 December 2018 AED'000	*31 December 2017 AED'000 (Unaudited)*
Affiliated entities:		
Selling, general and administrative expenses	**10,924**	13,166
Property development expenses	**136,631**	110,503
Directors, Key management personnel and their related parties:		
Selling, general and administrative expenses	**2,608**	12,570

Related party balances
Significant related party balances (and the consolidated statement of financial position captions within which these are included) are as follows:

	31 December 2018 AED'000	*31 December 2017 AED'000 (Unaudited)*
Ultimate Parent:		
Other assets, receivables, deposits and prepayments (refer (iii) below)	**2,230,240**	1,157,052
Trade and other payables (including funding received)	**1,999,442**	609,564
Affiliated entities:		
Other assets, receivables, deposits and prepayments	**26,167**	131,496
Trade and other payables	**9,379**	-

(i) Allocation of corporate expenses:
Ultimate Parent has provided certain corporate functions to the Group and costs associated with these functions were allocated to the Group. These functions included human resources, treasury, investor relations, finance and accounting, compliance, information technology, corporate and legal compliance, business development and marketing. The costs of such services were allocated to the Group based on the most relevant allocation method to the service provided, which includes the headcount, time/efforts spent or number of users. In situations where no allocation methodology was more appropriate than another, an even allocation between the Group and other subsidiaries of the Ultimate Parent was utilised. With effect from 1 October 2017, as per Relationship Agreement, corporate expenses are allocated by the Ultimate Parent on the basis of 3% of revenue of the Group.

23 RELATED PARTY DISCLOSURES (continued)

Related party transactions (continued)

(ii) Shareholder's contribution:
Shareholder's contribution as of 20 November 2017 included as part of total equity of the Company represents the Ultimate Parents' interest in the net assets of the Company until the date of transfer of business to the Company. Certain allocated expenses by the Ultimate Parent have also been adjusted within the shareholder's contribution. The net balance of shareholder's contribution as at 20 November 2017 have been transferred to retained earnings post IPO. The approval of such transfer will be taken from the shareholders in the next Annual General Meeting.

(iii) Recoverable from Ultimate Parent:
This represents balances recoverable from the Ultimate Parent with respect to the development costs incurred for the BTS developments in Dubai Creek Harbour project. As agreed in the MTA, the Ultimate Parent has transferred the development services agreement relating to the BTS development in Dubai Creek Harbour project to the Company, for which the development costs including infrastructure costs are incurred by the Company. These balances will be recovered as per the agreed terms in the MTA.

Compensation of key management personnel
The remuneration of key management personnel during the period was as follows:

	31 December 2018 AED'000	*31 December 2017 AED'000 (Unaudited)*
Short-term benefits	**74,330**	55,098
Employees' end-of-service benefits	**3,122**	2,010
	77,452	57,108

During the year, the number of key management personnel is 71 (2017: 69).

24 FAIR VALUES OF FINANCIAL INSTRUMENTS

Financial instruments comprise financial assets and financial liabilities.

Financial assets of the Group include bank balances and cash, trade and unbilled receivables, loans to joint ventures, other receivables, deposits and due from related parties. Financial liabilities of the Group include interest-bearing loans and borrowings, trade payable, retentions payable, payable to related parties and other payables.

Fair value of the financial instruments is included at the amounts at which the instruments could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

The fair values of financial instruments are not materially different from their carrying values largely due to the short-term maturities of these instruments.

25 DIVIDEND

A cash dividend of AED 0.26 per share for the year 2018 was paid which was approved by the shareholders of the Company at the General Meeting held on 17 October 2018.

During 2017, on 30 October 2017, the Company declared and paid dividend of AED 3,909,675 thousands to the Ultimate parent.

26 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

Overview
The Group has exposure to the following risks from its use of financial instruments:

a) Credit risk;
b) Market risk; and
c) Liquidity risk.

This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risk and the Group's management of capital.

The Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework. Group's senior management are responsible for developing and monitoring the Group's risk management policies and report regularly to the Board of Directors on their activities.

The Group's current financial risk management framework is a combination of formally documented risk management policies in certain areas and informal risk management policies in others. The Group's risk management policies (both formal and informal) are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities.

The Group's Audit Committee oversees how management monitors compliance with the Group's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Group. The Group's Audit Committee is assisted in its oversight role by Internal Audit. Internal Audit undertakes both regular and adhoc reviews of risk management controls and procedures, the results of which are reported to the Audit Committee.

The Group's principal financial liabilities, comprise interest-bearing loans and borrowings, retentions payable, amount due to related parties and trade and other payables. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various financial assets such as bank balances and cash, trade and unbilled receivables, loan to joint ventures, amount due from related parties and other receivables and deposits, which arise directly from its operations.

The Board of Directors reviews and agrees policies for managing each of these risks which are summarised below:

a) Credit risk
Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Group is exposed to credit risk principally from its receivables from customers, related parties including joint ventures, other receivables and from its financing activities, including deposits with banks and financial institutions.

Trade, unbilled and other receivables
The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The demographics of the Group's customer base, including the default risk of the industry and country, in which customers operate, has less influence on credit risk.

The Group has entered into contracts for the sale of residential and commercial units and plots of land on an instalment basis. The instalments are specified in the contracts. The Group is exposed to credit risk in respect of instalments due. However, the legal ownership of residential, commercial units and plots of land is transferred to the buyer only after all the instalments are recovered. In addition, instalment dues are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant.

The Group establishes an allowance for impairment at each reporting date that represents its estimate of expected credit losses in respect of trade, unbilled and other receivables. The provision rates are based on days past due for groupings of various customer segments with similar loss patterns. The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions. The Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information.

Due from related parties relates to transactions arising in the normal course of business with minimal credit risk.

26 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

a) Credit risk (continued)

Other financial assets and cash deposits
With respect to credit risk arising from the other financial assets of the Group, which comprise bank balances and cash, loans to joint ventures, other receivables and deposits, the Group's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these assets.

Credit risk from balances with banks and financial institutions is managed by Group's treasury in accordance with the Group's policy. The Group limits its exposure to credit risk by only placing balances with local banks of good repute. Given the profile of its bankers, management does not expect any counterparty to fail in meeting its obligations.

Guarantees
The Group's policy is to provide financial guarantees to its subsidiary and certain joint ventures. For details of guarantees outstanding as at the reporting date refer note 21 to the consolidated financial statements.

Excessive risk of concentration
Concentration arise when a number of counterparties are engaged in similar business activities, or activities in the same geographical region, or have economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations indicate the relative sensitivity of the Group's performance to developments affecting a particular industry.

In order to avoid excessive concentration of risk, the Group's policies and procedures include specific guidelines to focus on the maintenance of a diversified portfolio. Identified concentrations of credit risks are controlled and managed accordingly. Selective hedging is used within the Group to manage risk concentrations at both the relationship and industry levels.

The maximum exposure to credit risk at the reporting date is the carrying value of each class of financial assets.

b) 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 and deposits. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

Exposure to interest rate risk
Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's long-term debt obligations with floating interest rates.

The Group manages its interest rate risk by having a balanced portfolio of fixed and variable rate loans and borrowings. Interest on financial instruments having floating rates is re-priced at intervals of less than one year and interest on financial instruments having fixed rates is fixed until the maturity of the instrument. Other than commercial and overall business conditions, the Group's exposure to market risk for changes in interest rate environment relates mainly to its borrowing from financial institutions.

26 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

b) Market risk (continued)

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, after the impact of hedge accounting, with all other variables held constant, of the Group's profit before tax (through the impact on floating rate borrowings):

	2018		*2017*	
	Change in basis points	***Sensitivity of interest income/ expense AED'000***	*Change in basis points*	*Sensitivity of interest income/ expense AED'000*
Interest-bearing loans and borrowings	**± 100**	**39,668**	± 100	39,668
Trade and other payable	**± 100**	**3,534**	± 100	-

The interest rate sensitivity set out above relates primarily to the AED denominated financial assets and financial liabilities as the Group does not have any significant net exposure for financial assets and financial liabilities denominated in currencies other than the AED.

c) Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group monitors its risk to a shortage of funds using a recurring liquidity planning tool. This tool considers the maturity of both its financial investments and financial assets (e.g. trade receivables, other financial assets) and projected cash flows from operations.

The cash flows, funding requirements and liquidity of Group companies are monitored on a centralised basis, under the control of Group Treasury. The objective of this centralised system is to optimise the efficiency and effectiveness of the management of the Group's capital resources. The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank overdrafts and bank borrowings. The Group manages liquidity risk by maintaining adequate reserves, banking facilities and borrowing facilities, by continuously monitoring forecasted and actual cash flows and matching the maturity profiles of financial assets and liabilities.

The Group currently has sufficient cash on demand to meet expected operational expenses, including the servicing of financial obligations.

The table below summarises the maturity profile of the Group's financial liabilities based on contractual undiscounted payments:

As at 31 December 2018

Financial liabilities	***Less than 3 months AED'000***	***3 to 12 months AED'000***	***1 to 5 years AED'000***	***Over 5 years AED'000***	***Total AED'000***
Interest-bearing loans and borrowings	**40,292**	**127,360**	**4,234,837**	**-**	**4,402,489**
Retentions payable	**-**	**279,650**	**337,415**	**-**	**617,065**
Trade and other payable	**3,532,443**	**2,697,072**	**4,133,423**	**308,205**	**10,671,143**
Total undiscounted financial liabilities	**3,572,735**	**3,104,082**	**8,705,675**	**308,205**	**15,690,697**

26 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

c) Liquidity risk (continued)

As at 31 December 2017

Financial liabilities	*Less than 3 months AED'000*	*3 to 12 months AED'000*	*1 to 5 years AED'000*	*Over 5 years AED'000*	*Total AED'000*
Interest-bearing loans and borrowings	30,602	98,709	4,508,901	-	4,638,212
Retentions payable	-	181,783	296,089	-	477,872
Trade and other payable	2,622,694	784,220	2,006,642	412,805	5,826,361
Total undiscounted financial liabilities	2,653,296	1,064,712	6,811,632	412,805	1,0942,445

d) Capital management

Capital includes equity attributable to the equity holders of the Parent. The Group's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The primary objective of the Group's capital management strategy is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximise shareholder value.

The Group monitors capital using a gearing ratio, which is net debt divided by total capital plus net debt. The Group's policy is to keep the gearing ratio below 50%. The Group includes within net debt interest bearing loans and borrowings less cash and cash equivalents. Capital includes equity attributable to the owners of the Parent less the net unrealised gains/ (losses) reserve. At 31 December 2018 and 2017 the Group does not have any net debt. The Board of Directors seeks to maintain a balance between the higher returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position.

The Board of Directors also monitors the return on capital, which the Group defines as net operating income divided by total shareholders' equity, excluding minority interests. The Board of Directors also monitors the level of dividends to shareholders, the return on capital to shareholders or issuance of new shares to maintain or adjust the capital structure.

No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2018 and 31 December 2017.

Neither the Company nor any of its subsidiary is subject to externally imposed capital requirements other than the statutory requirements in the jurisdictions where the Group entities are incorporated.

27 MATERIAL PARTLY-OWNED SUBSIDIARY

Financial information of the group's subsidiary is provided below:

	Country of incorporation	***Ownership 2018***	*Ownership 2017*
Dubai Hills Estate LLC	UAE	**50%**	50%

27 MATERIAL PARTLY-OWNED SUBSIDIARY (continued)

The following table summarises the statement of financial position of the subsidiary as at 31 December 2018. This information is based on the amounts before inter-company elimination.

	Dubai Hills Estate LLC	
	2018 AED'000	*2017 AED'000*
Total assets	**8,414,462**	5,347,502
Total liabilities	**2,970,130**	3,114,793
Total equity	**5,444,332**	2,232,709
Attributable to:		
Owners of the Parent	**2,722,166**	1,116,204
Non-controlling interest	**2,722,166**	1,116,204

The following table summarises the income statement of the subsidiary as at 31 December 2018. This information is based on the amounts before inter-company elimination.

	Dubai Hills Estate LLC	
	2018 AED'000	*2017 AED'000*
Revenue	**8,132,212**	3,266,343
Profit for the year	**3,466,924**	1,145,372
Total comprehensive income for the year	**3,466,924**	1,145,372
Attributable to:		
Owners of the Parent	**1,733,462**	572,686
Non-controlling interest	**1,733,462**	572,686