

Deyaar Development PJSC

Consolidated financial statements
for the year ended 31 December 2017

Deyaar Development PJSC

Consolidated financial statements for the year ended 31 December 2017

	<i>Pages</i>
Directors' report	1
Independent auditors' report on consolidated financial statements	2 - 10
Consolidated statement of financial position	11
Consolidated statement of profit or loss	12
Consolidated statement of profit or loss and other comprehensive income	13
Consolidated statement of changes in equity	14
Consolidated statement of cash flows	15
Notes to the consolidated financial statements	16 - 54



Directors' report

The directors submit their report together with the audited consolidated financial statements of Deyaar Development PJSC ("the Company") and its subsidiaries (collectively referred to as "the Group") for the year ended 31 December 2017.

Principal activities

The principal activities of the Company and its subsidiaries (together, "the Group") are property investment and development, brokering, facility and property management services.

Financial Results

Revenue of the Group for the year 2017 is AED 752 million (2016: AED 428 million) and net profit amounted to AED 130 million (2016: AED 216 million).

Directors

The Board of Directors comprised of:

Abdulla Ali Obaid Al Hamli	Chairman
Abdullah Ibrahim Lootah	Vice Chairman
Khalifa Suhail Al Zaffin	Director
Mohamed Al Sharif	Director
Dr. Adnan Chilwan	Director
Obaid Nasser Lootah	Director
Mohamed Al Nahdi	Director
Saif Al Yarabi	Director
Yasser Al Falasi	Director

Auditors

The financial statements for the year ended 31 December 2017 have been audited by M/s. KPMG, who were appointed as auditors of the Company at the Annual General Meeting held on 05 April 2017.

On behalf of the Board

Abdulla Ali Obaid Al Hamli
Chairman

31 JAN 2018

دييار
DEYAAR



KPMG Lower Gulf Limited
Level 13, Boulevard Plaza Tower One
Mohammed Bin Rashid Boulevard, Downtown Dubai, UAE
Tel. +971 (4) 403 0300, Fax +971 (4) 330 1515

Independent Auditors' Report

To the Shareholders of Deyaar Development PJSC

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Deyaar Development PJSC ("the Company") and its subsidiaries ("the Group"), which comprise the consolidated statement of financial position as at 31 December 2017, the consolidated statements of profit or loss and other comprehensive income (comprising a separate consolidated statement of profit or loss and a consolidated statement of profit or loss and other comprehensive income), changes in equity and cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2017, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with International Ethics Standards Board for Accountants Code of Ethics for Professional Accountants (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 IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

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



Key Audit Matters (continued)

Valuation of properties held for development and sale

Refer to note 8 to the consolidated financial statements

The Group holds properties for development and sales of AED 1,234 million, which comprise of completed residential and commercial properties (AED 228 million), land held for mixed-use development and sale (AED 686 million) and properties under construction (AED 320 million).

The net realisable value of property held for development and sale is determined by management based on their internal assessment by taking into consideration available internal as well as comparable market data adjusted for property specific characteristic. Key inputs used by management in their valuation exercise included future projected cash flows and current market rent, which are influenced by the prevailing market forces and the specific characteristics of each property in the portfolio.

In addition, when deemed necessary, the Group also uses a professionally qualified external valuers to fair value the Group's portfolio of properties held for development and sale. The valuers perform their work in accordance with the Royal Institution of Chartered Surveyors ('RICS') Valuation – Professional Standards and have considerable experience in the markets in which the Group operates.

The estimation of property cost and net realisable value is a complex process as a change in the Group's forecast estimate of sales price and construction cost could have a material impact on the carrying value of properties held for development and sales in the Group's consolidated financial statements.

How our audit addressed the key audit matter

- We assessed the appropriateness of the valuation methodologies, assumptions, critical judgement areas and estimates used by management in the internal valuation process;
- We undertook discussions with the management and the external valuer and evaluated underlying assumptions used with the assistance of market data, where available and applicable;
- We tested the appropriateness of key inputs used in the valuation of property held for development and sale;
- For commercial and residential properties held for sale, we benchmarked the key assumptions used by management to external industry data and comparable property transactions, particularly sales price;



Key Audit Matters (continued)

Valuation of properties held for development and sale (continued)

How our audit addressed the key audit matter (continued)

- We assessed the rationale for changes in key inputs, estimates and assumptions from the previous period;
- We evaluated the competence, objectivity and independence of the external property valuer, and the experience of the management personnel included in the valuation process; and
- Based on the outcome of our evaluation we assessed the adequacy of disclosures in the consolidated financial statements.

Valuation of investment properties

Refer to note 6 to the consolidated financial statements

The investment property portfolio is valued at AED 338 million. The net fair valuation gain recorded in the consolidated statement of profit or loss amounts to AED 5.8 million.

The Group performs an internal valuation to determine the fair value of some of its investment properties and also engages a professionally qualified external valuers to fair value 75% of its investment property portfolio.

The valuers performed their work in accordance with the Royal Institution of Chartered Surveyors ('RICS') Valuation – Professional Standards. The fair value definition as per RICS Valuation Standards, adopted by the external valuers, complies with the fair value definition under IFRS.

The property portfolio valued by management is valued by using discounted cashflows. Key inputs into the valuation process are discount rates, yield rates and contracted lease rent and forecasted operating expenses, which are influenced by prevailing market forces and the specific characteristics, such as property location, income return, growth rate and occupancy rate, of each property in the portfolio.

The valuation of the portfolio is a significant judgment area and is underpinned by a number of assumptions. The existence of significant estimation uncertainty warrants specific audit focus in this area as any error in determining the fair value, could have a material impact on the value of the Group's investment properties and the fair value gain or loss recognized in respect of these investment properties.



Key Audit Matters (continued)

Valuation of investment properties (continued)

How our audit addressed the key audit matter

For properties valued by an external valuer, we have performed the following procedures:

- We assessed the competence, independence and integrity of the external valuers and read their terms of engagement with the Group to determine whether there were any matters that might have affected their objectivity or may have imposed scope limitations on their work;
- We obtained the external valuation reports for all properties valued by the valuers and assessed the valuation approach used by the valuer in determining the fair value of the properties;
- We have also tested whether property specific data supplied to the external valuers by management reflected the underlying property records;
- We met the external valuers of the portfolio to discuss the results of their work. We discussed and evaluated the valuation process, overall performance of the portfolio and the significant assumptions used in the valuation; and
- Based on the outcome of our evaluation we assessed the adequacy of the disclosure in the consolidated financial statements.

For properties internally valued by management, we have performed the following procedures:

- We evaluated the significant assumptions used by management in their valuation process which includes expected rental values, forecast yields, occupancy rates and discount rate. We corroborated these assumptions by reference to lease agreements, published indices, and comparable market data available;
- We have assessed the key inputs and assumptions in the valuation model and sensitivities to key factors;
- We have also assessed the rationale for changes in the key inputs, estimates and assumptions from the previous period; and
- Based on the outcome of our evaluation we assessed the adequacy of the disclosure in the consolidated financial statements.

Impairment of investment in joint ventures and associates (“equity accounted investees”)

Refer to note 7 to the consolidated financial statements

The carrying value of the Group’s investment in a joint venture and investment in an associate is AED 896.2 million and AED 368.8 million respectively.



Key Audit Matters (continued)

Impairment of investment in joint ventures and associates ("equity accounted investees") (continued)

The carrying value and recoverable amount of Group's investment in equity accounted investees is dependent on the intrinsic value of the underlying investment in these equity accounted investees.

To assess whether an impairment exists in the carrying value of the Group's investment in equity accounted investees, management is required to assess the value of the property portfolio held by equity accounted investees whether classified as property held for development and sale or investment properties.

The Group performs an internal valuation to determine the fair value of property portfolio held by equity accounted investees and, when deemed necessary, also engages professionally qualified external valuers to determine the fair value of property portfolio of equity accounted investees.

Impairment of investment in equity accounted investees is an area that involves significant management judgment and requires an assessment as to whether the carrying value of the investment in equity accounted investees can be supported by the carrying value of the assets held by equity accounted investees. The assessment process is complex and highly judgmental and is based on assumptions that are affected by expected future market or economic conditions.

Due to the significance of the carrying value of the investment in equity accounted investees in the Group's consolidated financial statements and the inherent uncertainties associated with estimating future cash flows and the appropriate discount rates, the impairment of investment in equity accounted investees is a key audit matter.

How our audit addressed the key audit matter

To evaluate the management's assessment of recoverability of its investment in equity accounted investees, we have performed the following procedures:

- We assessed the Group's controls over evaluating the methodologies, inputs and assumptions used by the Group in determining fair values;
- On a sample basis, we tested the pricing inputs used into valuation models;
- We assessed key inputs and assumptions used in the valuation models and their sensitivities to key factors;
- We assessed the rationale for changes in the key inputs, estimates and assumptions from the previous period;
- Based on the price assessment reports obtained from independent valuers, we assessed the significant unobservable valuation inputs and discussed these with valuers and critically assessed the assumptions and estimates used; and
- Based on the outcome of our evaluation we assessed the adequacy of the disclosure in the consolidated financial statements.



Key Audit Matters (continued)

Recoverability of amounts due from related parties

Refer to note 11 to the consolidated financial statements

The carrying amount of group's amount due from related parties is AED 1,818.5 million against which a provision for bad and doubtful debt of AED 1.3 million has been recognized.

A provision for impairment against amount due from related parties is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

The carrying value of the amount due from related parties may not be reflective of its recoverable amount, as at the reporting date. Determination of the recoverable amount incorporates significant judgments based on various assumptions.

There continues to be a significant risk over recoverability of amounts due from related parties, and the risk of financial loss to the Company if the related party fails to meet its contractual obligations. Therefore, recoverability of amounts due from related parties is deemed as a key audit matter.

How our audit addressed the key audit matter

- We analysed balances due from related parties for which no provision was created against by the Group to determine whether there were any indicators of impairment;
- We obtained balance confirmations from related parties and assessed the terms and conditions of their settlement, as applicable; and
- We assessed whether appropriate disclosures have been made in the consolidated financial statements.

Other Information

Management is responsible for the other information. The other information comprises the Directors' report which we obtained prior to the date of this auditors' report, and the Group's 2017 Annual Report, which is expected to be made available to us after that date.

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



Other Information (continued)

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

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

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

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.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' 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.



*Auditors' 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 auditors' 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 auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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



*Auditors' Responsibilities for the Audit of the Consolidated Financial Statements
(continued)*

From the matters communicated with those charged with governance, 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 auditors' 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.

Report on Other Legal and Regulatory Requirements

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

- i) we have obtained all the information and explanations we considered necessary for the purposes of our audit;
- ii) the consolidated financial statements have been prepared and comply, in all material respects, with the applicable provisions of the UAE Federal Law No. (2) of 2015;
- iii) the Group has maintained proper books of accounts;
- iv) the financial information included in the Directors' report, in so far as it relates to these consolidated financial statements, is consistent with the books of accounts of the Group;
- v) as disclosed in note 36 to the consolidated financial statements, the Group has not purchased any shares during the financial year ended 31 December 2017;
- vi) note 11 to the consolidated financial statements discloses 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 Group has contravened during the financial year ended 31 December 2017 any of the applicable provisions of the UAE Federal Law No. (2) of 2015 or in respect of the Company, its' Articles of Association, which would materially affect its activities or its consolidated financial position as at 31 December 2017; and
- viii) note 24 to the consolidated financial statements discloses the social contributions made during the year.

KPMG Lower Gulf Limited.

Fawzi AbuRass
Registration No.: 968
Dubai, United Arab Emirates

Date: **31 JAN 2018**

Deyaar Development PJSC

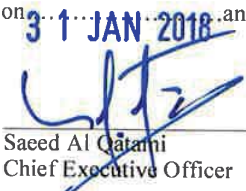
Consolidated statement of financial position

As at 31 December 2017

	Notes	At 31 December	
		2017 AED'000	2016 AED'000
ASSETS			
Non-current assets			
Property and equipment	5	549,687	343,955
Investment properties	6	338,019	330,669
Investments in joint ventures and an associate	7	1,265,038	1,256,016
Properties held for development and sale	8	-	333,482
Advance for purchase of properties	9	262,068	136,293
Trade and other receivables	10	1,908	4,835
Long term fixed deposits	12	51,187	50,377
Available-for-sale financial assets	13	19,816	22,186
		2,487,723	2,477,813
Current assets			
Properties held for development and sale	8	1,234,366	956,747
Inventories		2,614	2,171
Trade and other receivables	10	623,419	176,379
Due from related parties	11(c)	1,817,171	1,954,449
Cash and bank balances	12	370,950	647,171
		4,048,520	3,736,917
Total assets		6,536,243	6,214,730
EQUITY			
Share capital	14	5,778,000	5,778,000
Legal reserve	15	277,189	264,144
Available for sale fair valuation reserve	13	481	2,851
Accumulated losses		(1,056,456)	(1,172,327)
Total equity		4,999,214	4,872,668
LIABILITIES			
Non-current liabilities			
Borrowings	16	567,386	343,046
Advances from customers	17	-	54,052
Retentions payable	19	45,135	27,874
Provision for employees' end of service benefits	20	13,436	12,892
		625,957	437,864
Current liabilities			
Borrowings	16	100,953	95,633
Advances from customers	17	24,430	52,344
Trade and other payables	18	728,711	736,767
Retentions payable	19	33,018	1,155
Provision for claims	26	11,250	6,000
Due to related parties	11(d)	12,710	12,299
		911,072	904,198
Total liabilities		1,537,029	1,342,062
Total equity and liabilities		6,536,243	6,214,730

These consolidated financial statements were approved by the Board of Directors on 31 JAN 2018 and signed on its behalf by:


Abdulla Ali Obaid Al Hamli
Chairman


Saeed Al Qatani
Chief Executive Officer

The notes on pages 16 to 54 form an integral part of these consolidated financial statements.

The independent auditors' report on audit of consolidated financial statement is set out on pages 2 to 10.

Deyaar Development PJSC

Consolidated statement of profit or loss For the year ended 31 December 2017

	Notes	Year ended 31 December	
		2017 AED'000	2016 AED'000
Revenue	21	751,587	428,260
Direct / operating costs	22	(504,604)	(268,802)
Other operating income	23	38,861	55,244
General and administrative expenses	24	(147,706)	(141,718)
Provision for / expense against claims	26	(11,005)	(4,630)
Write back of provision for impairment against advance for purchase of properties	27	175	6,144
Write back of provision for impairment of investment in an associate	7(i)	-	68,884
Gain from fair valuation on investment properties, net	6	5,811	75,492
Finance cost	28	(19,072)	(19,485)
Finance income	28	7,258	11,264
Share of results from a joint venture and an associate	7	9,140	5,492
Profit for the year		130,445	216,145
Profit attributable to:			
Equity holders of the Company		130,445	216,145
		130,445	216,145
Earning per share attributable to the equity holders of the Company during the year - basic and diluted	29	Fils 2.26	Fils 3.74

The notes on pages 16 to 54 form an integral part of these consolidated financial statements.

The independent auditors' report on audit of consolidated financial statement is set out on pages 2 to 10.

Deyaar Development PJSC

Consolidated statement of profit or loss and other comprehensive income For the year ended 31 December 2017

	Note	Year ended 31 December	
		2017 AED'000	2016 AED'000
Profit for the year		130,445	216,145
Other comprehensive income from items that may be subsequently reclassified to profit or loss:			
Change in fair value of available-for-sale financial assets	13	(2,370)	(1,707)
Other comprehensive income for the year		(2,370)	(1,707)
Total comprehensive income for the year		128,075	214,438
Attributable to:			
Equity holders of the Company		128,075	214,438
Total comprehensive income for the year		128,075	214,438

The notes on pages 16 to 54 form an integral part of these consolidated financial statements.

The independent auditors' report on audit of consolidated financial statement is set out on pages 2 to 10.

Deyaar Development PJSC

Consolidated statement of changes in equity For the year ended 31 December 2017

	Share capital AED'000	Legal reserve AED'000	Available for sale fair valuation reserve AED'000	Accumulated losses AED'000	Total equity AED'000
Balance at 1 January 2016	5,778,000	242,529	4,558	(1,362,534)	4,662,553
<i>Total comprehensive income for the year</i>					
Net profit for the year	-	-	-	216,145	216,145
Other comprehensive income for the year	-	-	(1,707)	-	(1,707)
Total comprehensive income for the year	-	-	(1,707)	216,145	214,438
Transfer to legal reserve	-	21,615	-	(21,615)	-
Board of Directors remuneration	-	-	-	(4,323)	(4,323)
Balance at 31 December 2016	5,778,000	264,144	2,851	(1,172,327)	4,872,668
Balance at 1 January 2017	5,778,000	264,144	2,851	(1,172,327)	4,872,668
<i>Total comprehensive income for the year</i>					
Net profit for the year	-	-	-	130,445	130,445
Other comprehensive income for the year	-	-	(2,370)	-	(2,370)
Total comprehensive income for the year	-	-	(2,370)	130,445	128,075
Transfer to legal reserve	-	13,045	-	(13,045)	-
Adjustments to Board of Directors' remuneration (Note 11(b))	-	-	-	1,080	1,080
Board of Directors' remuneration (Note 11(b))	-	-	-	(2,609)	(2,609)
Balance at 31 December 2017	5,778,000	277,189	481	(1,056,456)	4,999,214

The notes on pages 16 to 54 form an integral part of these consolidated financial statements.

Deyaar Development PJSC

Consolidated statement of cash flows For the year ended 31 December 2017

	Note	Year ended 31 December	
		2017 AED'000	2016 AED'000
Cash flows from operating activities			
Net cash used in operating activities	30	(313,580)	(65,892)
Cash flows from investing activities			
Purchase of property and equipment		(181,354)	(62,977)
Additions to investment properties	6	(223)	(848)
Proceeds from disposal of investment in joint venture		118	-
Net movement in term deposits with an original maturity after three months		34,189	231,274
Income from deposits		7,258	10,887
Net cash (used in) / generated from investing activities		(140,012)	178,336
Cash flows from financing activities			
Net movement in borrowings		229,660	(40,169)
Finance cost paid		(17,290)	(18,443)
Net cash generated from / (used in) financing activities		212,370	(58,612)
Decrease / increase in cash and cash equivalents		(241,222)	53,832
Cash and cash equivalents, beginning of the year		507,172	453,340
Cash and cash equivalents, end of the year	12	265,950	507,172

The notes on pages 16 to 54 form an integral part of these consolidated financial statements.

The independent auditors' report on audit of consolidated financial statement is set out on pages 2 to 10.

Deyaar Development PJSC

Notes

(forming part of the consolidated financial statements)

1 Legal status and activities

Deyaar Development PJSC (“the Company”) was incorporated and registered as a Public Joint Stock Company in the Emirate of Dubai, UAE on 10 July 2007. The registered address of the Company is P. O. Box 30833, Dubai, United Arab Emirates (“UAE”). The Company is listed on Dubai Financial market.

The principal activities of the Company and its subsidiaries (together, “the Group”) are property investment and development, brokering, facility and property management services.

In the current year, the Company has incorporated new subsidiaries, The Atria L.L.C and Montrose L.L.C to carry out hotel management activities. Refer note 35.

2 Summary of significant accounting policies

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

These consolidated financial statements present the financial position and results of the operations and cash flows of the Group and the Group’s interest in its equity accounted investees (Note 35).

The consolidated financial statements of the Group have been prepared in accordance with and comply with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (IASB) and the requirements of UAE Federal Law No. (2) of 2015.

The consolidated financial statements have been prepared on the historical cost convention basis except for investment properties, available-for-sale financial assets and derivative financial instruments which are stated at fair values.

The preparation of the consolidated financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group’s accounting policies. The areas involving higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are disclosed in Note 4.

A number of new standards and amendments to standards are effective for annual periods beginning after 1 January 2017 and earlier application is permitted. Except for the early adoption of IFRS 15 – Revenue from Contracts with Customers which the Group elected to early adopt with effect from 1 January 2015, the other new standards and amendments have not been applied early in preparing these consolidated financial statements. The new standards which may be relevant to the Group have been set out below.

IFRS 9 Financial Instruments

IFRS 9 includes revised guidance on the classification and measurement of financial instruments, including a new expected credit loss model for calculating impairment on financial assets, and the new general hedge accounting requirements. IFRS 9 also carries forward the guidance on recognition and derecognition of financial instruments from IAS 39. The final version of IFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted.

Deyaar Development PJSC

Notes (continued)

2 Summary of significant accounting policies (continued)

2.1 Basis of preparation (continued)

i. Classification – financial assets

IFRS 9 contains a new classification and measurement approach for financial assets that reflects the business model in which assets are managed and their cash flow characteristics. IFRS 9 contains three principal classification categories for financial assets: measured at amortised cost, fair value through other comprehensive income (“FVOCI”) and fair value through profit or loss (“FVTPL”). The standard eliminates the existing IAS 39 categories of held to maturity, loans and receivables and available for sale.

Based on its assessment, the Group does not believe that the new classification requirements will have a material impact on its accounting for financial assets.

ii. Impairment

IFRS 9 replaces the ‘incurred loss’ model in IAS 39 with a forward-looking ‘expected credit loss’ (ECL) model. This will require considerable judgement about how changes in economic factors affect ECLs, which will be determined on a probability-weighted basis. The new impairment model will apply to financial assets measured at amortised cost or fair value through other comprehensive income (FVOCI), except for investments in equity instruments, and to contract assets.

Under IFRS 9, loss allowances will be measured on either of the following bases:

- 12-month ECLs: these are ECLs that result from possible default events within the 12 months after the reporting date; and
- Lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument.

Lifetime ECL measurement applies if the credit risk of a financial asset at the reporting date has increased significantly since initial recognition and 12-month ECL measurement applies if it has not. An entity may determine that a financial asset’s credit risk has not increased significantly if the asset has low credit risk at the reporting date. However, lifetime ECL measurement always applies for trade receivables and contract assets without a significant financing component; the Group has a choice to apply this policy also for trade receivables and contract assets with a significant financing component.

The estimated ECL will be calculated based on actual credit loss experience. The Group will perform the calculation of ECL rates separately for different types of customers including related parties.

Actual credit loss experience will be adjusted to reflect differences between economic conditions during the period over which the historical data was collected, current conditions and the Group’s view of economic conditions over the expected lives of the receivables and related party balances.

The Group estimates that application of IFRS 9’s impairment requirements as at 1 January 2018 may result in an increase over impairment recognised under IAS 39.

iii. Hedging

IFRS 9 incorporates new hedge accounting rules that intend to align hedge accounting with the Group’s risk management objectives and strategy and to apply a more qualitative and forward looking approach to assessing hedge effectiveness. In accordance with IFRS 9, the Group has an accounting policy choice to defer the adoption of IFRS 9 hedge accounting and to continue with IAS 39 hedge accounting.

Deyaar Development PJSC

Notes (continued)

2 Summary of significant accounting policies (continued)

2.1 Basis of preparation (continued)

The Group will take advantage of the exemption allowing it not to restate comparative information for prior periods with respect to classification and measurement (including impairment) changes. Differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of IFRS 9 will generally be recognised in equity as at 1 January 2018.

IFRS 16 Leases (2016)

IFRS 16, published in January 2016 replaces the previous guidance in IAS 17 Leases. Under this revised guidance, leases will be brought onto companies' balance sheets, increasing the visibility of their assets and liabilities. It further removes the classification of leases as either operating leases or finance leases treating all leases as finance leases from the perspective of the lessee, thereby eliminating the requirement for lease classification test. The revised guidance has an increased focus on who controls the asset and may change which contracts are leases. IFRS 16 is effective for annual periods beginning on or after 1 January 2019.

The following new or amended standards are not expected to have a significant impact of the Group's consolidated financial statements:

- Transfers of Investment Property (Amendments to IAS 40) (effective for annual periods beginning on or after 1 January 2018).
- Annual Improvements to IFRSs 2014-2016 Cycle – various standards (amendments to IFRS 1 and IAS 28) (effective for annual periods beginning on or after 1 January 2018).
- Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28)

The following standards, amendments and interpretations that are mandatorily effective from the current year:

- Annual Improvements to IFRSs 2014-2016 Cycle (various standard) (Amendments to IFRS 12)
- Recognition of Deferred Tax Assets for Unrealized Losses (Amendments to IAS 12)
- Disclosure Initiative (Amendment to IAS 7)

These standards and amendments do not have a significant impact on the Group's consolidated financial statements as at 31 December 2017.

2.2 Basis of consolidation

(a) *Subsidiaries*

Subsidiaries are all entities over which the Group has control. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group and are de-consolidated from the date that control ceases.

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair value of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the accounting policies adopted by the Group.

Deyaar Development PJSC

Notes (continued)

2 Summary of significant accounting policies (continued)

2.2 Basis of consolidation (continued)

(a) Subsidiaries (continued)

The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of acquiree's identifiable net assets.

Goodwill is initially measured as the excess of the aggregate of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognised in profit or loss.

(b) Eliminations on consolidation

Material inter-company transactions, balances, income and expenses on transactions between Group companies are eliminated. Profits and losses resulting from inter-company transactions that are recognised in assets are also eliminated. Consolidated financial statements are prepared using uniform accounting policies for like transactions.

(c) Associates

Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting. Under the equity method, the investment is initially recognised at cost, and the carrying amount is increased or decreased to recognise the investor's share of the profit or loss of the investee after the date of acquisition. The Group's investment in associate includes goodwill identified on acquisition.

The Group's share of post-acquisition profit or loss is recognised in the consolidated statement of profit or loss, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income with a corresponding adjustment to the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.

The Group determines at each reporting date whether there is any objective evidence that the investment in associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount in the consolidated statement of profit or loss.

Profits and losses resulting from upstream and downstream transactions between the Group and its associate are recognised in the Group's consolidated financial statements only to the extent of unrelated investor's interests in the associate. Unrealised losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associate have been changed where necessary to ensure consistency with the policies adopted by the Group.

Deyaar Development PJSC

Notes (continued)

2 Summary of significant accounting policies (continued)

2.2 Basis of consolidation (continued)

(d) Joint ventures

The Group's interests in joint ventures are accounted for using the equity method of accounting. Under the equity method, the investment is initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses and movements in other comprehensive income. When the Group's share of losses in a joint venture equals or exceeds its interests in the joint ventures, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of joint ventures. The Group's investment in joint venture includes goodwill identified on acquisition.

The Group determines at each reporting date whether there is any objective evidence that the investment in joint ventures 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 amount in the consolidated statement of profit or loss.

Profits and losses resulting from upstream and downstream transactions between the Group and its joint venture are recognised in the Group's consolidated financial statements only to the extent of unrelated investor's interests in the joint venture. Unrealised losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of joint ventures have been changed where necessary to ensure consistency with the policies adopted by the Group.

2.3 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board of Directors that makes strategic decisions.

2.4 Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in United Arab Emirates Dirham ("AED"), which is the Company's functional and the Group's presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the consolidated statement of profit or loss.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the consolidated statement of profit or loss within "finance income or cost". All other foreign exchange gains and losses are presented in the consolidated statement of profit or loss within "other operating income or expense".

Deyaar Development PJSC

Notes (continued)

2 Summary of significant accounting policies (continued)

2.4 Foreign currency translation (continued)

(c) Group entities

The results and financial position of all the Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- (i) Assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of the statement of financial position;
- (ii) Income and expenses for each statement of profit or loss are translated at average exchange rates; and
- (iii) All resulting exchange differences are recognised as a separate component of equity.

On consolidation, exchange differences arising from the translation of the net investment in foreign operations, and of borrowings are taken to equity.

On the disposal of a foreign operation, all of the exchange differences accumulated in equity in respect of that operation attributable to the equity holders of the Company are reclassified to profit or loss.

In the case of a partial disposal that does not result in the Group losing control over a subsidiary that includes a foreign operation, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests and are not recognised in profit or loss.

2.5 Property and equipment

Property and equipment are stated at historical cost less accumulated depreciation and accumulated impairment losses, if any. The cost of property and equipment is its purchase cost together with any incidental costs of acquisition. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably.

All other repairs and maintenance costs are charged to the consolidated statement of profit or loss during the financial year in which they are incurred.

Land is not depreciated. Depreciation on other assets is calculated using the straight-line method, at rates calculated to reduce the cost of assets to their estimated residual value over their expected useful lives, as follows:

Type of assets	Years
Buildings	20
Leasehold improvements	4
Furniture and fixtures	4 - 5
Office equipment	4
Motor vehicles	4
	==

Deyaar Development PJSC

Notes (continued)

2 Summary of significant accounting policies (continued)

2.5 Property and equipment (continued)

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with the asset's carrying amount. These are recognised within "other income or expense" in the consolidated statement of profit or loss.

Capital work-in-progress is stated at cost and includes property that is being developed for future use. When commissioned, capital work-in-progress is transferred to the respective category, and depreciated in accordance with the Group's policy.

2.6 Investment property

Recognition

Land and buildings owned by the Group for the purposes of generating rental income or capital appreciation or both are classified as investment properties. Properties that are being constructed or developed for future use as investment properties are also classified as investment properties.

When the Group begins to redevelop an existing investment property for continued future use as an investment property, the property remains as an investment property, which is measured based on fair value model and is not reclassified as development property during the redevelopment as an investment property.

Measurement

Investment properties are initially measured at cost, including related transaction costs. Subsequent to initial recognition, investment properties are accounted for using the fair value model under International Accounting Standard No. 40 "Investment Property". Any gain or loss arising from a change in fair value is recognised in the profit or loss.

Where the fair value of an investment property under development is not reliably determinable, such property is measured at cost until the earlier of the date construction is completed and the date at which fair value becomes reliably measurable.

Transfer from properties held for sale to investment properties

Certain properties held for sale are transferred to investment properties when those properties are either released for rental or for capital appreciation or both. The properties held for sale are transferred to investment properties at fair value on the date of transfer and gain arising on transfer is recognised in profit or loss. Subsequent to initial measurement, such properties are valued at fair value in accordance with the measurement policy for investment properties. Any gain arising on this remeasurement is recognised in profit or loss on the specific property.

Transfer from investment properties to properties held for sale

Properties are transferred from investment properties to properties held for development and sale when there is a change in intention to use the property. Such transfers are made at the fair value of the properties at the date of transfer and gain arising on transfer is recognised in statement of profit or loss. Subsequent to initial measurement, such properties are valued at cost in accordance with the measurement policy for properties held for development and sale.

Notes (continued)

2 Summary of significant accounting policies (continued)

2.6 Investment property (continued)

Transfer from investment properties to owner-occupied property

If an investment property becomes owner-occupied property, it is reclassified as property and equipment. Its fair value at the date of reclassification becomes its cost for subsequent accounting purposes.

Transfer from owner-occupied property to investment properties

When the use of a property changes from owner-occupied to investment property, the property is remeasured to fair value and reclassified accordingly. Any gain arising on this remeasurement is recognised in profit or loss to the extent that it reverses a previous impairment loss on the specific property, with any remaining gain recognised in other comprehensive income and presented in the revaluation reserve. Any loss is recognised in profit or loss.

Sale of investment properties

Certain investment properties are sold in the ordinary course of business. No revenue and direct / operating costs are recognised for sale of investment properties. Any gain or loss on disposal of sale of investment properties (calculated as the difference between the net proceeds from disposal and carrying amount) is recognised in the consolidated statement of profit or loss.

2.7 Impairment of non-financial assets

At each reporting date, the Group reviews the carrying amounts of its non-financial assets, other than investment property, to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

A cash generating unit is the smallest identifiable asset group that generates cash flows that are largely independent from other assets and groups. For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. Value in use is based on the estimated future cash flows, 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 or CGU.

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses, if any, are recognised in the profit or loss.

2.8 Financial instruments

2.8.1 Derivative financial instrument and hedge accounting

Derivative financial instruments are initially recognised at fair value on the date when a derivative contract is entered into and are subsequently remeasured at their fair value. All derivative financial instruments are carried as asset when fair value is positive and as liabilities when fair value is negative.

Deyaar Development PJSC

Notes (continued)

2 Summary of significant accounting policies (continued)

2.8 Financial instruments (continued)

2.8.1 Derivative financial instrument and hedge accounting (continued)

Cash flow hedge

When a derivative is designated as a cash flow hedging instrument, the effective portion of changes in the fair value of the derivative is recognised in other comprehensive income and accumulated in the hedging reserve. Any ineffective portion of changes in the fair value of the derivative is recognised immediately in profit or loss.

The amount accumulated in equity is retained in other comprehensive income and reclassified to profit or loss in the same period or periods during which the hedged forecast cash flows affect profit or loss or the hedged item affects profit or loss.

If the forecast transaction is no longer expected to occur, the hedge no longer meets the criteria for hedge accounting, the hedging instrument expires or is sold, terminated or exercised, or the designation is revoked, then hedge accounting is discontinued prospectively. If the forecast transaction is no longer expected to occur, then the amount accumulated in equity is reclassified to profit or loss.

Fair value hedge

When a derivative is designated as the hedging instrument in a hedge of the change in fair value of a recognised asset or liability or a firm commitment that could affect profit or loss, changes in the fair value of the derivative are recognised immediately in profit or loss together with changes in the fair value of the hedged item that are attributable to the hedged risk (in the same line item in the statement of profit or loss and OCI as the hedged item).

If the hedging derivative expires or is sold, terminated or exercised, or the hedge no longer meets the criteria for fair value hedge accounting, or the hedge designation is revoked, then hedge accounting is discontinued prospectively. However, if the derivative is novated to a central counterparty by both parties as a consequence of laws or regulations without changes in its terms except for those that are necessary for the novation, then the derivative is not considered as expired or terminated.

Any adjustment up to the point of discontinuation to a hedged item for which the effective interest method is used is amortised to profit or loss as part of the recalculated effective interest rate of the item over its remaining life.

2.8.2 Non-derivative financial instruments

The Group classifies its non-derivative financial assets into loans and receivables and available-for-sale financial assets categories. The Group classified its non-derivative financial liabilities into other financial liabilities category. The classification depends on the purpose for which the financial instruments were acquired. Management determines the classification of its financial instruments at initial recognition.

(a) *Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the statement of financial position date, which are classified as non-current assets. Loans and receivables are carried at amortised cost using the effective interest method. Loans and receivables are classified as trade and other receivables, due from related parties, long term fixed deposit and cash and bank balances (Notes 10, 11 and 12) in the financial position.

Notes (continued)

2 Summary of significant accounting policies (continued)

2.8 Financial instruments (continued)

2.8.2 Non-derivative financial instruments (continued)

(b) *Available-for-sale financial assets*

Available-for-sale financial assets are non-derivatives assets that are either designated in this category or not classified in any of the other categories of financial assets. They are included in non-current assets unless the investment matures or management intends to dispose it of within twelve months of the end of the reporting period.

(c) *Financial liabilities*

Financial liabilities are initially recognised on the trade date and is derecognised when the obligation under the liability is discharged or cancelled or expires. When 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, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the profit or loss.

2.8.3 Recognition and measurement

Regular purchases and sales of financial assets are recognised on the trade-date, being the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Available-for-sale financial assets are subsequently carried at fair value. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or where the Group has transferred substantially all risks and rewards of ownership.

Changes in the fair value of the available-for-sale financial assets are recognised in other comprehensive income. Dividends on available-for-sale financial assets are recognised in the profit or loss as part of other income when the Group's right to receive payments is established.

Non-derivative financial liabilities are initially recognised at fair value less any directly attributable transaction costs. Subsequent to initial recognition, these liabilities are measured at amortised cost using the effective interest method.

2.9 Impairment of financial assets

(a) *Assets carried at amortised cost*

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired.

A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or 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 indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Deyaar Development PJSC

Notes (continued)

2 Summary of significant accounting policies (continued)

2.9 Impairment of financial assets (continued)

(a) Assets carried at amortised cost (continued)

For loans and receivables category, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in the profit or loss.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the profit or loss.

(b) Assets classified as available-for-sale

In the case of equity securities classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered as an indicator that the securities are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss - measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss - is removed from equity and recognised in the profit or loss. Impairment losses recognised in the profit or loss on equity instruments are not reversed through the profit or loss.

2.10 Properties held for development and sale

Land and buildings identified as held for sale, including buildings under construction, are classified as such and are stated at the lower of cost and estimated net realisable value. The cost of work-in-progress comprises construction costs and other related direct / operating costs. Net realisable value is the estimated selling price in the ordinary course of business, less cost of completion and selling expenses.

The amount of any write down of properties under development for sale is recognised as an expense in the period the write down or loss occurs. The amount of any reversal of any write down arising from an increase in net realisable value is recognised in profit or loss in the period in which the increase occurs.

2.11 Trade and other receivables

Trade receivables are amounts due from customers for properties sold or services performed in the ordinary course of business. If collection is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

A provision for impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in the profit or loss. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited to the profit or loss.

Deyaar Development PJSC

Notes *(continued)*

2 Summary of significant accounting policies (continued)

2.12 Cash and cash equivalents

Cash and cash equivalents includes cash in hand and at bank, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less, net of bank overdrafts. In the consolidated statement of financial position, bank overdrafts are shown within borrowings in current liabilities.

2.13 Employee benefits

(a) End of service benefits to non-UAE nationals

The provision for staff terminal benefits is based on the liability that would arise if the employment of all staff were terminated at the reporting date and is calculated in accordance with the provisions of UAE Federal Labour Law and the relevant local laws applicable to overseas subsidiaries. Management considers these as long-term obligations and accordingly they are classified as long-term liabilities.

(b) Pension and social security policy within the U.A.E

The Group is a member of the pension scheme operated by the Federal Pension General and Social Security Authority. Contributions for eligible UAE National employees are made and charged to the consolidated statement of profit or loss, in accordance with the provisions of Federal Law No. 7 of 1999 relating to Pension and Social Security Law.

2.14 Advances from customers

Instalments received from buyers, for properties sold or services performed, prior to meeting the revenue recognition criteria, are recognised as advances from customers. If their settlement, through revenue recognition or refund, is expected in one year or less, they are classified as current liabilities. If not, they are presented as non-current liabilities.

2.15 Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities. These are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

2.16 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the profit or loss over the period of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs.

Deyaar Development PJSC

Notes (continued)

2 Summary of significant accounting policies (continued)

2.17 Borrowings costs

General and specific 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.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

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

2.18 Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a rate that reflects current market assessments of the time value of money and risks specific to the obligation. Increases in provisions due to the passage of time are recognised as interest expense.

2.19 Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Group's activities.

Revenue is measured based on the consideration specified in a contract with a customer. Revenue is recognised when the Group transfers control over a product or service to a customer.

(a) Revenue from sale of properties

The Group recognises revenue from sale of properties 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.
- 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 service 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.

Deyaar Development PJSC

Notes *(continued)*

2 Summary of significant accounting policies (continued)

2.19 Revenue recognition (continued)

(a) Revenue from sale of properties (continued)

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 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.

(b) Forfeiture income

Forfeiture income is recognised in the consolidated statement of profit or loss when, in the case of properties sold and not yet recognised as revenue, a customer does not fulfil to the contractual payment terms. This is deemed to take place when, despite rigorous follow-up with the defaulted customer, as per the procedures set out by the Dubai Real Estate Regulatory Authority, the customer continues to default on the contractual terms.

(c) Service revenue

Revenue from services such as property management and facilities management is recognised in the accounting period in which the services are rendered.

(d) Leasing income

Leasing income from operating leases is recognised on a straight-line basis over the lease term. When the Group provides operating lease incentives to its customers, the aggregate cost of incentives are recognised as a reduction of rental income over the lease term on a straight-line basis.

(e) Finance income

Finance income is recognised in the consolidated statement of profit or loss on a time-proportion basis using the effective yield method.

(f) Dividend income

Dividend income is recognised when the right to receive the dividend is established.

2.20 Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Group's consolidated financial statements in the period in which the dividends are approved by the Company's shareholders.

Deyaar Development PJSC

Notes (continued)

2 Summary of significant accounting policies (continued)

2.21 Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the profit or loss on a straight-line basis over the period of the lease.

2.22 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount is reported in the consolidated statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

2.23 Directors' remuneration

Pursuant to Article 169 of the Federal Law No. (2) of 2015 and in accordance with article of association of the Company, the Directors shall be entitled for remuneration, which shall not exceed 10% of the net profit after deducting depreciation and the reserves.

3 Financial risk management

3.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, cash flow and fair value interest rate risk and other price risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

Risk management is carried out by the senior management under policies approved by the Board of Directors. Management evaluates financial risks in close co-ordination with the Group's operating units.

Market risk

Currency risk

Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities and net investments in foreign operations.

The Group does not have any significant exposure to foreign currency risk since the majority of transactions are denominated in AED, US Dollars or other currencies, whereby the AED or other currencies are pegged to the US Dollar.

Price risk

The Group is exposed to equity securities price risk through investments held by the Group and classified as available-for-sale.

Cash flow and fair value interest rate risk

The Group has an insignificant interest rate risk arising from interest bearing bank deposits. Bank deposits are placed with banks offering favourable rates. The Group's interest rate risk arises from its interest bearing liabilities.

Deyaar Development PJSC

Notes (continued)

3 Financial risk management (continued)

3.1 Financial risk factors (continued)

Market risk (continued)

Cash flow and fair value interest rate risk (continued)

At 31 December 2017, if profit rates on borrowings had been 1% higher/lower with all other variables held constant, profit for the year would have been AED 4.3 million lower/higher (2016: profit for the year would have been AED 4.4 million lower/higher), mainly as a result of higher/lower interest expense on floating rate borrowings.

Derivative financial instrument

During the year, the Company entered into profit rate swap agreement in order to hedge its exposure against profit rate risk. The table below shows the fair values of derivative financial instrument, which is equivalent to the market value, together with the notional amount. The notional amount is the amount of a derivative's underlying asset, reference rate or index and is the basis upon which changes in the value of derivative is measured. The notional amount indicates the volume of transactions outstanding at the reporting date and are neither indicative of the market nor credit risk.

	2017 AED'000	2017 AED'000	2016 AED'000	2016 AED'000
	Fair value	Notional amount	Fair value	Notional amount
Profit rate swap	(1,146)	52,522	-	-
	(1,146)	52,522	-	-

Credit risk

The Group is exposed to credit risk in relation to its monetary assets, mainly trade and other receivables, due from related parties, cash at bank and bank deposits. Trade receivables are made to customers with an appropriate credit history. The Group has no other significant concentrations of credit risk. Bank deposits are limited to high-credit-quality financial institutions. The carrying amount of financial assets represents the maximum credit exposure at the reporting date. The maximum exposure to credit risk at the reporting date was:

	2017 AED'000	2016 AED'000
Long term fixed deposits	51,187	50,377
Trade and other receivables	467,872	111,411
Due from related parties	1,817,171	1,954,449
Bank balances	367,333	645,718
	2,703,563	2,761,955

Deyaar Development PJSC

Notes (continued)

3 Financial risk management (continued)

3.1 Financial risk factors (continued)

Liquidity risk

The Group monitors its risk of a possible shortage of funds using cash flow forecasts. These forecasts consider the maturity of both its financial investments and financial assets (e.g. accounts receivable, other financial assets) and projected cash flows from operations.

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank facilities. The Group manages liquidity risk by maintaining adequate reserves and banking facilities, by continuously monitoring forecasted and actual cash flows and matching the maturity profiles of financial assets and liabilities. The table below analyses the Group's financial liabilities into relevant maturity groupings based on the remaining period at the statement of financial position to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

	Carrying amount AED'000	Contractual cash flows AED'000	----- Contractual cash flows -----		
			Within 1 year AED'000	2 to 5 years AED'000	More than 5 years AED'000
As at 31 December 2017					
Islamic finance facilities	668,339	764,869	124,742	482,715	157,412
Trade and other payables	728,711	728,711	728,711	-	-
Retentions payable	78,153	78,153	33,018	45,135	-
Due to related parties	12,710	12,710	12,710	-	-
	1,487,913	1,584,443	899,181	527,850	157,412
As at 31 December 2016					
Islamic finance facilities	438,679	482,747	112,326	351,268	19,153
Trade and other payables	736,767	736,767	736,767	-	-
Retentions payable	29,029	29,029	1,155	27,874	-
Due to related parties	12,299	12,299	12,299	-	-
	1,216,774	1,260,842	862,547	379,142	19,153

3.2 Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to maximise returns to shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

There were no changes in the Group's approach to capital management during the year. Except for complying with certain provisions of the UAE Federal Law No. (2) of 2015, the Group is not subject to any externally imposed capital requirements.

Deyaar Development PJSC

Notes (continued)

3 Financial risk management (continued)

3.3 Fair value estimation

The Group has an established control framework with respect to the measurement of fair values, and management has overall responsibility for overseeing all significant fair value measurements, including Level 3 fair values.

The management regularly reviews significant unobservable inputs and valuation adjustments. If third party information, such as broker quotes or pricing services, is used to measure fair values, then the management assesses the evidence obtained from the third parties to support the conclusion that such valuations meet the requirements of IFRS, including the level in the fair value hierarchy in which such valuations should be classified.

When measuring the fair value of an asset or a liability, the Group uses market observable data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows.

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included in 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: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The following table presents the Group's financial assets that are measured at fair value:

	Level 1	Level 2	Level 3	Total
	AED'000	AED'000	AED'000	AED'000
As at 31 December 2017				
Available-for-sale financial assets	19,816	-	-	19,816
As at 31 December 2016				
Available-for-sale financial assets	22,186	-	-	22,186

The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values due to the short-term nature of trade receivables. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments. Other receivables and payables approximate their fair values.

Deyaar Development PJSC

Notes (continued)

4 Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(a) Valuation of investment properties

The Group follows the fair value model under IAS 40 where investment property owned for the purpose of generating rental income or capital appreciation, or both, are fair valued based on valuation carried out by an independent registered valuer, who carried out the valuation in accordance with RICS Appraisal and Valuation Manual issued by the Royal Institute of Chartered Surveyors and the internal valuation performed by the Group's finance department.

The fair values have been determined by taking into consideration market comparables and / or the discounted cash flows where the Group has on-going lease arrangements. In this regard, the Group's current lease arrangements, which are entered into on an arm's length basis and which are comparable to those for similar properties in the same location, have been taken into account.

In case where the Group does not have any on-going lease arrangements, fair values have been determined, where relevant, having regard to recent market transactions for similar properties in the same location as the Group's investment properties. These values are adjusted for differences in key attributes such as property size.

Management of the Company has reviewed the assumption and methodology used by the independent registered valuer and in their opinion these assumptions and methodology seems reasonable as at the reporting date considering the current economic and real estate outlook in UAE.

(b) Recoverability of investment in a joint venture and an associate ("equity accounted investees")

Recoverability of investment in equity accounted investees is an area involving significant management judgement, and requires an assessment as to whether the carrying value of the investment in equity accounted investees can be supported by the carrying value of the assets held by equity accounted investees.

For property portfolio held by equity accounted investees, management performs an internal valuation to determine the fair value using a valuation technique based on a discounted cash flow model and, when deemed necessary, also engages professionally qualified external valuers to determine the fair value of property portfolio of equity accounted investees.

In calculating the net present value of the future cash flows of properties portfolio of equity accounted investees, certain assumptions are required to be made in respect of the impairment reviews. The key assumptions on which management has based its cash flow projections when determining the recoverable amount of the assets are as follows:

- Discount rate based on the equity accounted investee's weighted average cost of capital with a risk premium reflecting the relative risks in the markets in which the businesses operate.
- Growth rate based on a conservative view of the long-term rate of growth.

Management assesses the impairment for property portfolio held by equity accounted investees whenever events or changes in circumstances indicate that the carrying value may not be recoverable. Factors that are considered important, which could trigger an impairment review include evidence that no profits or cash flows will be generated from the related asset.

Deyaar Development PJSC

Notes *(continued)*

4 Critical accounting estimates and judgements (continued)

(c) IFRS 15 Revenue from contracts with customers

The application of revenue recognition policy in accordance with IFRS 15 requires management to make the following judgements:

Satisfaction of performance obligation

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 and in other cases, revenue is recognised at a point in time.

Determination of transaction prices

The Group is required to determine the transaction prices in respect of each of its contracts with customers. In making such judgement 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.

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 subject of the contract is transferred to the customer. In the case of contracts to sell real estate assets this is generally when the unit has been handed over to the customer.

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 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.

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 design and consultancy, construction, potential claims by contractors as evaluated by the project consultant and the cost of meeting other contractual obligations to the customers.

Deyaar Development PJSC

Notes (continued)

5 Property and equipment

	Capital work in progress AED'000	Buildings AED'000	Leasehold Improvements AED'000	Furniture and fixtures AED'000	Office equipment AED'000	Motor vehicles AED'000	Total AED'000
Cost							
At 1 January 2016	222,244	39,743	5,156	7,826	26,743	913	302,625
Additions	82,288	-	-	432	253	-	82,973
At 31 December 2016	304,532	39,743	5,156	8,258	26,996	913	385,598
At 1 January 2017	304,532	39,743	5,156	8,258	26,996	913	385,598
Additions	204,074	1,103	696	723	903	-	207,499
Disposals	-	-	-	(620)	(689)	-	(1,309)
Reclassification	-	1,954	(1,993)	(3)	42	-	-
Transfer from properties held for development and sale (Note 8)	-	5,904	-	-	-	-	5,904
Transfer to investment properties (Note 6)	-	(2,135)	-	-	-	-	(2,135)
At 31 December 2017	508,606	46,569	3,859	8,358	27,252	913	595,557
Accumulated depreciation							
At 1 January 2016	-	6,873	2,894	7,228	20,103	600	37,698
Charge for the year (Note 24)	-	2,270	201	66	1,283	125	3,945
At 31 December 2016	-	9,143	3,095	7,294	21,386	725	41,643
At 1 January 2017	-	9,143	3,095	7,294	21,386	725	41,643
Charge for the year (Note 24)	-	2,215	1,227	527	2,258	125	6,352
Disposals	-	-	-	(619)	(687)	-	(1,306)
Reclassification	-	1,954	(1,993)	(3)	42	-	-
Transfer to investment properties (Note 6)	-	(819)	-	-	-	-	(819)
At 31 December 2017	-	12,493	2,329	7,199	22,999	850	45,870
Net book value - 31 December 2017	508,606	34,076	1,530	1,159	4,253	63	549,687
Net book value - 31 December 2016	304,532	30,600	2,061	964	5,610	188	343,955

Capital work-in-progress represents expenditure incurred on the construction of hotel and service apartments which are intended to be used according to the Company's relevant business model. The construction works on these hotel and service apartments are ongoing at the reporting date and management expects to complete the construction in 2018.

Buildings with a carrying value of AED 16.8 million (2016: AED 18.1 million) and capital work in progress with carrying value of AED 101 million (2016: Nil) are mortgaged under Islamic finance obligations (Note 16).

Deyaar Development PJSC

Notes (continued)

6 Investment properties

	UAE Office building AED'000	UAE Parking spaces AED'000	UAE Stores units AED'000	UAE Retail units AED'000	2017 Total AED'000	2016 Total AED'000
Fair value hierarchy	3	3	3	3		
Fair value at 1 January	85,795	66,445	10,711	167,718	330,669	253,556
Additions	88	135	-	-	223	848
Transfer from properties held for sale (Note 8)	-	-	-	-	-	773
Transfer (to) / from property and equipment (Note 5)	(1,434)	-	-	2,750	1,316	-
Net gain/(loss) from fair value adjustments on investment properties	(742)	2,455	-	4,098	5,811	75,492
Fair value at 31 December	83,707	69,035	10,711	174,566	338,019	330,669

In 2016, the Company reclassified its portfolio of parking spaces and store units in various buildings from property held for sale to investment properties as a result of change in use of these parking spaces and store units. The parking spaces and store units were reclassified to investment properties at their fair value on the date of transfer based on a fair valuation assessment carried out by an external valuer resulting in a fair value gain of AED 66.45 million and AED 9.93 million respectively. The gain was recognised in the consolidated statement of profit or loss in accordance with the accounting policy adopted for the measurement of investment properties.

In the current year, the Company has reclassified additional units from its portfolio of parking spaces in various buildings from property held for sale to investment properties as a result of change in use of these parking spaces. The parking spaces were reclassified to investment properties at their fair value on the date of transfer based on a fair value assessment carried out by an external valuer resulting in fair value gain of AED 2.4 million.

The Company has also reclassified certain retail units from property and equipment to investment properties as a result of change in use of these retail units. The additional units were reclassified to investment properties at their fair value on the date of transfer and existing retail units were fair valued at the reporting date based on a fair value assessment carried out by an external valuer resulting in total fair value gain of AED 4.1 million.

During the current year, the Company has reclassified a commercial unit (AED 1.4 million) in its office building to property and equipment as a result of change in use. This unit was earlier recognised in the consolidated financial statements of the Group in accordance with the fair value accounting policy adopted for the measurement of the investment property and upon reclassification, the carrying value of the unit was deemed to be its cost in accordance with accounting policy adopted for recognition and measurement of property and equipment.

Investment property is recognised at fair value and categorised within the level of the fair value hierarchy based on the lowest level input that is significant to fair value measurement in their entirety. The different levels have been defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1);
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2); and
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

The Group's policy is to recognise transfers into and out of fair value hierarchy levels as of the date of the event or change in circumstances that caused the transfer.

Deyaar Development PJSC

Notes (continued)

6 Investment properties (continued)

Direct / operating costs recognised in the consolidated statement of profit or loss includes AED 4.2 million (2016: AED 4.1 million) and rental income recognised in consolidated statement of profit or loss includes AED 36.3 million (2016: AED 32.9 million) from investment property (Note 21 and note 22).

Investment properties with carrying value of AED 258.3 million (2016: AED 85.8 million) are mortgaged against bank borrowings (Note 16).

Valuation processes

Retail units, parking spaces and store units included in the Group's investment properties are valued by independent professionally qualified valuers who hold a recognised relevant professional qualification and have experience in the locations and segments of the investment properties valued. For all investment properties, their current use equates to the highest and best use. Valuation of UAE office building is valued by the Groups' finance department. The Group's finance department includes a team that also reviews the valuations performed by the independent valuers for financial reporting purposes. Discussions of valuation processes and results are held between management and the independent valuers on a regular basis.

At each financial year end, the finance department:

- verifies all major inputs to the independent valuation report;
- assesses property valuation movements when compared to the prior year valuation report; and
- holds discussions with the independent valuers.

Information about fair value measurements using significant unobservable inputs (Level 3) are as follows:

Country	Segment	Valuation	Estimate	Range of inputs	Sensitivity of management estimates	
					Impact lower AED'000	Impact higher AED'000
UAE	Office building	Income capitalisation	Estimated rental value	AED 85 to AED 205 per sqft per annum	(905)	905
			Discount rate	11.35%	11,940	(8,953)

A change of 100 basis points in management's estimate at the reporting date would have increased/(decreased) equity and profit or loss by the amounts shown above.

Valuation techniques underlying management's estimation of fair value:

For office building, the valuation was determined using the income capitalisation method based on following significant unobservable inputs:

Estimated rental value (per sqft p.a.) based on the actual location, type and quality of the properties and supported by the terms of any existing lease, other contracts or external evidence such as current market rents for similar properties;

Cash flow discount rate reflecting current market assessments of the uncertainty in the amount and timing of cash flows;

For retail units, parking spaces and store units, the valuation was determined using the indicative fair values of these investment properties as at 31 December 2017 provided by an independent professionally qualified valuer. The valuer has used sales comparison method to determine the fair values of these assets.

Deyaar Development PJSC

Notes (continued)

7 Investments in joint ventures and an associate

	Joint Ventures		Associate		Total	
	2017 AED'000	2016 AED'000	2017 AED'000	2016 AED'000	2017 AED'000	2016 AED'000
At 1 January	885,693	882,403	370,323	299,237	1,256,016	1,181,640
Share of profit / (loss)	10,661	3,290	(1,521)	2,202	9,140	5,492
Disposal of a joint venture (ii)	(118)	-	-	-	(118)	-
Reversal of provision for impairment against investment in an associate (i)	-	-	-	68,884	-	68,884
At 31 December	896,236	885,693	368,802	370,323	1,265,038	1,256,016

- (i) In 2016, the Company's management had written back provision for impairment against investment in associate amounting to AED 68.8 million based on their assessment of the recoverable amount of the Group's share of assets held by the entity in which associate holds an interest. Management's assessment was based on the indicative fair values of the assets of the associate after considering the development progress of the project undertaken by the entity.
- (ii) In the previous year, the Group had a 50% interest in Dubai International Development Company LLC ("the joint venture"), a company registered in the United Arab Emirates. During the current year, the liquidation process of the joint venture was concluded and, the Company received AED 0.2 million in respect of its investment in the joint venture.

Investment in an associate

The Group has a 22.72% interest in Solidere International Al Zorah Equity Investments Inc ("Al Zorah"), a company registered in the Cayman Islands. The associate is a holding company investing in companies engaged in property development.

The summarised financial information relating to the Group's share of its associate is as follows:

Name	% interest held	Assets AED'000	Liabilities AED'000	Revenue AED'000	Net profit / (loss) AED'000
31 December 2017					
Al Zorah	22.72	292,834	65,174	5,383	(1,521)
		292,834	65,174	5,383	(1,521)
31 December 2016					
Al Zorah	22.72	312,955	82,551	6,139	2,202
		312,955	82,551	6,139	2,202

The Group's share of its associate's commitments amounts to AED 46 million (2016: AED 46 million).

Deyaar Development PJSC

Notes (continued)

7 Investments in joint ventures and associate (continued)

Investment in joint ventures

The Group has a 50% interest in the following joint ventures, which are engaged in property development. The following amounts represent the Group's 50% share of the assets, liabilities, revenue and results of the joint ventures. They also include consolidation adjustments made at the Group's level to ensure uniform accounting policies. These are included in the Group's consolidated statement of financial position and statement of profit or loss:

Name	% interest held	Country of Incorporation	Assets AED'000	Liabilities AED'000	Revenue AED'000	Net profit AED'000
31 December 2017						
Arady Development LLC	50	U.A.E	950,834	54,598	10,698	10,661
			950,834	54,598	10,698	10,661
31 December 2016						
Arady Development LLC	50	U.A.E	945,310	56,257	911	3,290
Dubai International Development Co. LLC (Note 7 (ii) above)	50	U.A.E	150	-	-	-
			945,460	56,257	911	3,290

The Group's proportionate share in joint ventures commitments is AED Nil (2016: AED Nil).

8 Properties held for development and sale

	Properties held for sale AED'000	Properties under construction AED'000	Land held for future development and sale AED'000	Total AED'000
1 January 2016	297,111	590,813	424,516	1,312,440
Additions	1,898	213,787	-	215,685
Reversal of impairment (Note 22)	3,295	-	-	3,295
Transfer to investment property (Note 6)	(773)	-	-	(773)
Sales (Note 22)	(46,952)	(193,466)	-	(240,418)
31 December 2016	254,579	611,134	424,516	1,290,229
1 January 2017	254,579	611,134	424,516	1,290,229
Additions	1,344	415,991	-	417,335
Reversal of impairment (Note 22)	3,180	-	-	3,180
Transfer to land held for future development (Note (i) below)	-	(261,271)	261,271	-
Transfer to property and equipment (Note 5)	(5,904)	-	-	(5,904)
Sales (Note 22)	(25,099)	(445,375)	-	(470,474)
31 December 2017	228,100	320,479	685,787	1,234,366

Deyaar Development PJSC

Notes (continued)

8 Properties held for development and sale (continued)

	2017 AED'000	2016 AED'000
Non-current portion	-	333,482
Current portion	1,234,366	956,747
As at 31 December	1,234,366	1,290,229

(i) Land with a carrying value of AED 261.3 million has been transferred to land held for future development based on management's assessment of the development plan of the land.

Management's assessment of the net realisable value of the properties held for development and sale resulted in a net reversal of impairment amounting to AED 3.2 million (2016: AED 3.3 million), which was recognised in the profit or loss under "direct / operating costs" (Note 22).

Net realisable value has been determined on the basis of committed sale price if the remaining receivable amount is lower than the current market value of the units booked by customers. For units not yet booked by customers, net realisable value takes into consideration the expected market prices.

In the previous, the Company had reclassified part of its portfolio of parking spaces and store units in various buildings from property held for sale to investment properties based on change in use.

In the current year, the Company has reclassified additional units from its portfolio of parking spaces in various buildings from property held for sale to investment properties based on change in use and has also reclassified office units from property held for sale to property and equipment based on change in use.

Plots of land with total carrying value of AED 593 million (2016: AED 244 million) is mortgaged under Islamic finance obligations (Refer Note 16).

In the current year, the Company has recognised an amount of AED 470.4 million (2016: AED 240.4 million) in consolidated statement of profit or loss under "direct / operating costs" against revenue recognised of AED 614 million (2016: AED 306.9 million) (Note 21 and note 22).

For lands held for future development and use, management is evaluating feasibility of the projects and considering alternative viable profitable options and is also considering various offers from the potential buyers.

9 Advance for purchase of properties

	2017 AED'000	2016 AED'000
Advance for purchase of share in real estate projects (i)	412,468	392,813
Advance for purchase of properties (ii)	125,600	-
	538,068	392,813
Less: provision for impairment against advance for purchase of share in real estate projects (i)	(276,000)	(256,520)
	262,068	136,293

(i) In previous years, the Company had entered into a Memorandum of Understanding (MoU) for the purchase of its share in a portfolio of investment properties in a real estate project. The advance is recoverable by means of transfer of the Company's share of properties in the project.

Deyaar Development PJSC

Notes (continued)

9 Advance for purchase of properties (continued)

(ii) In the current year, the Company has signed a termination and settlement agreement with a master developer whereby the master developer will swap the plots of land designated as per original sale and purchase agreement with other new plot(s) at a later date and pay a termination compensation. As per the agreement, the value of new plot(s) of land will be determined by the valuer to be appointed, jointly by the Company and master developer from 60 days of approval of master plan and any excess or shortfall in valuation compared to the original purchase price will be paid by the Company/master developer. Accordingly, the original purchase amount paid has been classified as advance for purchase of properties and the Company recorded a net income of AED 16.5 million as other income in the current year representing the agreed compensation. Also refer note 23.

10 Trade and other receivables

	2017 AED'000	2016 AED'000
Trade receivables (refer (i) below)	565,542	196,875
Less: provision for impairment of trade receivables	(112,239)	(110,108)
	<u>453,303</u>	<u>86,767</u>
Advances to contractors	115,845	49,605
Advances to suppliers	29,319	18,530
Prepayments	12,291	1,668
Other receivables	14,569	24,644
	<u>172,024</u>	<u>94,447</u>
	<u>625,327</u>	<u>181,214</u>
Less: current portion	(623,419)	(176,379)
Non-current portion	1,908	4,835

i. Contract balances

Contract assets primarily relate to the Group's right to consideration for work completed but not yet billed at the reporting date. Contract liabilities primarily relate to the advance consideration received from customers for sale of properties. The contract assets becomes trade receivables when the rights become unconditional. The contract liabilities primarily relates to advance consideration received from customers for contracts, for which revenue is recognised on performance obligation.

The following table provides information about contract assets and contract liabilities from contracts with customers

	2017 AED'000	2016 AED'000
Contract assets (included in trade receivables)	376,116	3,962
Contract liabilities (Advances from customers – Note 17)	24,430	106,396

Deyaar Development PJSC

Notes (continued)

10 Trade and other receivables (continued)

i. Contract balances (continued)

Significant changes in the contract balances during the year are as follows:

	Contract assets AED'000	Contract liabilities AED'000
Revenue recognised that was included in the contract liability balance at the beginning of the year	-	(94,629)
Increases due to cash received, excluding amounts recognised as revenue during the year	-	12,663
Transfers from contract assets recognised at the beginning of the period to receivables	(3,962)	-
Increases as a result of changes in the measure of progress	376,116	-

As at 31 December 2017, trade receivables of AED 419.3 million (2016: AED 61.6 million) were receivable from sale of properties but not impaired.

As at 31 December 2017, trade receivables of AED 34.1 million (2016: AED 25.2 million) were receivable from other streams of revenue but not impaired. The ageing analysis of these trade receivables is as follows:

	2017 AED'000	2016 AED'000
Not due	13,191	1,708
Upto 3 months	10,555	7,804
Over 3 months	10,312	15,646
	34,058	25,158

As at 31 December 2017, trade receivables of AED 112.3 million (2016: AED 110.1 million) were impaired and fully provided for. The ageing analysis of these trade receivables is as follows:

	2017 AED'000	2016 AED'000
Less than one year	1,317	-
Over one year	110,922	110,108

Movements of the Group's provision for impairment of trade receivables are as follows:

	2017 AED'000	2016 AED'000
At 1 January	110,108	119,852
Provision for impairment / (reversal of provision for impairment) of trade receivables	2,131	(9,744)
At 31 December	112,239	110,108

The maximum exposure to credit risk at the reporting date is the carrying value of each class of receivable. The Group holds title deeds of the assets sold or post-dated cheques as security.

Deyaar Development PJSC

Notes (continued)

11 Related party transactions and balances

Related parties include the significant shareholders, key management personnel, associate, joint ventures, directors and businesses which are controlled directly or indirectly by the significant shareholders or directors or over which they exercise significant management influence.

(a) Related party transactions

During the year, the Group entered into the following significant transactions with related parties in the normal course of business and at prices and terms agreed by the Group's management.

	2017 AED'000	2016 AED'000
A significant shareholder		
Other operating income/finance income	3,566	5,636
Finance cost	17,036	11,091

(b) Remuneration of key management personnel

	2017 AED'000	2016 AED'000
Salaries and other short term employee benefits	12,073	12,440
Termination and post-employment benefits	393	579
Board of Directors' remuneration (note (i))	2,609	4,323
	15,075	17,342

- (i) In the current year, a provision for the Board of Directors' remuneration amounting to AED 2.6 million was recognised (2016: provision of AED 4.3 million). During the year, an amount of AED 3.2 million in respect to prior year's Board of Directors' remuneration was paid after reversal of AED 1.1 million based on the final approval of the shareholders in the Annual General Meeting dated 5 April 2017.

(c) Due from related parties comprises:

	2017 AED'000	2016 AED'000
Current		
Due from a joint venture	16,098	15,908
Due from other related parties	1,802,418	1,940,079
	1,818,516	1,955,987
Less: provision for impairment for due from a related party	(1,345)	(1,538)
	1,817,171	1,954,449

Cash and bank balances include fixed deposits of AED 150 million (2016: AED 290 million) deposited with the significant shareholder of the Company (a bank), at market prevailing profit rates.

Deyaar Development PJSC

Notes (continued)

11 Related party transactions and balances (continued)

(c) Due from related parties comprises (continued):

In 2010, the Group entered into a sale and purchase agreement with a related party (“the purchaser”) to sell properties for a sale consideration agreed on by both parties as per the initial agreement of AED 3,647.5 million.

Following various amendments to the original agreement and partial settlement of the balance, the outstanding amount from the related party as at 31 December 2017 is AED 1,801 million (2016: 1,935.4 million). The outstanding balance based on the last amendment effective from 31 December 2017, is to be settled by the purchaser no later than 31 December 2018.

In the current year, the Group entered into an amendment agreement with the related party which resulted in reduction of receivable balance by AED 134.4 million.

(d) Due to related parties comprises:

	2017 AED'000	2016 AED'000
Current		
Due to a significant shareholder	411	-
Due to a joint venture partner	12,299	12,299
	12,710	12,299

At 31 December 2017, the Group had bank borrowings from the significant shareholder (a bank) of AED 319.2 million (2016: AED 307.6 million) at market prevailing profit rates. Also refer note 16.

12 Cash and bank balances

	2017 AED'000	2016 AED'000
Cash and bank balances including call deposits	122,333	165,628
Fixed deposits	296,187	530,467
Cash in hand	3,617	1,453
	422,137	697,548
Less: long term fixed deposits with a financial institution – net (i)	(51,187)	(50,377)
	370,950	647,171

Deyaar Development PJSC

Notes (continued)

12 Cash and bank balances (continued)

i. Long term fixed deposits

During 2014, the Company had signed a financial restructuring plan with a financial institution for settling its Wakala deposit amounting to AED 101 million. Key terms of the financial restructuring plan were as follows:

- The financial institution will make a 20% of the outstanding amount as a down payment upon signing the restructuring plan;
- 65% of the amount will be paid in monthly predetermined instalments, over a period of 12 years and will carry profit rate of 2% per annum; and
- 15% of the remaining amount will be converted into convertible contingent instruments and will be settled in cash or the financial institution's equity shares or combination of both after a period of 12 years. This will carry a profit rate of 1% payment in kind.

In 2014, upon signing the restructuring plan, and considering the key terms of the same, management had recognised an impairment charge of AED 15.3 million and present value impact of AED 6.7 million on the non-current fixed deposit. In 2015 and 2017, the Company received AED 2.3 million and AED 0.9 million respectively against convertible contingent instruments and had accordingly written back the impairment charge by these amount in the respective years.

As at 31 December 2017, the Company has cumulatively received AED 32.8 million (2016: AED 31.9 million) from the financial institution towards the repayment of deposit including early repayment of some of the instalments. The balance outstanding amount has been classified as non-current in accordance with the agreement.

Cash and cash equivalents include the following for the purposes of the consolidated statement of cash flows:

	2017 AED'000	2016 AED'000
Cash and bank balances	422,137	697,548
Less: deposits with original maturity more than three months	(156,187)	(190,376)
Cash and cash equivalents	265,950	507,172

Short-term fixed deposits have original maturities of three months or less. Short-term fixed and call deposits bear profit at market rates.

13 Available-for-sale financial assets

	2017 AED'000	2016 AED'000
1 January	22,186	23,893
Change in fair value	(2,370)	(1,707)
31 December	19,816	22,186

14 Share capital

At 31 December 2017 and 31 December 2016, share capital comprised of 5,778,000,000 shares of AED 1 each. All shares are authorised, issued and fully paid up.

Deyaar Development PJSC

Notes (continued)

15 Legal reserve

In accordance with the UAE Federal Law No. (2) of 2015 and the Company's Articles of Association, 10% of the profit for the year is transferred to a legal reserve, which is not distributable. Transfers to this reserve are required to be made until such time as it equals at least 50% of the paid up share capital.

16 Borrowings

	2017 AED'000	2016 AED'000
Islamic finance obligations		
Current	100,953	95,633
Non-current	567,386	343,046
Total borrowings	668,339	438,679
		Total AED'000
1 January 2016		478,848
Drawdown		100,000
Repayments		(140,169)
31 December 2016		438,679
Drawdown		325,293
Repayments		(95,633)
31 December 2017		668,339

The Islamic finance obligations represent Ijarah and Murabaha facilities obtained from Dubai Islamic Bank PJSC (a significant shareholder), and from other local Islamic banks. The facilities were availed to finance the properties under construction and working capital requirements. The Islamic finance obligations carry market prevailing profit rates and are repayable in monthly or quarterly instalments over a period of three to twelve years from the reporting date (2016 : four to seven years).

The Islamic finance obligations are secured by mortgages over properties classified under properties held for development and sale (Note 8), property and equipment (Note 5) and investment properties (Note 6). Further, certain facilities with banks are subject to financial covenants.

Also refer note 11.

17 Advances from customers

Advances from customers represent instalments received from customers towards purchases of properties held for development and sale. Also refer note 10.

18 Trade and other payables

	2017 AED'000	2016 AED'000
Trade payables	26,580	66,905
Payables for purchase of land	391,888	391,888
Accrued Islamic facilities charges	1,782	1,072
Project cost accruals	140,393	77,861
Other payables and accrued expenses	168,068	199,041
	728,711	736,767

Deyaar Development PJSC

Notes (continued)

19 Retentions payable

	2017 AED'000	2016 AED'000
Non-current portion	45,135	27,874
Current portion	33,018	1,155
	78,153	29,029

Non-current retention are due to be paid to contractors within 1 to 5 years from the reporting date.

20 Provision for employees' end of service benefits

	2017 AED'000	2016 AED'000
At 1 January	12,892	10,990
Charge for the year	2,584	2,917
Payments	(2,040)	(1,015)
At 31 December	13,436	12,892

The provision for employees' end of service benefits, disclosed as non-current liability, is calculated in accordance with the UAE Federal Labour Law.

21 Revenue

	2017 AED'000	2016 AED'000
Sale of properties	614,085	306,854
Forfeiture income	3,422	648
Property management	41,978	41,859
Leasing income	38,291	33,861
Facilities management	53,811	45,038
	751,587	428,260

Transaction price allocated to the remaining performance obligations

The following table includes revenue expected to be recognised in the future related to performance obligations that are unsatisfied (or partially unsatisfied) at the reporting date.

	2018 AED'000	2019 AED'000	Total AED'000
Sale of properties	412,325	222,261	634,586

The Group applies the practical expedient as per IFRS 15 and does not disclose information about remaining performance obligations that have original expected durations of one year or less.

Deyaar Development PJSC

Notes (continued)

22 Direct / operating costs

	2017 AED'000	2016 AED'000
Cost of properties sold (Note 8)	470,474	240,418
Reversal of impairment of properties held for development and sale, net (Note 8)	(3,180)	(3,295)
Facilities management	32,992	27,141
Leasing cost	4,240	4,139
Others	78	399
	504,604	268,802

The Group expects the incremental cost, which mainly includes sales commission, incurred as a result of obtaining contracts are recoverable and has therefore capitalised these costs. The capitalised costs are amortised when the related revenues are recognised.

Applying the practical expedient as per IFRS 15, the Group recognises the incremental costs of obtaining contracts as an expense when incurred if the amortisation period of the assets that the Group otherwise would have recognised in one year or less.

23 Other operating income

	2017 AED'000	2016 AED'000
Write back of provisions and liabilities no longer payable (refer note (i) below)	10,168	28,385
Compensation on land settlement (note 9 (ii))	16,467	-
Reversal of provision for bad debts	-	8,400
Others	12,226	18,459
	38,861	55,244

- i. Write back of provision and liabilities during 2016 included an amount of AED 18 million represented the reversal of excess liability created during project construction phase in the previous years.

24 General and administrative expenses

	2017 AED'000	2016 AED'000
Staff costs (Note 25)	88,513	89,858
Marketing and selling expenses	16,137	13,765
Legal and professional charges	6,183	8,512
Depreciation (Note 5)	6,352	3,945
Rent	2,372	2,367
Provision for impairment of trade and other receivables and due from a related party, net (Note 10 and note 11)	1,938	193
Social contributions	674	-
Others	25,537	23,078
	147,706	141,718

Deyaar Development PJSC

Notes (continued)

25 Staff costs

	2017 AED'000	2016 AED'000
Salaries	66,151	59,427
End of service benefits (Note 20)	2,584	2,917
Pension and social security contributions	1,125	788
Other benefits	18,653	26,726
	88,513	89,858

26 Provision for claims

This relates to legal claim made by customers against the Company for refund of partial payments made to purchase certain property units. In accordance with Law No. 13 of 2008 and its subsequent amendment through Law No. 9 of 2009 applicable in the Emirate of Dubai, the Company had earlier forfeited these amounts due to failure of customers to pay the outstanding balances as per the Sale and Purchase Agreement.

The Company has elected not to present the complete disclosures as required by IAS 37 "Provision and Contingent Liabilities and Contingent Assets" as management is of the view that since the legal claims are sub-judice, this information may be prejudicial to their position on these matters.

27 Write back of provision for impairment against advance for purchase of properties

In previous year, the Company had written back a provision of AED 6.1 million which was no longer required.

28 Finance (cost) / income

	2017 AED'000	2016 AED'000
Finance cost on bank borrowings	19,072	19,485
Finance income from short-term bank deposits	6,125	10,293
Finance income from unwinding of discount on trade receivables	1,133	971
Total finance income	7,258	11,264
Net finance cost	(11,814)	(8,221)

29 Earnings per share

Basic

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the year excluding ordinary shares purchased by the Company and held as treasury shares, if any.

	2017	2016
Profit attributable to equity holders of the Company (AED'000)	130,445	216,145
Weighted average number of ordinary shares in issue (thousands)	5,778,000	5,778,000
Earnings per share (fils)	2.26	3.74

Diluted

The Company has not issued any instruments which would have a dilutive impact on earnings per share when exercised.

Deyaar Development PJSC

Notes (continued)

30 Cash flow from operating activities

	2017 AED'000	2016 AED'000
Profit for the year	130,445	216,145
Adjustment for:		
Depreciation (Note 5)	6,352	3,945
Provision for employees' end of service benefits (Note 20)	2,584	2,917
Provision for doubtful debts (Note 24)	1,938	193
Reversal of impairment of properties held for development and sale, net (Note 22)	(3,180)	(3,295)
Write back of provision against advance for purchase of properties	(175)	(6,144)
Reversal of provision of investment in an associate (Note 7)	-	(68,884)
Provision against claims	5,250	4,630
Finance income (Note 28)	(7,258)	(11,264)
Finance cost (Note 28)	19,072	19,485
Compensation from the master developer	(3,713)	-
Share of results from an associate and a joint venture (Note 7)	(9,140)	(5,492)
Gain on fair valuation of investment property (Note 6)	(5,811)	(75,492)
Operating cash flows before payment of employees' end of service benefits and changes in working capital	136,364	76,744
Payment of employees' end of service benefits (Note 20)	(2,040)	(1,015)
<i>Changes in working capital:</i>		
Properties held for development and sale (net of project cost accruals)	89,529	24,733
Retention payable – non-current	17,261	17,506
Retention payable – current	31,863	(16,344)
Trade and other receivables – non-current	14,430	17,492
Trade and other receivables – current	(445,265)	8,495
Advance from customers – non-current	(54,052)	41,965
Advances from customers – current	(27,914)	(110,717)
Inventories	(443)	56
Due from related parties	-	(4,654)
Trade and other payables	(73,724)	(118,439)
Due to related parties	411	(1,714)
Net cash used in operating activities	(313,580)	(65,892)

31 Commitments

At 31 December 2017, the Group had total commitments of AED 604.5 million (2016: AED 612.1 million) with respect to project related contracts issued net of invoices received and accruals made at that date. The Group also had commitments with respect to purchase of land of AED 170.4 million (2016: AED 170.4 million) (Note 11(c) and Note 32).

32 Contingent liabilities

At 31 December 2017, the Group had contingent liabilities in respect of performance bond and guarantees issued by a bank, in the ordinary course of business, amounting to AED 130.4 million (2016: AED Nil). Also, the Group had contingent liabilities, on behalf of a subsidiary, in respect to guarantees issued by a bank amounting to AED 3.4 million (2016: AED 10.6 million). The Group anticipates that no material liabilities will arise from these performance and other guarantees.

Deyaar Development PJSC

Notes (continued)

32 Contingent liabilities (continued)

The Company is also a party to certain legal cases in respect of certain plots of land and party to various potential claims from customers and, where necessary, makes adequate provisions against any potential claims. Such provisions are reassessed regularly to include significant claims and instances of potential litigations. Based on review of opinion provided by the legal advisors / internal legal team, management is of the opinion that no material cash outflow in respect of these claims is expected to be paid by the Company in these legal cases over and above the existing provision in the books of accounts. The Company has elected not to present the complete disclosures as required by IAS 37 "Provision and Contingent Liabilities and Contingent Assets" as management is of the view that since the legal claims are sub-judice and are disputed, therefore this information may be prejudicial to their position on these matters. Also refer Note 31.

Certain other contingent liabilities may arise during the normal course of business, which based on the information presently available, either cannot be quantified at this stage or in the opinion of the management is without any merit. However, in the opinion of management, these contingent liabilities are not likely to result in any cash outflows for the Group.

33 Segmental information

Operating segment

The Board of Directors are the Group's chief operating decision maker. The Board considers the business of the Group as a whole for the purpose of decision making.

Management has determined the operating segments based on the purpose of allocating resources and assessing performance. The Group is organised into two major operating segments: Property development and properties and facilities management.

Management monitors the operating results of its operating segments for the purpose of making strategic decisions about performance assessment. Segment performance is evaluated based on operating profit or loss.

	Property development activities AED'000	Properties and facilities management AED'000	Total AED'000
31 December 2017			
Segment revenues – external	655,798	95,789	751,587
Segment profit	104,926	25,519	130,445
Segment assets	6,348,418	187,825	6,536,243
Segment liabilities	1,392,048	144,981	1,537,029
31 December 2016			
Segment revenues – external	341,363	86,897	428,260
Segment profit	188,688	27,457	216,145
Segment assets	6,049,892	164,838	6,214,730
Segment liabilities	1,201,952	140,110	1,342,062

Revenue from property development activities are recognised over time and revenue from properties and facilities management are recognised at a point in time.

Geographic information

The carrying amount of the total assets located outside the United Arab Emirates as at 31 December 2017 is AED 3.3 million (2016: AED 3.3 million).

Deyaar Development PJSC

Notes (continued)

34 Financial instruments by category

The accounting policies for financial instruments have been applied to the line items below:

31 December 2017	Loans and receivables AED'000	Available- for-sale AED'000	Total AED'000
Assets as per statement of financial position			
Available-for-sale financial assets	-	19,816	19,816
Trade and other receivables	467,872	-	467,872
Due from related parties	1,817,171	-	1,817,171
Long term fixed deposits	51,187	-	51,187
Bank balances	367,333	-	367,333
	2,703,563	19,816	2,723,379
		Amortised cost AED'000	Total AED'000
Liabilities as per statement of financial position			
Trade and other payables		728,711	728,711
Retentions payable		78,153	78,153
Borrowings		668,339	668,339
Due to related parties		12,710	12,710
		1,487,913	1,487,913
31 December 2016	Loans and receivables AED'000	Available- for-sale AED'000	Total AED'000
Assets as per statement of financial position			
Available-for-sale financial assets	-	22,186	22,186
Trade and other receivables	111,411	-	111,411
Due from related parties	1,954,449	-	1,954,449
Long term fixed deposits	50,377	-	50,377
Bank balances	645,718	-	645,718
	2,761,955	22,186	2,784,141
		Amortised cost AED'000	Total AED'000
Liabilities as per statement of financial position			
Trade and other payables		736,767	736,767
Retentions payable		29,029	29,029
Borrowings		438,679	438,679
Due to related parties		12,299	12,299
		1,216,774	1,216,774

Deyaar Development PJSC

Notes (continued)

35 Subsidiaries and equity accounted investees entities

Name of entity	Country of incorporation	Effective ownership	Principal activities
Subsidiaries			
Deyaar Facilities Management LLC	UAE	100%	Facility management services
Nationwide Realtors LLC	UAE	100%	Brokerage and other related services
Deyaar Hospitality LLC *	UAE	100%	Property Investment and Development
Deyaar International LLC *	UAE	100%	Real Estate Consultancy
Deyaar Ventures LLC *	UAE	100%	Property Investment and Development
Flamingo Creek LLC *	UAE	100%	Property Investment and Development
Beirut Bay Sal *	Lebanon	100%	Property Investment and Development
Deyaar West Asia Cooperatief U.A. *	Netherlands	100%	Investment Holding Company
Deyaar Development Cooperation *	USA	100%	Property Investment and Development
Deyaar Al Emarat Holding WLL *	Bahrain	100%	Property Investment and Development
Deyaar AL Tawassol Lil Tatweer Aleqare Co. *	KSA	100%	Property Investment and Development
Deyaar Limited LLC *	UAE	100%	Property Investment and Development
Deyaar Owners Association Management LLC	UAE	100%	Owners Association Management
Deyaar Parking Management LLC	UAE	100%	Parking Management
Montrose L.L.C	UAE	100%	Hotel Management
The Atria L.L.C	UAE	100%	Hotel Management
Joint Venture			
Arady Developments LLC	UAE	50%	Property Investment and Development
Associate			
SI Al Zorah Equity Investments Inc.	Cayman Islands	22.72%	Property Investment and Development

* These entities did not carry out any commercial activities during the year.

36 Investment in shares

During the year, the Group has not purchased or invested in any shares.