Deyaar Development PJSC

Consolidated financial statements
For the year ended 31 December 2018

Deyaar Development PJSC

Consolidated financial statements for the year ended 31 December 2018

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 2018.

Principal activities

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

Financial Results

Revenue of the Group for the year 2018 is AED 644 million (2017: AED 752 million) and net profit amounted to AED 140 million (2017: AED 130 million).

The Group aims to provide comprehensive, long solutions that enhances the value of property investments. During the year, the Group's non-current assets portfolio held for capital appreciation and revenue generation has increased by AED 129.7 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 2018 have been audited by M/s. KPMG, who were appointed as auditors of the Company at the Annual General Meeting held on 14 March 2018.

On behalf of the Board

....

Abdulla Ali Obaid Al Hamli
Chairman

20 FEB 2019

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 2018, 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 2018, 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 1,395 million, which comprise of completed residential and commercial properties (AED 254 million), land held for mixed-use development and sale (AED 822 million) and properties under construction (AED 319 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 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

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

Key Audit Matters (continued)

Valuation of investment properties

Refer to note 6 to the consolidated financial statements

The investment property portfolio is valued at AED 350 million and the net fair valuation gain recorded in the consolidated statement of profit or loss amounts to AED 1.2 million.

The Group performs an internal valuation to determine the fair value of 24% of its investment properties and also engages a professionally qualified external valuers to fair value 76% of its investment property portfolio.

The property portfolio valued by management is valued by using discounted cash flows. 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 bias or error in determining the fair value, could lead to a material misstatement in the consolidated financial statements.

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 objectivity 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 investment properties valued by the valuers and assessed the valuation approach used by the valuer in determining the fair value of the properties;
- We considered the reasonableness of the assumptions used in the valuations such as sales comparable data and recent market transactions. We also compared historical valuations against current year valuations to test whether the movements appear to be in line with overall shifts in the market. Where the assumptions were outside the expected range or otherwise deemed unusual, and/or valuations appeared to experience unexpected movements, we carried out further procedures and, when necessary, held further discussions with the external valuers in order to challenge the assumptions used;

Key Audit Matters (continued)

Valuation of investment properties (continued)

How our audit addressed the key audit matter (continued)

- We carried out procedures to test, on a sample basis, 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;
- We performed sensitivity analysis on the significant assumptions to evaluate the extent of the impact of the fair values; and
- 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 also assessed the rationale for changes in the key inputs, estimates and assumptions from the previous period;
- We have assessed the key inputs and assumptions in the valuation model and sensitivities to key factors;
- We considered the reasonableness of the assumptions used in the valuations such as estimated rental value and long-term vacancy rates. We also compared historical valuations against current year valuations to test whether the movements appear to be in line with overall shifts in the market. Where the assumptions were outside the expected range or otherwise deemed unusual, and/or valuations appeared to experience unexpected movements, we carried out further procedures and, when necessary, held further discussions with the management in order to challenge the assumptions used; and
- We assessed the adequacy of the disclosure in the consolidated financial statements.

Key Audit Matters (continued)

Accounting of investment in a joint venture and investment in an associate ("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 966 million and AED 367 million respectively. The Group's share of results from the equity accounted investees for the year ended 31 December 2018 and carrying value of the equity accounted investees at that date are significant in the context of the Group's consolidated financial statements.

The financial information of the equity accounted investees is prepared in accordance with the accounting policies of the respective investee which may differ in certain respect from the accounting policies of the Group. Converting the financial information of these entities to align with accounting policies of the Group involves management making manual adjustments some of which involves significant management judgements.

Accounting of interest in equity accounted investees is complex in nature and have material impact on the consolidated financial statements of the Group. Due to the inherent risk of error, accounting for equity accounted investees is a key audit matters.

How our audit addressed the key audit matter

To evaluate the accuracy of the accounting of equity accounted investees, we have performed the following procedures:

- We have checked the accuracy of the calculation of the equity method of accounting for the equity accounted investees by reference to respective underlying investee financial information;

- We assessed the appropriateness of the significant adjustments made in respect to financial information of the equity accounted investees to align with Group's accounting policies by comparing the adjustments to the underlying documentation or by re-performing the calculations on which the adjustments were based; and

- We assessed the adequacy of the disclosure in the consolidated financial statements.

Key Audit Matters (continued)

Expected credit losses on due from related parties

Refer to note 11 to the consolidated financial statements

The carrying amount of due from related parties is AED 1,205 million against which a provision for bad and doubtful debt of AED 396 million exists.

IFRS 9 – Financial Instruments was adopted by the Group on 1 January 2018 and has resulted in change in accounting for impairment from an incurred loss model to forward looking expected credit loss ("ECL") model. The determination of expected credit loss involves significant estimates and judgement.

Key areas involving judgements include quantifying the exposed balance with significant increase in credit risk, current and future looking external factors, probability of default and loss given default. Due to judgement and complexities involved in the computation of ECL for determining impairment provision, there is a risk that amount of ECL may be materially misstated.

Determination of the recoverable amount incorporates significant judgement based on various assumptions. Given the inherently judgemental nature of determining ECL and this being the first year of its application, this is considered as a key audit matter.

How our audit addressed the key audit matter

- We obtained an understanding of the Group's process for estimating ECL and assessed the appropriateness of the ECL preparation methodology and the compliance with the requirements of IFRS 9;
- We identified and tested key controls over the ECL model;
- We have assessed the reasonableness of key assumptions and judgments made by the management in determining the ECL allowances, selection of ECL models and macroeconomic factors;
- We tested key inputs of the model, such as those used to calculate the likelihood of default and the subsequent loss on default, by comparing to the historical data. We also assessed the reasonableness of forward looking factors used by the Group by corroborating with publicly available information.
- We also involved an in-house ECL modelling expert in testing the key inputs of the model, such as those used to calculate the likelihood of default and the subsequent loss on default and assessing the reasonableness of forward looking factors used by the Group by corroborating with publicly available information;
- We tested the opening balance adjustment due to the application of impairment requirements of IFRS 9;

Key Audit Matters (continued)

Expected credit losses on due from related parties (continued)

How our audit addressed the key audit matter (continued)

- 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 information included in the Annual report, but does not include the consolidated financial statements and our auditors' report thereon. We obtained the Director's Report, at the date of our auditors' report, and we expect to obtain the remaining sections of the Annual report after the date of the auditors' report.

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information 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 obtained up 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.

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.

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

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with 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 35 to the consolidated financial statements, the Group has not purchased any shares during the financial year ended 31 December 2018;

vi) note 11 to the consolidated financial statements discloses material related party transactions and the terms under which they were conducted;

Report on Other Legal and Regulatory Requirements (continued)

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 2018 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 2018; and

viii) note 24 to the consolidated financial statements discloses the social contributions made during the year.

KPMG Lower Gulf Limited.

Emilio Pera
Registration No.: 1146
Dubai, United Arab Emirates

Date: 20 FEB 2019

Consolidated statement of financial position
As at 31 December 2018

	Notes	At 31 December 2018 AED'000	2017 * AED'000
ASSETS			
Non-current assets			
Property and equipment	5	**731,161**	549,687
Investment properties	6	**350,592**	338,019
Investments in a joint venture and an associate	7	**1,333,051**	1,265,038
Advance for purchase of properties	9	**129,610**	262,068
Trade, contract and other receivables	10	**10,803**	-
Long term fixed deposits	12	**42,654**	51,187
Available-for-sale financial assets	13(a)	**-**	19,816
Equity instrument at fair value through other compressive income	13(b)	**17,635**	-
		2,615,506	2,485,815
Current assets			
Properties held for development and sale	8	**1,395,457**	1,234,366
Inventories		**2,660**	2,614
Trade, contract and other receivables	10	**764,778**	625,327
Due from related parties	11(c)	**808,674**	1,817,171
Cash and bank balances	12	**616,041**	370,950
		3,587,610	4,050,428
Total assets		**6,203,116**	6,536,243
EQUITY			
Share capital	14	**5,778,000**	5,778,000
Legal reserve	15	**291,204**	277,189
Available for sale fair valuation reserve	13(a)	**-**	481
Equity instruments fair valuation reserve	13(b)	**(1,700)**	-
Accumulated losses		**(1,592,601)**	(1,056,456)
Total equity		**4,474,903**	4,999,214
LIABILITIES			
Non-current liabilities			
Borrowings	16	**798,626**	567,386
Retentions payable	19	**29,686**	45,135
Provision for employees' end of service benefits	20	**13,893**	13,436
		842,205	625,957
Current liabilities			
Borrowings	16	**215,207**	100,953
Advances from customers	17	**10,009**	24,430
Trade and other payables	18	**621,844**	741,010
Retentions payable	19	**33,650**	33,018
Provision for claims	26	**5,298**	11,250
Due to related parties	11(d)	**-**	411
		886,008	911,072
Total liabilities		**1,728,213**	1,537,029
Total equity and liabilities		**6,203,116**	6,536,243

These consolidated financial statements were approved and authorised for issue by the Board of Directors on ..20 FEB 2019.. and signed on its behalf by:

Abdulla Ali Obaid Al Hamli
Chairman

Saeed Al Qatami
Chief Executive Officer

* The Group has applied IFRS 9 – Financial Instruments effective from 1 January 2018. Under the transition method elected, comparative information is not restated. Also refer note 2.3.

The notes on pages 17 to 60 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 11.

Deyaar Development PJSC

Consolidated statement of profit or loss
For the year ended 31 December 2018

	Notes	Year ended 31 December 2018 AED'000	2017 * AED'000
Revenue	*21*	**643,730**	751,587
Direct / operating costs	*22*	**(444,138)**	(504,604)
Other operating income	*23*	**10,496**	38,861
General and administrative expenses	*24*	**(146,488)**	(145,768)
Provision / expense against claims	*26*	**(10,727)**	(11,005)
Reversal of impairment against advance for purchase of properties	*9(ii)*	**8,561**	175
Reversal of impairment against balance receivable from a related party	*11(c)*	**31,939**	-
Impairment against trade receivables, contract and other financial assets		**(4,529)**	(1,938)
Gain from fair valuation on investment properties, net	*6*	**1,224**	5,811
Finance cost	*27*	**(24,334)**	(19,072)
Finance income	*27*	**6,400**	7,258
Share of results from a joint venture and an associate	*7*	**68,013**	9,140
Profit for the year		**140,147**	130,445
Profit attributable to:			
Equity holders of the Company		**140,147**	130,445
		140,147	130,445
Earning per share attributable to the equity holders of the Company during the year - basic and diluted	*28*	**Fils 2.43**	Fils 2.26

* The Group has applied IFRS 9 – Financial Instruments effective from 1 January 2018. Under the transition method elected, comparative information is not restated. Also refer note 2.3.

The notes on pages 17 to 60 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 11.

Deyaar Development PJSC

Consolidated statement of profit or loss and other comprehensive income
For the year ended 31 December 2018

		Year ended 31 December	
	Note	**2018** **AED'000**	2017 * AED'000
Profit for the year		**140,147**	130,445
Other comprehensive income			
Items that will not be subsequently reclassified to profit or loss:			
Equity instrument at fair value through other comprehensive income – net change in fair value	*13(b)*	**(2,181)**	(2,370)
Other comprehensive income for the year		**(2,181)**	(2,370)
Total comprehensive income for the year		**137,966**	128,075
Attributable to:			
Equity holders of the Company		**137,966**	128,075
Total comprehensive income for the year		**137,966**	128,075

* The Group has applied IFRS 9 – Financial Instruments effective from 1 January 2018. Under the transition method elected, comparative information is not restated. Also refer note 2.3.

The notes on pages 17 to 60 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 11.

Consolidated statement of changes in equity
For the year ended 31 December 2018

	Share capital AED'000	Legal reserve AED'000	Available-for-sale fair valuation reserve AED'000	Equity instruments fair valuation reserve AED'000	Accumulated losses AED'000	Total equity AED'000
Balance at 1 January 2017 *	5,778,000	264,144	2,851	-	(1,172,327)	4,872,668
Total comprehensive income for the year *						
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**
Balance at 1 January 2018, as previously reported	5,778,000	277,189	481	-	(1,056,456)	4,999,214
Cumulative effect on adoption of IFRS 9 – Financial Instruments (Note 2.3)	-	-	(481)	481	(661,233)	(661,233)
Balance at 1 January 2018 (restated)	5,778,000	277,189	-	481	(1,717,689)	4,337,981
Total comprehensive income for the year						
Net profit for the year	-	-	-	-	140,147	140,147
Other comprehensive income for the year	-	-	-	(2,181)	-	(2,181)
Total comprehensive income for the year	-	-	-	(2,181)	140,147	137,966
Transfer to legal reserve	-	14,015	-	-	(14,015)	-
Adjustments to Board of Directors' remuneration (Note 11(b))	-	-	-	-	848	848
Board of Directors' remuneration (Note 11(b))	-	-	-	-	(1,892)	(1,892)
Balance at 31 December 2018	**5,778,000**	**291,204**	**-**	**(1,700)**	**(1,592,601)**	**4,474,903**

* The Group has applied IFRS 9 – Financial Instruments effective from 1 January 2018. Under the transition method elected, comparative information is not restated. Also refer note 2.3.

The notes on pages 17 to 60 form an integral part of these consolidated financial statements.

Consolidated statement of cash flows
For the year ended 31 December 2018

	Note	Year ended 31 December 2018 AED'000	2017 * AED'000
Cash flows from operating activities			
Net cash generated from / (used in) operating activities	*29*	**104,229**	(313,580)
Cash flows from investing activities			
Addtions to property and equipment		**(191,725)**	(181,354)
Additions to investment properties; net	*6*	**121**	(223)
Proceeds from disposal of investment in joint venture		**-**	118
Net movement in term deposits with an original maturity after three months		**37,203**	34,189
Income from deposits		**4,843**	7,258
Net cash used in from investing activities		**(149,558)**	(140,012)
Cash flows from financing activities			
Repayment of borrowings		**(105,585)**	325,293
Drawdown of borrowings		**451,079**	(95,633)
Finance cost paid		**(22,130)**	(17,290)
Net cash generated from financing activities		**323,364**	212,370
Increase / (decrease) in cash and cash equivalents		**278,035**	(241,222)
Cash and cash equivalents, beginning of the year		**265,950**	507,172
Effect of adoption of IFRS 9 – Financial Instruments		**(129)**	-
Cash and cash equivalents, end of the year	*12*	**543,856**	265,950

* The Group has applied IFRS 9 – Financial Instruments effective from 1 January 2018. Under the transition method elected, comparative information is not restated. Also refer note 2.3.

The notes on pages 17 to 60 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 11.

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, leasing, facilities and property management services.

In the current year, the Company has incorporated new subsidiaries, Deyaar Holding One Person Company L.L.C to carry out investments in commercial/ industrial enterprises & management and Bella Rose Real Estate Development LLC to carry out buying, selling and real estate development activities. Refer note 34.

2 Basis of preparation and accounting policies

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. Except for change in accounting policy for financial instruments as a result of adoption of IFRS 9 – Financial Instruments (refer note 2.3), the Group has consistently applied the accounting policies 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 34).

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, equity instrument at fair value and derivative financial instruments which are stated at fair values. This is the first set of Group's annual financial statements in which IFRS 9 – Financial Instruments have been applied. The Group has early adopted IFRS 15 – Revenue from Contract with Customers in its financial statements for the year ended 31 December 2015. Changes to significant accounting policies are described in note 2.3.

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.

Standards issued but not yet effective

A number of new standards and amendments to standards are effective for annual periods beginning after 1 January 2018 and earlier application is permitted however, the Group has not early adopted the new or amended standards in preparing these consolidated financial statements.

IFRS 16 Leases

The Group is required to adopt IFRS 16 Leases from 1 January 2019. The Group has assessed the estimated impact that initial application of IFRS 16 will have on its consolidated financial statements, as described below. The actual impacts of adopting the standard on 1 January 2019 may change because:

2 Basis of preparation and accounting policies (continued)

2.1 Basis of preparation (continued)

Standards issued but not yet effective (continued)

IFRS 16 Leases (continued)

- the Group has not finalised the testing and assessment of controls over its new IT systems; and
- the new accounting policies are subject to change until the Group presents its first financial statements that include the date of initial application.

IFRS 16 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognises a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are recognition exemptions for short-term leases and leases of low-value items. Lessor accounting remains similar to the current standard – i.e. lessors continue to classify leases as finance or operating leases.

IFRS 16 replaces existing leases guidance, including IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases – Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease.

i. Leases in which the Group is a lessee

The Group will recognise new assets and liabilities for its operating leases of its sales centres. The nature of expenses related to those leases will now change because the Group will recognise a depreciation charge for right-of-use assets and interest expense on lease liabilities.

Previously, the Group recognised operating lease expense on a straight-line basis over the term of the lease, and recognised assets and liabilities only to the extent that there was a timing difference between actual lease payments and the expense recognised.

In addition, the Group will no longer recognise provisions for operating leases that it assesses to be onerous. Instead, the Group will include the payments due under the lease in its lease liability.

ii. Leases in which the Group is a lessor

The Group will reassess the classification of leases in which the Group is a lessor.

As at reporting date, the Group is in process of assessing the impact of requirements of IFRS 16 on its accounting for all leases where Group is either lessor or lessee.

iii. Transition

The Group plans to apply IFRS 16 initially on 1 January 2019, using the modified retrospective approach. Therefore, the cumulative effect of adopting IFRS 16 will be recognised as an adjustment to the opening balance of accumulated losses at 1 January 2019, with no restatement of comparative information.

The Group plans to apply the practical expedient to grandfather the definition of a lease on transition. This means that it will apply IFRS 16 to all contracts entered into before 1 January 2019 and identified as leases in accordance with IAS 17 and IFRIC 4.

Notes *(continued)*

2 Basis of preparation and accounting policies (continued)

2.1 Basis of preparation (continued)

The following amended standards and interpretation are not expected to have a significant impact on the Group's consolidated financial statements:

- Prepayment Features with Negative Compensation (Amendments to IFRS 9) (effective for annual periods beginning on or after 1 January 2019).
- Long-term Interests in Associates and Joint Ventures (Amendments to IAS 28) (effective for annual periods beginning on or after 1 January 2019).
- Plan Amendment, Curtailment or Settlement (Amendments to IAS 19) (effective for annual periods beginning on or after 1 January 2019).
- Annual improvements to IFRS Standards 2015 – 2017 Cycle – various standards (effective for annual periods beginning on or after 1 January 2019).
- Amendments to References to Conceptual Framework in IFRS Standards (effective for annual periods beginning on or after 1 January 2020).

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

- Transfers of Investment Property (Amendments to IAS 40).
- Annual Improvements to IFRSs 2014-2016 Cycle – various standards (amendments to IFRS1 and IAS 28).

These standards and amendments do not have a significant impact on the Group's consolidated financial statements as at 31 December 2018.

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 and 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.

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.

2 Basis of preparation and accounting policies (continued)

2.2 Basis of consolidation (continued)

(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.

(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.

2 Basis of preparation and accounting policies (continued)

2.2 Basis of consolidation (continued)

(d) Joint ventures (continued)

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 Change in accounting policy

IFRS 9 Financial instruments

IFRS 9 sets out requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. This standard replaces IAS 39 Financial Instruments: Recognition and Measurement. The following table summarises the impact of transition to IFRS 9 on opening balances:

	Impact of adopting IFRS 9 on opening balance AED'000
Accumulated losses	
Recognition of expected credit losses under IFRS 9	(661,233)
Impact at 1 January 2018	(661,233)

a) Classification and measurement of financial assets and financial liabilities

IFRS 9 largely retains the existing requirements in IAS 39 for the classification and measurement of financial liabilities. However, it eliminates the previous IAS 39 categories for financial assets of held to maturity, loans and receivables and available for sale.

The adoption of IFRS 9 has not had a significant effect on the Group's accounting policies related to financial liabilities and derivative financial instruments. The impact of IFRS 9 on the classification and measurement of financial assets is set out below.

Under IFRS 9, on initial recognition, a financial asset is classified as measured at: amortised cost; fair value through other comprehensive income ("FVOCI") – debt investment; FVOCI – equity investment; or fair value through profit or loss ("FVTPL"). The classification of financial assets under IFRS 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. Derivatives embedded in contracts where the host is a financial asset in the scope of the standard are never separated. Instead, the hybrid financial instrument as a whole is assessed for classification.

Financial assets that meet the following conditions are subsequently measured at amortised cost less impairment loss and deferred income, if any (except for those assets that are designated as at fair value through other comprehensive income on initial recognition):

1. the asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows; and
2. the contractual terms of the instrument give rise to cash flows on specified dates that are solely payments of principal and profit on the principal amount outstanding.

2 Basis of preparation and accounting policies (continued)

2.3 Change in accounting policy (continued)

IFRS 9 Financial instruments (continued)

a) Classification and measurement of financial assets and financial liabilities (continued)

All other financial assets are subsequently measured at fair value.

On initial recognition of an equity investment that is not held for trading, the Group may irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income ("OCI"). This election is made on an investment-by-investment basis.

All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL. This includes all derivative financial assets. On initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

A financial asset (unless it is a trade receivable without a significant financing component that is initially measured at the transaction price) is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition.

The following accounting policies apply to the subsequent measurement of financial assets.

Financial assets at FVTPL

These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in profit or loss.

Financial assets at amortised cost

These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses (see (ii) below). Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

Debt investments at FVOCI

These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognised in profit or loss. Other net gains and losses are recognised in OCI. On derecognition, gains and losses accumulated in OCI are reclassified to profit or loss.

Equity investments at FVOCI

These assets are subsequently measured at fair value. Dividends are recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognised in OCI and are never reclassified to profit or loss.

The effect of adopting IFRS 9 on the carrying amounts of financial assets at 1 January 2018 relates solely to the new impairment requirements, as described further below.

2 Basis of preparation and accounting policies (continued)

2.3 Change in accounting policy (continued)

IFRS 9 Financial instruments (continued)

a) Classification and measurement of financial assets and financial liabilities (continued)

The following table and the accompanying notes below explain the original measurement categories under IAS 39 and the new measurement categories under IFRS 9 for each class of the Group's financial assets as at 1 January 2018.

	Original classification under IAS 39	New classification under IFRS 9	Original carrying amount under IAS 39	Re-measurement	New carrying amount under IFRS 9
Trade, contract and other receivables (excluding advances and prepayments (refer (i) below)	Loans and receivables	Amortised cost	467,872	(5,198)	462,674
Due from related parties (refer (i) below)	Loans and receivables	Amortised cost	1,817,171	(651,978)	1,165,193
Long term fixed deposits	Loans and receivables	Amortised cost	51,187	(3,940)	47,247
Cash and bank balances	Loans and receivables	Amortised cost	370,950	(117)	370,833
Equity security (refer (ii) below)	Available-for-sale	FVOCI – equity instrument	19,816	-	19,816
Convertible contingent instrument	Loans and receivables	FVTPL – equity instrument	-	-	-
Total financial assets			**2,726,996**	**(661,233)**	**2,065,763**
Borrowings	Other financial liabilities	Other financial liabilities	668,339	-	668,339
Retention payable	Other financial liabilities	Other financial liabilities	78,153	-	78,153
Due to related parties	Other financial liabilities	Other financial liabilities	411	-	411
Trade and other payables	Other financial liabilities	Other financial liabilities	741,010	-	741,010
Total financial liabilities			**1,487,913**	**-**	**1,487,913**

(i) Trade, contract and other receivables and due from related parties that were classified as loans and receivables under IAS 39 are now classified at amortised cost. An increase of AED 657.2 million in the allowance for impairment over these receivables was recognised in opening accumulated losses at 1 January 2018 on transition to IFRS 9.

(ii) This equity security represent investment that the Group intends to hold for the long term for strategic purposes. As permitted by IFRS 9, the Group has designated this investment at the date of initial application as measured at FVOCI. Unlike IAS 39, the accumulated fair value reserve related to this investment will never be reclassified to profit or loss.

2 Basis of preparation and accounting policies (continued)

2.3 Change in accounting policy (continued)

IFRS 9 Financial instruments (continued)

b) 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 FVOCI and contract assets, but not to investments in equity instruments. Under IFRS 9, credit losses are recognized earlier than under IAS 39.

The financial assets at amortised cost consist of trade and other receivables, contract assets, due from related parties, cash at banks, and fixed deposits.

Under IFRS 9, loss allowances are 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.

The Group measures loss allowances at an amount equal to lifetime ECLs, except for the following, which are measured as 12-month ECLs:
- bank balances, long term fixed deposits and certain related parties for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

Loss allowances for trade receivables, contract assets and due from a related party are always measured at an amount equal to lifetime ECLs.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information.

The Group assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due.

The Group considers a financial asset to be in default when:
- the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or
- the financial asset is more than 90 days past due.

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive). ECLs are discounted at the effective interest rate of the financial asset.

Notes *(continued)*

2 Basis of preparation and accounting policies (continued)

2.3 Change in accounting policy

IFRS 9 Financial instruments (continued)

b) Impairment (continued)

Credit-impaired financial assets

At each reporting date, the Group assesses whether financial assets carried at amortised cost and debt securities at FVOCI are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Presentation of impairment

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets. For debt securities carried at FVOCI, the loss allowance is recognised in OCI, instead of reducing the carrying amount of the asset.

Impact on consolidated financial statements

Apart from changes in classification and measurement of financial assets and financial liabilities, the effect of initially applying this standard is mainly attributed to an increase in impairment losses recognised on financial assets. The details of adjustments to the opening accumulated losses and other account balances are detailed below:

	31 December 2017 AED'000 *(As previously reported)*	Impact of re-measurement under IFRS 9 AED'000	1 January 2018 AED'000 *(Restated)*
Impairment loss on:			
Trade, contract and other receivables	(112,239)	(5,198)	(117,437)
Due from related parties	(1,345)	(651,978)	(653,323)
Long term fixed deposits	-	(3,940)	(3,940)
Cash and bank balances	-	(117)	(117)
	(113,584)	(661,233)	(774,817)

The Group uses an allowance matrix to measure the ECLs of due from a related party and trade, contract and other receivables from individual customers, which comprise a very large number of small balances.

Loss rates are based on historical actual credit loss experience. These rates are multiplied by scalar factors to reflect differences between economic conditions during the period over which the historical data has been collected, current conditions and the Group's view of economic conditions over the expected lives of the receivables. Scalar factors are based on actual and forecast Brent oil prices.

In the current year, financial assets that were credit impaired resulted in an increase in impairment loss (Note 10 and note 11).

Notes *(continued)*

2 Basis of preparation and accounting policies (continued)

2.3 Change in accounting policy

IFRS 9 Financial instruments (continued)

c) Derecognition

Financial assets

The Group derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

The Group enters into transactions whereby it transfers assets recognised in its statement of financial position, but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognised.

Financial liabilities

The Group derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire. The Group also derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognised at fair value.

On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognised in profit or loss.

d) Transition

Changes in accounting policies resulting from the adoption of IFRS 9 have been applied retrospectively, except as described below.

The Group has used an exemption not to restate comparative information for prior periods with respect to classification and measurement (including impairment) requirements. Differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of IFRS 9 are recognised in accumulated losses and reserves as at 1 January 2018. Accordingly, the information presented for 2017 does not generally reflect the requirements of IFRS 9, but rather those of IAS 39.

The following assessments have been made on the basis of the facts and circumstances that existed at the date of initial application.

- The determination of the business model within which a financial asset is held.
- The designation and revocation of previous designations of certain financial assets and financial liabilities as measured at FVTPL.
- The designation of certain investments in equity instruments not held for trading as at FVOCI.

Notes *(continued)*

2 Basis of preparation and accounting policies (continued)

2.4 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.

2.5 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".

(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.

Notes *(continued)*

2 Basis of preparation and accounting policies (continued)

2.6 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

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.

2.7 Investment properties

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.

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.

2 Basis of preparation and accounting policies (continued)

2.7 Investment properties (continued)

Measurement (continued)

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 there is a change in use of the properties and 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 use of 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. Fair value at the date of reclassification becomes the cost of properties transferred for subsequent accounting purposes. Subsequent to the transfer, such properties are valued at cost in accordance with the measurement policy for properties held for development and sale.

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.

Notes *(continued)*

2 Basis of preparation and accounting policies (continued)

2.8 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.

2.9 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 but only to the extent that the carrying value does not exceed the actual cost.

2.10 Trade, contract 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 (Also refer note 2.18).

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

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.

2.11 Cash and cash equivalents

Cash and cash equivalents includes cash in hand and at bank and deposits held at call with banks 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.

Notes *(continued)*

2 Basis of preparation and accounting policies (continued)

2.12 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.

2.13 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.

2.14 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.

2.15 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 and treated as an adjustment to the instruments effective interest rate.

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.

2.16 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.

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

Notes *(continued)*

2 Basis of preparation and accounting policies (continued)

2.17 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.

2.18 Revenue recognition

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.

The Group recognises revenue 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.

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 Group 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.

2 Basis of preparation and accounting policies (continued)

2.18 Revenue recognition (continued)

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 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.

Service revenue

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

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.

2.19 Finance income

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

2.20 Dividend income

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

2.21 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.

2.22 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.

2.23 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 Basis of preparation and accounting policies (continued)

2.24 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 equity instrument at fair value.

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 at fixed rates. The Group's exposure to interest rate risk relates primarily to its borrowings with floating interest rates.

At 31 December 2018, if profit rates on borrowings had been 1% higher/lower with all other variables held constant, profit for the year would have been AED 4.1 million lower/higher *(2017: profit for the year would have been AED 4.3 million lower/higher)*, mainly as a result of higher/lower interest expense on floating rate borrowings.

Derivative financial instrument

In the previous 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.

Notes *(continued)*

3 Financial risk management (continued)

3.1 Financial risk factors (continued)

Market risk (continued)

	2018 AED'000 Fair value	**2018 AED'000 Notional amount**	2017 AED'000 Fair value	2017 AED'000 Notional amount
Profit rate swap	**(190)**	**169,661**	(1,146)	52,522
	(190)	**169,661**	(1,146)	52,522

The fair value as at reporting date is categorised as level 3 in fair value hierarchy.

Credit risk

The Group is exposed to credit risk in relation to its monetary assets, mainly trade, contract and other receivables (excluding advances and prepayments), 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:

	2018 AED'000	2017 AED'000
Long term fixed deposits	**42,654**	51,187
Trade, contract and other receivables (excluding advances and prepayments)	**691,075**	467,872
Due from related parties	**808,674**	1,817,171
Bank balances	**615,888**	367,333
	2,158,291	2,703,563

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.

Notes *(continued)*

3 Financial risk management (continued)

3.1 Financial risk factors (continued)

Liquidity risk (continued)

	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 2018					
Borrowings	1,013,833	1,200,490	239,229	712,524	248,737
Trade and other payables	621,844	621,844	621,844	-	-
Retentions payable	63,336	63,336	6,853	56,483	-
	1,699,013	**1,885,670**	**867,926**	**769,007**	**248,737**
As at 31 December 2017					
Borrowings	668,339	764,869	124,742	482,715	157,412
Trade and other payables	741,010	741,010	741,010	-	-
Retentions payable	78,153	78,153	33,018	45,135	-
Due to related parties	411	411	411	-	-
	1,487,913	1,584,443	899,181	527,850	157,412

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.

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).

3 Financial risk management (continued)

3.3 Fair value estimation (continued)

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

	Level 1 AED'000	Level 2 AED'000	Level 3 AED'000	Total AED'000
As at 31 December 2018				
Equity instrument at fair value through other comprehensive income	17,635	-	-	17,635
As at 31 December 2017				
Available-for-sale financial assets	19,816	-	-	19,816

The carrying value less impairment provision of trade, contract and other receivables and due from related parties approximates their fair values keeping in view the period over which these are expected to be realised. Financial liabilities approximate their fair values.

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 or 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.

The key assumptions on which management has based its cash flow projections when determining the fair value of the assets are as follows:

- Discount rate based on the Company'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 long-term rate of growth.

Notes *(continued)*

4 Critical accounting estimates and judgements (continued)

(a) Valuation of investment properties (continued)

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 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.

(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.

Notes *(continued)*

4 Critical accounting estimates and judgements (continued)

(c) IFRS 15 Revenue from contracts with customers (continued)

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.

(d) Write down of properties held for development and sale

The Group reviews the properties held for development and sale to assess write down, if there is an indication of write down. The Group uses valuations carried out by an independent external valuer and market sales data to ascertain the recoverable amount.

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 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
At 1 January 2018	508,606	46,569	3,859	8,358	27,252	913	595,557
Additions	182,168	395	-	267	4,938	-	187,768
At 31 December 2018	690,774	46,964	3,859	8,625	32,190	913	783,325
Accumulated depreciation							
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
At 1 January 2018	-	12,493	2,329	7,199	22,999	850	45,870
Charge for the year (Note 24)	-	2,516	622	566	2,527	63	6,294
At 31 December 2018	-	15,009	2,951	7,765	25,526	913	52,164
Net book value - 31 December 2018	**690,774**	**31,955**	**908**	**860**	**6,664**	**-**	**731,161**
Net book value - 31 December 2017	508,606	34,076	1,530	1,159	4,253	63	549,687

Capital work-in-progress represents expenditure incurred on the construction of hotel and service apartments which are intended to be used according to the Group'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 the second quarter of 2019.

Buildings with a carrying value of AED 31.7 million *(2017: AED 16.8 million)* and capital work in progress with carrying value of AED 101 million *(2017: AED 101 million)* are mortgaged under Islamic finance obligations (Note 16).

6 Investment properties

	UAE Office building AED'000	UAE Parking spaces AED'000	UAE Stores units AED'000	UAE Retail units AED'000	2018 Total AED'000	2017 Total AED'000
Fair value hierarchy	**3**	**3**	**3**	**3**		
Fair value at 1 January	**83,707**	**69,035**	**10,711**	**174,566**	**338,019**	330,669
Additions	-	**44**	-	-	**44**	223
Disposal	-	**(165)**	-	-	**(165)**	-
Transfer from properties held for sale (Note 8)	-	-	-	**11,470**	**11,470**	-
Transfer from property and equipment, net (Note 5)	-	-	-	-	-	1,316
Net gain from fair value adjustments on investment properties	-	-	-	**1,224**	**1,224**	5,811
Fair value at 31 December	**83,707**	**68,914**	**10,711**	**187,260**	**350,592**	338,019

The Company has reclassified certain retail units from properties held for sale *(2017: from property and equipment)* to investment properties as a result of change in use of these retail units. The units 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 a total fair value gain of AED 6.4 million *(2017: AED 1.6 million)*.

Investment properties are 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.

Direct / operating costs recognised in the consolidated statement of profit or loss includes AED 3.2 million *(2017: AED 4.2 million)* and rental income recognised in consolidated statement of profit or loss includes AED 34.4 million *(2017: AED 36.3 million)* from investment property (Note 21 and note 22).

Investment properties with carrying value of AED 248.7 million *(2017: AED 258.3 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. Discussion 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.

Notes *(continued)*

6 Investment properties (continued)

Valuation processes (continued)

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	Sensitivity of management estimates Impact higher AED'000
UAE	Office building	Income capitalisation	Estimated rental value	AED 85 to AED 205 per sqft per annum	(915)	915
			Discount rate	10.35%	13,321	(10,020)

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 2018 provided by an independent professionally qualified valuer. The valuer has used sales comparison method to determine the fair values of these assets.

7 Investments in joint ventures and an associate

	Joint Ventures		Associate		Total	
	2018	2017	**2018**	2017	**2018**	2017
	AED'000	AED'000	**AED'000**	AED'000	**AED'000**	AED'000
At 1 January	**896,236**	885,693	**368,802**	370,323	**1,265,038**	1,256,016
Share of profit / (loss) (i)	**69,803**	10,661	**(1,790)**	(1,521)	**68,013**	9,140
Disposal of a joint venture (ii)	**-**	(118)	**-**	-	**-**	(118)
At 31 December	**966,039**	896,236	**367,012**	368,802	**1,333,051**	1,265,038

(i) For current year, share of profit from a joint venture includes fair valuation gain of AED 58.2 million on the investment properties portfolio held by the joint venture, based on management's internal assessment of the Group's share in these properties.

Notes *(continued)*

7 Investments in joint ventures and an associate (continued)

(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 and the liquidation process of the joint venture was concluded. On liquidation, the Company had 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 table reconciles the summarised financial information relating to the carrying amount of the Group's interest in the associate is as follows:

	2018 AED' 000	2017 AED' 000
Percentage ownership interest	22.72%	22.72%
Non-current assets	**940,193**	940,193
Current assets *(including cash and cash equivalents – 2018: AED 0.5 million, 2017: AED 0.5 million)*	**496**	496
Current liabilities *(including current financial liabilities excluding trade and other payables and provisions – 2018: AED 0.6 million, 2017: AED 0.5 million)*	**(705)**	(705)
Net assets (100%)	**939,984**	939,984
Group's share of net assets (22.72%)	**213,564**	213,564
Adjustments (refer note (iii) below)	**153,448**	155,238
Carrying amount of interest in an associate	**367,012**	368,802
Profit and total comprehensive income (100%)	**(162)**	(165)
Profit and total comprehensive income (22.72%)	**(37)**	(38)
Adjustment relating to accounting policy	**(1,753)**	(1,483)
Group share of total profit and compressive income	**(1,790)**	(1,521)

(iii) This mainly includes the goodwill (premium) paid on acquisition of interest in the associate and adjustment relating to alignment of associate's accounting policy to the Group's accounting policy.

The Group's share of its associate's commitments amounts to AED 45 million *(2017: AED 46 million)*.

7 Investments in joint ventures and an associate (continued)

Investment in a joint venture

The Group has a 50% interest in the following joint venture, which is engaged in property development. The following amounts represent the Group's 50% share of the assets, liabilities, revenue and results of the joint venture. They also include consolidation adjustments made at the Group's level to ensure uniform accounting policies.

The table reconciles the summarised financial information relating to the carrying amount of the Group's interest in the joint venture is as follows:

	2018 AED' 000	2017 AED' 000
Percentage ownership interest	50%	50%
Non-current assets	**1,239,473**	1,260,022
Current assets *(including cash and cash equivalents – 2018: AED 62.2 million, 2017: AED 99.6 million)*	**275,751**	279,896
Non-current liabilities *(including non-current financial liabilities excluding trade and other payables and provisions – 2018: AED 0.2 million, 2017: AED 0.2 million)*	**(175)**	(161)
Current liabilities *(including current financial liabilities excluding trade and other payables and provisions – 2018: AED 37.4 million, 2017: AED 85.3 million)*	**(104,584)**	(126,493)
Net assets (100%)	**1,410,465**	1,413,264
Group's share of net assets (50%)	**705,233**	706,632
Adjustments (refer note (iv) below)	**260,806**	189,604
Carrying amount of interest in a joint venture	**966,039**	896,236
Revenue	**55,150**	65,662
Depreciation and amortization	**24,740**	29,074
Profit and total comprehensive income (100%)	**49**	(8,111)
Profit and total comprehensive income (50%)	**25**	(4,056)
Adjustments relating to accounting policies (also refer note (i) above)	**70,368**	11,631
Other Adjustments	**(590)**	3,086
Group share of total profit and compressive income	**69,803**	10,661

(iv) This mainly includes the goodwill (premium) paid on acquisition of interest in the joint venture and adjustments relating to alignment of joint venture's accounting policies to the Group's accounting policies.

The Group's proportionate share in joint ventures commitments is AED Nil *(2017: 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 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
1 January 2018	228,100	320,479	685,787	1,234,366
Additions	15,337	418,083	141,493	574,913
Reversal of impairment (Note 22)	1,372	-	-	1,372
Transfer to properties held for sale	36,309	(36,309)	-	-
Transfer to investment properties (Note 6)	-	(11,470)	-	(11,470)
Adjustments	846	(365)	(481)	-
Sales (Note 22)	(27,979)	(375,745)	-	(403,724)
31 December 2018	253,985	314,673	826,799	1,395,457

(i) Land with a carrying value of AED 261.3 million had 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 1.3 million *(2017: AED 3.2 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 2017, the Company had 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 had also reclassified office units from property held for sale to property and equipment based on change in use.

During the current year, the Company has reclassified additional units from its portfolio of retail units in various buildings amounting to AED 11.5 million from property held for sale to investment properties based on change in use (Note 6).

In the current year, a related party receivable balance has been settled partially through a plot of land recorded under land held for future development and sale. The Group has recorded the plot of land at its fair value amounting to AED 82.6 million (Note 11(c)).

The Company has also acquired plot of land amounting to AED 58.6 million from a master developer during the current year as part of the settlement agreement signed in the previous year (Note 9(ii)).

8 Properties held for development and sale (continued)

Plots of land with total carrying value of AED 676 million *(2017: AED 593 million)* and Properties with total carrying value of AED 171 million *(31 December 2017: AED Nil)* are mortgaged under Islamic finance obligations (Note 16).

In the current year, the Company has recognised an amount of AED 403.7 million *(2017: AED 470.4 million)* in consolidated statement of profit or loss under "direct / operating costs" against revenue recognised of AED 515.6 million *(2017: AED 617.5 million)* (Note 21 and note 22).

For lands held for future development and use amounting to AED 826.8 million as at the reporting date *(31 December 2017: AED 685.8 million)*, management is currently evaluating feasibility of the projects and considering alternative viable profitable options as well as various offers from potential buyers.

9 Advance for purchase of properties

	2018 **AED'000**	2017 AED'000
Advance for purchase of share in real estate project (i)	**397,049**	412,468
Advance for purchase of properties (ii)	**-**	125,600
	397,049	538,068
Less: provision for impairment against advance for purchase of share in real estate project (i)	**(267,439)**	(276,000)
	129,610	262,068

(i) In previous years, the Company had entered into a Memorandum of Understanding (MoU) for 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. In the current year, the Company has signed an agreement where the parties including the Company will jointly allocate the project's assets in proportion to the share of each party in the project. The allocation of the Company's share of properties is expected to be completed in 2019.

(ii) In 2017, the Company had signed a termination and settlement agreement with a master developer whereby the master developer will swap the plots of land designated as per the original sale and purchase agreement ("SPA") with other new plot(s) at a later date and pay a termination compensation. Accordingly, the original purchase amount paid of AED 125.6 million was classified as advance for purchase of properties and the Company had recorded a net income of AED 16.5 million as other income representing the agreed compensation value. In the current year, the new plot of land was valued at AED 58.6 million and a SPA was signed where by the Company will receive the plot of land and balance of AED 67 million was refunded in cash towards full and final settlement of AED 125.6 million against original consideration paid.

10 Trade, contract and other receivables

	2018 AED'000	2017 * AED'000
Trade and unbilled receivables (refer (i) below)	**656,137**	453,303
Other receivables (refer (ii) below)	**119,444**	172,024
	775,581	625,327

* The Group has applied IFRS 9 – Financial Instruments effective from 1 January 2018. Under the transition method elected, comparative information is not restated. Also refer note 2.3.

i. Trade and unbilled receivables

	2018 AED'000	2017 AED'000
Trade receivables		
Amounts receivable within 12 months	**317,856**	77,187
Contract assets		
Unbilled receivables within 12 months	**327,478**	376,116
Unbilled receivables after 12 months	**10,803**	-
Total trade and unbilled receivables	**656,137**	453,303

The above trade receivables are net of provision for impairment amounting to AED 116.4 million *(2017: AED 112.2 million)* relating to trade receivables which are past due. All other trade receivables are considered recoverable.

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 satisfaction of performance obligation.

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

	2018 AED'000	2017 AED'000
Contract assets (included in trade receivables)	**338,281**	376,116
Contract liabilities (Advances from customers – Note 17)	**10,009**	24,430

Notes *(continued)*

10 Trade, contract and other receivables (continued)

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	-	(19,125)
Increases due to cash received, excluding amounts recognised as revenue during the year	-	4,704
Transfers from contract assets recognised at the beginning of the period to receivables	(376,116)	-
Increases as a result of changes in the measure of progress	338,281	-

As at 31 December 2018, trade receivables of AED 631.7 million *(2017: AED 419.3 million)* were receivable from sale of properties and trade receivables of AED 24.4 million *(2017: AED 34.1 million)* were receivable from other streams of revenue.

The ageing analysis of these trade receivables is as follows:

	2018 AED'000	2017 AED'000
Not due	**338,280**	376,116
Upto 3 months	**259,792**	14,865
Over 3 months	**58,065**	62,322
Net receivable	**656,137**	453,303

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

	2018 AED'000	2017 AED'000
At 1 January	**112,239**	110,108
Adjustment on initial application of IFRS 9 (Note 2.3)	**5,198**	-
Provision for impairment	**4,312**	2,131
Write off during the year	**(5,262)**	-
At 31 December	**116,487**	112,239

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.

ii. Other receivables

	2018 AED'000	2017 * AED'000
Advances to contractors	**53,131**	115,845
Advances to suppliers	**22,188**	29,319
Prepayments	**9,187**	12,291
Others	**35,310**	14,569
	119,816	172,024
Less: provision for impairment	**(372)**	-
	119,444	172,024

11 Related party transactions and balances

Related parties include the significant shareholders, key management personnel, associate, joint venture, 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.

	2018 AED'000	2017 AED'000
A significant shareholder		
Other operating income/finance income	**2,536**	3,566
Finance cost	**18,365**	17,036
Borrowings drawndown	**188,942**	88,425
Borrowings repayments	**76,917**	76,917

(b) Remuneration of key management personnel

	2018 AED'000	2017 AED'000
Salaries and other short term employee benefits	**13,289**	12,073
Termination and post-employment benefits	**382**	393
Board of Directors' remuneration (note (i))	**1,892**	2,609
	15,563	15,075

(i) In the current year, a provision for the Board of Directors' remuneration amounting to AED 1.9 million was recognised *(2017: provision of AED 2.6 million)*. During the year, an amount of AED 1.8 million *(2017: AED 3.2 million)* in respect to prior year's Board of Directors' remuneration was paid after reversal of AED 0.8 million *(2017: AED 1.1 million)* based on the final approval of the shareholders in the Annual General Meeting dated 14 March 2018.

(c) Due from related parties comprises:

	2018 AED'000	2017 * AED'000
Current		
Due from a joint venture	**5,068**	16,098
Due from other related parties	**1,200,151**	1,802,418
	1,205,219	1,818,516
Less: provision for impairment	**(396,545)**	(1,345)
	808,674	1,817,171

* The Group has applied IFRS 9 – Financial Instruments effective from 1 January 2018. Under the transition method elected, comparative information is not restated. Also refer note 2.3.

Cash and bank balances include fixed deposits of AED 145 million *(2017: AED 150 million)* deposited with the significant shareholder of the Company (a bank), at market prevailing profit rates.

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 2018 is AED 1,198.7 million (31 December 2017: AED 1,801 million) against which a provision for impairment amounting to AED 395.1 million exists. The outstanding balance based on the last amendment effective from 31 December 2018, is to be settled by the purchaser no later than 31 December 2019.

Partial settlement

In the current year, the Group has signed an amendment and partial settlement agreement with the related party for partial settlement of receivable balance by AED 602.2 million. A portion of this receivable amounting to AED 311.3 million was settled through a plot of land which was recorded at its fair value (refer below and Note 8).

Impairment provision

In the current year, provision for an amount of AED 651.9 million was recognised as an adjustment to equity as per transition requirements of IFRS 9. Subsequently, on partial settlement of receivable during the current year, an amount of AED 224.9 million was written off against the provision for impairment. Furthermore, a reversal of provision for impairment based on updated estimates in expected credit loss model amounting to AED 31.9 million has been recognised in the Group's consolidated financial statements. To determine the provision for impairment, management has applied certain key assumptions and judgments in accordance with IFRS 9 – Financial Instruments in order to determine the expected credit loss which includes the use of various forward-looking information that could impact the timing and/or amount of recoveries.

(d) Due to related parties comprises:

	2018 **AED'000**	2017 AED'000
Current		
Due to a significant shareholder	-	411
	-	411

At 31 December 2018, the Group had bank borrowings from the significant shareholder (a bank) of AED 431.2 million *(2017: AED 319.2 million)* at market prevailing profit rates (Note 16).

12 Cash and bank balances

	2018 **AED'000**	2017 * AED'000
Cash and bank balances including call deposits	**328,831**	122,333
Fixed deposits	**333,985**	296,187
Cash in hand	**153**	3,617
	662,969	422,137
Less : provision for impairment	**(4,274)**	-
	658,695	422,137
Less: long term fixed deposits with a financial institution – net (i)	**(42,654)**	(51,187)
	616,041	370,950

* The Group has applied IFRS 9 – Financial Instruments effective from 1 January 2018. Under the transition method elected, comparative information is not restated. Also refer note 2.3.

12 Cash and bank balances (continued)

Bank accounts include balance of AED 134.2 million *(31 December 2017: AED 30 million)* and fixed deposits of AED 5 million *(31 December 2017: AED 95 million)* at market prevailing profit rates held in escrow accounts relating to advance collected from customers which are available for payments relating to construction of development properties.

i. Long term fixed deposits

In previous years, the Company had placed Wakala deposit amounting to AED 101 million with a financial institution for a period of 12 years with quarterly repayments. Based on the key terms of the revised agreement entered in previous years, management had recognised an impairment charge of AED 15.3 million and present value impact of AED 6.7 million on the fixed deposit. As at reporting date, the Company has cumulatively received an amount of AED 41.3 million *(2017: AED 36.0 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 and against which a provision for impairment amounting to AED 4 million at the reporting date has been recognised in accordance with the requirements of IFRS 9 – Financial Instruments.

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

	2018 **AED'000**	2017 AED'000
Cash and bank balances	**658,695**	422,137
Less: deposits with original maturity more than three months	**(114,839)**	(156,187)
Cash and cash equivalents	**543,856**	265,950

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

13(a) Available-for-sale financial assets

Investment in a real estate investment trust (REIT)	**2018** **AED'000**	2017 * AED'000
1 January	-	22,186
Change in fair value	-	(2,370)
31 December	-	19,816

13(b) Equity instrument at fair value through other comprehensive income

At 1 January 2018, the Group designated the investments shown below as equity securities at FVOCI because these equity securities represent investments that the Group intends to hold for the long term for strategic purposes. In 2017, these investments were classified as available-for sale (Note 13(a).

Investment in a real estate investment trust (REIT)	**2018** **AED'000**	2017 * AED'000
1 January (effect of adoption of IFRS 9 – Financial Instruments)	**19,816**	-
Change in fair value	**(2,181)**	-
31 December	**17,635**	-

* The Group has applied IFRS 9 – Financial Instruments effective from 1 January 2018. Under the transition method elected, comparative information is not restated. Also refer note 2.3.

Notes *(continued)*

14 Share capital

At 31 December 2018 and 31 December 2017, share capital comprised of 5,778,000,000 shares of AED 1 each. All shares are authorised, issued and fully paid up.

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

	2018 AED'000	2017 * AED'000
Islamic finance obligations		
Current	**215,207**	100,953
Non-current	**798,626**	567,386
Total borrowings	**1,013,833**	668,339

* The Group has applied IFRS 9 – Financial Instruments effective from 1 January 2018. Under the transition method elected, comparative information is not restated. Also refer note 2.3.

	Total AED'000
1 January 2017	438,679
Drawndown	325,293
Repayments	(95,633)
31 December 2017	668,339
Drawndown	451,079
Repayments	(105,585)
31 December 2018	**1,013,833**

Islamic finance obligations represent Ijarah and Murabaha facilities obtained from Dubai Islamic Bank PJSC (a significant shareholder) (note 11), and from other local banks. The facilities were availed to finance the properties under construction and working capital requirements. 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 *(2017 : three to twelve years)*.

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.

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

	2018 AED'000	2017 AED'000
Trade payables	**24,872**	26,580
Payables for purchase of land	**270,759**	391,888
Accrued Islamic facilities charges	**3,987**	1,782
Project cost accruals	**113,799**	140,393
Other payables and accrued expenses	**208,427**	180,367
	621,844	741,010

19 Retentions payable

	2018 AED'000	2017 AED'000
Non-current portion	**29,686**	45,135
Current portion	**33,650**	33,018
	63,336	78,153

Non-current retention are due to be paid to contractors within 2 to 3 years from the reporting date.

20 Provision for employees' end of service benefits

	2018 AED'000	2017 AED'000
At 1 January	**13,436**	12,892
Charge for the year	**2,593**	2,584
Payments	**(2,136)**	(2,040)
At 31 December	**13,893**	13,436

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

	2018 AED'000	2017 AED'000
Property development activities		
Sale of properties	**515,651**	617,507
Leasing income	**35,350**	38,291
	551,001	655,798
Properties and facilities management		
Property management	**38,256**	41,978
Facilities management	**54,473**	53,811
	92,729	95,789
	643,730	751,587

21 Revenue (continued)

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.

	2019 AED'000	**2020 AED'000**	**Total AED'000**
Sale of properties	319,882	35,518	355,400

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.

22 Direct / operating costs

	2018 AED'000	2017 AED'000
Cost of properties sold (Note 8)	**403,724**	470,474
Reversal of impairment of properties held for development and sale, net (Note 8)	**(1,372)**	(3,180)
Facilities management (includes staff costs (refer (i) below))	**38,504**	32,992
Leasing cost	**3,155**	4,240
Others	**127**	78
	444,138	504,604

(i) Facilities management costs include staff costs amounting to AED 15.7 million *(2017: AED 12.6 million).*

The Group expects the incremental cost, which mainly includes sales commission, incurred as a result of obtaining contracts to be recoverable and accordingly these costs are capitalised. 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

	2018 AED'000	2017 AED'000
Write back of provisions and liabilities no longer payable	**3,245**	10,168
Compensation on land settlement (note 9 (ii))	**-**	16,467
Others	**7,251**	12,226
	10,496	38,861

24 General and administrative expenses

	2018 AED'000	2017 AED'000
Staff costs (Note 25)	**92,600**	88,513
Marketing and selling expenses	**19,101**	16,137
Legal and professional charges	**5,501**	6,183
Depreciation (Note 5)	**6,294**	6,352
Rent	**1,866**	2,372
Social contributions	**448**	674
Others	**20,678**	25,537
	146,488	145,768

25 Staff costs

	2018 AED'000	2017 AED'000
Salaries	**59,769**	66,151
End of service benefits (Note 20)	**2,593**	2,584
Pension and social security contributions	**638**	1,125
Other benefits	**29,600**	18,653
	92,600	88,513

26 Provision for claims

This includes 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 Finance (cost) / income

	2018 AED'000	2017 AED'000
Finance cost on bank borrowings	**(24,334)**	(19,072)
Finance income from short-term bank deposits	**5,470**	6,125
Present value impact on non-current financial assets	**930**	1,133
Total finance income	**6,400**	7,258
Net finance cost	**(17,934)**	(11,814)

28 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.

	2018	2017
Profit attributable to equity holders of the Company (AED'000)	**140,147**	130,445
Weighted average number of ordinary shares in issue (thousands)	**5,778,000**	5,778,000
Earnings per share (fils)	**2.43**	2.26

Diluted

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

29 Cash flow from operating activities

	2018 AED'000	2017 AED'000
Profit for the year	**140,147**	130,445
Adjustment for:		
Depreciation (Note 5)	**6,294**	6,352
Provision for employees' end of service benefits (Note 20)	**2,593**	2,584
Reversal of impairment against balance receivable from a related party (Note 11(c))	**(31,939)**	-
Impairment against trade receivables, contract and other financial assets	**4,529**	1,938
Reversal of impairment of properties held for development and sale, net (Note 22)	**(1,372)**	(3,180)
Reversal of impairment against advance for purchase of properties	**(8,561)**	(175)
Provision against claims	**5,298**	5,250
Finance income (Note 27)	**(6,400)**	(7,258)
Finance cost (Note 27)	**24,334**	19,072
Compensation from the master developer	**-**	(3,713)
Share of results from an associate and a joint venture (Note 7)	**(68,013)**	(9,140)
Gain on fair valuation of investment property (Note 6)	**(1,224)**	(5,811)
Operating cash flows before payment of employees' end of service benefits and changes in working capital	**65,686**	136,364
Payment of employees' end of service benefits (Note 20)	**(2,136)**	(2,040)
Changes in working capital:		
Properties held for development and sale (net of project cost accruals)	**(22,492)**	89,529
Retention payable – non-current	**(15,449)**	17,261
Retention payable – current	**632**	31,863
Trade, contract and other receivables – non-current	**71,627**	16,338
Trade, contract and other receivables – current	**(154,148)**	(447,173)
Advance from customers – non-current	**-**	(54,052)
Advances from customers – current	**(14,421)**	(27,914)
Inventories	**(46)**	(443)
Due from related parties	**162,003**	-
Trade and other payables	**13,384**	(73,724)
Due to related parties	**(411)**	411
Net cash generated from / (used in) operating activities	**104,229**	(313,580)

30 Commitments

At 31 December 2018, the Group had total commitments of AED 412 million *(2017: AED 604.5 million)* with respect to project related contracts issued net of invoices received and accruals made at that date. The Group also has other commitments of AED 170.4 million *(2017: AED 170.4 million)* (Note 31).

31 Contingent liabilities

At 31 December 2018, 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 135.6 million *(2017: AED 130.4)*. 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 *(2017: AED 3.4 million)*. The Group anticipates that no material liabilities will arise from these performance and other guarantees.

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 30.

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.

32 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 2018			
Segment revenues – external	**551,001**	**92,729**	**643,730**
Segment profit	**122,834**	**17,313**	**140,147**
Segment assets	**5,940,326**	**262,790**	**6,203,116**
Segment liabilities	**1,497,809**	**230,404**	**1,728,213**

Notes *(continued)*

32 Segmental information (continued)

Operating segment (continued)

31 December 2017	Property development activities AED'000	Properties and facilities management AED'000	Total AED'000
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

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 2018 is AED 3.3 million *(2017: AED 3.3 million)*.

33 Financial instruments by category

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

31 December 2018	**Amortised cost AED'000**	**Equity instrument at fair value through other comprehensive income AED'000**	**Total AED'000**
Assets as per statement of financial position			
Equity instrument at fair value other comprehensive income	-	17,635	17,635
Trade, contract and other receivables	691,075	-	691,075
Due from related parties	808,674	-	808,674
Long term fixed deposits	42,654	-	42,654
Bank balances	615,888	-	615,888
	2,158,291	**17,635**	**2,175,926**

	Amortised cost AED'000	**Total AED'000**
Liabilities as per statement of financial position		
Trade and other payables	621,844	621,844
Retentions payable	63,336	63,336
Borrowings	1,013,833	1,013,833
	1,699,013	**1,699,013**

33 Financial instruments by category (continued)

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, contract 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	741,010	741,010
Retentions payable	78,153	78,153
Borrowings	668,339	668,339
Due to related parties	411	411
	1,487,913	1,487,913

As at 31 December 2018, the Group does not have any investment in or other exposure to Abraaj Group *(2017: Nil)*.

34 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

34 Subsidiaries and equity accounted investees entities (continued)

Name of entity	Country of incorporation	Effective ownership	Principal activities
Subsidiaries (continued)			
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
Deyaar Property Management LLC	UAE	100%	Property Management
Montrose L.L.C	UAE	100%	Buying, Selling and Real Estate Development
The Atria L.L.C	UAE	100%	Hotel Management
Deyaar One Person Holding LLC	UAE	100%	Investment in Commercial/Industrial Enterprise & Management
Bella Rose Real Estate Development L.L.C	UAE	100%	Buying, selling and real estate development
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.

35 Investment in shares

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

36 Comparative information

Certain comparative figures have been regrouped / reclassified to conform to the presentation adopted in these consolidated financial statements. Such reclassifications do not affect the previously reported net profit, net assets or equity of the Group.