

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

UNAUDITED INTERIM CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 31 MARCH 2018

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

Unaudited Interim Condensed Consolidated Financial Statements
For the Period Ended 31 March 2018

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REPORT ON REVIEW OF INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS TO THE SHAREHOLDERS OF EMAAR DEVELOPMENT PJSC (FORMERLY KNOWN AS EMAAR DEVELOPMENT LLC) AND ITS SUBSIDIARY

Introduction

We have reviewed the accompanying interim condensed consolidated financial statements of Emaar Development PJSC (formerly known as Emaar Development LLC) (the “Company”) and its subsidiary (the “Group”) as at 31 March 2018, comprising of the interim consolidated statement of financial position as at 31 March 2018, and the related interim consolidated statements of comprehensive income, statement of changes in equity and cash flows for the three-month period then ended and explanatory notes. Management is responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance with IAS 34 *Interim Financial Reporting* (“IAS 34”). Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, “*Review of Interim Financial Information Performed by the Independent Auditor of the Entity*”. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and, consequently, does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial statements are not prepared, in all material respects, in accordance with IAS 34.

We have not reviewed the financial information for the three-month period ended 31 March 2017 and accordingly do not express a conclusion thereon.

For Ernst & Young



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

13 May 2018

Dubai, United Arab Emirates

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

INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the period ended 31 March 2018 (Unaudited)

(US\$ 1.00 = AED 3.673)

		<i>21 November 2017 to 31 March 2018*</i>	<i>1 January 2018 to 31 March 2018</i>	<i>1 January 2017 to 31 March 2017</i>
	<i>Notes</i>	<i>AED'000</i>	<i>AED'000</i>	<i>AED'000</i>
Revenue	4	4,443,342	3,265,217	1,673,388
Cost of revenue	4	(2,496,850)	(1,857,127)	(1,077,386)
GROSS PROFIT		1,946,492	1,408,090	596,002
Selling, general and administrative expenses	5	(366,772)	(259,248)	(152,183)
Finance income	6	48,491	30,844	21,565
Finance costs		(52,984)	(36,553)	(3,348)
Other income		21,806	13,095	13,101
Share of results of joint ventures		19,721	12,120	(625)
PROFIT FOR THE PERIOD		1,616,754	1,168,348	474,512
Other comprehensive income		-	-	-
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		1,616,754	1,168,348	474,512
ATTRIBUTABLE TO:				
Owners of the Parent		1,112,729	819,256	505,667
Non-controlling interest		504,025	349,092	(31,155)
		1,616,754	1,168,348	474,512
Earnings per share attributable to the owners of the Parent: - basic and diluted earnings per share (AED)		0.28	0.20	1,685,557

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

The accompanying notes 1 to 18 form an integral part of these interim condensed consolidated financial statements.

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

INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION

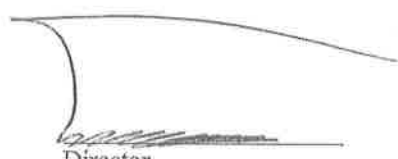
As at 31 March 2018 (Unaudited)

(US\$ 1.00 = AED 3.673)

		31 March 2018 AED'000	31 December 2017 AED'000
	<i>Notes</i>		
ASSETS			
Bank balances and cash	7	9,224,407	9,611,896
Trade and unbilled receivables	8	2,188,305	1,566,296
Other assets, receivables, deposits and prepayments	9	3,595,969	3,141,553
Development properties	10	10,300,412	9,359,957
Loans to joint ventures	11	432,116	405,630
Investments in joint ventures	12	12,685	565
Property, plant and equipment		63,553	67,174
TOTAL ASSETS		25,817,447	24,153,071
LIABILITIES AND EQUITY			
LIABILITIES			
Trade and other payables	13	6,750,325	5,837,435
Advances from customers		7,297,543	7,695,335
Retentions payable		456,255	477,872
Interest-bearing loans and borrowings	14	3,923,829	3,921,423
Provision for employees' end-of-service benefits		21,364	21,223
TOTAL LIABILITIES		18,449,316	17,953,288
EQUITY			
Equity attributable to owners of the Parent			
Share capital		4,000,000	4,000,000
Statutory reserve		150	150
Retained earnings		1,902,685	1,083,429
Non-controlling interests		5,902,835	5,083,579
		1,465,296	1,116,204
TOTAL EQUITY		7,368,131	6,199,783
TOTAL LIABILITIES AND EQUITY		25,817,447	24,153,071

The interim condensed consolidated financial statements were authorised for issue on 9 May 2018 by:


Chairman


Director

The accompanying notes 1 to 18 form an integral part of these interim condensed consolidated financial statements.

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

INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the period ended 31 March 2018 (Unaudited)

	<i>Attributable to the owners of the Parent</i>				<i>Total</i> <i>AED'000</i>	<i>Non-</i> <i>controlling</i> <i>interests</i> <i>AED'000</i>	<i>Total</i> <i>equity</i> <i>AED'000</i>
	<i>Share</i> <i>capital</i> <i>AED'000</i>	<i>Statutory</i> <i>reserve</i> <i>AED'000</i>	<i>Retained</i> <i>earnings</i> <i>AED'000</i>	<i>Shareholder's</i> <i>contribution</i> <i>AED'000</i>			
Balance at 21 November 2017*	4,000,000	150	-	789,956	4,790,106	961,271	5,751,377
Profit for the period	-	-	1,112,729	-	1,112,729	504,025	1,616,754
Other comprehensive income for the period	-	-	-	-	-	-	-
Total comprehensive income for the period	-	-	1,112,729	-	1,112,729	504,025	1,616,754
Movement in shareholder's contribution (Note 17(ii))	-	-	789,956	(789,956)	-	-	-
Balance at 31 March 2018	4,000,000	150	1,902,685	-	5,902,835	1,465,296	7,368,131
Balance at 1 January 2018	4,000,000	150	1,083,429	-	5,083,579	1,116,204	6,199,783
Profit for the period	-	-	819,256	-	819,256	349,092	1,168,348
Other comprehensive income for the period	-	-	-	-	-	-	-
Total comprehensive income for the period	-	-	819,256	-	819,256	349,092	1,168,348
Balance at 31 March 2018	4,000,000	150	1,902,685	-	5,902,835	1,465,296	7,368,131

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

The accompanying notes 1 to 18 form an integral part of these interim condensed consolidated financial statements.

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

INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (continued)

For the period ended 31 March 2018

	<i>Attributable to the owners of the Parent</i>				<i>Total</i> <i>AED'000</i>	<i>Non-</i> <i>controlling</i> <i>interests</i> <i>AED'000</i>	<i>Total</i> <i>equity</i> <i>AED'000</i>
	<i>Share</i> <i>capital</i> <i>AED'000</i>	<i>Statutory</i> <i>reserve</i> <i>AED'000</i>	<i>Retained</i> <i>earnings</i> <i>AED'000</i>	<i>Shareholder's</i> <i>contribution</i> <i>AED'000</i>			
Balance at 31 December 2016 (<i>Audited</i>)	300	150	-	6,751,772	6,752,222	763,518	7,515,740
Profit for the period	-	-	-	505,667	505,667	(31,155)	474,512
Other comprehensive income for the period	-	-	-	-	-	-	-
Total comprehensive income for the period	-	-	-	505,667	505,667	(31,155)	474,512
Dividend of a subsidiary	-	-	-	-	-	(220,000)	(220,000)
Movement in shareholder's contribution (Note 17(ii))	-	-	-	(1,984,693)	(1,984,693)	-	(1,984,693)
Balance at 31 March 2017 (<i>Unaudited</i>)	300	150	-	5,272,746	5,273,196	512,363	5,785,559

The accompanying notes 1 to 18 form an integral part of these interim condensed consolidated financial statements.

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

INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS

For the period ended 31 March 2018 (Unaudited)

(US\$ 1.00 = AED 3.673)

	<i>21 November 2017 to 31 March 2018*</i>	<i>1 January 2018 to 31 March 2018</i>	<i>1 January 2017 to 31 March 2017</i>
<i>Notes</i>	<i>AED'000</i>	<i>AED'000</i>	<i>AED'000</i>
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit for the period	1,616,754	1,168,348	474,512
Adjustments for:			
Share of results of joint ventures	(19,721)	(12,120)	625
Depreciation	5,246	3,624	3,622
Provision for employees' end-of-service benefits, net	325	141	2,120
Finance costs	52,984	36,553	3,348
Finance income	(48,491)	(30,844)	(21,565)
Cash from operations before working capital changes	1,607,097	1,165,702	462,662
Trade and unbilled receivables	(869,477)	(622,009)	5,819
Other assets, receivables, deposits and prepayments	(604,242)	(452,043)	195,469
Development properties	(3,305,710)	(940,455)	(120,073)
Advances from customers	(569,428)	(397,792)	517,210
Trade and other payables	2,950,857	912,890	1,027,542
Retentions payable	6,878	(21,617)	37,105
Net cash (used in) from operating activities	(784,025)	(355,324)	2,125,734
CASH FLOWS FROM INVESTING ACTIVITIES			
Finance income received	53,098	28,471	18,905
Loan to joint ventures	(20,986)	(26,486)	(5,108)
Amounts incurred on property, plant and equipment	(3)	(3)	-
Deposits maturing after three months	152,660	371,057	2,854,493
Net cash from investing activities	184,769	373,039	2,868,290
CASH FLOWS FROM FINANCING ACTIVITIES			
Finance costs paid	(49,218)	(34,147)	(3,348)
Dividend paid (including dividend of a subsidiary)	-	-	(220,000)
Movement in shareholder's contribution	-	-	(1,984,693)
Net cash used in financing activities	(49,218)	(34,147)	(2,208,041)
(DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(648,474)	(16,432)	2,785,983
Cash and cash equivalents at the beginning of the period	8,387,541	7,755,499	6,600,713
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	7,739,067	7,739,067	9,386,696

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

The accompanying notes 1 to 18 form an integral part of these interim condensed consolidated financial statements.

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS At 31 March 2018 (Unaudited)

1 CORPORATE INFORMATION

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

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

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

As per the articles of association of the Company, the first financial year shall be from the date of registration in the commercial register to 31 December 2018. Accordingly, these are the interim financial statements of the Company for the period ended 31 March 2018. The comparative information in the interim condensed consolidated financial statements represents its Build-to-sell (BTS) real estate business of the Group transferred from the Ultimate Parent. The comparative information is presented for the period from 1 January 2017 to 31 March 2017.

2.1 BASIS OF PREPARATION

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

The interim condensed consolidated financial statements of the Group are prepared in accordance with International Accounting Standard (IAS) 34: *Interim Financial Reporting*.

The interim condensed consolidated financial statements do not contain all information and disclosures required for full financial statements prepared in accordance with International Financial Reporting Standards (IFRS). The same accounting policies, methods of computation, significant accounting judgments and estimates and assumptions are followed in these interim condensed consolidated financial statements as compared with the most recent annual consolidated financial statements.

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

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

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS At 31 March 2018 (Unaudited)

2.1 BASIS OF PREPARATION (continued)

The preparation of interim condensed consolidated financial statements on the basis described above requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

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

Results for the three-month period ended 31 March 2018 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2018.

Basis of consolidation

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

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

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

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

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

Subsidiary

A subsidiary is fully consolidated from the date of acquisition or incorporation, being the date on which the Group obtains control, and continues to be consolidated until the date when such control ceases. The financial statements of the subsidiary are prepared for the same reporting period as the Company, using consistent accounting policies. All intra-group balances, transactions, unrealised gains and losses resulting from intra-group transactions and dividends are eliminated in full.

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

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

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

Details of the Company's subsidiary are as follows:

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

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS At 31 March 2018 (Unaudited)

2.1 BASIS OF PREPARATION (continued)

Basis of consolidation (continued)

Joint ventures

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

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

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

2.2 SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

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

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

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

Judgments

Satisfaction of performance obligations

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

Determination of transaction prices

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

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

Transfer of control in contracts with customers

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

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS At 31 March 2018 (Unaudited)

2.2 SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS (continued)

Judgments (continued)

Transfer of real estate assets from property, plant and equipment to development properties

The Group sells real estate assets in its ordinary course of business. When real estate assets which were previously classified as property, plant and equipment are identified for sale in the ordinary course of business, then the assets are transferred to development properties at their carrying value at the date of identification and become held for sale. Sale proceeds from such assets are recognised as revenue in accordance with IFRS 15 *Revenue from Contracts with Customers*.

Consolidation of subsidiary

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

Estimations and assumptions

Split of real estate components

The interim condensed consolidated financial statements of the Group include certain assets, liabilities, income, expenses and cash flows which are allocated to the Group based on management assumptions and estimates. This mainly includes development properties, trade and other payables, selling, general and administrative expenses. These are allocated based on evaluation by project consultant and management best estimate of use of corporate resources by the Group.

Impairment of trade and other receivables

An estimate of the collectible amount of trade and other receivables is made when collection of the full amount is no longer probable. For individually significant amounts, this estimation is performed on an individual basis. Amounts which are not individually significant, but which are past due, are assessed collectively and a provision applied according to the length of time past due, based on expected credit loss on such receivables.

Allocation of transaction price to performance obligation in contracts with customers

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

Cost to complete the projects

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

Impairment of non-financial assets

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

Fair value measurement of financial instruments

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

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS At 31 March 2018 (Unaudited)

2.3 CHANGES IN THE ACCOUNTING POLICIES AND DISCLOSURES

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

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

IFRS 9 Financial Instruments

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

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

Impairment

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

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

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

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

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

Management assessed the expected credit losses as prescribed by the requirements of IFRS 9 against trade and unbilled receivables and other receivables and concluded that there was no material impact on the interim condensed consolidated financial statements.

IFRIC Interpretation 22 Foreign Currency Transactions and Advance Considerations

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

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2.3 CHANGES IN THE ACCOUNTING POLICIES AND DISCLOSURES (continued)

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

Amendments to IAS 40 Transfers of Investment Property

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

Amendments to IFRS 2 Classification and Measurement of Share-based Payment Transactions

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

Amendments to IFRS 4 Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts

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

Amendments to IAS 28 Investments in Associates and Joint Ventures - Clarification that measuring investees at fair value through profit or loss is an investment-by-investment choice

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

Amendments to IFRS 1 First-time Adoption of International Financial Reporting Standards - Deletion of short-term exemptions for first-time adopters

Short-term exemptions in paragraphs E3–E7 of IFRS 1 were deleted because they have now served their intended purpose. These amendments do not have any impact on the Group's interim condensed consolidated financial statements.

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

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

IFRS 16 Leases - IFRS 16 replaces IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases-Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease (effective for annual periods beginning on or after 1 January 2019, with early application permitted, but not before an entity applies IFRS 15);

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

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2.3 CHANGES IN THE ACCOUNTING POLICIES AND DISCLOSURES (continued)

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

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

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

Annual Improvements 2014-2017 Cycle (issued in December 2017)

These improvements include:

- IFRIC Interpretation 23 Uncertainty over Income Tax Treatment (effective for annual reporting periods beginning on or after 1 January 2019).

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Revenue recognition

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

Revenue from contracts with customers for sale of properties

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

- Step 1. Identify the contract(s) with a customer: A contract is defined as an agreement between two or more parties that creates enforceable rights and obligations and sets out the criteria for every contract that must be met.
- Step 2. Identify the performance obligations in the contract: A performance obligation is a promise in a contract with a customer to transfer a good or service to the customer.
- Step 3. Determine the transaction price: The transaction price is the amount of consideration to which the Group expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties.
- Step 4. Allocate the transaction price to the performance obligations in the contract: For a contract that has more than one performance obligation, the Group will allocate the transaction price to each performance obligation in an amount that depicts the amount of consideration to which the Group expects to be entitled in exchange for satisfying each performance obligation.
- Step 5. Recognise revenue when (or as) the entity satisfies a performance obligation.

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

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

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

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

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2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition (continued)

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

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

Interest income

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

Development services

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

Development properties

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

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

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

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

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

Financial assets

All financial assets are recognised and derecognised on trade date when the purchase or sale of a financial asset is made under a contract whose terms require delivery of the financial asset within the timeframe established by the market concerned. Financial assets are initially measured at cost, plus transaction costs, except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value. All recognised financial assets are subsequently measured in their entirety at either amortised cost or fair value.

The fair value of financial instruments that are actively traded in organised financial markets is determined by reference to quoted market bid prices for assets and offer prices for liabilities, at the close of business on the reporting date. If quoted market prices are not available, reference can also be made to broker or dealer price quotations.

The fair value of floating rate and overnight deposits with credit institutions is their carrying value. The carrying value is the cost of the deposit and accrued interest. The fair value of fixed interest-bearing deposits is estimated using discounted cash flow techniques. Expected cash flows are discounted at current market rates for similar instruments at the reporting date.

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2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial assets (continued)

Classification of financial assets

For the purposes of classifying financial assets, an instrument is an 'equity instrument' if it is a non-derivative and meets the definition of 'equity' for the issuer (under IAS 32: *Financial Instruments: Presentation*) except for certain non-derivative puttable instruments presented as equity by the issuer. All other non-derivative financial assets are 'debt instruments'.

Equity investments

All financial assets that are equity investments are measured at fair value either through other comprehensive income or through profit or loss. This is an irrevocable choice that the Group has made on early adoption of IFRS 9 - Phase 1 or will make on subsequent acquisition of equity investments unless the equity investments are held for trading, in which case, they must be measured at fair value through profit or loss. Gain or loss on disposal of equity investments is not recycled. Dividend income for all equity investments is recorded through the interim consolidated statement of comprehensive income.

Debt instruments

Debt instruments are also measured at fair value through profit or loss unless they are classified at amortised cost. They are classified at amortised cost only if:

- the asset is held within a business model whose objective is to hold the asset to collect the contractual cash flows; and
- the contractual terms of the debt instrument give rise, on specified dates, to cash flows that are solely payments of principal and interest on the principal outstanding.

Cash and cash equivalents

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

Trade and unbilled receivables

Trade and unbilled receivables are stated at original invoice amount less a provision for any uncollectible amounts. An estimate for doubtful debts is made based on expected credit loss on receivables. When trade and unbilled receivables are uncollectible, it is written off against provision for doubtful debts. Subsequent recoveries of amounts previously written off are credited to the interim consolidated statement of comprehensive income.

Foreign exchange gains and losses

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

Derecognition of financial assets

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

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

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2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial assets (continued)

Derecognition of financial assets (continued)

When the Group has transferred its right to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Impairment of non-financial assets

The Group assesses at each reporting date whether there is an indication that a non-financial asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded entities or other available fair value indicators. Impairment losses of continuing operations are recognised in the interim consolidated statement of comprehensive income in those expense categories consistent with the function of the impaired asset.

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

Financial liabilities and equity instruments issued by the Group

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

Trade and other payables

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

Loans and borrowings

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

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

Other financial liabilities

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

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

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2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Derecognition of financial liabilities

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

Offsetting of financial instruments

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

Provisions

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

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

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

Contingencies

Contingent liabilities are not recognised in the interim condensed consolidated financial statements. They are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. A contingent asset is not recognised in the interim condensed consolidated financial statements but disclosed when an inflow of economic benefits is probable.

Fair value measurement

The fair value of financial instruments that are traded in active markets at each reporting date is determined by reference to quoted market prices or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs.

For financial instruments not traded in an active market, the fair value is determined using appropriate valuation techniques. Such techniques may include:

- Using recent arm's length market transactions
- Reference to the current fair value of another instrument that is substantially the same
- A discounted cash flow analysis or other valuation models

3 SEGMENT INFORMATION

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

Business segments

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

Geographic segment

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

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4 REVENUE AND COST OF REVENUE

	<i>21 November 2017 to 31 March 2018 AED'000</i>	<i>1 January 2018 to 31 March 2018 AED'000</i>	<i>1 January 2017 to 31 March 2017 AED'000</i>
Revenue			
Sale of condominiums	2,236,638	1,711,709	1,204,265
Sale of villas	1,866,626	1,323,997	357,005
Sale of commercial units, plots of land and others	340,078	229,511	112,118
	<u>4,443,342</u>	<u>3,265,217</u>	<u>1,673,388</u>
Cost of revenue			
Cost of condominiums	1,393,704	1,080,334	741,621
Cost of villas	1,004,108	707,077	221,505
Cost of commercial units, plots of land and others	99,038	69,716	114,260
	<u>2,496,850</u>	<u>1,857,127</u>	<u>1,077,386</u>

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

	<i>21 November 2017 to 31 March 2018 AED'000</i>	<i>1 January 2018 to 31 March 2018 AED'000</i>	<i>1 January 2017 to 31 March 2017 AED'000</i>
- Over a period of time	4,209,037	3,131,515	1,594,008
- Single point in time	234,305	133,702	79,380
	<u>4,443,342</u>	<u>3,265,217</u>	<u>1,673,388</u>

5 SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

	<i>21 November 2017 to 31 March 2018 AED'000</i>	<i>1 January 2018 to 31 March 2018 AED'000</i>	<i>1 January 2017 to 31 March 2017 AED'000</i>
Sales and marketing expenses	94,571	74,754	45,414
Payroll and related expenses	89,140	51,793	31,021
Property management expenses	27,365	18,296	17,662
Depreciation of property, plant and equipment	5,246	3,624	3,622
Other expenses	150,450	110,781	54,464
	<u>366,772</u>	<u>259,248</u>	<u>152,183</u>

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6 FINANCE INCOME

	<i>21 November 2017 to 31 March 2018 AED'000</i>	<i>1 January 2018 to 31 March 2018 AED'000</i>	<i>1 January 2017 to 31 March 2017 AED'000</i>
Finance income on fixed deposits with banks	14,010	10,187	12,455
Other finance income	34,481	20,657	9,110
	<u>48,491</u>	<u>30,844</u>	<u>21,565</u>

7 BANK BALANCES AND CASH

	<i>31 March 2018 AED'000</i>	<i>31 December 2017 AED'000</i>
Cash in hand	2	2
Current and call bank deposit accounts	6,921,576	7,157,195
Fixed deposits maturing within three months	817,489	598,302
Cash and cash equivalents	<u>7,739,067</u>	<u>7,755,499</u>
Fixed deposits maturing after three months	1,485,340	1,856,397
	<u>9,224,407</u>	<u>9,611,896</u>

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

Fixed deposits maturing after three months earn interest at rates between 1.3% and 2.05% per annum (31 December 2017: 1.3% and 2.55% per annum).

The Group is required to maintain certain deposits/balances amounting to AED 8,850,507 thousands (31 December 2017: AED 9,128,019 thousands) with banks for advances received from customers against sale of development properties which are deposited into escrow accounts. These deposits/balances are not under lien.

8 TRADE AND UNBILLED RECEIVABLES

	<i>31 March 2018 AED'000</i>	<i>31 December 2017 AED'000</i>
Trade receivables		
Amounts receivables within 12 months	892,328	765,232
Unbilled receivables		
Unbilled receivables within 12 months	1,191,419	706,231
Unbilled receivables after 12 months, net	104,558	94,833
	<u>1,295,977</u>	<u>801,064</u>
Total trade and unbilled receivables	<u>2,188,305</u>	<u>1,566,296</u>

The above trade receivables are net of AED 56,629 thousands (31 December 2017: AED 56,629 thousands) relating to provision for doubtful debts representing management's best estimate of loss based on expected credit loss model. All other receivables are considered recoverable.

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9 OTHER ASSETS, RECEIVABLES, DEPOSITS AND PREPAYMENTS

	<i>31 March 2018 AED'000</i>	<i>31 December 2017 AED'000</i>
Advances to contractors and others	1,389,531	1,106,207
Due from related parties (note 17)	1,316,546	1,288,548
Deferred sales commission (i)	717,498	666,144
Value added tax recoverable	75,947	-
Prepayments	20,647	7,294
Accrued interest	7,513	5,140
Other receivables and deposits	68,287	68,220
	<u>3,595,969</u>	<u>3,141,553</u>

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

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

10 DEVELOPMENT PROPERTIES

	<i>1 January 2018 to 31 March 2018 AED'000</i>	<i>1 January 2017 to 31 December 2017 AED'000</i>
Balance at the beginning of the period/year	9,359,957	6,022,305
Add: Costs incurred during the period/year	2,797,582	8,651,935
Less: Costs transferred to cost of revenue during the period/year	(1,857,127)	(5,101,768)
Less: Transferred to Ultimate Parent (i)	-	(81,019)
Less: Transferred to affiliated entities (i)	-	(131,496)
Balance at the end of the period/year	<u>10,300,412</u>	<u>9,359,957</u>

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

11 LOANS TO JOINT VENTURES

	<i>31 March 2018 AED'000</i>	<i>31 December 2017 AED'000</i>
Zabeel Square LLC	224,404	201,463
Emaar Dubai South DWC LLC	207,712	204,167
	<u>432,116</u>	<u>405,630</u>

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

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12 INVESTMENTS IN JOINT VENTURES

	<i>31 March 2018 AED'000</i>	<i>31 December 2017 AED'000</i>
Emaar Dubai South DWC LLC (i)	12,535	415
Zabeel Square LLC (ii)	150	150
Net investment in joint ventures as at period/year end	12,685	565

(i) During 2015, the Ultimate Parent entered into a joint venture agreement with Dubai Aviation City Corporation for the development of the Emaar South project. The joint venture was incorporated in the UAE on 9 May 2016 and operates under the name of Emaar Dubai South DWC LLC (“Emaar South”), in which the Ultimate Parent has a 50% interest. The entity is primarily involved in property development activities. The Group’s interest in the joint venture is accounted for using the equity method accounting in the interim condensed consolidated financial statements.

(ii) On 9 January 2017, the Ultimate Parent entered into a joint venture agreement with Meraas Zabeel Owned by Meraas Venture One Person Company LLC for the purpose of mix-use development in the UAE. The Ultimate Parent has 50% equity interest in the joint venture company, Zabeel Square LLC (“Zabeel Square”). The Group’s interest in the joint venture is accounted for using the equity method in the interim condensed consolidated financial statements.

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

13 TRADE AND OTHER PAYABLES

	<i>31 March 2018 AED'000</i>	<i>31 December 2017 AED'000</i>
Creditors for land purchase	2,465,359	2,249,630
Project contract cost accruals and provisions	2,455,954	2,193,014
Payable to related parties (note 17)	518,055	609,564
Trade payables	829,889	330,972
Sales commission payable	42,758	44,718
Payable to authorities	31,076	32,562
Other payables and accruals	407,234	376,975
	6,750,325	5,837,435

14 INTEREST-BEARING LOANS AND BORROWINGS

On 27 September 2017, the Group entered into a 5 year Murabaha financing facility (the “Facility”) agreement for an amount of USD 1,300,000 thousands (AED 4,774,900 thousands) with First Abu Dhabi Bank PJSC. The Facility is secured against cash flows of certain projects of the Group, carries profit rate at LIBOR plus 1.4% per annum (31 December 2017: LIBOR plus 1.4% per annum) and is fully repayable by 2022. As at the reporting date, the Group has drawn down USD 1,080,000 thousands (AED 3,966,840 thousands) from the Facility. The Facility is presented in the interim condensed consolidated financial statements at AED 3,923,829 thousands (31 December 2017: AED 3,921,423 thousands) net of unamortised directly attributable transaction cost.

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
At 31 March 2018 (Unaudited)

15 GUARANTEES AND CONTINGENCIES

The Group has provided a performance guarantee of AED 5,227,368 thousands (31 December 2017: AED 5,169,960 thousands) to the Real Estate Regulatory Authority (RERA), Dubai for its projects as per RERA regulations.

16 COMMITMENTS

At 31 March 2018, the Group had commitments of AED 13,453,006 thousands (31 December 2017: AED 13,487,245 thousands). This represents the value of contracts entered into by the Group including contracts entered into for purchase of plots of land at period/year end, net of invoices received and accruals made at that date. There were certain claims submitted by contractors relating to various projects of the Group in the ordinary course of business from which it is anticipated that no material unprovided liabilities will arise.

17 RELATED PARTY DISCLOSURES

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

Related party transactions

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

	<i>Three-month period ended</i>	
	<i>31 March 2018 AED'000</i>	<i>31 March 2017 AED'000</i>
<i>Ultimate Parent:</i>		
Selling, general and administrative expenses (refer (i) below)	104,408	44,909
<i>Affiliated entities:</i>		
Selling, general and administrative expenses	2,664	4,185
Property development expenses	23,154	18,338
<i>Directors, Key management personnel and their related parties:</i>		
Selling, general and administrative expenses	810	4,337

Related party balances

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

	<i>31 March 2018 AED'000</i>	<i>31 December 2017 AED'000</i>
<i>Ultimate Parent:</i>		
Other assets, receivables, deposits and prepayments (refer (iii) below)	1,290,379	1,157,052
Trade and other payables	518,055	609,564
<i>Affiliated entities:</i>		
Other assets, receivables, deposits and prepayments	26,167	131,496

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS At 31 March 2018 (Unaudited)

17 RELATED PARTY DISCLOSURES (continued)

(i) Allocation of corporate expenses:

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

(ii) Shareholder's contribution:

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

(iii) Recoverable from Ultimate Parent:

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

Compensation of key management personnel

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

	<i>31 March 2018 AED'000</i>	<i>31 March 2017 AED'000</i>
Short-term benefits	23,509	14,897
Employees' end-of-service benefits	629	238
	24,138	15,135

During the period, the number of key management personnel is 74 (31 March 2017: 41).

18 FAIR VALUES OF FINANCIAL INSTRUMENTS

Financial instruments comprise financial assets and financial liabilities.

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

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

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