

Eshraq Properties PJSC

**Report of the Board of Directors
and consolidated financial statements
for the year ended 31 December 2016**

Eshraq Properties PJSC

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	Pages
Report of the Board of Directors	1
Independent auditor's report	2 - 12
Consolidated statement of financial position	13
Consolidated statement of comprehensive income	14
Consolidated statement of changes in equity	15
Consolidated statement of cash flows	16
Notes to the consolidated financial statements	17 - 41

Eshraq Properties Co.
(Public Joint Stock Co.)
Capital 2,325,000,000 Dhs



شركة إشراق العقارية
(شركة مساهمة عامة)
رأس المال ٢,٣٢٥,٠٠٠,٠٠٠ درهم

Eshraq Properties PJSC

Report of the Board of Directors for the year ended 31 December 2016

The directors have pleasure in submitting their report and the audited consolidated financial statements of Eshraq properties PJSC ("the Company") and its subsidiaries (together, "the Group") for the year ended 31 December 2016.

UAE Federal law No. 2 of 2015 ("Companies Law") which is applicable to the Group has come into effect on 1 July 2015. The Group has assessed and evaluated the provisions of the companies law and is in the process of ensuring compliance within the transitional period of this law which has been extended till 30 June 2017.

Principal activities

The Company is principally engaged in the real estate business which includes development, sales, investment, construction, management and associated services.

Results for the year

During the year, the Group earned revenues of AED 22,630 thousand (2015: AED 21,174 thousand) and loss for the year amounted to AED 545,666 thousand (2015: profit of AED 9,989 thousand).

Auditors

A resolution proposing to appoint auditors of the Group for 2016 will be put to the members at the Annual General Meeting.

For and on behalf of the Board


.....
Chairman

(1)



Independent auditor's report to the shareholders of Eshraq Properties P.J.S.C.

Report on the audit of the consolidated financial statements

Our qualified opinion on the consolidated financial performance and consolidated cash flows

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion paragraph, the consolidated statement of comprehensive income and consolidated statement of cash flows present fairly, in all material respects, the consolidated financial performance and consolidated cash flows of Eshraq Properties P.J.S.C. ("the Company") and its subsidiaries (together, "the Group") for the year ended 31 December 2016, in accordance with International Financial Reporting Standards.

Our opinion on the consolidated financial position

In our opinion, the consolidated statement of financial position presents fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2016 in accordance with International Financial Reporting Standards.

What we have audited

The Group's consolidated financial statements comprise:

- the consolidated statement of financial position as at 31 December 2016;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

Basis for qualified opinion

The auditor's report on the consolidated financial statements for the year ended 31 December 2015 was qualified in respect of the appropriateness of the fair value of investment properties of AED 908,034 thousand as at 31 December 2015 and the fair value gain of AED 18,941 thousand recorded in the consolidated statement of comprehensive income for the year then ended. Further, the audit opinion was qualified in respect of the inability to determine whether the realizable value of development work-in-progress of AED 357,814 thousand as at 31 December 2015 was appropriate. During the year ended 31 December 2016, the Group has recognized a loss on fair valuation of investment properties of AED 437,474 thousand and an impairment of development work-in-progress of AED 66,613 thousand. We were unable to determine how much of the fair valuation loss and impairment of development work-in-progress recognised in the current year's consolidated statement of comprehensive income should have been recognised in the previous year.

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report.

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Douglas O'Mahony, Paul Suddaby, Jacques Fakhoury and Mohamed ElBorno are registered as practising auditors with the UAE Ministry of Economy



*Independent auditor's report to the shareholders of Eshraq Properties P.J.S.C.
(continued)*

Basis for qualified opinion (continued)

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

Independence

We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and the ethical requirements that are relevant to our audit of the consolidated financial statements in the United Arab Emirates. We have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

Emphases of matters

We draw attention to the following matters:

1. Note 6 to the consolidated financial statements, discloses the fact that the title deed for a plot of land, with a carrying value of AED 249,700 thousand, is registered in the name of the former director and not in the name of the Group. The director has assigned beneficial rights of ownership to the Group.
2. Note 6 to the consolidated financial statements, discloses the fact that title deeds for certain properties with a carrying value of AED 241,600 thousand have not been transferred into the name of the Group from the third party seller due to there being outstanding amounts payable in respect of the purchase of these properties and the need to complete certain other legal formalities.
3. Note 25 to the consolidated financial statements refers to the fact that the Group has filed a legal case against the seller of certain properties to recover an amount of AED 146,696 thousand paid by the Group as an advance to purchase a number of units in a residential building in the Emirate of Dubai. The timing of the recoverability of this advance is uncertain and dependent on the outcome of the legal case.

Our opinion is not modified in respect of any of these matters.

Other matter

The consolidated financial statements of the Group for the year ended 31 December 2015 were audited by another auditor who expressed a modified opinion on those consolidated financial statements on 31 March 2016 in respect of the matters set out in the Basis for qualified opinion section.



*Independent auditor's report to the shareholders of Eshraq Properties P.J.S.C.
(continued)*

Our audit approach

Overview

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the consolidated financial statements. In particular, we considered where the directors made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain.

The areas, in our professional judgment, that are of most significance to the audit ('Key audit matters') and where we focused most audit efforts identified during the year were:

-
- Valuation of investment properties
 - Valuation of development work-in-progress
 - Valuation of unquoted available-for-sale investment

We have set out below our explanation of each item and a summary of the audit approach.

As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters, consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the consolidated financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industry in which the Group operates.

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 year. 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. In addition to the matters discussed in the Basis for qualified opinion section, we determined the matters below to be the key audit matters to be communicated in our report.



*Independent auditor's report to the shareholders of Eshraq Properties P.J.S.C.
(continued)*

Key audit matters (continued)

<i>Key audit matter</i>	<i>How our audit addressed the key audit matter</i>
<p>Valuation of investment properties</p> <p>In the consolidated statement of financial position the investment properties are carried at AED 728,967 thousand as at 31 December 2016 (31 December 2015: AED 908,034 thousand) which represents 47% of total assets. During the year, the Group has recognised fair value loss of AED 437,474 thousand (2015: fair value gain of AED 18,941 thousand).</p> <p>The Group's policy is to fair value its investment properties. The corresponding gains or losses are recognised in the consolidated statement of comprehensive income.</p> <p>The valuation of the investment properties are inherently subjective due to the significance of the estimates and judgements involved.</p> <p><i>Refer to the significant accounting policies note 2.1 to the consolidated financial statements, notes 3.3 and 6 which explain the valuation methodology used by the Group and note 4 which explains the critical judgments and estimates.</i></p>	<p>We have performed the following audit procedures over the valuation of investment properties.</p> <p>The valuation for these investment properties were carried out by third party Valuers in accordance with the Royal Institute of Chartered Surveyor ('RICS') Valuation - Professional Standards.</p> <p>We read the valuation reports for all the properties and checked that the valuation approach for each property was in accordance with (RICS) Professional Standards and suitable for use in determining the carrying value for the purpose of the consolidated financial statements.</p> <p>We assessed the Valuers' qualifications and expertise 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 upon their work.</p> <p>We also tested the supporting data in the Group's accounting records concerning the valuation process. We carried out testing procedures, on a sample basis, to satisfy ourselves of the accuracy of the property related information supplied to the Valuers by management.</p> <p>We verified that Valuers have used source data and assumptions which are appropriate in circumstances by making inquiries and assessing assumptions for reasonableness and relevance.</p>



*Independent auditor's report to the shareholders of Eshraq Properties P.J.S.C.
(continued)*

Key audit matters (continued)

<i>Key audit matter</i>	<i>How our audit addressed the key audit matter</i>
<i>Valuation of investment properties (continued)</i>	<p>We evaluated the adequacy of the work of Valuers by considering the appropriateness of the methodology used by them, relevance and reasonableness of Valuers' findings or conclusion and their consistency with other audit evidence.</p> <p>The audit team, involved valuation specialists, to consider the valuation reports and the key assumptions therein.</p>
<i>Valuation of development work-in-progress (DWIP)</i>	<p>We have performed the following audit procedures on the valuation of Development-work-in-progress (DWIP).</p> <p>The valuation for DWIP in determining NRV were carried out by third party Valuers in accordance with the Royal Institute of Chartered Surveyor ('RICS') Valuation - Professional Standards.</p> <p>We read the valuation reports for all the properties and confirmed that the valuation approach for each property was in accordance with the (RICS) – Professional Standards and are suitable for use in determining the carrying value for the purpose of the consolidated financial statements.</p>



*Independent auditor's report to the shareholders of Eshraq Properties P.J.S.C.
(continued)*

Key audit matters (continued)

<i>Key audit matter</i>	<i>How our audit addressed the key audit matter</i>
Valuation of development work-in-progress (DWIP) (continued) <i>Refer to the significant accounting policies note 2.1 to the consolidated financial statements, note 9 which explain the valuation methodology used by the Group and note 4 which explains critical judgments and estimates.</i>	<p>We assessed the Valuers' qualification and expertise 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 upon their work.</p> <p>We also tested the supporting data in the Group's accounting records concerning the valuation process. We carried out testing procedures, on a sample basis, to satisfy ourselves of the accuracy of the property related information supplied to the Valuers by management.</p> <p>We verified that Valuers have used source data and assumptions which are appropriate in circumstances by making inquiries and assessing assumptions for reasonableness and relevance.</p> <p>We evaluated the adequacy of the work of Valuers by considering the appropriateness of the methodology used by them, relevance and reasonableness of Valuers' findings or conclusion and their consistency with other audit evidence.</p> <p>The audit team, involved our valuation specialists, to consider the valuation reports and the key assumptions therein.</p>



*Independent auditor's report to the shareholders of Eshraq Properties P.J.S.C.
(continued)*

Key audit matters (continued)

<i>Key audit matter</i>	<i>How our audit addressed the key audit matter</i>
<p><i>Valuation of unquoted available-for-sale investment</i></p> <p>In the consolidated statement of financial position the unquoted available-for-sale investment is carried at initial cost, amounting to AED 67,393 thousand as at 31 December 2016, against which an impairment loss of AED 33,496 thousand was recorded in the consolidated statement of comprehensive income during the year.</p> <p>The Group's investment represents its equity stake in an unlisted entity established in Dubai International Financial Centre (DIFC). The principal activities of the investee are to purchase, develop, fit-out, own, operate or lease to third parties and eventually sell properties currently under construction. The Group does not have significant influence over the investee and has limited access to the information.</p> <p>Management has estimated the impairment loss by using the latest available valuation provided by an external valuer, which estimates the value of the property when complete, using a comparable method of valuation having regards to transactional evidence.</p> <p>We focused on this area because the determination of the valuation (including any impairment required) is judgmental and requires the use of significant assumptions, which could have a material impact on the consolidated financial statements of the Group.</p> <p><i>Refer to the significant accounting policies note 2.1 to the consolidated financial statements, notes 3.3 and 8 which explain the investment valuation basis used by the Group and note 4 which explains critical judgments and estimates.</i></p>	<p>We have performed following audit procedures to obtain comfort on the valuation of the investment.</p> <p>We have obtained the valuation report in respect to investee properties which were provided to the management by the investee. We confirmed that valuation approach used by the Valuer was in accordance with RICS – the professional standard. We also assessed the Valuer's qualifications and expertise.</p> <p>We verified that Valuer has used source data and assumptions which are appropriate in circumstances by making inquiries and assessing assumptions for reasonableness and relevance.</p> <p>We evaluated the adequacy of the work of Valuer by considering the appropriateness of the methodology used by the Valuer, relevance and reasonableness of Valuer's findings or conclusion and their consistency with other audit evidence.</p> <p>We have obtained purchase agreement to verify initial amount of the investment made by the Group. We also checked latest available financial information of the investee and noted that the carrying value of underlying investment is significantly lower than the expected fair value as provided by the Valuer's report.</p> <p>We checked mathematical accuracy of the impairment calculation and basis used by management to determine the impairment loss. We also assessed the criteria for determining the impairment.</p>



*Independent auditor's report to the shareholders of Eshraq Properties P.J.S.C.
(continued)*

Other information

The management is responsible for the other information. The other information comprises the Board of Directors' report but does not include the consolidated financial statements and our auditor's report thereon.

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, 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 International Financial Reporting Standards 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.

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



*Independent auditor's report to the shareholders of Eshraq Properties P.J.S.C.
(continued)*

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

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

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

We communicate with 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.



*Independent auditor's report to the shareholders of Eshraq Properties P.J.S.C.
(continued)*

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

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 year and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other legal and regulatory requirements

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

- (i) except as referred to in the Basis for qualified opinion section, we have obtained all the information we considered necessary for the purposes of our audit;
- (ii) the consolidated financial statements have been prepared and comply, in all material respects, with the applicable provisions of the UAE Federal Law No. (2) of 2015;
- (iii) the Group has maintained proper books of account;
- (iv) the financial information included in the report of the Board of Directors is consistent with the books of account of the Group;
- (v) the Group has not purchased or invested in any shares during the year ended 31 December 2016;
- (vi) Note 16 to the consolidated financial statements discloses material related party transactions, and the terms under which they were conducted;



*Independent auditor's report to the shareholders of Eshraq Properties P.J.S.C.
(continued)*

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 year ended 31 December 2016, any of the applicable provisions of the UAE Federal Law No. (2) of 2015 or in respect of the Company of its Articles of Association which would materially affect its activities or its financial position as at 31 December 2016; and
- (viii) Note 20 to the consolidated financial statements discloses the social contributions made during the year ended 31 December 2016.

PricewaterhouseCoopers
..31 March 2017.....

A handwritten signature in blue ink, appearing to read 'Jacques E. Fakhoury', written in a cursive style.

Jacques E. Fakhoury
Registered Auditor Number 379
Abu Dhabi, United Arab Emirates

Eshraq Properties PJSC

Consolidated statement of financial position

	Note	As at 31 December	
		2016 AED'000	2015 AED'000
ASSETS			
Non-current assets			
Property and equipment	5	106,373	110,208
Investment properties	6	728,967	908,034
Advance for purchase of investment properties	7	146,696	229,507
Available-for-sale investments	8	82,744	156,286
		<u>1,064,780</u>	<u>1,404,035</u>
Currents assets			
Development work-in-progress	9	80,020	357,814
Trade and other receivables	10	6,185	13,926
Inventories		79	80
Cash and bank balances	11	412,556	489,465
		<u>498,840</u>	<u>861,285</u>
Total assets		<u>1,563,620</u>	<u>2,265,320</u>
EQUITY AND LIABILITIES			
EQUITY			
Capital and reserves			
Share capital	12	2,325,000	2,325,000
Statutory reserve	13	133,725	133,725
Accumulated losses		(1,015,458)	(469,792)
Cumulative changes in fair values of available for sale investments		(5,724)	(8,377)
Net equity		<u>1,437,543</u>	<u>1,980,556</u>
LIABILITIES			
Non-current liabilities			
Provision for employees' end of service benefits	14	2,120	1,191
Current liabilities			
Trade and other payables	15	123,957	268,549
Bank borrowings	17	-	15,024
		<u>123,957</u>	<u>283,573</u>
Total liabilities		<u>126,077</u>	<u>284,764</u>
Total equity and liabilities		<u>1,563,620</u>	<u>2,265,320</u>

The consolidated financial statement has been approved and authorised by the Board of Directors on 30-03-2017 and signed on their behalf by:

.....
Chairman

.....
General Manager

Eshraq Properties PJSC

Consolidated statement of comprehensive income

	Note	Year ended 31 December	
		2016 AED'000	2015 AED'000
Revenue	18	22,630	21,174
Direct costs	19	(3,266)	(3,413)
Gross profit		<u>19,364</u>	<u>17,761</u>
General and administrative expenses	20	(33,781)	(24,162)
Selling and marketing expenses		(2,242)	(1,246)
Loss on termination of sale agreements		-	(7,833)
Operating loss		<u>(16,659)</u>	<u>(15,480)</u>
(Loss)/gain on fair valuation of investment properties	6	(437,474)	18,941
Impairment of development-work-in-progress	9	(66,613)	-
Gain from sale of available-for-sale investments, net		4,985	2,795
Impairment on available-for-sale investment	8	(33,496)	-
Finance cost	17	-	(222)
Other income		3,591	3,955
(Loss)/profit for the year		<u>(545,666)</u>	<u>9,989</u>
Other comprehensive income/(loss) for the year			
Items that will be reclassified subsequently to profit or loss:			
Net unrealised loss on available for sale investments	8	(808)	(8,377)
Items reclassified to profit and loss on disposal		3,461	-
Other comprehensive income/(loss) for the year		<u>2,653</u>	<u>(8,377)</u>
Total comprehensive (loss)/income for the year		<u>(543,013)</u>	<u>1,612</u>
Basic and diluted (loss)/earnings per share	21	<u>(0.23)</u>	<u>0.0043</u>

Eshraq Properties PJSC

Consolidated statement of changes in equity

	Share capital AED'000	Statutory reserve AED'000	Accumulated losses AED'000	Cumulative changes in fair values of available for sale investments AED'000	Total AED'000
Balance at 1 January 2015	2,325,000	132,726	(478,782)	-	1,978,944
Profit for the year	-	-	9,989	-	9,989
Other comprehensive loss for the year	-	-	-	(8,377)	(8,377)
Total comprehensive income for the year	-	-	9,989	(8,377)	1,612
Transfer to statutory reserve	-	999	(999)	-	-
Balance at 31 December 2015	<u>2,325,000</u>	<u>133,725</u>	<u>(469,792)</u>	<u>(8,377)</u>	<u>1,980,556</u>
Balance at 1 January 2016	2,325,000	133,725	(469,792)	(8,377)	1,980,556
Loss for the year	-	-	(545,666)	-	(545,666)
Other comprehensive loss for the year	-	-	-	(808)	(808)
Items reclassified to profit and loss on disposal	-	-	-	3,461	3,461
Total comprehensive loss for the year	-	-	(546,666)	2,653	(543,013)
Balance at 31 December 2016	<u>2,325,000</u>	<u>133,725</u>	<u>(1,015,458)</u>	<u>(5,724)</u>	<u>1,437,543</u>

Eshraq Properties PJSC

Consolidated statement of cash flows

	Note	Year ended 31 December	
		2016 AED'000	2015 AED'000
Cash flows from operating activities			
(Loss)/profit for the year		(545,666)	9,989
Adjustments for:			
Depreciation	5	3,967	4,264
Provision for end of service benefits	14	2,586	348
Loss on termination of sale agreements		-	7,833
Finance cost		-	222
Loss/(gain) on fair valuation of investment properties	6	437,474	(18,941)
Impairment loss in development work in progress	9	66,613	-
Impairment loss on available for sale investments	8	33,496	-
Gain from sale of available for sale investments		(8,446)	(2,795)
Items reclassified to profit or loss on disposal		3,461	-
Operating cash flows before payments of employees' end of service benefits and changes in working capital		(6,515)	920
Employees' end of service benefits paid	14	(1,657)	(149)
Changes in working capital:			
Inventories		1	(19)
Trade and other receivables		7,741	(1,025)
Trade and other payables		(101,780)	12,523
Net cash (used in)/generated from operating activities		(102,210)	12,250
Cash flows from investing activities			
Acquisition of available for sale investments	8	-	(205,897)
Proceed from sales of available for sale investments		47,684	56,421
Purchase of property and equipment	5	(132)	(1,437)
Advance for purchase of properties		-	(229,507)
Additions to investment properties	6	(3,197)	(998)
Additions to development work in progress	9	(4,030)	(2,219)
Net cash generated from/(used in) investing activities		40,325	(383,637)
Cash flows from financing activities			
Finance costs paid		-	(222)
Repayments of bank borrowings		(15,024)	(157)
Net cash used in financing activities		(15,024)	(379)
Net decrease in cash and cash equivalents		(76,909)	(371,766)
Cash and cash equivalents at beginning of the year		489,465	861,231
Cash and cash equivalents at the end of the year	11	412,556	489,465

The attached notes on pages 17 to 41 form an part of these consolidated financial statements

Eshraq Properties PJSC

Notes to the consolidated financial statements for the year ended 31 December 2016

1 General information

Eshraq Properties P.J.S.C. (the "Company") was initially registered as private joint stock company in the Emirate of Abu Dhabi, UAE on 24 December 2006. On 7 July 2011, the Company converted to a public joint stock company. The Company is listed on Abu Dhabi Securities Exchange.

The Company is registered under commercial license No. 1005631 and Abu Dhabi Chamber of Commerce and Industry membership No. 223393. The registered address of the Company is at P.O. Box 108737, Abu Dhabi, UAE.

The Company and its subsidiaries (together referred to as the 'Group') is principally engaged in real estate business which includes development, sales, investment, construction, management and associated services. During the year ended 31 December 2016, the Group has not purchased or invested in any shares.

UAE Federal law No. 2 of 2015 ("Companies Law") which is applicable to the Group has come into effect on 1 July 2015. The Group has assessed and evaluated the provisions of the companies law and is in the process of ensuring compliance within the transitional period of this law which has been extended till 30 June 2017.

The Company has the following subsidiaries.

Subsidiaries	Principle activities	Percentage of holding 2016 & 2015	County of incorporation
Nuran Marina Serviced Residences LLC *	Hotel apartments	100%	United Arab Emirates
Eshraq International Properties	Real estate	100%	Cayman Islands

* Ownership of 51% of Nuran Marina Service Residences LLC is held by a board member on behalf of the Company. The beneficial ownership has been assigned to the Company.

2 Summary of significant accounting policies

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

The consolidated financial statements have been prepared in UAE Dirhams (AED) which is the functional currency of the Company.

2.1 Basis of preparation

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and IFRS Interpretations Committee (IFRIC) applicable to companies reporting under IFRS. These consolidated financial statements have been prepared under the historical cost convention, except for the investment properties and available for sale investments that have been measured at fair value.

Eshraq Properties PJSC

Notes to the consolidated financial statements for the year ended 31 December 2016 (continued)

2 Summary of significant accounting policies (continued)

2.1 Basis of preparation (continued)

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board (IASB) and applicable requirements of the laws of the UAE.

The preparation of 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 a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 4.

(a) *New standards, amendments and interpretations issued and effective but have no material impact to the consolidated financial statement*

- IAS 19 (amendment) 'Employee benefits' regarding discount rates (effective from 1 January 2016);
- IFRS 11 (amendment), 'Joint arrangements' (effective from 1 January 2016);
- IAS 1 (amendment) 'Presentation of financial statements' on the disclosure initiative (effective from 1 January 2016);
- IAS 27 (amendment) 'Separate financial statements' (effective from 1 January 2016);
- IFRS 5 (amendment) 'Non-current assets held for sale and discontinued operations' regarding methods of disposal (effective from 1 January 2016);
- IFRS 7 (amendment) 'Financial instruments: Disclosures', (with consequential amendments to IFRS 1) regarding servicing contracts (effective from 1 January 2016);
- IFRS 14, 'Regulatory deferral accounts' (effective from 1 January 2016); and
- IAS 34 (amendment) 'Interim financial reporting' regarding disclosure (effective from 1 January 2016).

(b) *New standards, amendments and interpretations issued but not effective for the financial year beginning 1 January 2016 and not early adopted*

- IFRS 15, 'Revenue from contracts with customers' (effective from 1 January 2018);
- IFRS 9, 'Financial instruments: Classification and Measurement' (effective from 1 January 2018);
- IAS 7, 'Statement of cash flows on disclosure initiative' (effective from 1 January 2017);
- IFRS 16, 'Leases' (effective from 1 January 2019);
- IAS 28, 'Investments in associates and joint ventures' (date to be determined); and
- IAS 12 (amendments) 'Recognition of Deferred Tax Assets for Unrealised Losses' (effective 1 January 2017).

Eshraq Properties PJSC

Notes to the consolidated financial statements for the year ended 31 December 2016 (continued)

2 Summary of significant accounting policies (continued)

2.1 Basis of preparation (continued)

The management is in the process of identifying the relevance and the impact of the above standards, amendments and interpretations on its consolidated financial statements. Management expects that most of the relevant standards, amendments and interpretations will not have a material impact on the consolidated financial statements.

2.2 Basis of consolidation

Subsidiaries

Subsidiaries are all entities (including special purpose entities) over which the Group has control. The Group controls an entity when the group 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. They are deconsolidated 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 values of the assets transferred, the liabilities incurred and the equity interest 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. The Group recognizes 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.

Acquisition-related costs are expensed as incurred.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through profit or loss.

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with IAS 39 either in profit or loss or as a change to other comprehensive income. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

Eshraq Properties PJSC

Notes to the consolidated financial statements for the year ended 31 December 2016 (continued)

2 Summary of significant accounting policies (continued)

2.2 Basis of consolidation (continued)

The excess 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 the identifiable net assets acquired is recorded as goodwill. If the total of consideration transferred, non-controlling interest recognised and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the income statement.

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.

2.3 Property and equipment

Property and equipment are stated at historical cost less accumulated depreciation and impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the asset.

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 expenses are charged to the consolidated statement of comprehensive income during the financial period in which they are incurred.

Depreciation is calculated using the straight-line method to allocate the assets' cost to their residual values over their estimated useful lives as follows:

	Years
Buildings	25
Motor vehicles	4 - 5
Software and computer	2 - 4
Furniture, decor and office equipment	2 - 10

Land is not depreciated.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date.

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 (Note 2.6).

Gains and losses on disposals are determined by comparing proceeds with carrying amount and are included in the consolidated statement of comprehensive income.

Eshraq Properties PJSC

Notes to the consolidated financial statements for the year ended 31 December 2016 (continued)

2 Summary of significant accounting policies (continued)

2.4 Investment properties

Property that is held for long-term rental yields or for capital appreciation or both, and that is not occupied by the Group, is classified as investment property.

Investment property also includes property that is being constructed or developed for future use as investment property.

Investment property is measured initially at its cost, including related transaction costs and where applicable borrowing costs.

After initial recognition, investment property is carried at fair value. Investment property under construction is measured at fair value if the fair value is considered to be reliably determinable.

Investment properties under construction for which the fair value cannot be determined reliably, but for which the Group expects that the fair value of the property will be reliably determinable when construction is completed, are measured at cost less impairment until the fair value becomes reliably determinable or construction is completed - whichever is earlier.

Fair value is based on active market prices, adjusted, if necessary, for differences in the nature, location or condition of the specific asset.

If this information is not available, the Group uses alternative valuation methods, such as recent prices on less active markets or discounted cash flow projections.

Valuations are performed as of the reporting date by professional valuers who hold recognised and relevant professional qualifications and have recent experience in the location and category of the investment property being valued. These valuations form the basis for the carrying amounts in the consolidated financial statements.

Investment property that is being redeveloped for continuing use as investment property or for which the market has become less active continues to be measured at fair value.

The fair value of investment property reflects, among other things, rental income from current leases and other assumptions market participants would make when pricing the property under current market conditions.

Subsequent expenditure is capitalised to the asset's carrying amount only when it is probable that future economic benefits associated with the expenditure will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance costs are expensed when incurred. When part of an investment property is replaced, the carrying amount of the replaced part is derecognised.

Changes in fair values are recognised in the consolidated statement of comprehensive income. Investment properties are derecognised when they have been disposed.

Eshraq Properties PJSC

Notes to the consolidated financial statements for the year ended 31 December 2016 (continued)

2 Summary of significant accounting policies (continued)

2.4 Investment properties (continued)

Where the Group disposes of a property at fair value in an arm's length transaction, the carrying value immediately prior to the sale is adjusted to the transaction price, and the adjustment is recorded in the consolidated statement of comprehensive income.

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

2.5 Development work-in-progress

Property acquired or property being constructed for sale in the ordinary course of business, rather than to be held for rental or capital appreciation, is held as development work-in-progress (development property) and is measured 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 fee, construction overheads and other related direct costs.

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

Nonrefundable commissions paid to sales agents on the sale of real estate units are expensed when the revenues of such sale is recognised.

2.6 Impairment of non-financial assets

Assets that are subject to depreciation or amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are carried at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

Eshraq Properties PJSC

Notes to the consolidated financial statements for the year ended 31 December 2016 (continued)

2 Summary of significant accounting policies (continued)

2.7 Trade and other receivables

Trade receivables are amounts due from customers as a result of goods sold and services performed, in the ordinary course of business. If collection is expected in one year or less, they are classified as current assets. If not, they are presented as non-current assets. Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. Other receivables are amounts due to payments in advance and deposits paid as at year end.

2.8 Cash and cash equivalents

For the purpose of the 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.

2.9 Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade payables are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities.

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

2.10 Inventories

Inventories are stated at the lower of cost and estimated net realisable value. Cost is determined mainly by the weighted average method and includes all costs incurred in bringing the inventory to its present location and condition. Net realisable value is the estimated selling price in the ordinary course of business, less selling expenses, if any.

2.11 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds and the redemption value is recognised in the consolidated statement of comprehensive income over the term of the borrowings using the effective interest method.

Borrowings are classified as non-current liabilities when the Group has an unconditional right to defer settlement of the liabilities for more than twelve months after the reporting date.

2.12 Employees' benefits

Provision is made for the estimated liability for employees' entitlement to annual leave and leave passage as a result of services rendered by eligible employees up to the reporting date.

Eshraq Properties PJSC

Notes to the consolidated financial statements for the year ended 31 December 2016 (continued)

2 Summary of significant accounting policies (continued)

2.12 Employees' benefits (continued)

Provision is also made for the end of service benefits due to non-UAE national employees in accordance with UAE Labour Law, for their period of service up to the reporting date.

The provision relating to annual leave and leave passage is disclosed as a current liability within 'trade and other payables, while that relating to employees' end of service benefits is disclosed as a non-current liability.

2.13 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 will be required to settle the obligation, and the amount can be reliably estimated.

2.14 Financial instruments

Financial assets and liabilities are recognised on the Group's consolidated statement of financial position when the Group becomes a part to the contractual provision of the instruments.

(a) Financial assets

The Group classifies its financial assets in the following category: loans and receivables and available-for-sale investment. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

(i) Loan and receivables

Loan and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets. The Group's loans and receivables comprise 'trade and other receivables' (Note 10) and 'cash and bank balances' (Note 11).

Loans and receivables are initially recognised at fair value and subsequently carried at amortised cost using the effective interest method.

(ii) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are designated in this category. They are included in non-current assets unless management intend to dispose of the investment within 12 months of the reporting date.

Investments designated as available-for-sale investments are initially recorded at cost including transaction costs, and subsequently measured at fair value unless the latter cannot be reliably measured. Subsequent changes in fair value are recorded as a separate component of equity.

Eshraq Properties PJSC

Notes to the consolidated financial statements for the year ended 31 December 2016 (continued)

2 Summary of significant accounting policies (continued)

2.14 Financial instruments (continued)

When an available-for-sale investment is sold or impaired, the accumulated fair value adjustments recognised in equity are included in the consolidated statement of comprehensive income. On disposal of an investment, the difference between the net disposal proceeds and the carrying amount is charged or credited to the consolidated statement of comprehensive income.

All purchases and sales of financial assets are recognised on the trade date, which is the date that the Partnership and Group commit to purchase or sell the asset. Investments are derecognised when the right to receive cash flows from the investments has expired or has been transferred and the Partnership and Group have transferred substantially all risks and rewards of ownership.

(b) Financial liabilities

Financial liabilities mainly comprise 'trade and other payables' (Note 15) and 'borrowings' (Note 17). These are initially recognised at fair value and subsequently stated at amortised cost using effective interest method except for the derivative financial instrument which is recognised at fair value and subsequently re-measured at fair value.

2.15 Impairment of financial assets

(a) Assets carried at amortised cost

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

For loans and receivables category, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in the consolidated statement of comprehensive income. If a loan or held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Group may measure impairment on the basis of an instrument's fair value using an observable market price.

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

Eshraq Properties PJSC

Notes to the consolidated financial statements for the year ended 31 December 2016 (continued)

2 Summary of significant accounting policies (continued)

2.15 Impairment of financial assets (continued)

(b) Assets classified as available-for-sale

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. For debt securities, the Group uses the criteria referred to in (a) above. In the case of equity investments classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is also evidence that the assets are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in consolidated statement of comprehensive income – is removed from consolidated statement of changes in equity and recognised in consolidated statement of comprehensive income. Impairment losses recognised in the consolidated statement of comprehensive income on equity instruments are not reversed through the consolidated statement of comprehensive income. If, in a subsequent period, the fair value of a debt instrument classified as available-for-sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed through the consolidated income statement.

2.16 Foreign currency translation

(a) Functional and presentation currency

Items included in the consolidated financial statements of the Group are measured and presented using the currency of the primary economic environment in which it operates ('the functional currency'). The consolidated financial statements are presented in the UAE Dirhams ('AED'), which is the Group's functional and 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. 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 comprehensive income.

Foreign exchange gains and losses that relate to term loan and cash and cash equivalents are presented in the consolidated statement of comprehensive income within 'net finance costs'.

Translation differences related to changes in amortised cost are recognised in profit or loss, and other changes in carrying amount are recognised in other comprehensive income. Non-monetary items that are measured at historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

Eshraq Properties PJSC

Notes to the consolidated financial statements for the year ended 31 December 2016 (continued)

2 Summary of significant accounting policies (continued)

2.16 Foreign currency translation (continued)

(b) Transactions and balances (continued)

Changes in the fair value of monetary securities denominated in foreign currency classified as available for sale are analysed between translation differences resulting from changes in the amortised cost of the security and other changes in the carrying amount of the security.

2.17 Revenue recognition

(a) Sale of property

Revenue from sale of properties is recognised when equitable interest in a property vests in the buyer and all the following conditions have been satisfied:

- the Group has transferred to the buyer the significant risks and rewards of ownership of the property;
- the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the property sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the Group; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

(b) Rental income

Rental income on investment properties is recognized on a straight line basis over the lease term.

(c) Interest income and income from fixed deposits

Interest income and income from fixed deposits are recognised as they accrue using the effective interest rate method.

(d) Income from hotels

Income from hotels comprises revenue from rooms, food and beverage and other associated services provided, and is recognised when the goods are sold or services are rendered.

Eshraq Properties PJSC

Notes to the consolidated financial statements for the year ended 31 December 2016 (continued)

3 Financial risk management

3.1 Financial risk factors

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

(a) Market risk

(i) Foreign exchange risk

The Group has no significant exposure to foreign exchange risk. Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities in the consolidated financial statements denominated in currency other than the functional currency. The management considers that the Group is not exposed to significant currency risks.

(ii) Price risk

The Group is exposed to equity securities price risk because of investments held by the Group and classified on statement of financial position as available for sale investments. To manage its price risk arising from investments in equity securities, the Group diversified its portfolio. Based on the simulations performed, the impact on the total comprehensive income of a 10% increase/decrease in the prices of available for sale assets is AED 4,884 thousand (2015: AED 8,889 thousand). The Group is also exposed to the retail property rental pricing market risk. The management of the Group believe that rental pricing is in line with their expectation, budget and estimated occupancy rate, accordingly, the price risk is remote.

(iii) Cash flow and fair value interest rate risk

The Group's income and operating cash flows are substantially independent of changes in market interest rates. As of 31 December 2016, the Group is exposed to interest rate risk on its bank deposits, if interest rates would have been 100 basis points higher/lower with all other variables held constant, the Group's profit for the year ended 31 December 2016 would increase/decrease by AED 2 million (2015: AED 3 million)

(b) Credit risk

Credit risk arises from cash and bank balances excluding cash on hand, deposits with banks as well as credit exposures to customers, including outstanding receivables and committed transactions. Management assesses the credit quality of customers, taking into account financial position, past experience and other factors.

The Group does not have a concentration of credit risk with respect to its customers.

Eshraq Properties PJSC

Notes to the consolidated financial statements for the year ended 31 December 2016 (continued)

3 Financial risk management (continued)

3.1 Financial risk factors (continued)

(b) Credit risk (continued)

The Group's policy is to place cash and cash equivalents and term deposits with reputable banks and financial institutions.

(c) Liquidity risk

Prudent liquidity risk management includes maintaining sufficient cash and cash equivalents and the availability of funding from an adequate amount of committed credit limits. Due to the dynamic nature of the underlying business, the Group maintains flexibility in funding by maintaining availability under committed credit lines.

The table below summarises the maturity profile of the Group's financial liabilities as at 31 December 2016 and 2015 based on contractual undiscounted payments and current market rates:

	On demand AED'000	Total AED'000
At 31 December 2016		
Trade and other payables	123,957	123,957
At 31 December 2015		
Trade and other payables	268,549	268,549
Borrowings	15,024	15,024
Total	283,573	283,573

3.2 Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for its 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 the shareholders or issue new shares. There were no changes in Group's approach to capital management during the year.

Capital comprises share capital, statutory reserve, accumulated losses and cumulative changes in fair values of available for sale investments and is measured at AED 1,438 million (2015: AED 1,981 million) at the reporting date.

Eshraq Properties PJSC

Notes to the consolidated financial statements for the year ended 31 December 2016 (continued)

3 Financial risk management (continued)

3.3 Fair value estimation

The level in the fair value hierarchy within which the fair value measurement is categorised in its entirety is determined on the basis of the lowest level input that is significant to the fair value measurement in its entirety. For this purpose significance of the inputs is assessed against the fair value measurement in its entirety. Assessing the significance of a particular input to the fair value measurement in its entirety requires judgement, considering factors specific to the asset or liability. If a fair value measurement uses observable inputs that require significant adjustment based on unobservable inputs or any other significant unobservable inputs, that measurement is a Level 3 measurement.

Disclosure of fair value measurements by level of the following fair value measurement hierarchy:

- 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).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (Level 3).

The table below analyses the Group's financial asset and liabilities and investment property that are measured at fair value as at 31 December 2016 and 2015:

	Level 1 AED'000	Level 2 AED'000	Level 3 AED'000
At 31 December 2016			
Investment properties	-	479,267	249,700
Available-for-sale investment	48,847	-	33,897
At 31 December 2015			
Investment properties	-	908,034	-
Available-for-sale investment	88,893	-	67,393

The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in Level 1.

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value the instrument are observable, the instrument is included in level 2.

Eshraq Properties PJSC

Notes to the consolidated financial statements for the year ended 31 December 2016 (continued)

3 Financial risk management (continued)

3.3 Fair value estimation (continued)

If one or more of the significant inputs is not based on observable market data, the instrument is included in Level 3.

The carrying values of financial assets and financial liabilities of the Group approximate their fair values, as they are either short term in nature, or held at amortised cost or fair value. The nominal values less impairment provision of trade and other receivables and payables are assumed to approximate their fair values as they are recoverable/and other within 12 months.

4 Critical accounting estimates and judgments

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 explained below:

(a) Classification of property

The Group determines whether a property is classified as investment property, development property, property, and equipment:

- Investment properties comprised substantially for use by, or in the operations of, the Group, nor for sale in the ordinary land and buildings (principally offices, residential and retail properties) which are not occupied course of business, but are held primarily to earn rental income or capital appreciation or undetermined use;
- Development properties comprise properties that are held for sale in the ordinary course of business. Principally, these are a properties that the Group develops and intends to sell before or on completion of construction;
- Property and equipment comprise properties that are held for administrative purposes or supply of services; and
- Inventories comprise properties that are held for sale in the ordinary course of business.

(b) Valuation of properties

Investment properties are stated at fair value as at the statement of financial position date. Gains or losses arising from changes in the fair values are included in the consolidated statement of comprehensive income in the year in which they arise. The fair values of investment properties are determined by an independent professional valuer. The valuation techniques adopted comprise the Comparable method and Residual value method.

Eshraq Properties PJSC

Notes to the consolidated financial statements for the year ended 31 December 2016 (continued)

4 Critical accounting estimates and judgments (continued)

(b) Valuation of properties (continued)

The Residual Value Method requires the use of estimates such as future cash flows from assets (comprising of selling and leasing rates, future revenue streams, construction costs and associated professional fees, and financing cost, etc.), targeted internal rate of return and developer's risk and targeted profit. These estimates are based on local market conditions existing at the end of the reporting period. The valuers have used their market knowledge and professional judgment and have not only relied solely on historic transactional comparable.

Targeted internal rate of return	Range %
Rental yield	11 7.5 – 8.5

Sensitivity to significant changes in unobservable inputs:

Have the projected rental income increase or decrease by 1% from the estimated amount, the fair value of the property would be higher or lower by AED 6.9 million (2015: Nil), with the same impact on the profit for the year. Furthermore, if the cost to complete was to increase or decrease by 1% from the estimated completion amount, the fair value of the property would be lower or higher by AED 5.4 million (2015: Nil), with the opposite impact on the profit for the year.

(c) Impairment of accounts receivable

An estimate of the collectible amount of trade accounts receivable 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 historical recovery rates.

At the statement of financial position date, gross trade accounts receivable was AED 1,028 thousand (2015: AED 891 thousand), and the provision for doubtful debts was AED Nil (2015: Nil). Any difference between the amounts actually collected in future periods and the amounts expected to be received will be recognised in the consolidated statement of comprehensive income.

(d) Impairment of development work-in-progress

Development properties are stated at lower of cost or net realisable value. Management of the Group has assessed the net realisable value of its development properties for impairment as at 31 December 2016. Based on the review, and valuation performed by an independent external valuer, the Group has provided an impairment loss of AED 66,613 thousand (2015: Nil) relating to the excess of carrying value over the realisable value of certain properties.

(e) Useful life of property and equipment

The cost of property and equipment is depreciated over its estimated useful life, which is based on expected usage of the asset and expected physical wear and tear, which depends on operational factors.

Eshraq Properties PJSC

Notes to the consolidated financial statements for the year ended 31 December 2016 (continued)

5 Property and equipment

	Land AED'000	Building AED'000	Motor vehicles AED'000	Software and computers AED'000	Furniture decor and office equipment AED'000	Total AED'000
Cost						
At 1 January 2015	47,801	70,301	2,070	1,004	5,691	126,867
Additions	-	-	407	266	764	1,437
At 31 December 2015	47,801	70,301	2,477	1,270	6,455	128,304
Additions	-	-	-	132	-	132
Disposals	-	-	-	-	(87)	(87)
At 31 December 2016	47,801	70,301	2,477	1,402	6,368	128,349
Accumulated depreciation						
At 1 January 2015	-	7,220	1,880	996	3,736	13,832
Charge for the year	-	2,812	211	143	1,098	4,264
At 31 December 2015	-	10,032	2,091	1,139	4,834	18,096
Charge for the year	-	2,983	121	247	616	3,967
Disposals	-	-	-	-	(87)	(87)
At 31 December 2016	-	13,015	2,212	1,386	5,363	21,976
Net book value						
At 31 December 2016	47,801	57,286	265	16	1,005	106,373
At 31 December 2015	47,801	60,269	386	131	1,621	110,208

Eshraq Properties PJSC

Notes to the consolidated financial statement for year ended 31 December 2016 (continued)

6 Investment properties

Investment properties represent certain plots of land located in the UAE and an apartment in the United States of America (USA).

	2016 AED'000	2015 AED'000
Balance at 1 January	908,034	601,156
Additions/properties re-acquired during the year	3,197	287,937
Transfer to development work-in-progress (Refer point (i) below and Note 9)	(51,974)	-
Transfer from advance for purchase of investment properties (Refer to point (ii) below)	82,811	-
Decrease on account of settlement with a seller (Refer point (iii) below)	(42,812)	-
Transfer from development work-in-progress (Refer point (iv) below and Note 9)	267,185	-
(Decrease)/increase in fair value, net	(437,474)	18,941
Balance at 31 December	<u>728,967</u>	<u>908,034</u>

- (i) Transfer to development work in progress pertains to commencement of development activity on Jumeirah rise project during the year.
- (ii) Transfer from advance for purchase of investment properties pertain to assets which have been transferred to investment properties on completion of acquisition formalities.
- (iii) The Group has revised its estimate for the purchase price of land based on agreement with the seller. The prices were under negotiation with the seller and has been reduced from the initial anticipated amount.
- (iv) Transfer from development work-in-progress based on management intention to earn rental income once the property is developed.

Investment properties are stated at fair value which is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The fair values of the Group's investment properties are categorised into level 2 and level 3 of the fair value hierarchy. The fair values of the investment properties were determined by an external property valuer using the comparable method and residual method.

Four plots of land are not registered in the name of the Group. Procedures to register two plots of land are under way. One plot of land with a carrying value of AED 249,700 thousand is registered in the name of a board member on behalf of the Group. The beneficial rights of this land has been assigned to the Group. The carrying value of three other plots which are not registered in the name of the Group amounts to AED 241,600 thousand.

Eshraq Properties PJSC

Notes to the consolidated financial statement for year ended 31 December 2016 (continued)

7 Advance for purchase of investment properties

Advance for purchase of investment properties represents payments made by the Group to acquire 58 apartments in a residential building in Dubai. During 2016, ownership of 26 of these apartments were transferred to the Group, these were valued at AED 82,811 thousand (Note 6). The Group is in process of recovering the amount from the seller (Note 25).

8 Available-for-sale investments

	2016 AED'000	2015 AED'000
Balance at 1 January	156,286	12,392
Additions during the year	-	205,897
Disposals during the year	(39,238)	(53,626)
Impairment loss	(33,496)	-
Decrease in fair value, net	(808)	(8,377)
Balance at 31 December	<u>82,744</u>	<u>156,286</u>
Unquoted equity investments - carried at cost	33,897	67,393
Quoted equity investments - carried at fair value	<u>48,847</u>	<u>88,893</u>
	<u>82,744</u>	<u>156,286</u>

The fair value of quoted equity securities is determined by reference to quoted market price at the close of business at the reporting date.

Available-for-sale assets in unquoted security is presently carried at cost less impairment as the fair value cannot be reliably determined due to the absence of an active market for the investment or any recent transactions that could provide a reliable evidence of their current fair values.

The Group unquoted investment represents 4.55% equity interest in an unlisted entity established in Dubai Financial Centre (DIFC). The principal activities of the investee is to purchase, develop, fit-out, own, operate or lease to third parties and eventually sell properties currently under construction. The Group does not have significant influence over the investee and has limited access to the information.

During the year ended 31 December 2016, the Group has recorded an impairment loss in the investment classified as Level 3 amounting to AED 33,496 thousand using the latest available valuation provided by an external valuer, which estimates the value of the property when complete, using a comparable method of valuation having regards to transactional evidence. This impairment loss represents the only movement in investment classified as Level 3.

Eshraq Properties PJSC

Notes to the consolidated financial statement for year ended 31 December 2016 (continued)

9 Development work-in-progress

Development work in progress represents development and construction costs incurred on properties being constructed. All development work in progress projects are located in the United Arab Emirates.

	2016 AED'000	2015 AED'000
Balance at 1 January	357,814	355,595
Additions during the year	4,030	2,219
Transfer from investment properties (Note 6)	51,974	-
Transfer to investment properties (Note 6)	(267,185)	-
Impairment loss on Development work-in-progress	(66,613)	-
Balance at 31 December	<u>80,020</u>	<u>357,814</u>

10 Trade and other receivables

	2016 AED'000	2015 AED'000
Trade receivables	1,028	891
Prepayments	2,583	721
Advances to suppliers	1,248	9,146
Accrued revenue	-	1,412
Other receivables	1,326	1,756
	<u>6,185</u>	<u>13,926</u>

As at 31 December 2016, no trade accounts receivable were impaired (2015: Nil). As at 31 December 2016, the ageing of unimpaired accounts receivable was as follows:

	Past due but not impaired				
	Total AED'000	1-30 days AED'000	31-60 days AED'000	61-90 days AED'000	>90 days AED'000
2016	1,028	1,028	-	-	-
2015	891	820	67	2	2

Unimpaired receivables are expected to be fully recoverable. It is not the practice of the Group to obtain collateral over receivables and the vast majority are, therefore, unsecured.

Eshraq Properties PJSC

Notes to the consolidated financial statement for year ended 31 December 2016 (continued)

11 Cash and bank balances

	2016 AED'000	2015 AED'000
Short term deposits	223,681	340,028
Cash at bank	188,729	149,407
Cash on hand	146	30
	<u>412,556</u>	<u>489,465</u>

Included in short term deposits is an amount of AED Nil (2015: AED 16,194) which is pledged against bank borrowing. Short term deposits carry interest at 0.15 % - 0.65 % (2015: 0.15% - 0.84%) per annum.

12 Share capital

	2016 AED'000	2015 AED'000
<i>Authorized, issued and fully paid 2,325,000 thousand ordinary shares (2015: 2,325,000 thousand) of AED 1 each</i>	<u>2,325,000</u>	<u>2,325,000</u>

13 Statutory reserve

In accordance with the UAE Federal Law No. (2) of 2015 concerning Commercial Companies and the Company's Articles of Association, 10% of the Company's net profit is transferred to an un-distributable statutory reserve until such reserve equals 50% of paid up capital of the Company. This reserve is not available for distribution.

14 Provision for employees' end of service benefits

The movement in the provision for employees' end of service benefits during the year was as follows:

	2016 AED'000	2015 AED'000
Balance at 1 January	1,191	992
Charge during the year	2,586	348
Payment during the year	(1,657)	(149)
Balance at 31 December	<u>2,120</u>	<u>1,191</u>

Eshraq Properties PJSC

Notes to the consolidated financial statement for year ended 31 December 2016 (continued)

15 Trade and other payables

	2016 AED'000	2015 AED'000
Trade payables	165	2,042
Retention payable	1,343	219
Unclaimed dividend	13,707	13,743
Accruals	732	2,704
Advances from customers	6,441	6,129
Payable on account of investment properties	100,000	242,812
Others	1,569	900
	<u>123,957</u>	<u>268,549</u>

Advances from customers include an amount of AED 4.2 million (2015: AED 4.2 million) received as advance rentals against land given under operating leases as per Masataha agreements.

16 Related party transactions

Related parties include the associated companies, shareholders, directors, key management personnel and entities controlled, jointly controlled by the shareholders or over which they exercise significant management influence. Pricing policies and terms of these transactions are approved by the Group's management and believed to be on an arm's length basis.

Related party transactions

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

	2016 AED'000	2015 AED'000
Short term benefits	10,501	2,286
Employees end of service benefits	277	56
	<u>10,778</u>	<u>2,342</u>

17 Bank borrowings

During 2010, the Group obtained a loan from a commercial bank in Abu Dhabi for working capital requirements bearing an interest rate of 1% over the highest rate payable on pledged fixed deposits.

	2016 AED'000	2015 AED'000
Balance at 1 January	15,024	15,181
Interest during the year	-	222
Repayments	(15,024)	(379)
Balance at 31 December	<u>-</u>	<u>15,024</u>

Eshraq Properties PJSC

Notes to the consolidated financial statement for year ended 31 December 2016 (continued)

18 Revenue

	2016 AED'000	2015 AED'000
Rental income	3,883	-
Income from hotel operations and other income	18,747	21,174
	<u>22,630</u>	<u>21,174</u>

19 Direct costs

Rooms, food, beverages and others	<u>3,266</u>	<u>3,413</u>
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20 General and administrative expenses

	2016 AED'000	2015 AED'000
Staff costs	16,412	5,368
Depreciation (Note 5)	3,967	4,264
Property operation and maintenance expenses	2,099	448
Rent	1,388	1,313
Utilities	1,388	-
Facility management charges	1,244	1,220
Management fees	1,074	1,197
Security and maintenance fees	468	431
Credit card commission	282	339
Others	5,459	9,582
	<u>33,781</u>	<u>24,162</u>

During the year ended 31 December 2016, the Group has paid AED 450 thousand (2015: AED 550 thousand) for various social contribution purposes. This amount included in other expenses.

21 Basic and diluted earnings per share

Basic earnings per share amounts for the year are calculated by dividing profit for the year by the weighted average number of ordinary shares outstanding during the year.

Diluted earnings per share amounts are calculated by dividing the net profit by the weighted average number of ordinary shares outstanding during the year, adjusted for the effects of dilutive instruments.

Eshraq Properties PJSC

Notes to the consolidated financial statement for year ended 31 December 2016 (continued)

21 Basic and diluted earnings per share (continued)

The following reflects the income and share data used in the earnings per share computations:

	2016 AED'000	2015 AED'000
(Loss)/profit for the year attributable to ordinary equity holders	(545,666)	9,989
Weighted average number of ordinary shares in issue	2,325,000	2,325,000
Basic and diluted (loss)/earnings per share	(0.23)	0.0043

22 Segment reporting

Following the management approach in regard to IFRS 8, operating segments are reported in accordance with the internal reporting provided to the Board of Directors (the chief operating decision-maker), which is responsible for allocating resources to the reportable segments and assessing its performance. The Group is managed as one unit and therefore the Board of Directors are of the opinion that the Group is mainly engaged in a single segment of investing in real estate.

23 Non-cash transactions

	2016 AED'000	2015 AED'000
<u>Non-cash transactions include the following:</u>		
Transfer from investment properties to development work in progress	51,974	-
Transfer from development work in progress to investment properties	267,185	-
Transfer from advance for purchase of investment properties to investment properties	82,811	-
Stock dividends	-	225,000
Decrease on account of settlement with a seller	42,812	-

Eshraq Properties PJSC

Notes to the consolidated financial statement for year ended 31 December 2016 (continued)

24 Financial instruments by category

The carrying amounts presented in the statement of financial position relate to the following categories of assets and liabilities:

	2016 AED'000	2015 AED'000
Financial assets:		
Cash and bank balances	412,556	489,465
Trade and other receivables	2,354	4,059
	<u>414,910</u>	<u>493,524</u>
Available for sales financial asset:		
Unquoted equity investment	33,897	67,393
Quoted equity investment	48,847	88,893
	<u>82,744</u>	<u>156,286</u>
Financial liabilities:		
Trade and other payables	117,516	262,420
Borrowings	-	15,024
	<u>117,516</u>	<u>277,444</u>

For the purpose of the financial instrument disclosure, non-financial assets amounting to AED 3,831 thousand (2015: AED 9,867 thousand) have been excluded from trade and receivables and non-financial liabilities amounting to AED 6,441 thousand (2015: 6,129 thousand) have been excluded from trade and payables.

25 Contingencies

The Group has filed a court case against the seller to recover the advance of AED 146,696 thousand paid for purchase of investment property units. The seller of these units has been unable to transfer the title of subject units to the Group due to unsettled mortgage loans on these units. The Group has paid the advance to purchase 58 units in a residential Tower located in Dubai. As at 31 December 2016, the Group has received possession of 26 units, no objection certificate in respect to two units and waiting to receive remaining 30 units which are currently under mortgage. The Group is confident of obtaining the title from the seller in due course. However, the timing of recoverability of these advances is uncertain.

26 Reclassification

Certain comparative figures have been reclassified, where necessary, to conform to the current year presentation without any impact on consolidated statements of changes in equity or comprehensive income. Management believes that the current period presentation provides more meaningful information to the readers of the consolidated financial statements.