Eshraq Properties P.J.S.C.

Condensed consolidated interim financial information for the three months ended 31 March 2017 (unaudited)

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Report on review of condensed consolidated interim financial information to the Board of Directors of Eshraq Properties P.J.S.C.

Introduction

We have reviewed the accompanying condensed consolidated interim statement of financial position of Eshraq Properties P.J.S.C. and its subsidiaries (together referred as the 'Group') as at 31 March 2017 and the related condensed consolidated interim statements of comprehensive income, changes in equity and cash flows for the three month period then ended. Management is responsible for the preparation and presentation of this condensed consolidated interim financial information in accordance with International Accounting Standard 34, 'Interim financial reporting'. Our responsibility is to express a conclusion on this condensed consolidated interim financial information based on our review.

Scope of review

We conducted our review in accordance with International Standard on Review Engagement 2410, 'Review of Interim Financial Information Performed by the Independent Auditor of the Entity'. A review of interim financial information consists of making enquiries, 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 condensed consolidated interim financial information is not prepared, in all material respects, in accordance with International Accounting Standard 34 "Interim Financial Reporting".

Emphases of matter

We draw attention to the following matters:

1. Note 7 to the condensed consolidated interim financial information, 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.

Report on review of condensed consolidated interim financial information to the Board of Directors of Eshraq Properties P.J.S.C. (continued)

Emphases of matter (continued)

2. Note 7 to the condensed consolidated interim financial information, discloses the fact that title deeds for certain properties with a carrying value of AED 241,600 thousand have not been transferred in the name of the Group from the third party seller as there are outstanding amounts payable in respect of the purchase of these properties and the need to complete certain other legal formalities.

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

PricewaterhouseCoopers
..14... May 2017

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

Eshraq Properties P.J.S.C.

Condensed consolidated interim statement of financial position

	Note	31 March 2017 AED'000 (Unaudited)	31 December 2016 AED'000 (Audited) (Reclassified)
ASSETS			
Non-current assets			
Property and equipment	6	106,189	106,373
Investment properties	7	728,967	728,967
Advance for purchase of properties	8	146,696	146,696
Available-for-sale investments	9	128,134	82,744
		1,109,986	1,064,780
Currents assets			
Development work-in-progress	10	82,053	80,020
Inventories		94	79
Trade and other receivables	11	6,302	6,185
Cash and bank balances	12	342,406	412,556
		430,855	498,840
Total assets		1,540,841	1,563,620
EQUITY AND LIABILITIES			
EQUITY			
Share capital	13	2,325,000	2,325,000
Statutory reserve	14	133,725	133,725
Accumulated losses		(1,016,412)	(1,015,458)
Cumulative changes in fair value of available-for-sale investments		(10,335)	(5,724)
Total equity		1,431,978	1,437,543
LIABILITES			
Non-current liability			
Provision for employees' end of service benefits	15	839	2,120
Current liabilities			
Trade and other payables	16	101,469	117,516
Advances from customers	17	6,555	6,441
		108,024	123,957
Total liabilities		108,863	126,077
Total equity and liabilities		1,540,841	1,563,620

The condensed consolidated interim financial information has been approved and authorised by the Board of Directors on ....14.... May 2017 and signed on its behalf by:

.... Chairman

.... Chief Financial officer

The notes on pages 7 to 16 form an integral part of the condensed consolidated interim financial information

Eshraq Properties P.J.S.C.

Condensed consolidated interim statement of comprehensive income

	Note	Three month period ended 31 March 2017 AED'000 (Unaudited)	2016 AED'000 (Unaudited) (Reclassified)
Revenues		6,909	6,259
Cost of revenues		(1,000)	(863)
Gross profit		5,909	5,396
General and administrative expenses		(5,598)	(6,604)
Selling and marketing expenses		(722)	(1,060)
Operating loss for the period		(411)	(2,268)
Finance (cost)/income, net		(569)	416
Other income		25	840
Loss for the period		(955)	(1,012)
Other comprehensive loss for the period:			
Items that will be reclassified subsequently to profit or loss			
Net unrealised loss on available for sale investments		(4,610)	(5,969)
Other comprehensive loss for the period		(4,610)	(5,969)
Total comprehensive loss for the period		(5,565)	(6,981)
Basic and diluted loss per share (AED)	19	(0.0004)	(0.0004)

Eshraq Properties P.J.S.C.

Condensed consolidated interim statement of changes in equity

	Share capital AED'000	Statutory reserve AED'000	Accumulated losses AED'000	Cumulative changes in fair value of available-for -sale investments AED'000	Tota l AED'000
Balance at 1 January 2016 (audited)	2,325,000	133,725	(469,792)	(8,377)	1,980,556
Loss for the period	-	-	(1,012)	-	(1,012)
Other comprehensive loss for the period	-	-	-	(5,969)	(5,969)
Total comprehensive loss for the period	-	-	(1,012)	(5,969)	(6,981)
Balance at 31 March 2016 (unaudited)	**2,325,000**	**133,725**	**(470,804)**	**(14,346)**	**1,973,575**
Balance at 1 January 2017 (audited)	2,325,000	133,725	(1,015,457)	(5,725)	1,437,543
Loss for the period	-	-	(955)	-	(955)
Other comprehensive loss for the period	-	-	-	(4,610)	(4,610)
Total comprehensive loss for the period	-	-	(955)	(4,610)	(5,565)
Balance at 31 March 2017 (unaudited)	**2,325,000**	**133,725**	**(1,016,412)**	**(10,335)**	**1,431,978**

The notes on pages 7 to 16 form an integral part of the condensed consolidated interim financial information

Eshraq Properties P.J.S.C.

Condensed consolidated interim statement of cash flows

	Note	Three month period ended 31 March 2017 AED'000 (Unaudited)	2016 AED'000 (Unaudited) (Reclassified)
Operating activities			
Loss for the period		(955)	(1,012)
Adjustments for:			
Depreciation	6	796	130
Provision for employees' end of service benefits	15	92	60
Interest income		(299)	(416)
Foreign exchange loss		868	-
Operating cash flows before payment of employees' end of service benefits and changes in working capital		502	(1,238)
Employees' end of service benefits paid	15	(1,373)	(520)
Changes in working capital:			
Trade and other receivables		(117)	9,825
Inventories		(15)	80
Development work in progress		(2,033)	(533)
Advances from customers		114	(1,912)
Trade and other payables		(16,047)	6,014
Net cash (used in)/generated from operating activities		(18,969)	11,716
Cash flows from investing activities			
Interest received		299	416
Payment for purchase of property and equipment		(612)	(43)
Additions to available-for-sale investments	9	(50,000)	(748)
Net cash used in investing activities		(50,313)	(375)
Cash flows from financing activities			
Repayment of bank borrowings		-	(15,024)
Net cash used in financing activities		-	(15,024)
Net decrease in cash and cash equivalents		(69,282)	(3,683)
Foreign exchange difference		(868)	-
Cash and cash equivalents at 1 January		412,556	489,465
Cash and cash equivalents at 31 March	12	342,406	485,782

1 General information

Eshraq Properties P.J.S.C. (the "Company") was initially registered as a 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 head office of the Company is at P.O. Box 108737, Abu Dhabi, U.A.E.

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

2 Basis of preparation

The condensed consolidated interim financial information for the three months ended 31 March 2017 have been prepared in accordance with International Accounting Standard 34 'Interim Financial Reporting'.

The condensed consolidated interim financial information does not contain all the information and disclosures required in the annual consolidated financial statements, and should be read in conjunction with the Group's annual consolidated financial statements as at 31 December 2016. In addition, results for the three months ended 31 March 2017 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2017.

The condensed consolidated interim financial information have been presented in United Arab Emirates Dirham ("AED"), which is the functional and presentation currency of the Group.

Basis of consolidation

The condensed consolidated interim financial information comprises the financial information of the Company and its following subsidiaries:

Name	Country of operation	Principal activity	Interest
Nuran Marina Serviced Residence LLC*	United Arab Emirates	Hotel apartments	100%
Eshraq International Properties	Cayman Islands	Real estate	100%

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

2 Basis of preparation (continued)

The financial statements of the subsidiaries are prepared for the same reporting year as the Company, using consistent accounting policies. All intra-group balances, transactions, income and expenses and profit and losses resulting from intra-group transactions that are recognised in assets, are eliminated in full. Subsidiaries are fully consolidated from the date on which control is transferred to the Company. The Company exercises control over all of the subsidiaries listed above.

3 Accounting policies

The accounting policies adopted in the preparation of the condensed consolidated interim financial information are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2016. Amendments to IFRSs effective for the financial year ending 31 December 2017 are not expected to have a material impact on the Group.

4 Estimates and judgments

The preparation of condensed consolidated interim financial information requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing the condensed consolidated interim financial information, the significant judgments made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 December 2016.

5 Financial risk management and financial instruments

5.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk.

The condensed consolidated interim financial information does not include all financial risk management information and disclosures required in the annual consolidated financial statements; they should be read in conjunction with the Group's annual financial statements as at 31 December 2016. There have been no changes in the risk management department or in any risk management policies since year end.

5 Financial risk management and financial instruments (continued)

5.2 Liquidity risk

Compared to year end, there was no material change in the contractual undiscounted cash out flows for financial liabilities.

5.3 Fair value estimation

The fair values of the financial assets and liabilities of the Group are not materially different from their carrying values at the reporting date.

	Carrying amount		Fair value	
	31 March 2017 AED'000	31 December 2016 AED'000	31 March 2017 AED'000	31 December 2016 AED'000
Financial assets				
Available-for-sale investments				
– unquoted	83,897	33,897	83,897	33,897
– quoted	44,236	48,846	44,236	48,846

(a) Fair value hierarchy

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities

Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly

Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data

Management assessed that cash and short-term deposits, trade and other receivables and trade and other payables approximate their carrying amounts largely due to the short-term maturities of these instruments as at 31 March 2017.

5 Financial risk management and financial instruments (continued)

5.3 Fair value estimation (continued)

(a) Fair value hierarchy (continued)

The following table shows the analysis of financial instruments recorded at fair value by level of the fair value hierarchy at 31 March 2017 and 31 December 2016:

	Quoted prices in active markets (Level 1) AED'000	Significant observable inputs (Level 2) AED'000	Significant unobservable inputs (Level 3) AED'000
Available for sale investments			
31 March 2017	44,236	-	83,897
31 December 2016	48,846	-	33,897

During the period, there have been no transfers made between or into Level 1, Level 2 and Level 3 fair value measurements.

(b) Available-for-sale investment

The unquoted available-for-sale investments are carried at cost less impairment as at 31 March 2017.

6 Property and equipment

	AED'000
Cost	
At 1 January 2017	128,349
Additions for the period	612
At 31 March 2017	128,961
Accumulated depreciation	
At 1 January 2017	21,976
Charge for the period	796
At 31 March 2017	22,772
Net book amount	
At 31 March 2017	106,189
At 1 January 2017	106,373

All of the Group's property and equipment are located in the UAE.

7 Investment properties

Investment properties represent certain plots of land located in the UAE, several apartments in a residential building in Dubai and an apartment in the United States of America (USA).

One plot of land with a carrying value of AED 249,700 thousand is registered in the name of a former director on behalf of the Group. The beneficial rights of this land have been assigned to the Group.

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.

Management believes that there is no significant change in the fair value of investment properties during the three month period ended 31 March 2017.

8 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 was transferred to the Group, these were valued at AED 82,811 thousand. Subsequent to the period end, the Group has received no objection certificates in respect to the remaining 32 units (Note 21).

9 Available-for-sale investments

	31 March 2017 AED'000	31 December 2016 AED'000
Balance at 1 January	82,744	156,286
Additions during the period	50,000	-
Disposals during the period	-	(39,238)
Impairment loss	-	(33,496)
Decrease in fair value, net	(4,610)	(808)
Balance at the end of the period	128,134	82,744
Unquoted equity investments - carried at cost	83,897	33,897
Quoted equity investments - carried at fair value	44,237	48,847
	128,134	82,744

10 Development work in progress

Development work in progress represents development and construction costs incurred on properties being constructed which will be sold in the future to prospective customers. All development work in progress projects are located in the United Arab Emirates. Management believes that there is no significant change in the net realisable value of development work-in-progress during the three month period ended 31 March 2017.

	31 March 2017 AED'000	31 December 2016 AED'000
Balance at 1 January	80,020	357,814
Additions during the period	2,033	4,030
Transfer from investment properties	-	51,974
Transfer to investment properties	-	(267,185)
Impairment loss on development work-in-progress	-	(66,613)
Balance at the end of the period	82,053	80,020

11 Trade and other receivables

	31 March 2017 AED'000	31 December 2016 AED'000
Trade receivables	1,585	1,028
Advances to suppliers	2,132	1,248
Prepayments	1,248	2,583
Other receivables	1,337	1,326
	6,302	6,185

12 Cash and bank balances

	31 March 2017 AED'000	31 December 2016 AED'000
Cash balances		
Short-term deposits	296,270	223,681
Cash at bank	46,091	188,729
Cash on hand	45	146
Balance at the end of the period	342,406	412,556

Short term deposits carry interest at 1.34% - 1.37% (31 December 2016: 0.15 % - 0.65%) per annum.

13 Share capital

	31 March 2017 AED'000	31 December 2016 AED'000
Authorised, issued and fully paid		
2,325,000,000 ordinary shares (2016: 2,325,000,000) of AED 1 each	2,325,000	2,325,000

14 Statutory reserve

In accordance with the Articles of Association of the Company and in line with the provisions of Article 103 of UAE Federal Law No. 2 of 2015 ("Companies Law"), the Company is required to transfer annually to a statutory reserve account an amount equal to 10% of its profit for the year, until such reserve reaches 50% of the share capital of the Company. This reserve is not available for distribution.

15 Provision for employees' end of service benefits

	31 March 2017 AED'000	31 December 2016 AED'000
Balance at 1 January	2,120	1,191
Charge for the period	92	2,586
Employees' end of service benefits paid	(1,373)	(1,657)
	839	2,120

16 Trade and other payables

	31 March 2017 AED'000	31 December 2016 AED'000 (Reclassified)
Trade payables	415	165
Retention payable	1,343	1,343
Unclaimed dividend	13,707	13,707
Accruals	819	732
Payable on account of investment properties	83,333	100,000
Others	1,852	1,569
	101,469	117,516

17 Advances from customers

Advances from customers represent the amounts received as advance payments in respect of the sale of apartment units. Advances from customers include an amount of AED 4,200 thousand (2016: AED 4,200 thousand) received as advance rentals against land given under operating leases as per Masataha agreements.

18 Related party balances and 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.

Balances with related parties included in the condensed consolidated interim statement of financial position are as follows:

	31 March 2017 AED'000	31 December 2016 AED'000
National Bank of Abu Dhabi (included in cash and bank balances)	159,967	185,078
First Gulf Bank (included in cash and bank balances)	156,846	57,187

18 Related party balances and transactions (continued)

Related party transactions

During the year, the Group entered into the following significant transactions with related parties in the ordinary course of business, carried out on terms and conditions, agreed between the parties.

	31 March 2017 AED'000	31 December 2016 AED'000
Purchase of available-for-sale unquoted equity investment	50,000	-

	Three month period ended 31 March	
	2017 AED'000	2016 AED'000
Key management compensation		
Short term benefits	725	2700
Employees end of service benefits	33	69
	758	2,769

19 Basic and diluted loss per share

Basic loss per share is calculated by dividing the loss for the period by the weighted average number of shares outstanding during the period as follows:

	Three month period ended 31 March	
	2017 AED'000	2016 AED'000
Loss for the period	(955)	(1,012)
Weighted average number of shares outstanding	2,325,000	2,325,000
Basic and diluted loss per share (AED)	(0.0004)	(0.0004)

20 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.

21 Subsequent event

As further disclosed in Note 8, the Group has received no objection certificates for the remaining 32 units in respect to advance for purchase of investment properties. The registration process for these units in the name of the Group has been initiated and is expected to be completed in due course.

22 Contingencies

As of 31 March 2017, the Group is defendant in some of claims raised by a contractor and other parties. Such claims are normal during the development phase of projects. The Group considers that there is no significant claim which could have any material impact on its operations or will result in material liability and will vigorously defend against them. Furthermore, The Group has filed a legal case against the seller in respect of assumed losses caused due to delay in transferring some of the investment property units to the Group. The outcome of the case is not certain as of the date of reporting period.

23 Reclassification

Certain comparative figures have been reclassified, where necessary, to conform to the current period presentation without any impact on the condensed 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 condensed consolidated financial information.