Eshraq Properties P.J.S.C.

Condensed consolidated interim financial information for the six-month period ended 30 June 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 30 June 2017 and the related condensed consolidated interim statement of comprehensive income for the three-month and six-month periods then ended, and condensed consolidated interim statements of changes in equity and cash flows for the six-month period then ended, and other explanatory notes. 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 included in the notes to the condensed consolidated interim financial information:

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 250,486 thousand, is registered with an establishment that is owned by a former director and not in the name of the Group. The former 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 238,367 thousand have not been registered in the name of the Group due to delays in finalising some formalities.

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

PricewaterhouseCoopers
6 August 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	30 June 2017 AED'000 (Unaudited)	31 December 2016 AED'000 (Audited)	1 January 2016 AED'000 (Restated)
ASSETS				
Non-current assets				
Property and equipment	6	105,472	106,373	110,208
Investment properties	7	849,344	728,967	678,307
Advance for purchase of investment properties	8	-	146,696	229,507
Available-for-sale investments	9	97,710	82,744	156,286
		1,052,526	1,064,780	1,174,308
Currents assets				
Development work-in-progress	10	82,753	80,020	345,860
Inventories		75	79	80
Trade and other receivables	11	8,830	6,185	13,926
Cash and bank balances	12	317,820	412,556	489,465
		409,478	498,840	849,331
Total assets		1,462,004	1,563,620	2,023,639
EQUITY AND LIABILITIES				
EQUITY				
Share capital	13	2,325,000	2,325,000	2,325,000
Statutory reserve	14	133,725	133,725	133,725
Accumulated losses		(1,015,776)	(1,015,458)	(711,473)
Cumulative changes in fair value of available-for-sale investments		(6,861)	(5,724)	(8,377)
Total equity		1,436,088	1,437,543	1,738,875
LIABILITES				
Non-current liability				
Provision for employees' end of service benefits	15	920	2,120	1,191
Current liabilities				
Trade and other payables	16	17,951	117,516	262,420
Advances from customers	17	7,045	6,441	6,129
Borrowings		-	-	15,024
		24,996	123,957	283,573
Total liabilities		25,916	126,077	284,764
Total equity and liabilities		1,462,004	1,563,620	2,023,639

The condensed consolidated interim financial information has been approved and authorised by the Board of Directors on ..6..August.. 2017 and signed on its behalf by:

....
Chairman

....
Chief Financial Officer

Eshraq Properties P.J.S.C.

Condensed consolidated interim statement of comprehensive income

	Note	Three-month period ended 30 June		Six-month period ended 30 June	
		2017 AED'000 (Unaudited)	2016 AED'000 (Unaudited) (Restated)	2017 AED'000 (Unaudited)	2016 AED'000 (Unaudited) (Restated)
Revenues		5,539	6,197	12,448	12,456
Cost of revenues		(1,670)	(654)	(3,446)	(3,654)
Gross profit		3,869	5,543	9,002	8,802
Loss on fair valuation of investment properties		(32,430)	(61,973)	(32,430)	(61,973)
Impairment of development-work-in-progress		-	(35,923)	-	(35,923)
Gain on disposal of available-for-sale investments		34,103	-	34,103	-
General and administrative expenses		(6,100)	(9,396)	(10,922)	(13,863)
Selling and marketing expenses		(956)	(226)	(1,678)	(1,286)
Operating loss for the period		(1,514)	(101,975)	(1,925)	(104,243)
Finance income, net		882	98	313	513
Other income		1,268	472	1,294	1,313
Profit/(loss) for the period		636	(101,405)	(318)	(102,417)
Other comprehensive income/(loss) for the period:					
Items that will be reclassified subsequently to profit or loss					
Net unrealised gain/(loss) on available for sale investments		3,474	5,091	(1,137)	(878)
Other comprehensive income/(loss) for the period		3,474	5,091	(1,137)	(878)
Total comprehensive income/(loss) for the period		4,110	(96,314)	(1,455)	(103,295)
Basic and diluted earnings/(loss) per share (AED)	19	0.0003	(0.0436)	(0.0001)	(0.0441)

Condensed consolidated interim statement of changes in equity

	Share capital	Statutory reserve	Accumulated losses	Cumulative changes in fair value of available-for -sale investments	Total
	AED'000	AED'000	AED'000	AED'000	AED'000
Balance at 1 January 2016 (as previously reported)	2,325,000	133,725	(469,792)	(8,377)	1,980,556
Prior period restatement (Note 24)	-	-	(241,681)	-	(241,681)
Balance at 1 January 2016 (Audited) (Restated)	2,325,000	133,725	(711,473)	(8,377)	1,738,875
Loss for the period (Restated)	-	-	(102,417)	-	(102,417)
Other comprehensive loss for the period	-	-	-	(878)	(878)
Total comprehensive loss the period (restated)	-	-	(102,417)	(878)	(103,295)
Balance at 30 June 2016 (Unaudited) (Restated)	**2,325,000**	**133,725**	**(813,890)**	**(9,255)**	**1,635,580**
Balance at 1 January 2017 (Audited)	2,325,000	133,725	(1,015,458)	(5,724)	1,437,543
Loss for the period	-	-	(318)	-	(318)
Other comprehensive loss for the period	-	-	-	(1,137)	(1,137)
Total comprehensive loss for the period	-	-	(318)	(1,137)	(1,455)
Balance at 30 June 2017 (Unaudited)	**2,325,000**	**133,725**	**(1,015,776)**	**(6,861)**	**1,436,088**

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	Six - month period ended 30 June 2017 AED'000 (Unaudited)	2016 AED'000 (Unaudited) (Restated)
Operating activities			
Loss for the period		(318)	(102,417)
Adjustments for:			
Depreciation	6	1,572	2,196
Loss on fair valuation of investment properties		32,430	61,973
Impairment loss in development work in progress		-	35,923
Gain on disposal of available for sale investment		(34,103)	-
Provision for employees' end of service benefits	15	173	1,445
Interest income		(1,181)	-
Operating cash flows before payment of employees' end of service benefits and changes in working capital		(1,427)	(880)
Employees' end of service benefits paid	15	(1,373)	(521)
Changes in working capital:			
Trade and other receivables		(2,645)	8,004
Inventories		4	80
Development work in progress		(2,733)	(2,843)
Advances from customers		604	(1,913)
Trade and other payables		(96,332)	2,781
Net cash (used in)/generated from operating activities		(103,902)	4,708
Cash flows from investing activities			
Interest received		1,181	-
Proceeds from sale of available for sale investment		68,000	-
Additions to investment properties	7	(9,344)	(1,102)
Payment for purchase of property and equipment	6	(671)	(47)
Additions to available-for-sale investments	9	(50,000)	-
Deposits placed	12	(105,000)	-
Net cash used in investing activities		(95,834)	(1,149)
Cash flows from financing activities			
Repayment of bank borrowings		-	(15,024)
Net decrease in cash and cash equivalents		(199,736)	(11,465)
Cash and cash equivalents at 1 January		412,556	489,465
Cash and cash equivalents at 30 June	12	212,820	478,000

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 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 apartments.

2 Basis of preparation

The condensed consolidated interim financial information for the six-month ended 30 June 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 for the year ended 31 December 2016. In addition, results for the six-month ended 30 June 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 of 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 information of the subsidiaries is prepared for the same reporting period 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 group annual 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 financial statements; they should be read in conjunction with the Group's annual consolidated 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.

5.2 Liquidity risk

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

5 Financial risk management and financial instruments (continued)

5.3 Fair value estimation

The fair values of the financial assets and liabilities of the Group are the same as their carrying values at the reporting date.

	Carrying amount		Fair value	
	30 June 2017 AED'000	31 December 2016 AED'000	30 June 2017 AED'000	31 December 2016 AED'000
Financial assets				
Available-for-sale investments				
– unquoted	50,000	33,897	50,000	33,897
– quoted	47,710	48,847	47,710	48,847

(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 30 June 2017.

The following table shows the analysis of financial instruments recorded at fair value by level of the fair value hierarchy at 30 June 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			
30 June 2017	47,710	-	50,000
31 December 2016	48,847	-	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 investments

The unquoted available-for-sale investments are carried at cost as at 30 June 2017.

6 Property and equipment

	AED'000
Cost	
At 1 January 2017	128,349
Additions for the period	671
At 30 June 2017	129,020
Accumulated depreciation	
At 1 January 2017	21,976
Charge for the period	1,572
At 30 June 2017	23,548
Net book amount	
At 30 June 2017	105,472
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).

	30 June 2017 AED'000	31 December 2016 AED'000 (restated)
Balance at 1 January (restated)	728,967	678,307
Additions/properties re-acquired during the period/year	9,344	3,196
Transfer to development work-in-progress	-	(51,974)
Transfer from advance for purchase of investment properties (Refer to point (i) below)	146,696	82,812
Decrease on account of settlement with a seller	(3,233)	(42,812)
Transfer from development work-in-progress	-	267,185
Decrease in fair value (restated) (Refer to point (i) below)	(32,430)	(207,747)
Balance at 30 June/31 December	849,344	728,967

One plot of land with a carrying value of AED 250,486 thousand is registered with an establishment owned by 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 238,367 thousand have not been transferred into the name of the Group from the third party seller due to delays in finalising some formalities. However, risk and rewards have been assigned to the Group as per the purchase agreement.

7 Investment properties (continued)

(i) During the six month ended 30 June 2017, the remaining 32 apartments under advance for purchase of investment properties have been transferred to investment properties after completing the registration proceed of these apartments in the Group's name. During the six-month period ended 30 June 2017, the Group has recorded a fair value loss of AED 32 million based on recently available valuation information for similar properties.

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 2017, ownership of the remaining 32 of these apartments was transferred to the Group (During 2016, ownership of 26 of these apartments was transferred to the Group).

9 Available-for-sale investments

	30 June 2017 AED'000	31 December 2016 AED'000
Balance at 1 January	82,744	156,286
Additions during the period/year	50,000	-
Disposals during the period/year	(33,897)	(39,238)
Impairment loss	-	(33,496)
Decrease in fair value, net	(1,137)	(808)
Balance at 30 June/31 December	97,710	82,744
Unquoted equity investments - carried at cost	50,000	33,897
Quoted equity investments - carried at fair value	47,710	48,847
	97,710	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 six month period ended 30 June 2017 (Note 24).

10 Development work in progress (continued)

	30 June 2017 AED'000	31 December 2016 AED'000
Balance at 1 January (restated)	80,020	345,860
Additions during the period/year	2,733	4,030
Transfer from investment properties	-	51,974
Transfer to investment properties	-	(267,185)
Impairment loss on development work-in-progress (restated)	-	(54,659)
Balance at 30 June/31 December	82,753	80,020

11 Trade and other receivables

	30 June 2017 AED'000	31 December 2016 AED'000
Trade receivables	2,593	1,028
Advances to suppliers	2,058	1,248
Prepayments	2,437	2,583
Other receivables	1,742	1,326
	8,830	6,185

12 Cash and bank balances

	30 June 2017 AED'000	31 December 2016 AED'000
Cash balances		
Short-term deposits	161,711	223,681
Bank deposits	105,000	-
Cash at bank	51,013	188,729
Cash on hand	96	146
Cash and bank balances	317,820	412,556

Short term deposits carry interest at 0.50% (31 December 2016: 0.15 % - 0.65%) per annum.

12 Cash and bank balances (continued)

Bank deposits are held with a financial institution in the UAE. The original maturity of these deposits is more than three months. These are denominated in the UAE Dirhams and carry an effective interest rate of 6.00% - 7.00% per annum (2016: not applicable).

	30 June 2017 AED'000	31 December 2016 AED'000
Cash and bank balances	317,820	412,556
Less: bank deposits	(105,000)	-
Cash and cash equivalents	212,820	412,556

13 Share capital

	30 June 2017 AED'000	31 December 2016 AED'000
Authorised, issued and fully paid		
2,325,000,000 ordinary shares (2015: 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

	30 June 2017 AED'000	31 December 2016 AED'000
Balance at 1 January	2,120	1,191
Charge for the period/year	173	2,586
Employees' end of service benefits paid	(1,373)	(1,657)
Balance at 30 June / 31 December	920	2,120

16 Trade and other payables

	30 June 2017 AED'000	31 December 2016 AED'000
Trade payables	172	165
Retention payable	1,343	1,343
Unclaimed dividend	13,707	13,707
Accruals	847	732
Payable on account of investment properties*	-	100,000
Others	1,882	1,569
	17,951	117,516

* During June 2017, the Group has settled the amount payable on account of investment properties with the third party seller.

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:

	30 June 2017 AED'000	31 December 2016 AED'000
National Bank of Abu Dhabi (included in cash and bank balances)	36,064	185,078
First Gulf Bank (included in cash and bank balances)	157,260	57,187

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.

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

18 Related party balances and transactions (continued)

	Six-month period ended 30 June	
	2017 AED'000	2016 AED'000
Key management compensation		
Short term benefits	1,012	1,629
Employees end of service benefits	46	127
	1,058	1,756

19 Basic loss per share

As there are no dilutive instruments outstanding, basic and diluted earnings per share are identical. The calculation of basic and diluted earning per share attributable to the owners of the company is based on the following data:

	Six-month period ended 30 June	
	2017 '000'	2016 '000' (Restated)
Loss for the period (AED)	(318)	(102,417)
Weighted average number of shares outstanding	2,325,000	2,325,000
Basic and diluted loss per share (AED)	(0.0001)	(0.0441)

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. No significant income of a seasonal nature was recorded in the condensed interim statements of comprehensive income for the six month ended 30 June 2017 and 30 June 2016.

21 Non-cash transactions

	Six-month period ended 30 June	
	AED'000	AED'000
<u>**Non-cash transactions include the following:**</u>		
Transfer from investment properties to development work-in-progress	-	68,400
Transfer from advance for purchase of investment properties to investment properties	146,696	52,884
Decrease on account of settlement with a seller	3,233	42,813

22 Subsequent event

Subsequent to the six-month period ended 30 June 2017, the Group has sold quoted equity investments amounted to AED 45.7 million.

23 Contingencies

As of 30 June 2017, The Group is defendant in some of claims raised by 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.

24 Prior period adjustment

During the year ended 31 December 2016, the Group had recognised 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. Due to unavailability of reliable information for the prior period in respect to fair value of investment properties and net realisable value of development work in progress, it was not possible to determine how much of the fair valuation loss and impairment of development work-in-progress recognised in the consolidated statement of comprehensive income for the year ended 31 December 2016 should have been recognised in the consolidated statement of financial position as at 31 December 2015, consolidated statement of comprehensive income for the year ended 31 December 2015 and for the six-month period ended 30 June 2016. During the six-month period ended 30 June 2017, Management was able to obtain reliable fair values of the investment properties and the net realisable value of development work in progress as at 31 December 2015 and for the period ended 30 June 2016, which has now been adjusted by restating the opening retained earnings in the statement of financial position as of 1 January 2016 and restating the comparatives in the statement of comprehensive income for the six-month period ended 30 June 2016.

Consolidated statement of financial position as at 31 December 2015

	As previously reported AED'000	Increase/ (decrease) AED'000	As restated AED'000
Investment properties	908,034	(229,727)	678,307
Development work-in-progress	357,814	(11,954)	345,860
Accumulated losses	(469,792)	(241,681)	(711,473)

Condensed consolidated interim statement of comprehensive income for the six-month ended 30 June 2016

Loss on fair valuation of investment properties	-	(61,973)	(61,973)
Impairment loss on development work-in-progress	-	(35,923)	(35,923)

25 Reclassification

Certain comparative figures have been reclassified, where necessary, to conform to the current period 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.