Eshraq Properties PJSC

Report of the Board of Directors and consolidated financial statements for the year ended 31 December 2018

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Report of the Board of Directors for the year ended 31 December 2018

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 2018.

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 25,997 thousand (2017: AED 23,363 thousand) and profit for the year amounted to AED 3,030 thousand (2017: AED 32,544 thousand).

Auditors

The consolidated financial statements for the year ended 31 December 2018 have been audited by PricewaterhouseCoopers.

For and on behalf of the Board

....

Chairman

pwc

Independent auditor's report to the shareholders of Eshraq Properties PJSC

Report on the audit of the consolidated financial statements

Our opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Eshraq Properties PJSC (the "Company") and its subsidiaries (together the "Group") as at 31 December 2018, and their consolidated financial performance and their consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

What we have audited

The Group's consolidated financial statements comprise:

- the consolidated statement of financial position as at 31 December 2018;
- 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 opinion

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.

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

Independent auditor's report to the shareholders of Eshraq Properties PJSC (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 during the year were:

- Valuation of investment properties and investment properties under development; and
- Valuation of unquoted investments classified as financial assets at fair value through other comprehensive income.

We have set out below our explanation of each item and a summary of our 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 period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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Independent auditor's report to the shareholders of Eshraq Properties PJSC (continued)

Our audit approach (continued)

Key audit matters (continued)

Key audit matter	*How our audit addressed the key audit matter*
Valuation of 'investment properties' and 'investment properties under development'	
In the consolidated statement of financial position the 'investment properties' and 'investment properties under development' are carried at AED 863,769 thousand and AED 114,215 thousand as at 31 December 2018 which represents 55% and 7% of total assets, respectively. During the year, the Group has recognised a fair value loss of AED 6,772 thousand and AED 4,514 thousand, respectively. The Group's policy is to fair value its investment properties and investment properties under development. The corresponding gains or losses are recognised in the consolidated statement of comprehensive income. The valuation of the investment properties and investment properties under development are inherently subjective due to the significance of the estimates and judgements involved. *Refer to note 2.5 which explains the accounting policy, note 3.3, note 6 and note 7 which explain the valuation methodology used by the Group and note 4 which explains the critical judgments and estimates used in valuing these investment properties.*	We performed the following audit procedures over the valuation of investment properties and investment properties under development. We obtained the valuation reports, carried out by external valuers (the "Valuers") for all the properties and by involving our own internal valuation specialist, we evaluated the adequacy of the work of the Valuers by considering the appropriateness of the methodology used by them, the relevance and reasonableness of the Valuers' findings or conclusions and their consistency with other audit evidence. Our internal valuation specialists also assessed if the valuation methods and principles used were in compliance with the Royal Institute of Chartered Surveyors ('RICS') Valuation - Professional Standards and suitable for use in determining the carrying value for the purpose of the consolidated financial statements. We also 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.

Our audit approach (continued)

Key audit matters (continued)

Key audit matter	*How our audit addressed the key audit matter*
Valuation of 'investment properties' and 'investment properties under development' (continued)	We 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. We reviewed the appropriateness and adequacy of the related disclosures in note 2.5, note 3.3, note 4, note 6 and note 7 to the consolidated financial statements.
Valuation of unquoted investments classified as financial assets at fair value through other comprehensive income	
In the consolidated statement of financial position the financial assets at fair value through other comprehensive income are carried at AED 129,131 thousand as at 31 December 2018 which represents 8% of total assets. These investments related to four unquoted entities.	We performed the following audit procedures on the valuation of investments classified as financial assets at fair value through other comprehensive income.
The Group's investments comprise of an investment in a closed end real estate fund with the objective to invest in income producing real estate assets in the United Arab Emirates (UAE), an investment in an open-end fund incorporated in the UAE with the objective to generate superior and consistent return, an investment in an equity stake of an unlisted entity established in Dubai International Financial Centre (DIFC) with the objective to acquire, develop, hold, market, lease, operate, dispose of, sub-divide and otherwise deal with a property situated in the UAE and an investment in a financial institution that provides Islamic Financing, Corporate Financing and Asset Management Services.	In respect to the closed real estate fund, we obtained the valuation reports of the underlying properties prepared by an independent expert engaged by the fund manager. In addition, we also traced the carrying value of the underlying properties to the latest available audited financial statements of the investee.

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Independent auditor's report to the shareholders of Eshraq Properties PJSC (continued)

Our audit approach (continued)

Key audit matters (continued)

Key audit matter	*How our audit addressed the key audit matter*
Valuation of unquoted investments classified as financial assets at fair value through other comprehensive income (continued)	
The fair value of the financial instruments that are not quoted on an exchange, and for which one or more of the significant inputs are not based on observable market data, are classified as level 3 in the fair value hierarchy. In these instances, management determines the unobservable inputs using the best information available in the circumstances. The lack of available observable market data resulted in greater estimation uncertainty and subjectivity which could have a material impact on the consolidated financial statements of the Group, and that therefore led us to focus on this area. *Refer to note 2.16 which explains the accounting policy, notes 3.3 and 9 which explain the investment valuation basis used by the Group.*	For the second investment, we obtained the controls assurance report issued by an independent assurance practitioner on the design and operating effectiveness of controls used by the fund manager over the calculation of the net asset value for the investment. The report was unqualified. The net asset value and the number of units held in the funds were also confirmed with the fund manager. For the third equity investment, the underlying asset of the entity was still under construction. We obtained the valuation report carried out by Valuers in respect of the underlying investee property which was provided to management by the investee. We involved our own internal valuation specialist who assessed that valuation approach used by the external valuer was in accordance with RICS Valuation – Professional Standards. We also assessed the Valuer's qualifications and expertise. We tested the appropriateness of the source data and assumptions used by the Valuers for reasonableness and relevance.

Our audit approach (continued)

Key audit matters (continued)

Key audit matter	*How our audit addressed the key audit matter*
Valuation of unquoted investments classified as financial assets at fair value through other comprehensive income (continued)	For the fourth equity investment, we tested the initial purchase of the investment. In addition, we also checked latest available financial information of the investee to assess that the carrying value of the underlying investment in their books is not significantly different from the estimated fair value. We reviewed the appropriateness and adequacy of the related disclosures in note 3.3 and note 9 to these consolidated financial statements.

Other information

The Directors are responsible for the other information. The other information comprises the Report of the Board of Directors but does not include the consolidated financial statements and our auditor's report thereon which we obtain prior to the date of this auditor's report.

Our opinion on the consolidated financial statements does not cover the other information and we do not and will 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.

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Independent auditor's report to the shareholders of Eshraq Properties PJSC (continued)

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.

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

Independent auditor's report to the shareholders of Eshraq Properties PJSC (continued)

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

- 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.

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our 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.

Independent auditor's report to the shareholders of Eshraq Properties PJSC
(continued)

Report on other legal and regulatory requirements

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

(i) we have obtained all the information 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) as disclosed in notes 9 and 12 to the consolidated financial statements the Group has invested in shares during the financial year ended 31 December 2018;

(vi) note 19 to the consolidated financial statements discloses material related party transactions, and the terms under which they were conducted;

(vii) based on the information that has been made available to us, nothing has come to our attention which causes us to believe that the Group has contravened during the financial year ended 31 December 2018, any of the applicable provisions of the UAE Federal Law No. (2) of 2015 or in respect of the Company, its Articles of Association which would materially affect its activities or its financial position as at 31 December 2018; and

(viii) as disclosed in note 1 to the financial statements, the Group has not made any social contributions during the financial year ended 31 December 2018.

PricewaterhouseCoopers
25 March 2019

Rami Sarhan
Registered Auditor Number 1152
Abu Dhabi, United Arab Emirates

Eshraq Properties PJSC

Consolidated statement of financial position

	Note	As at 31 December 2018 AED'000	2017 AED'000
ASSETS			
Non-current assets			
Property and equipment	5	99,970	103,123
Investment properties	6	863,769	883,472
Investment properties under development	7	114,215	-
Available-for-sale investments		-	117,076
Advance for purchase of available-for-sale investments	8	-	38,076
Financial assets at fair value through other comprehensive income	9	129,400	-
		1,207,354	1,141,747
Currents assets			
Development work-in-progress	10	-	80,300
Inventories		90	78
Trade and other receivables	11	25,183	18,937
Financial assets at fair value through profit or loss	12	151,257	77,335
Due from a related party	19	33,322	-
Cash and bank balances	13	165,560	181,900
		375,412	358,550
Total assets		1,582,766	1,500,297
EQUITY AND LIABILITIES			
EQUITY			
Capital and reserves			
Share capital	14	2,325,000	2,325,000
Treasury shares	14	(9,189)	-
Statutory reserve	15	137,283	136,979
Accumulated losses		(983,442)	(986,168)
Revaluation reserve of financial assets at fair value through other comprehensive income		(26,096)	-
Cumulative change in fair value of available-for-sale investments		-	(344)
Total equity		1,443,556	1,475,467
LIABILITIES			
Non-current liabilities			
Provision for employees' end of service benefits	16	538	648
Borrowings	17	67,380	-
		67,918	648
Current liabilities			
Borrowings	17	4,905	-
Trade and other payables	18	26,664	24,182
Loan from a related party	19	39,723	-
		71,292	24,182
Total liabilities		139,210	24,830
Total equity and liabilities		1,582,766	1,500,297

The consolidated financial statements have been approved and authorised by the Board of Directors on 24 MARCH 2019 ..... and signed on its behalf by:

.... Chairman

.... Director

The attached notes on pages 15 to 51 form an integrated part of these consolidated financial statements

Eshraq Properties PJSC

Consolidated statement of comprehensive income

	Note	Year ended 31 December 2018 AED'000	2017 AED'000
Revenues	20	25,997	23,363
Direct costs	21	(7,828)	(8,616)
Gross profit		18,169	14,747
General and administrative expenses	22	(21,490)	(21,176)
Selling and marketing expenses		(1,158)	(2,391)
Operating loss		(4,479)	(8,820)
Loss on fair valuation of investment properties	6	(6,772)	(151)
Loss on fair valuation of investment properties under development	7	(4,514)	-
Impairment of development-work-in-progress	10	-	(2,901)
Gain from sale of available-for-sale investments, net	9	-	26,201
Change in fair value of financial assets carried at fair value through profit or loss	12	5,670	3,880
Finance income, net	23	10,510	5,950
Other income		2,615	8,385
Profit for the year		3,030	32,544
Other comprehensive income for the year			
<u>Items that will not be reclassified subsequently to profit or loss:</u>			
Changes in the fair value of financial assets at fair value through other comprehensive income	9	(25,752)	-
<u>Items that will be reclassified subsequently to profit or loss:</u>			
Change in fair value of available-for-sale investments		-	(344)
Items reclassified to profit and loss on disposal		-	5,724
Other comprehensive (loss)/income for the year		(25,752)	5,380
Total comprehensive (loss)/income for the year		(22,722)	37,924
Basic and diluted profit per share	24	0.0013	0.014

Eshraq Properties PJSC

Consolidated statement of changes in equity

	Share capital AED'000	Treasury shares AED'000	Statutory reserve AED'000	Accumulated losses AED'000	Cumulative change in fair value of available-for sale-investments AED'000	Revaluation reserve of financial assets at fair value through other comprehensive income AED'000	Total AED'000
Balance at 1 January 2017	2,325,000	-	133,725	(1,015,458)	(5,724)	-	1,437,543
Profit for the year	-	-	-	32,544	-	-	32,544
Other comprehensive income for the year	-	-	-	-	5,380	-	5,380
Total comprehensive profit for the year	-	-	-	32,544	5,380	-	37,924
Transfer to statutory reserve	-	-	3,254	(3,254)	-	-	-
Balance at 31 December 2017	2,325,000	-	136,979	(986,168)	(344)	-	1,475,467
Balance at 1 January 2018	2,325,000	-	136,979	(986,168)	(344)	-	1,475,467
Reclassification on adoption of IFRS 9 (note 2.2)	-	-	-	-	344	(344)	-
Balace at 1 January 2018, as restated	2,325,000	-	136,979	(986,168)	-	(344)	1,475,467
Profit for the year	-	-	-	3,030	-	-	3,030
Other comprehensive loss for the year	-	-	-	-	-	(25,752)	(25,752)
Total comprehensive profit for the year	-	-	-	3,030	-	(25,752)	(22,722)
Transfer to statutory reserve	-	-	304	(304)	-	-	-
Treasury shares purchased (note 14)	-	(9,189)	-	-	-	-	(9,189)
Balance at 31 December 2018	2,325,000	(9,189)	137,283	(983,442)	-	(26,096)	1,443,556

Eshraq Properties PJSC

Consolidated statement of cash flows

	Note	Year ended 31 December 2018 AED'000	2017 AED'000
Cash flows from operating activities			
Profit for the year		3,030	32,544
Adjustments for:			
Depreciation	5	3,076	4,012
Provision for employees' end of service benefits	16	234	283
Interest income	23	(11,982)	(6,817)
Interest expense	23	1,472	867
Loss on fair valuation of investment properties	6	6,772	151
Loss on fair valuation of investment properties under development	7	4,514	-
Impairment loss in development work in progress	10	-	2,901
Gain from sale of available for sale investments		-	(31,925)
Items reclassified to profit or loss on disposal		-	5,724
Gain on disposal of property and equipment		(98)	(12)
Change in fair value of financial assets carried at fair value through profit or loss	12	(5,670)	(3,880)
Dividend income		(2,493)	(5,725)
Operating cash flows before payment of employees' end of service benefits and changes in working capital		(1,145)	(1.877)
Payment of employees' end of service benefits	16	(344)	(1.755)
Changes in working capital:			
Additions to development work-in-progress. net of discounts	10	(19,861)	(3,181)
Inventories		(12)	1
Trade and other receivables		(9,631)	(5,870)
Trade and other payables		362	(96,542)
Due from a related party		(33,322)	-
Net cash used in operating activities		(63,953)	(109,224)
Cash flows from investing activities			
Interest received		13.032	1,403
Purchase of available-for-sale investments		-	(116,750)
Proceeds from sale of available-for-sale investments		-	113,999
Purchase of property and equipment	5	(106)	(762)
Proceeds from disposal of property and equipment		281	12
Additions to investments carried at fair value through profit or loss		(74,341)	(73,455)
Proceeds from sales of financial assets at fair value through profit or loss		6.089	-
Advance for purchase of available-for-sale investments	8	-	(38,076)
Additions to investment properties. net of discounts	6	(3,764)	(11.193)
Dividends received		4,828	3,390
Restricted cash		709	(729)
Term deposits released/(placed)		80,800	(125,000)
Net cash generated from/(used in) investing activities		27,528	(247,161)
Cash flows used in financing activities			
Proceeds from bank borrowings		73.500	-
Loan from a related party		39,723	-
Interest paid		(1,225)	-
Repayment of bank borrowings		(1,215)	-
Treasury shares purchased	14	(9,189)	-
Net generated from financing activities		101,594	-
Net increase/(decrease) in cash and cash equivalents		65,169	(356,385)
Cash and cash equivalents at beginning of the year		45,104	401,489
Cash and cash equivalents at the end of the year	13	110,273	45,104

The attached notes on pages 15 to 51 form an integrated part of these consolidated financial statements

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 and is in compliance with the provisions of the U.A.E. Federal Commercial Companies Law No. (2) of 2015 of the U.A.E.

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.

On 11 February 2019, the Company's shareholders passed the resolution to amend the name of the Company from "Eshraq Properties PJSC" to "Eshraq Investment PJSC". The Company is in process of obtaining the approval from Securities and Commodities Authority. The new name of the Company reflects the updated business model and corporate identity of the Company.

During the year ended 31 December 2018, the Group has not made any social contributions.

The Company and its subsidiaries (together referred to as the "Group") are principally engaged in the real estate business which includes development, sales, investment, construction, management and associated services.

The Company has the following subsidiaries.

Subsidiaries	Principle activities	Beneficial ownership in 2018 and 2017	County of incorporation
Nuran Marina Serviced Residences LLC *	Hotel apartments	100%	United Arab Emirates
Eshraq International Properties	Real estate	100%	Cayman Islands
Eshraq Management LTD	Asset management	100%	United Arab Emirates

* Ownership of 51% of Nuran Marina Service Residences LLC is held by the heirs of a former board member on behalf of the Company who had irrevocably assigned the beneficial ownership to the Group.

2 Summary of significant accounting policies

The principal 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 and its subsidiaries.

2 Summary of significant accounting policies (continued)

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, financial assets at fair value through profit or loss and through other comprehensive income.

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 and amended standards adopted by the Group

Two new standards became applicable to the Group for the current reporting period and the Group had to change its accounting policies as a result of adopting the following standards:

- IFRS 9 'Financial Instruments', and
- IFRS 15 'Revenue from Contracts with Customers'.

The impact of the adoption of these standards is disclosed in note 2.2. The other standards did not have any material impact on the Group's accounting policies and did not require adjustments.

(b) New standards, amendments and interpretations issued but not effective for the financial year beginning 1 January 2019 and not early adopted

IFRS 16 was issued in January 2016. It will result in almost all leases being recognised on the statement of financial position, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases. The accounting for lessors will not significantly change.

The standard will affect primarily the accounting for the Group's operating leases. As at the reporting date, the Group has not yet determined to what extent these commitments will result in the recognition of an asset and a liability for future payments and how this will affect the Group's profit and classification of cash flows.

2 Summary of significant accounting policies (continued)

2.1 Basis of preparation (continued)

(b) New standards, amendments and interpretations issued but not effective for the financial year beginning 1 January 2019 and not early adopted (continued)

Some of the commitments may be covered by the exception for short-term and low-value leases and some commitments may relate to arrangements that will not qualify as leases under IFRS 16. The standard is mandatory for accounting periods beginning after 1 January 2019 or later periods. The Group does not intend to adopt the standard before its effective date.

There are no other IFRS or IFRS IC interpretations that would be expected to have a material impact on the Group's financial statements.

2.2 Change in accounting policies

This note explains the impact of the adoption of IFRS 9 'Financial Instruments' and IFRS 15 'Revenue from contracts with customers' on the Group's consolidated financial statements and also discloses the new accounting policies that have been applied from 1 January 2018, where they are different to those applied in prior years.

(a) IFRS 9 'Financial Instruments'

IFRS 9 replaces the provisions of IAS 39 that relate to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting.

The Group has adopted IFRS 9 retrospectively, but has elected not to restate comparative information. As a result, the comparative information provided continues to be accounted for in accordance with the Group's previous accounting policy.

The adoption of IFRS 9 Financial Instruments from 1 January 2018 resulted in changes in accounting policies and adjustments to the amounts recognised in the consolidated financial statements. The new accounting policies are set out below. In accordance with the transitional provisions in IFRS 9 (7.2.15) and (7.2.26), comparative figures have not been restated.

(i) Classification and measurement

Investment in unquoted shares amounting to AED 117 million was reclassified from available-for-sale investments to financial asset at fair value through other comprehensive income. Related fair value loss of AED 0.3 million was transferred from cumulative changes in fair value of available-for-sale investments to revaluation reserve of financial assets at fair value through other comprehensive income on 1 January 2018. All assets that were previously classified as loans and receivables will now be classified as assets measured at amortised cost under IFRS 9.

2 Summary of significant accounting policies (continued)

2.2 Change in accounting policies (continued)

(a) IFRS 9 'Financial Instruments' (continued)

(ii) Impairment of financial assets

The Group's trade receivables are subject to IFRS 9's new expected credit loss model.

The Group has revised its impairment methodology under IFRS 9 for trade receivables. There is no impact of the change in impairment methodology on the Group's retained earnings and equity.

While cash and cash equivalents are also subject to the impairment requirements of IFRS 9, the identified impairment loss was immaterial.

The Group applies the IFRS 9 simplified approach to measure the expected credit losses, which uses a lifetime expected loss allowance for all trade receivables.

To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due. The loss allowance for trade receivables is based on assumptions about risk of default and expected loss rates. Management uses judgement in making these assumptions and selecting the inputs to the impairment calculation which are applied to the exposure at default to arrive at the expected credit losses at the reporting date.

Management base their assumptions on the Group's historical data, existing market conditions as well as forward looking estimates.

In addition to the above, specific provision is recorded for customers with specific impairment indicators on a case-by-case basis.

On that basis, IFRS 9 impact was immaterial and not adjusted as at 1 January 2018.

Trade receivables are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the Group, and a failure to make contractual payments.

(b) IFRS 15 'Revenue from contracts with customers'

The Group has adopted IFRS 15 'Revenue from contracts with customers' from 1 January 2018 which resulted in change in its accounting policies. No adjustments were made to the amounts recognised in the consolidated financial statements as the impact of adoption was immaterial.

2 Summary of significant accounting policies (continued)

2.2 Change in accounting policies (continued)

(b) IFRS 15 'Revenue from contracts with customers' (continued)

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

Step 1. Identify the contract(s) with a customer: A contract is defined as an agreement between two or more parties that creates enforceable rights and obligations and sets out the criteria for every contract that must be met.

Step 2. Identify the performance obligations in the contract: A performance obligation is a promise in a contract with a customer to transfer a good or service to the customer.

Step 3. Determine the transaction price: The transaction price is the amount of consideration to which the Group expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties.

Step 4. Allocate the transaction price to the performance obligations in the contract: For a contract that has more than one performance obligation, the Group will allocate the transaction price to each performance obligation in an amount that depicts the amount of consideration to which the Group expects to be entitled in exchange for satisfying each performance obligation.

Step 5. Recognize revenue when (or as) the entity satisfies a performance obligation.

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

1. The customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs; or

2. The Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or

3. The Group's performance does not create an asset with an alternative use to the Company and the entity has an enforceable right to payment for performance completed to date.

2 Summary of significant accounting policies (continued)

2.2 Change in accounting policies (continued)

(b) IFRS 15 'Revenue from contracts with customers' (continued)

Operating revenue from Hotel

Revenue represents revenue from hotel rooms, food and beverage and other associated services provided. These are invoiced to customers upon provision of services during the period. A receivable is recognised when the services are rendered, as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

The Group does not expect to have any contracts where the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds one year. As a consequence, the Group does not adjust any of the transaction prices for the time value of money. Other streams of revenue of the Group have not been materially impacted by the adoption of IFRS 15.

2.3 Basis of consolidation

Subsidiaries

Control is achieved when the Group:

- has power over an investee,
- is exposed, or has rights, to variable returns from its involvement with the investee, and
- has the ability to use its power over the investee to affect the amount of the investor's returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Group has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Group considers all relevant facts and circumstances in assessing whether or not the Group's voting rights in an investee are sufficient to give it power, including:

- the size of the Group's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Group, other vote holders and other parties;
- rights raising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Group has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns and previous shareholders' meetings.

2 Summary of significant accounting policies (continued)

2.3 Basis of consolidation (continued)

Subsidiaries (continued)

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and/or ceases when the Company loses control over the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss from the date the Company gains control until the date when the Company ceases to control the subsidiary.

Profit or loss of each component of other comprehensive income is attributable to the owners of the Group and to the non-controlling interests. Total comprehensive income of subsidiaries is attributable to the owners of the Company and to the non-controlling interest even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intragroup assets, liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Changes in the Group's ownership interest in existing subsidiaries

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to shareholders of the Parent.

When a change in the Group's ownership interest in a subsidiary results in a loss of control over the subsidiary, the assets and liabilities of the subsidiary including any goodwill are derecognised. Amounts previously recognised in other comprehensive income in respect of that entity are also reclassified to the consolidated income statement or transferred directly to retained earnings.

Any retained equity interest in the entity is remeasured at fair value. The difference between the carrying amount of the retained interest at the date when control is lost and its fair value is recognised in the consolidated income statement.

2.4 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.

2 Summary of significant accounting policies (continued)

2.4 Property and equipment (continued)

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.

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

2.5 Investment properties and investment properties under development

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.

2 Summary of significant accounting policies (continued)

2.5 Investment properties and investment properties under development (continued)

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.

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.

2.6 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.

2 Summary of significant accounting policies (continued)

2.6 Development work-in-progress (continued)

Net realisable value is the estimated selling price in the ordinary course of the business, based on market prices at the consolidated 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.

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

2.7 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.

2.8 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, accrued interest and deposits paid as at year end.

2.9 Cash and cash equivalents

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

2.10 Trade and other payables

Trade and other payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade and other 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 Summary of significant accounting policies (continued)

2.11 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted average method and cost includes purchase cost, freight, insurance and other related expenses incurred in bringing the goods to their present condition and location. It excludes borrowing costs. Net realisable value represents the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

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.

Provision made for estimated liability for the employees' benefit is calculated annually using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash flows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid.

The provision relating to annual leave and leave passage is disclosed as a current liability within 'trade and other payables', while that relating to 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 Borrowings

Term loan borrowing is recognised initially at fair value, net of transaction costs incurred. Loans are subsequently stated at amortised cost and any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the consolidated statement of comprehensive income over the period of the loan borrowing using the effective interest method.

2.15 Borrowing costs

General and specific borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset is capitalised as part of the cost of the asset. Capitalisation of borrowing costs commences when all of the following conditions are met: (a) it incurs expenditure for the asset (b) it incurs borrowing costs, and (c) it undertakes activities that are necessary to prepare the asset for its intended use. Capitalisation ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use are complete.

All other borrowing costs are recognised in the consolidated statement of comprehensive income in the period in which they are incurred.

2 Summary of significant accounting policies (continued)

2.16 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

(i) Classification

From 1 January 2018, the group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through other comprehensive income or through profit or loss), and
- those to be measured at amortised cost. The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or consolidated statement of other comprehensive income. For investments in debt instruments, this will depend on the business model for which the investment is held. For investments in equity instruments that are not held for trading, this will depend on whether the group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income (FVOCI).

The Group reclassifies debt investments when and only when its business model for managing those assets changes.

(ii) Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the group has transferred substantially all the risks and rewards of ownership.

(iii) Measurement

At initial recognition, the group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at financial assets at fair value through profit or loss are expensed in profit or loss.

Financial assets which are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

2 Summary of significant accounting policies (continued)

2.16 Financial instruments (continued)

*(a) Financial assets (*continued)

(iii) Measurement (continued)

Debt instruments

Subsequent measurement of debt instruments depends on the group's business model for managing the asset and the cash flow characteristics of the asset. The Group classifies it's debt intstruments in the following category:

Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other gains/(losses) together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the statement of profit or loss.

Financial assets at fair value through profit or loss: Assets that do not meet the criteria for amortised cost or financial assets at fair value through other comprehensive income are measured at financial assets at fair value through profit or loss. A gain or loss on a debt investment that is subsequently measured at financial assets at fair value through profit or loss is recognised in profit or loss and presented net within other gains/(losses) in the period in which it arises.

Equity instruments

The group subsequently measures all equity investments at fair value. Where the group's management has elected to present fair value gains and losses on equity investments in other comprehensive income, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognised in profit or loss as other income when the group's right to receive payments is established.

Changes in the fair value of financial assets at fair value through profit or loss are recognised in other gains/(losses) in the statement of profit or loss as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at financial assets at fair value through other comprehensive income are not reported separately from other changes in fair value.

Impairment of financial assets

(i) Trade and other receivables

For trade receivables, the group applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

2 Summary of significant accounting policies (continued)

2.16 Financial instruments (continued)

(a) Financial assets (continued)

(ii) Cash and cash equivalents

Cash and cash equivalents are also subject to the impairment requirements of IFRS 9 (note 13).

Derecognition

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

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

(b) Financial liabilities

Financial liabilities mainly comprise borrowings, trade and other payables and due to a related party. Financial liabilities are initially measured at fair value and subsequently carried at amortized cost using the effective interest method. The Group's financial liabilities are classified as financial liabilities at amortized cost.

Subsequent measurement

Financial liabilities at amortized costs

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

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the statement of comprehensive income.

2 Summary of significant accounting policies (continued)

2.17 Offsetting of financial instruments

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

2.18 Treasury shares

Own equity instruments of the Company which are acquired by the Company or any of its subsidiaries (treasury shares) are deducted from other reserves and accounted for at weighted average cost. Consideration paid or received on the purchase, sale, issue or cancellation of the Company's own equity instruments is recognised directly in equity. No gain or loss is recognised in the consolidated statement of comprehensive income on the purchase, sale, issue or cancellation of own equity instruments

2.19 Value added tax

Output value added tax related to sales is payable to tax authorities on the earlier of (a) collection of receivables from customers or (b) delivery of goods or services to customers. Input VAT is generally recoverable against output VAT upon receipt of the VAT invoice. The tax authorities permit the settlement of VAT on a net basis. VAT related to sales and purchases is recognised in the consolidated statement of financial position on a gross basis and disclosed separately as an asset and liability. Where provision has been made for the ECL of receivables, the impairment loss is recorded for the gross amount of the debtor, including VAT.

2.20 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 Company's and its subsidiaries 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'.

2 Summary of significant accounting policies (continued)

2.20 Foreign currency translation (continued)

(b) Transactions and balances (continued)

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.

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.

2.21 Revenue recognition

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

- Step 1: Identify the contract(s) with a customer;
- Step 2: Identify the performance obligations in the contract;
- Step 3: Determine the transaction price;
- Step 4: Allocate the transaction price to the performance obligations in the contract; and
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation.

Revenue is measured based on the consideration to which the Group expects to be entitled in a contract with a customer and excludes amounts collected on behalf of third parties. The Group recognises revenue when it transfers control of a product or service to a customer.

Revenue recognition policies for product and services of the Group are set out below:

Revenue from hotel

This represents revenue from hotel rooms, food and beverage and other associated services provided. These are invoiced to customers upon provision of services during the period. A receivable is recognised when the services are rendered, as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

2 Summary of significant accounting policies (continued)

2.22 Leases

(a) Group as the lessee in an operating lease

Leases in which a significant portion of the risks and rewards of ownership are retained by another party, the lessor, are classified as operating leases. Payments, including pre-payments, made under operating leases (net of any incentives received from the lessor) are charged to consolidated statement of comprehensive income on a straight-line basis over the period of the lease.

(b) Group as the lessor in an operating lease

Properties leased out under operating leases are included in investment property in the consolidated statement of financial position.

Rental income

Revenue from the letting of investment properties is recognised in the consolidated statement of comprehensive income on a straight line basis over the term of the lease.

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 process 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.

3 Financial risk management (continued)

3.1 Financial risk factors (continued)

(a) Market risk (continued)

(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 financial assets at fair value through other comprehensive income and investments carried at fair value through profit or loss. 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 financial assets at fair value through other comprehensive income and investments carried at fair value through profit or loss is AED 15,152 thousand (2017: AED 7,766 thousand). The Group is also is 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 2018, 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 2018 would increase/decrease by AED 1.2 million (2017: AED 1 million).

Borrowings issued at variable rates expose the Group to cash flow interest rate risk. Group's policy is to manage these risks based on management's assessment of available options.

At 31 December 2018, if interest rates on term loan had been 1% higher/lower with all other variable held constant, profit for the year would have been AED 150 thousand (2017: nil) lower/higher, mainly as a result of higher/lower interest change on bank borrowings.

(b) Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Group seeks to limit its credit risk with respect to customers by setting credit limits for individual customers and monitoring outstanding receivables.

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

3 Financial risk management (continued)

3.1 Financial risk factors (continued)

(c) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and the availability of funding through an adequate amount of committed credit facilities. Due to the dynamic nature of business, management aims to maintain flexibility in funding by keeping committed credit lines available, including funding through related parties. Trade payables are normally settled within 60 days of the date of purchase.

The table below summarises the maturity profile of the Group's financial liabilities as at 31 December 2018 and 2017 based on contractual undiscounted payments and current market rates:

	On demand AED	**Less than 3 months** AED	**3 to 12 months** AED	**More than 1 year** AED	**Total** AED
At 31 December 2018					
Trade and other payables	-	18,739	-	-	18,739
Loan from a related party	-	-	39,723	-	39,723
Borrowings	-	2,122	6,368	87,743	96,233
	-	20,861	46,091	87,743	154,695

	On demand AED'000	**Less than 3 months** AED'000	**3 to 12 months** AED'000	**More than 1 year** AED'000	**Total** AED'000
At 31 December 2017					
Trade and other payables	-	16,506	-	-	16,506

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.

The Group monitors capital on the basis of its gearing ratio. This ratio is calculated as net debt divided by total equity plus net debt. Net debt is calculated as total borrowings (including current and non-current borrowings as shown in the statement of financial position) less cash and cash equivalents. Total capital is calculated as total equity as shown in the statement of financial position plus net debt.

3 Financial risk management (continued)

3.2 Capital management (continued)

The gearing ratios as at 31 December 2018 was as follows:

	AED'000
Borrowings	112,008
Less: cash and cash equivalents	(165,560)
Net debt	(53,552)
Total equity	1,443,556
Total capital	1,390,004
Gearing ratio	(3.85%)

Under the terms of the major borrowing facilities, the group is required to comply with the following financial covenants:

- Debt service coverage ratio amount shall be maintained at 1.2:1.
- Loan to value shall not exceed 62%.

The group has complied with these covenants throughout the reporting period.

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).

3 Financial risk management (continued)

3.3 Fair value estimation (continued)

The table below analyses the Group's financial asset and liabilities and investment property that are measured at fair value as at 31 December 2018 and 2017:

	Level 1 AED'000	Level 2 AED'000	Level 3 AED'000
At 31 December 2018			
Investment properties	-	621,674	242,095
Investment properties under development	-	46,080	68,135
Investments carried at fair value through profit or loss	151,257	-	-
Financial assets at fair value through other comprehensive income	269	-	129,131
At 31 December 2017			
Investment properties	-	638,672	244,800
Investments carried at fair value through profit or loss	77,335	-	-
Available-for-sale investments	326	-	116,750

The fair value of financial instruments traded in active markets is based on quoted market prices at the reporting 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.

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

There were no transfers between any levels during the year.

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 and investment properties under development comprise properties that are held for long-term rental yields or capital appreciation or both, and that is not occupied by the Group;

- Development work-in-progress 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; and

- Property and equipment comprise properties that are held for administrative purposes or supply of services.

(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.

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.

	2018 Range %	2017 Range %
Targeted internal rate of return	8	8
Rental yield	8.0 – 8.5	7.75 - 8.0

4 Critical accounting estimates and judgments (continued)

(b) Valuation of properties (continued)

Sensitivity to significant changes in unobservable inputs:

An increase or a decrease in the projected rental income by 1% from the estimated amount would result in an increase or a decrease in the fair value of the property by AED 6.7 million (2017: AED 6.7 million), with the same impact on the profit for the year. Furthermore, an increase or a decrease in the cost to construct by 1% from the estimated completion amount would result in an increase or a decrease in the fair value of the property by AED 4.0 million (2017: AED 4.0 million), with the same impact on the profit for the year.

(c) Useful lives of property and equipment

The Group assigns useful lives and residual values to property and equipment based on the intended use of assets and the economic lives of those assets. Subsequent changes in circumstances such as technological advances or prospective utilisation of the assets concerned could result in the actual useful lives or residual values differing from initial estimates. The Group has reviewed the residual values and useful lives of major items of property and equipment and determined that no adjustment is necessary.

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 2017	47,801	70,301	2,477	1,402	6,368	128,349
Additions	-	35	138	574	15	762
Disposals	-	-	(700)	-	-	(700)
At 31 December 2017	47,801	70,336	1,915	1,976	6,383	128,411
Additions	-	95	-	10	1	106
Disposals	-	-	(1,760)	-	-	(1,760)
At 31 December 2018	47,801	70,431	155	1,986	6,384	126,757
Accumulated depreciation						
At 1 January 2017	-	13,015	2,212	1,386	5,363	21,976
Charge for the year (note 21)	-	2,812	116	169	915	4,012
Disposals	-	-	(700)	-	-	(700)
At 31 December 2017	-	15,827	1,628	1,555	6,278	25,288
Charge for the year (note 21)	-	2,819	34	165	58	3,076
Disposals	-	-	(1,577)	-	-	(1,577)
At 31 December 2018	-	18,646	85	1,720	6,336	26,787
Net book value						
At 31 December 2018	47,801	51,785	70	266	48	99,970
At 31 December 2017	47,801	54,509	287	421	105	103,123

6 Investment properties

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

	2018 AED'000	2017 AED'000
Balance at 1 January	883,472	728,967
Additions	3,829	11,193
Transfer to investment properties under development (note 7)	(16,695)	-
Decrease in fair value, net	(6,772)	(151)
Transfer from advance for purchase of investment properties (Refer to point (i))	-	146,696
Decrease on account of settlement with a seller (Refer point (ii) below)	(65)	(3,233)
Balance at 31 December	863,769	883,472

(i) Transfer from advance for purchase of investment properties pertains to assets which have been transferred to investment properties on completion of acquisition formalities.

(ii) The Group has revised its estimate for the purchase price of land based on an agreement with the seller. The prices were under negotiation with the seller and have been reduced from the initial anticipated amount.

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. During 2018, the Group recognised rental income from letting investment properties of AED 8,924 thousand (2017: AED 4,961 thousand).

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. Sensitivity analysis of significant assumptions are disclosed in Note 4.

7 Investment properties under development

	2018 AED'000	2017 AED'000
Balance at 1 January	-	-
Transfer from development work-in-progress	102,034	-
Transfer from investment properties (note 6)	16,695	-
Decrease in fair value, net	(4,514)	-
Balance at 31 December	114,215	-

On 31 December 2018, the Management of the Company changed its intention for the future use of some of the properties to earn rental income once those properties are developed as a result of which these properties has been classified as investment properties under development and carried at fair value.

7 Investment properties under development (continued)

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. Sensitivity analysis of significant assumptions are disclosed in Note 4.

8 Advance for purchase of available-for-sale investment

During December 2017, the Group paid an amount of AED 38,076 thousand to an Investment Manager (a related party) as an advance to acquire shares in an unquoted fund. The ownership of the unquoted fund was completed in January 2018.

9 Financial assets at fair value through other comprehensive income

	2018 AED'000	2017 AED'000
Balance at 1 January	-	-
Transfer from advance for purchase of available-for-sale investment (note 8)	38,076	-
Financial assets reclassified from available-for-sale investments (note 2.2)	117,076	-
Change in fair value, net	(25,752)	-
Balance at 31 December	129,400	-
Unquoted equity investments - carried at cost	129,131	-
Quoted equity investments - carried at fair value	269	-
	129,400	-

Financial assets at fair value through other comprehensive income (FVOCI) comprise of equity securities which are not held for trading, and which the group has irrevocably elected at initial recognition to recognise in this category. These are strategic investments and the group considers this classification to be more relevant.

The Group's investments comprise of : (i) an investment in a closed end real estate fund with the objective to invest in income producing real estate assets in the United Arab Emirates (UAE); (ii) an investment in an open-end fund incorporated in UAE with the objective to generate superior and consistent return; (iii) an investment in an equity stake of an unlisted entity established in Cayman Islands with the objective to acquire, develop, hold, market, lease, operate, dispose of, sub-divide and otherwise deal with a property situated in the UAE; and (iv) an investment in a financial institution that provides Islamic Financing, Corporate Financing and Asset Management Services.

9 Financial assets at fair value through other comprehensive income (continued)

During the year ended 31 December 2018, the Group did not sell any quoted or unquoted investments carried at financial assets at fair value through other comprehensive income.

In 2017, the Group sold quoted investments with carrying values of AED 48,177 thousand and unquoted equity investments with a carrying value of AED 33,897 thousand for a consideration of AED 113,999 thousand and recorded a gain of AED 31,925 thousand after adjusting for the cumulative change in fair value of AED 5,724 thousand in respect to these investments.

In 2018, due to the adoption of IFRS 9, available-for-sale investments have been reclassified to financial assets at fair value through other comprehensive income. Refer to note 2.2 for further details.

10 Development work-in-progress

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

	2018 AED'000	2017 AED'000
Balance at 1 January	80,300	80,020
Additions during the year	21,900	3,181
Decrease on account of settlement with a seller	(166)	-
Transfer to investment properties under development (note 7)	(102,034)	-
Impairment loss on development work-in-progress	-	(2,901)
Balance at 31 December	-	80,300

11 Trade and other receivables

Trade receivables	991	6,813
Accrued interest*	3,497	4,547
Advances to suppliers**	15,002	2,075
Prepayments	1,817	1,468
Other receivables***	3,876	4,034
	25,183	18,937

*As at 31 December 2018 accrued interest includes interest receivable from related parties of AED 2,978 thousand (2017: AED 4,134 thousand) (note 19).

**As at 31 December 2018, advance to supplier represent payments made to contractor in advance of AED 12,488 thousand in respect of investment properties under development.

***As at 31 December 2018 other receivables include dividends receivable from a related party of nil (2017: AED 2,335 thousand) (note 19).

11 Trade and other receivables (continued)

At 31 December 2018, the Group had a significant concentration of credit risk, with two customers accounting for 23% (2017: one customer accounting for 94%) of trade receivables outstanding at that date. Management is confident that this concentration of credit risk will not result in any loss to the Group considering the credit history of these customers.

As at 31 December 2018, no trade receivables were impaired (2017: nil). As at 31 December 2018, 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	**90-180 days** AED'000	**180-365 days** AED'000	**>365 days** AED'000
2018	991	850	113	18	10	-	-
2017	6,813	797	850	900	498	3,768	-

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.

12 Financial assets carried at fair value through profit or loss

	2018 AED'000	2017 AED'000
At 1 January	77,335	-
Additions	74,341	73,455
Disposals	(6,089)	-
Fair value gain, net	5,670	3,880
	151,257	77,335

The Group's investments comprise of: (i) UAE listed bond denominated in US Dollar. The debt security carries a coupon rate of 6.75% (2017: 6.75%) (ii) Non-UAE listed bond denominated in US Dollar. The debt security carries a coupon rate of 9.85%. At 31 December 2018, accrued interest on bonds of AED 932 thousand (2017: AED 413 thousand) is disclosed under trade and other receivables (note 11). The fair value loss on financial assets at fair value through profit or loss from the bonds amounted to AED 54 thousand (2017: gain of AED 194 thousand).

During the year the Group invested AED 33,943 thousand in UAE listed equity securities (2017: AED 36,702 thousand) and AED 40,397 thousand (2017: nil) in Non-UAE listed bond. The net fair value gain on financial assets at fair value through profit or loss from the equity securities amounted to AED 5,670 thousand (2017: AED 3,880 thousand).

As of 31 December 2018, the Group has entered into collateral agreement with a related party to arrange financing for the benefit of the Group, the Group has assigned the rights of one of its equity investments as a collateral with a quantity of 72.4 million shares.

12 Financial assets carried at fair value through profit or loss (continued)

Investments carried at fair value through profit or loss are all held for trading and include the following:

	2018 AED'000	2017 AED'000
Current assets		
UAE listed equity securities	73,966	40,388
UAE listed bond	36,793	36,947
Non-UAE listed bond	40,498	-
	151,257	77,335

13 Cash and bank balances

Cash on hand	20	31
Cash at bank*	40,101	53,842
Short-term bank deposits	81,239	3,027
Term deposits	44,200	125,000
	165,560	181,900

*Cash at bank includes cash balances restricted with a local bank of AED 11,087 thousand (2017: AED 11,061 thousand) related to dividends declared in 2012 and 2013 and a restricted cash deposited in a local bank amounting to nil (2017: AED 735 thousand) (note 28).

Short term deposits carry interest at 3% - 7% (2017: 0.5% - 1.70%) per annum.

Term deposit is held with a financial institution. The original maturity of this deposit is more than three months. This is denominated in the UAE Dirhams and carry an effective interest rate of 9.85% per annum (2017: 6% - 7% per annum).

	2018 AED'000	2017 AED'000
Cash and bank balances	165,560	181,900
Less: term deposits	(44,200)	(125,000)
Less: restricted cash	(11,087)	(11,796)
Cash and cash equivalents	110,273	45,104

14 Share capital

Authorised, issued and fully paid 2,325,000 thousand ordinary shares (2017: 2,325,000 thousand) of AED 1 each	2,325,000	2,325,000

14 Share capital (continued)

On 14 October 2018, the Group obtained an approval from the Securities and Commodities Authority (SCA) to proceed with the buy-back program of the Group's shares in accordance with the laws of the UAE and the regulations of the Securities and Commodities Authority (SCA).

Ordinary shares, with an aggregate value of AED 9,189 thousand (2017: nil), were purchased during the period and are held in treasury, total equity has been reduced by AED 9,189 thousand (2017: nil), being the consideration paid for these shares.

15 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 share capital of the Company. This reserve is not available for distribution.

16 Provision for employees' end of service benefits

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

	2018 AED'000	2017 AED'000
Balance at 1 January	648	2,120
Charge during the year	234	283
Payment during the year	(344)	(1,755)
Balance at 31 December	538	648

17 Borrowings

Total borrowings	72,285	-

The aging analysis of bank borrowings is as follows;

Less than 1 year	4,905	-
Between 1-5 years	27,160	-
Over 5 years	40,220	-
Total borrowings	72,285	-

17 Borrowings (continued)

Term loan facility

During the period, the Group obtained term loan facility of AED 73,500 thousands under the terms and conditions defined in the term loan agreement. The loan is repayable in quarterly instalments over the period of 12 years which carries a variable interest rate. The loan is secured by mortgage over the building used by Nuran Marina Serviced Residences LLC and a corporate guarantee in favour of the lender. Additionally, collections made by Nuran Marina Serviced Residences LLC are assigned to the lender to repay the quarterly principal repayment of the loan. The loan was obtained to finance the Group's general obligations

Net debt reconciliation

	2018 AED'000
Cash and cash equivalents (note 13)	165,560
Borrowings	(72,285)
	93,275

	Assets Cash AED'000	Liabilities from financing activities Borrowings due within 1 year AED'000	Liabilities from financing activities Borrowings due after 1 year AED'000	Total AED'000
Net debt as at 31 December 2017	181,900	-	-	181,900
Cash flows, net	(16,340)	(4,905)	(67,380)	(88,625)
Net debt as at 31 December 2018	165,560	(4,905)	(67,380)	93,275

18 Trade and other payables

	2018 AED'000	2017 AED'000
Unclaimed dividend	11,087	11,061
Advances from customers*	7,925	7,676
Retention payable	2,545	956
Accruals	2,449	539
Trade payables	41	154
Other payables**	2,617	3,796
	26,664	24,182

18 Trade and other payables (continued)

*Advances from customers represent the amounts received as advance payments in respect of the sale of apartment units for cancelled contracts, the Company is in the process of returning back these advances. Advances from customers include an amount of AED 4,200 thousand (2017: AED 4,200 thousand) received as advance rentals against land given under operating leases as per Masataha agreements.

** As at 31 December 2018 other payables include payable to a related party of nil (2017: AED 1,326 thousand) (note 19).

19 Related parties 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 consolidated statement of financial position are as follows:

	2018 AED'000	2017 AED'000
Advance for purchase of available-for-sale investment paid to an investment manager – a related party (classified as non-current asset) (note 8)*	-	38,076
Bank balances with related parties financial institutions (included in cash and bank balances) (note 13)	26,673	144,874
Dividends receivable from a related party (included in trade and other receivables (note 11)	-	2,335
Investments in Funds managed by related parties (included in financial assets at fair value through other comprehensive income) (note 9)	129,131	116,750
Investment in a Bond issued by a related party (included in investments carried at fair value through profit or loss) (note 12)	36,792	36,947
Accrued interest from deposits placed in in related parties financial institutions – included in trade and other receivables (note 11)	2,978	4,134
Accrued interest from UAE listed bond issued by a related party – included in trade and other receivables (note 11)	413	413
Other payables to an investment manager - a related party	-	1,326

*During December 2017, the Group paid Shuaa Capital (the fund manager of the transaction) an advance to acquire shares in an unquoted fund. The ownership of the unquoted fund was completed in January 2018.

19 Related parties balances and transactions (continued)

Related party balances	2018 AED'000	2017 AED'000
Due from a related party		
Shuaa Capital PSC (Entity under common control)	33,322	-
Financial loan from a related party		
Shuaa Capital PSC** (Entity under common control)	39,723	-

**On 23 September 2018, the Company signed an agreement with one of the related party to obtain a margin facility amounting to AED 40 million with a fixed interest rate, the Company has assigned the rights of one of its equity investments as a collateral with a quantity of 72.4 million shares (note 12).

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.

	2018 AED'000	2017 AED'000
Purchase of financial assets at fair value through other comprehensive income	38,076	116,750
Purchase of investments carried at fair value through profit or loss	-	36,753
Dividends income	2,502	3,835
Key management remuneration		
Short term benefits	-	1,799
	-	1,799
Advisory services paid to a director	-	350

20 Revenues

The Group derives revenue from the transfer of services over time in the following service lines:

	2018 AED'000	2017 AED'000
Room revenue	16,506	17,722
Others	567	680
Total revenue from contract with customers	17,073	18,402
Rental income	8,924	4,961
	25,997	23,363

Eshraq Properties PJSC

Notes to the consolidated financial statement for year ended 31 December 2018 (continued)

21 Direct costs

	2018 AED'000	2017 AED'000
Rooms, food, beverages and others	2,317	2,847
Depreciation (note 5)	3,076	4,012
Service charges	2,435	1,757
	7,828	8,616

22 General and administrative expenses

Staff costs	5,946	7,577
Professional fees	3,639	6,538
Utilities	1,668	1,460
Rent	2,898	1,337
Security and maintenance fees	309	333
Others	7,030	3,931
	21,490	21,176

23 Finance income – net

Finance cost		
Interest expense	984	-
Margin service charges	441	-
Exchange loss	47	867
	1,472	867
Finance income		
Interest on deposits and bonds	(11,982)	(6,817)
Finance income	(11,982)	(6,817)
Finance income - net	(10,510)	(5,950)

24 Basic and diluted earnings per share

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

24 Basic and diluted earnings per share (continued)

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

	2018 '000'	2017 '000'
Profit for the year attributable to ordinary equity holders (AED)	3,030	32,544
Weighted average number of ordinary shares in issue	2,325	2,325
Basic and diluted profit per share (AED)	0.0013	0.014

25 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.

26 Non-cash transactions

	2018 AED'000	2017 AED'000
Non-cash transactions include the following:		
Transfer from development work-in-progress to investment properties under development (note 10)	102,034	-
Transfer from investment properties to investment properties under development (note 6)	16,695	-
Transfer from advance for purchase of available-for-sale investment (note 8)	38,076	-
Financial assets reclassified from available-for-sale investments (note 2.2)	117,076	-
Transfer from advance for purchase of investment properties to investment properties	-	146,696
Accruals for additions in development work-in-progress	1,873	-
Decrease on account of settlement with a seller	231	3,233

27 Financial instruments by category

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

	2018 AED'000	2017 AED'000
Financial assets at amortised cost:		
Cash and bank balances	165,560	181,900
Trade and other receivables	8,364	15,394
	173,924	197,294

27 Financial instruments by category (continued)

	2018 AED'000	2017 AED'000
Financial assets at fair value through other comprehensive income:		
Unquoted equity investment	129,131	116,750
Quoted equity investment	269	326
	129,400	117,076
Financial assets at fair value through profit or loss:		
UAE listed equity securities	73,966	40,388
UAE listed bond	36,793	36,947
Non-UAE listed bond	40,498	-
	151,257	77,335
Financial liabilities:		
Trade and other payables	18,739	16,506
Loan from a related party	39,723	-
	58,462	16,506

For the purpose of the financial instrument disclosure, non-financial assets amounting to AED 16,819 thousand (2017: AED 3,543 thousand) have been excluded from trade and receivables and non-financial liabilities amounting to AED 7,925 thousand (2017: AED 7,676 thousand) have been excluded from trade and payables.

28 Contingencies and commitments

As of 31 December 2018, the Group is a defendant in some of the 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.

	2018 AED'000	2017 AED'000
Restricted cash (note 13)	11,087	11,796

Restriced cash includes dividends payable which were declared in 2012 and 2013 collectively amounting to AED 11,087 thousand (2017: AED 11,061 thousand) and a restricted cash placed in a local bank amounting to nil thousand (2017: AED 735 thousand) (note 13).

28 Contingencies and commitments (continued)

Operating lease commitments – as lessee:

The future aggregate minimum lease payments payable under non-cancellable operating leases in respect of office space leased as a lessee are as follows:

	2018 AED'000	2017 AED'000
Not later than 1 year	1,691	-
Later than 1 year but not later than 5 years	7,689	-
	9,380	-

Capital commitment

As at 31 December 2018, the Group has capital commitment amounting to AED 122,100 thousand (31 December 2017: nil).

29 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. Such reclassification did not affect the previously reported profit, comprehensive income or equity.