

Eshraq Properties PJSC

**Condensed consolidated interim financial
information for the nine-month period ended
30 September 2018 (unaudited)**

Eshraq Properties PJSC

**Condensed consolidated interim financial information
for the nine-month period ended 30 September 2018**

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Review report on condensed consolidated interim financial information to the Board of Directors of Eshraq Properties PJSC

Introduction

We have reviewed the accompanying condensed consolidated interim statement of financial position of Eshraq Properties PJSC (the 'Company') and its subsidiaries (together referred as the 'Group') as at 30 September 2018 and the related condensed consolidated interim statement of comprehensive income for the three-month and nine-month periods then ended, and condensed consolidated interim statements of changes in equity and cash flows for the nine-month period then ended, and other explanatory notes. Management is responsible for the preparation and presentation of this condensed consolidated interim financial information in accordance with International Accounting Standard 34, 'interim financial reporting'. Our responsibility is to express a conclusion on this condensed consolidated interim financial information based on our review.

Scope of review

We conducted our review in accordance with International Standard on Review Engagement 2410, 'Review of interim financial information performed by the independent auditor of the entity'. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed consolidated interim financial information is not prepared, in all material respects, in accordance with International Accounting Standard 34 'Interim Financial Reporting'.

PricewaterhouseCoopers
... 4 November ... 2018

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

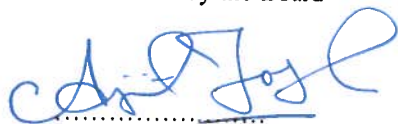
Eshraq Properties PJSC

Condensed consolidated interim statement of financial position

		30 September 2018	31 December 2017
	Note	AED'000 (Unaudited)	AED'000 (Audited)
ASSETS			
Non-current assets			
Property and equipment	6	100,738	103,123
Investment properties	7	886,138	883,472
Advance for purchase of available-for-sale investments	8	-	38,076
Available-for-sale investments		-	117,076
Financial assets at fair value through other comprehensive income	9	146,940	-
		<u>1,133,816</u>	<u>1,141,747</u>
Currents assets			
Development work-in-progress	10	96,460	80,300
Inventories		79	78
Trade and other receivables	11	24,948	18,937
Financial assets at fair value through profit or loss	12	126,958	77,335
Cash and bank balances	13	218,946	181,900
		<u>467,391</u>	<u>358,550</u>
Total assets		<u>1,601,207</u>	<u>1,500,297</u>
EQUITY AND LIABILITIES			
EQUITY			
Capital and reserves			
Share capital	14	2,325,000	2,325,000
Statutory reserve	15	139,804	136,979
Accumulated losses		(960,748)	(986,168)
Revaluation reserve of financial assets designated as fair value through other comprehensive income		(8,556)	-
Cumulative changes in fair value of available-for-sale investments		-	(344)
Net equity		<u>1,495,500</u>	<u>1,475,467</u>
LIABILITIES			
Non-current liabilities			
Provision for employees' end of service benefits	16	677	648
Borrowings	18	68,640	-
		<u>69,317</u>	<u>648</u>
Current liabilities			
Trade and other payables	17	31,530	24,182
Borrowings	18	4,860	-
		<u>36,390</u>	<u>24,182</u>
Total liabilities		<u>105,707</u>	<u>24,830</u>
Total equity and liabilities		<u>1,601,207</u>	<u>1,500,297</u>

The condensed consolidated interim financial information has been approved and authorised by the Board of Directors on ~~4 November~~ 2018 and signed on its behalf by:


.....
Chairman


.....
Director

The notes on pages 6 to 18 form an integral part of the condensed consolidated interim financial information. (2)

Eshraq Properties PJSC

Condensed consolidated interim statement of comprehensive income

	Three-month period ended 30 September		Nine-month period ended 30 September		
	Note	2018 AED'000 (Unaudited)	2017 AED'000 (Unaudited)	2018 AED'000 (Unaudited)	2017 AED'000 (Unaudited)
Revenues		5,851	5,346	19,033	17,794
Cost of revenues		(3,146)	(1,445)	(5,874)	(4,891)
Gross profit		<u>2,705</u>	<u>3,901</u>	<u>13,159</u>	<u>12,903</u>
Loss on fair valuation of investment properties		-	-	-	(32,430)
Change in fair value of financial assets at fair value through profit or loss		9,885	1,193	21,402	1,193
(Loss)/gain on disposal of Available-for-sale investments		-	(7,902)	-	26,201
General and administrative expenses		(1,465)	(2,933)	(15,819)	(13,854)
Selling and marketing expenses		(168)	(391)	(1,003)	(2,069)
Operating profit/(loss) for the period		<u>10,957</u>	<u>(6,132)</u>	<u>17,739</u>	<u>(8,056)</u>
Finance income, net		2,511	3,202	7,899	3,515
Other income		1	3,615	2,607	4,908
Profit for the period		<u>13,469</u>	<u>685</u>	<u>28,245</u>	<u>367</u>
Other comprehensive (loss)/income for the period:					
<i>Items that will not be reclassified to profit or loss</i>					
Changes in the fair value of financial assets at fair value through other comprehensive income		(6,920)	-	(8,212)	-
<i>Items that will be reclassified subsequently to profit or loss</i>					
Net unrealised gain/(loss) on available-for-sale investments		-	800	-	(336)
Other comprehensive (loss)/income for the period		<u>(6,920)</u>	<u>800</u>	<u>(8,212)</u>	<u>(336)</u>
Total comprehensive income for the period		<u>6,549</u>	<u>1,485</u>	<u>20,033</u>	<u>31</u>
Basic profit per share (AED)	20	0.0058	0.0003	0.0121	0.0002

The notes on pages 6 to 18 form an integral part of the condensed consolidated interim financial information

Eshraq Properties PJSC

Condensed consolidated interim statement of changes in equity

	Share capital AED'000	Statutory reserve AED'000	Accumulated losses AED'000	Cumulative changes in fair value of available-for-sale investments AED'000	Revaluation reserve of financial assets designated as fair value through other comprehensive income AED'000	Total AED'000
Balance at 1 January 2017 (Audited)	2,325,000	133,725	(1,015,458)	(5,724)	-	1,437,543
Profit for the period	-	-	367	-	-	367
Other comprehensive loss for the period	-	-	-	(336)	-	(336)
Total comprehensive profit/(loss) the period	-	-	367	(336)	-	31
Transfer to statutory reserve	-	37	(37)	-	-	-
Disposal of available-for-sale investments	-	-	-	5,724	-	5,724
Balance at 30 September 2017 (Unaudited)	2,325,000	133,762	(1,015,128)	(336)	-	1,443,298
Balance at 1 January 2018 (Audited)	2,325,000	136,979	(986,168)	(344)	-	1,475,467
Profit for the period	-	-	28,245	-	-	28,245
Other comprehensive loss for the period	-	-	-	-	(8,212)	(8,212)
Total comprehensive profit/(loss) for the period	-	-	28,245	-	(8,212)	20,033
Reclassification (note 23)	-	-	-	-	(344)	-
Transfer to statutory reserve	-	2,825	(2,825)	344	-	-
Balance at 30 September 2018 (Unaudited)	2,325,000	139,804	(960,748)	-	(8,556)	1,495,500

The notes on pages 6 to 18 form an integral part of the condensed consolidated interim financial information

Eshraq Properties PJSC

Condensed consolidated interim statement of cash flows

		Nine-month period ended 30 September	
		2018	2017
Note		AED'000 (Unaudited)	AED'000 (Unaudited)
Cash flows from operating activities			
	Profit for the period	28,245	367
Adjustments for:			
	Depreciation		
6	Loss on fair valuation of investment properties	2,308	2,361
	Gain on disposal of available-for-sale investment	-	32,430
	Provision for employees' end of service benefits	-	(26,201)
16	Change in fair value of financial assets at fair value through profit or loss	176	234
	Gain on disposal of property and equipment	(21,402)	(1,193)
	Interest income	(98)	-
	Dividend income	(7,899)	(4,215)
	Operating cash flows before employees' end of service benefits paid and changes in working capital	<u>(2,493)</u>	<u>-</u>
		(1,163)	3,783
16	Employees' end of service benefits paid	(147)	(1,737)
Changes in working capital:			
	Trade and other receivables	(10,478)	(7,885)
	Inventories	(1)	(2)
	Development work-in-progress	(10,892)	(2,774)
	Trade and other payables	2,080	(94,395)
	Net cash used in operating activities	<u>(20,601)</u>	<u>(103,010)</u>
Cash flows from investing activities			
	Interest received	10,031	1,537
	Proceeds from disposal of property and equipment	281	-
	Proceeds from sale of financial assets at fair value through profit or loss	1,110	-
	Proceeds from sale of available-for-sale investment	-	113,999
7	Additions to investment properties	(2,666)	(11,068)
6	Payment for purchase of property and equipment	(106)	(701)
	Additions to available-for-sale investments	-	(50,000)
	Dividends received	4,828	-
	Additions to financial assets at fair value through profit or loss	-	-
12	Restricted cash released	(29,331)	(36,702)
	Term deposits released/(placed), net	732	-
	Net cash generated from/(used in) investing activities	<u>91,925</u>	<u>(165,000)</u>
		<u>76,804</u>	<u>(147,935)</u>
Cash flows from financing activities			
	Proceeds from bank borrowings	73,500	-
	Net increase/(decrease) in cash and cash equivalents	129,703	(250,945)
	Cash and cash equivalents at 1 January	45,104	412,556
13	Cash and cash equivalents at 30 September	<u>174,807</u>	<u>161,611</u>
Principal non-cash transaction:			
	Accruals for additions in development work-in-progress	5,268	-

The notes on pages 6 to 18 form an integral part of the condensed consolidated interim financial information (5)

Eshraq Properties PJSC

Notes to the condensed consolidated interim financial information for the nine-month period ended 30 September 2018

1 General information

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

The Company is registered under commercial license No. 1005631 and Abu Dhabi Chamber of Commerce and Industry membership No. 223393. The registered head office of the Company is at P.O. Box 108737, Abu Dhabi, U.A.E.

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

As required by Securities and Commodities Authority (SCA) through their letter dated 9 July 2018 (Exposure to Abraaj Group Companies), we disclose that the Group does not have any exposure to Abraaj Group of companies and any of the funds that it manages.

2 Basis of preparation

The condensed consolidated interim financial information for the nine-month period ended 30 September 2018 has been prepared in accordance with International Accounting Standard 34 'Interim Financial Reporting'.

The condensed consolidated interim financial information does not contain all the information and disclosures required in the annual consolidated financial statements, and should be read in conjunction with the Group's annual consolidated financial statements for the year ended 31 December 2017. In addition, results for the nine-month period ended 30 September 2018 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2018.

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

Basis of consolidation

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

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

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

Eshraq Properties PJSC

Notes to the condensed consolidated interim financial information for the nine-month period ended 30 September 2018 (continued)

2 Basis of preparation (continued)

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

3 Accounting policies

The accounting policies adopted in the preparation of the condensed consolidated interim financial information are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2017 except for the adoption of IFRS 9 Financial Instruments from 1 January 2018 (note 23). Amendments to IFRSs effective for the financial year ending 31 December 2018 are not expected to have a material impact on the Group.

4 Estimates and judgments

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

In preparing the condensed consolidated interim financial information, the significant judgments made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the Group's annual consolidated financial statements for the year ended 31 December 2017.

5 Financial risk management and financial instruments

5.1 Financial risk factors

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

The condensed consolidated interim financial information does not include all financial risk management information and disclosures required in the annual financial statements; they should be read in conjunction with the Group's annual consolidated financial statements as at 31 December 2017. There have been no changes in the risk management department or in any risk management policies since the year end.

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Notes to the condensed consolidated interim financial information for the nine-month period ended 30 September 2018 (continued)

5 Financial risk management and financial instruments (continued)

5.2 Liquidity risk

Compared to year end, there was no material change in the contractual undiscounted cash out flows for financial liabilities except for the term loan obtained in 2018. The main characteristics of the term loan provided to the Group are described in note 18.

5.3 Fair value estimation

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

	Carrying amount AED'000	Fair value AED'000
30 September 2018		
Financial assets		
Non-current		
Financial assets at fair value through other comprehensive income	146,940	146,940
Current		
Financial assets at fair value through profit or loss	126,958	126,958
	<u>273,898</u>	<u>273,898</u>
Current		
– quoted	126,958	126,958
Non-current		
– quoted	289	289
– unquoted	146,651	146,651
	<u>273,898</u>	<u>273,898</u>
31 December 2017		
Financial assets		
Financial assets at fair value through profit and loss	77,335	77,335
Available-for-sale investments*	117,076	117,076
	<u>194,411</u>	<u>194,411</u>
Current		
– quoted	77,335	77,335
Non-current		
– quoted	326	326
– unquoted	116,750	116,750
	<u>194,411</u>	<u>194,411</u>

*See note 23 for details regarding the reclassification as a result of a change in accounting policy.

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Notes to the condensed consolidated interim financial information for the nine-month period ended 30 September 2018 (continued)

5 Financial risk management and financial instruments (continued)

5.3 Fair value estimation (continued)

(a) Fair value hierarchy

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

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

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

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

Management assessed that cash and short-term deposits, trade and other receivables and trade and other payables approximate their carrying amounts largely due to the short-term maturities of these instruments as at 30 September 2018.

The following table shows the analysis of financial instruments and investment properties recorded at fair value by level of the fair value hierarchy at 30 September 2018 and 31 December 2017:

	Level 1 AED'000	Level 2 AED'000	Level 3 AED'000	Total AED'000
At 30 September 2018				
Investment properties	-	638,938	247,200	886,138
Financial assets carried at fair value through profit or loss	126,958	-	-	126,958
Financial assets at fair value through other comprehensive income	289	-	146,651	146,940
At 31 December 2017				
Investment properties	-	638,672	244,800	883,472
Financial assets at fair value through profit or loss	77,335	-	-	77,335
Available-for-sale investments*	326	-	116,750	117,076

*See note 23 for details regarding the reclassification as a result of a change in accounting policy.

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

Eshraq Properties PJSC

Notes to the condensed consolidated interim financial information for the nine-month period ended 30 September 2018 (continued)

5 Financial risk management and financial instruments (continued)

5.3 Fair value estimation (continued)

(b) *Financial assets at fair value through profit or loss*

The Group classifies financial assets at fair value through profit or loss if they are acquired principally for the purpose of selling in the short term, i.e. are held for trading. They are presented as current assets if they are expected to be sold within 12 months after the end of the reporting period; otherwise they are presented as non-current assets.

Changes in fair values of financial assets at fair value through profit or loss are recorded in the condensed consolidated interim statement of comprehensive income.

(c) *Financial assets at fair value through other comprehensive income*

The Group classifies financial assets at fair value through other comprehensive income if they are acquired principally for the purpose of keeping the investment for the long term. They are presented as non-current assets.

Investments in equity instruments at fair value through other comprehensive income are initially measured at fair value plus transaction costs. Subsequently, they are measured at fair value with gains and losses arising from changes in fair value recognised in other comprehensive income and accumulated in the revaluation reserve of financial assets. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the equity investments, instead, they will be transferred to retained earnings.

6 Property and equipment

	AED'000
Cost	
At 1 January 2018	128,410
Additions for the period	106
Disposals for the period	(1,760)
At 30 September 2018	<u>126,756</u>
Accumulated depreciation	
At 1 January 2018	25,287
Charge for the period	2,308
Disposals for the period	(1,577)
At 30 September 2018	<u>26,018</u>
Net book amount	
At 30 September 2018	<u>100,738</u>
At 31 December 2017	<u>103,123</u>

All of the Group's property and equipment are located in the UAE. The building used by Nuran Marina Serviced Residences LLC is mortgaged as a security to the loan from the bank (note 18).

Eshraq Properties PJSC

Notes to the condensed consolidated interim financial information for the nine-month period ended 30 September 2018 (continued)

7 Investment properties

Investment properties represent certain plots of land located in the UAE, several apartments in a residential building in Dubai and an apartment in the United States of America (USA). Management believes that there is no significant change in the fair value of investment properties during the nine-month period ended 30 September 2018.

	30 September 2018 AED'000	31 December 2017 AED'000
At 1 January	883,472	728,967
Additions during the period/year	2,666	11,193
Transfer from advance for purchase of investment properties	-	146,696
Decrease on account of settlement with a seller	-	(3,233)
Decrease in fair value	-	(151)
At 30 September/31 December	<u>886,138</u>	<u>883,472</u>

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 transaction was completed in January 2018.

9 Financial assets at fair value through other comprehensive income

	30 September 2018 AED'000	31 December 2017 AED'000
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 23)	117,076	-
Change in fair value, net	(8,212)	-
At 30 September/31 December	<u>146,940</u>	<u>-</u>

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.

Eshraq Properties PJSC

Notes to the condensed consolidated interim financial information for the nine-month period ended 30 September 2018 (continued)

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

In 2018, due to a change in accounting standards, available-for-sale investments have been reclassified to financial assets at fair value through other comprehensive income. Refer to note 23 for further details.

10 Development work-in-progress

Development work-in-progress represents development and construction costs incurred on properties being constructed which will be sold in the future to prospective customers. All development work in progress projects are located in the United Arab Emirates. Management believes that there is no significant change in the net realisable value of development work-in-progress during the nine-month period ended 30 September 2018.

	30 September 2018 AED'000	31 December 2017 AED'000
At 1 January	80,300	80,020
Additions during the period/year	16,160	3,181
Impairment loss on development work-in-progress	-	(2,901)
At 30 September/31 December	<u>96,460</u>	<u>80,300</u>

11 Trade and other receivables

	30 September 2018 AED'000	31 December 2017 AED'000
Trade receivables	837	6,813
Advances to suppliers	14,805	2,075
Prepayments	2,206	1,468
Accrued interest income	2,415	4,547
Other receivables	4,685	4,034
	<u>24,948</u>	<u>18,937</u>

12 Financial assets at fair value through profit or loss

	30 September 2018 AED'000	31 December 2017 AED'000
At 1 January	77,335	-
Additions during the period/year	29,331	73,455
Disposals during the period/year	(1,110)	-
Fair value gain, net	21,402	3,880
At 30 September/31 December	<u>126,958</u>	<u>77,335</u>

Eshraq Properties PJSC

Notes to the condensed consolidated interim financial information for the nine-month period ended 30 September 2018 (continued)

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

During 2017, the Group invested AED 36,753 thousand in a UAE listed bond denominated in US Dollars. The debt security carried a coupon rate of 6.75%. At 30 September 2018, accrued interest on bonds of AED 1,032 thousand (31 December 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 bond amounted to AED 155 thousand (31 December 2017: gain of AED 194 thousand).

The fair value gain on financial assets at fair value through profit or loss from the equity securities amounted to AED 21,558 thousand (31 December 2017: gain of AED 3,686 thousand).

As of 30 September 2018, the Group has entered into collateral agreement with a related party to arrange financing for the benefit of the Group and assigned them the rights to use the shares in listed equity amounting to AED 85.45 million as a collateral against the loan.

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

	30 September 2018 AED'000	31 December 2017 AED'000
Current assets		
UAE listed equity securities	90,166	40,388
UAE listed bond	36,792	36,947
	<u>126,958</u>	<u>77,335</u>

13 Cash and bank balances

	30 September 2018 AED'000	31 December 2017 AED'000
Cash on hand	31	31
Cash at bank*	93,603	53,842
Bank deposits with original maturity of more than three months	33,075	125,000
Bank deposits with original maturity of less than three months	92,237	3,027
	<u>218,946</u>	<u>181,900</u>

*Cash at bank includes cash balances restricted with a local bank of AED 11,061 thousand (2017: AED 11,067 thousand) related to dividends declared in 2012 and 2013 and a restricted cash deposited in a local bank amounting to AED 3 thousand (2017: AED 735 thousand).

Bank deposits with original maturity of less than three months carry interest at 3% – 7% (31 December 2017: 0.15 % - 1.70%) per annum.

Bank deposits with original maturity of more than three months are held with a financial institution in the UAE. These are denominated in the UAE Dirhams and carry an effective interest rate of 6% per annum (2017: 6% - 7% per annum).

Eshraq Properties PJSC

Notes to the condensed consolidated interim financial information for the nine-month period ended 30 September 2018 (continued)

13 Cash and bank balances (continued)

	30 September 2018 AED'000	31 December 2017 AED'000
Cash and bank balances	218,946	181,900
Less: Bank deposits with original maturity of more than three months	(33,075)	(125,000)
Less: Restricted cash	(11,064)	(11,796)
Cash and cash equivalents	<u>174,807</u>	<u>45,104</u>

14 Share capital

	30 September 2018 AED'000	31 December 2017 AED'000
<i>Authorised, issued and fully paid</i> 2,325,000,000 ordinary shares (2017: 2,325,000,000) of AED 1 each	<u>2,325,000</u>	<u>2,325,000</u>

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

16 Provision for employees' end of service benefits

	30 September 2018 AED'000	31 December 2017 AED'000
At 1 January		
Charge for the period/year	648	2,120
Employees' end of service benefits paid	176	283
At 30 September/31 December	<u>677</u>	<u>(1,755)</u>

Eshraq Properties PJSC

Notes to the condensed consolidated interim financial information for the nine-month period ended 30 September 2018 (continued)

17 Trade and other payables

	30 September 2018 AED'000	31 December 2017 AED'000
Unclaimed dividends	11,061	11,061
Advances from customers*	8,320	7,676
Board remuneration	555	-
Trade payables	56	154
Retention payable	2,482	956
Accruals	5,662	539
Others	3,394	3,796
	<u>31,530</u>	<u>24,182</u>

*Advances from customers represent the amounts received as advance payments in respect of the sale of apartment units. Advances from customers include an amount of AED 4,200 thousand (31 December 2017: AED 4,200 thousand) received as advance rentals against land given under operating leases as per Masataha agreements.

18 Borrowings

	30 September 2018 AED'000	31 December 2017 AED'000
Non-current		
Term loan facility	<u>68,640</u>	<u>-</u>
Current		
Term loan facility	<u>4,860</u>	<u>-</u>

(i) 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.

Eshraq Properties PJSC

Notes to the condensed consolidated interim financial information for the nine-month period ended 30 September 2018 (continued)

19 Related party balances and transactions

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

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

	30 September 2018 AED'000	31 December 2017 AED'000
Advance for purchase of available-for-sale investments paid to an investment manager – a related party (classified as non-current asset) (note 8)	-	38,076
Bank balances with financial institutions which are related parties (included in cash and bank balances) (note 13)	210,330	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/available for sale investments) (note 9)	146,651	116,750
Investment in a UAE listed Bond issued by a related party (included in financial assets at fair value through profit or loss) (note 12)	36,792	36,947
Accrued interest from deposits placed in related parties financial institutions – included in trade and other receivables (note 11)	366	4,134
Accrued interest from UAE listed bond issued by a related party – included in trade and other receivables (note 11)	1,032	413
Other payables to an investment manager - a related party – included in trade and other payables (note 17)	5	1,326

During the period, 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.

	Nine-month period ended 30 September	
	2018 AED'000	2017 AED'000
Interest income from deposits placed in related parties financial institutions (note 11)	7,902	4,385
Key management compensation		
Board of directors' remuneration	1,110	-
Short term benefits	-	1,012
Employee end of service benefits	-	46
	<u>1,110</u>	<u>1,058</u>

Eshraq Properties PJSC

Notes to the condensed consolidated interim financial information for the nine-month period ended 30 September 2018 (continued)

20 Basic profit per share

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

	Nine-month period ended 30 September	
	2018	2017
	AED'000	AED'000
Profit for the period (AED)	28,245	367
Weighted average number of shares outstanding	2,325,000	2,325,000
Basic and diluted profit per share (AED)	0.0121	0.0002

21 Segment reporting

Following the management approach in regard to IFRS 8, operating segments are reported in accordance with the internal reporting provided to the Board of Directors (the chief operating decision-maker), which is responsible for allocating resources to the reportable segments and assessing its performance. The Group is managed as one unit and therefore the Board of Directors are of the opinion that the Group is mainly engaged in a single segment of investing in real estate. No significant income of a seasonal nature was recorded in the condensed consolidated interim statements of comprehensive income for the nine-month period ended 30 September 2018 and 30 September 2017.

22 Commitments and contingencies

As at 30 September 2018, the Group is a defendant in some claims raised by contractors 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.

As at 30 September 2018, the Group has capital commitment amounting to AED 120,298,594 thousand (31 December 2017: Nil).

Eshraq Properties PJSC

Notes to the condensed consolidated interim financial information for the nine-month period ended 30 September 2018 (continued)

23 Changes in accounting policies

(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 adoption of IFRS 9 Financial Instruments from 1 January 2018 resulted in changes in accounting policies and adjustments to the amounts recognised in the interim condensed consolidated financial information. 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 designated as fair value through other comprehensive income on 1 January 2018.

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

IFRS 15 Revenue from Contracts with Customers was issued in May 2014, and amended in April 2016, and establishes a five-step model to account for revenue arising from customers. Under IFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The new revenue standard supersedes all current revenue recognition requirements under IFRS. Either a full retrospective application or a modified retrospective application is required.

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 will not be materially impacted by the adoption of IFRS 15.

24 Subsequent events

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).