

Eshraq Properties PJSC

INTERIM CONDENSED FINANCIAL STATEMENTS

31 MARCH 2015 (UNAUDITED)

REPORT ON REVIEW OF INTERIM CONDENSED FINANCIAL STATEMENTS TO THE BOARD OF DIRECTORS OF ESHRAQ PROPERTIES PJSC

Introduction

We have reviewed the accompanying interim condensed financial statements of Eshraq Properties PJSC (the "Company") as at 31 March 2015, comprising of the interim statement of financial position as at 31 March 2015 and the related interim statements of comprehensive income, changes in equity and cash flows for the three month period then ended and explanatory information. Management is responsible for the preparation and presentation of these interim condensed financial statements in accordance with International Financial Reporting Standards IAS 34 Interim Financial Reporting ("IAS 34"). Our responsibility is to express a conclusion on these interim condensed financial statements based on our review.

Scope of review

We conducted our review in accordance with the International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial information consists of making inquiries, 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.

Basis for qualified conclusion

- The Company acquired a Hotel in 2012 for a total consideration of AED 120 million, which qualified as a business under International Financial Reporting Standard 3. However, the Company did not perform a purchase price allocation exercise, and accordingly, the Company has not been able to ascertain the fair values of the identifiable assets and liabilities at the acquisition date
- The Company did not depreciate the property and equipment of the Hotel as required by International Accounting Standard 16. The Hotel property and equipment include buildings, furniture, and equipment. We are unable to quantify the effect of the depreciation on the Company's financial statements

Qualified conclusion

Based on our review, with the exception of the matters described in the preceding paragraph, nothing has come to our attention that causes us to believe that the accompanying interim condensed financial statements are not prepared, in all material respects, in accordance with IAS 34.

Other matters

The financial statements of the Company for the period ended 31 March 2014 were reviewed by another auditor who expressed an unmodified conclusion on those financial statements on 8 May 2014.

The financial statements of the Company for the year ended 31 December 2014 were audited by another auditor who expressed an unmodified opinion on those financial statements on 30 March 2015.

Ernst & Young

Signed by
Raed Ahmad
Partner
Ernst & Young
Registration No. 811

16 May 2015
Abu Dhabi

Eshraq Properties PJSC

INTERIM STATEMENT OF COMPREHENSIVE INCOME

Three month period ended 31 March 2015 (unaudited)

	<i>Notes</i>	2015 AED	2014 AED
Revenues		6,921,187	69,199,989
Cost of revenues		(4,234,698)	(24,778,394)
GROSS PROFIT		2,686,489	44,421,595
General and administrative expenses		(3,032,950)	(2,046,529)
Selling and marketing expenses		(662,104)	(623,314)
Finance cost		(192,615)	-
Other income		1,882,454	719,255
Loss on termination of sale agreements	3	(7,832,913)	-
Gain from sale of available-for-sale investment		<u>-</u>	<u>279,447</u>
(LOSS) PROFIT FOR THE PERIOD		(7,151,639)	<u>42,750,454</u>
Other comprehensive loss for the period			
<i>Items that will be reclassified subsequently to profit or loss:</i>			
Net unrealised loss on available-for-sale investments		(827,948)	-
<i>Items that will not be reclassified subsequently to profit or loss</i>		<u>-</u>	<u>-</u>
Other comprehensive loss for the period		(827,948)	-
TOTAL COMPREHENSIVE (LOSS) INCOME FOR THE PERIOD		(7,979,587)	<u>42,750,454</u>
Basic (loss) earnings per share	8	(0.0031)	<u>0.0285</u>

The attached notes 1 to 8 form part of these financial statements.

Eshraq Properties PJSC

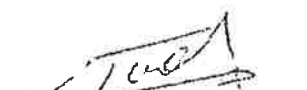
INTERIM STATEMENT OF FINANCIAL POSITION

As at 31 March 2015 (unaudited)

		31 March 2015 AED	(Audited) 31 December 2014 AED
	Notes		
ASSETS			
Non-current assets			
Property and equipment		184,510	197,946
Investment properties	3	1,008,462,820	721,460,928
Development work in progress	4	355,642,856	335,595,206
Trade and other receivables	5	-	133,250,000
Available for sale investments		<u>11,563,713</u>	<u>12,391,661</u>
		<u>1,375,853,899</u>	<u>1,222,895,741</u>
Current assets			
Trade and other receivables	5	11,536,705	172,707,802
Due from a related party	6	2,801,022	2,625,574
Bank balances and cash	7	<u>856,798,622</u>	<u>856,404,585</u>
		<u>871,136,349</u>	1,031,737,961
TOTAL ASSETS		<u>2,246,990,248</u>	<u>2,254,633,702</u>
EQUITY AND LIABILITIES			
Equity			
Share capital		2,325,000,000	2,325,000,000
Statutory reserve		132,726,351	132,726,351
Accumulated losses		(477,153,804)	(470,002,165)
Cumulative changes in fair values of available for sale investments		<u>(827,948)</u>	<u>-</u>
Total equity		<u>1,979,744,599</u>	<u>1,987,724,186</u>
Non-current liability			
Employees' end of service benefit		<u>895,186</u>	<u>830,843</u>
Current liabilities			
Trade and other payables		4,144,717	3,868,291
Advances from customers		4,216,297	4,216,297
Due to a related party	6	242,813,039	242,813,039
Bank borrowing		<u>15,176,410</u>	<u>15,181,046</u>
		<u>266,350,463</u>	<u>266,078,673</u>
Total liabilities		<u>267,245,649</u>	<u>266,909,516</u>
TOTAL EQUITY AND LIABILITIES		<u>2,246,990,248</u>	<u>2,254,633,702</u>



 Managing Director



 Financial Controller

The attached notes 1 to 8 form part of these financial statements.

Eshraq Properties PJSC

INTERIM STATEMENT OF CHANGES IN EQUITY

Three month period ended 31 March 2015

	<i>Share capital AED</i>	<i>Statutory reserve AED</i>	<i>(Accumulated losses retained earnings AED</i>	<i>Cumulative changes in fair value AED</i>	<i>Total AED</i>
Balance at 1 January 2014 (audited)	1,500,000,000	132,726,351	292,785,974	-	1,925,512,325
Profit for the period	<u>-</u>	<u>-</u>	<u>42,750,454</u>	<u>-</u>	<u>42,750,454</u>
Balance at 31 March 2014	<u>1,500,000,000</u>	<u>132,726,351</u>	<u>335,536,428</u>	<u>-</u>	<u>1,968,262,779</u>
Balance at 1 January 2015 (audited)	2,325,000,000	132,726,351	(470,002,165)	-	1,987,724,186
Loss for the period	<u>-</u>	<u>-</u>	<u>(7,151,639)</u>	<u>-</u>	<u>(7,151,639)</u>
Other comprehensive loss for the period	<u>-</u>	<u>-</u>	<u>-</u>	<u>(827,948)</u>	<u>(827,948)</u>
Total comprehensive loss for the period	<u>-</u>	<u>-</u>	<u>(7,151,639)</u>	<u>(827,948)</u>	<u>(7,979,587)</u>
Balance at 31 March 2015	<u>2,325,000,000</u>	<u>132,726,351</u>	<u>(477,153,804)</u>	<u>(827,948)</u>	<u>1,979,744,599</u>

The attached notes 1 to 8 form part of these financial statements.

Eshraq Properties PJSC

INTERIM STATEMENT OF CASH FLOWS

Three month period ended 31 March 2015 (unaudited)

	<i>Note</i>	<i>31 March 2015 AED</i>	<i>31 March 2014 AED</i>
OPERATING ACTIVITIES			
Net (loss) profit for the period		(7,151,639)	42,750,454
Adjustment for the period:			
Depreciation		41,624	54,079
Provision for end of service benefits		64,343	22,172
Loss on termination of sale agreements		7,832,913	-
Finance cost		192,615	-
Gain from sales of available for sale investments		<u>-</u>	<u>(279,447)</u>
		979,856	42,547,258
Working capital adjustments:			
Trade and other receivables		(351,966)	(59,464,914)
Due from a related party		(175,448)	(2,625,574)
Trade and other payables		<u>276,426</u>	<u>47,558,110</u>
Net cash from operating activities		<u>728,868</u>	<u>28,014,880</u>
INVESTING ACTIVITIES			
Acquisition of available for sale shares		-	(38,495,422)
Proceed from sales of investment available for sale		-	20,495,421
Payment for purchase of property, plant and equipment		(28,188)	(5,154)
Movement in investment properties		(61,742)	-
Additions to investment properties		-	(40,218,080)
Additions to development work in progress		<u>(47,650)</u>	<u>-</u>
Net cash used in investing activities		<u>(137,580)</u>	<u>(58,223,235)</u>
FINANCING ACTIVITIES			
Finance costs paid		(192,615)	-
Repayments of bank borrowings		<u>(4,636)</u>	<u>-</u>
Net cash used in financing activities		<u>(197,251)</u>	<u>-</u>
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		394,037	(30,208,355)
Cash and cash equivalents at the beginning of the period		<u>856,404,585</u>	<u>519,636,148</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	7	<u>856,798,622</u>	<u>489,427,793</u>

The attached notes 1 to 8 form part of these financial statements.

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

Three month period ended 31 March 2015 (unaudited)

1 CORPORATE INFORMATION

Eshraq Properties Company 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 & Industry Membership No. 223393. The registered address of the Company is PO Box 108737, Abu Dhabi, UAE.

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

The interim condensed financial statements of the Company for the period ended 31 March 2015 were authorised for issuance on 16 May 2015.

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES

2.1 BASIS OF PREPARATION

The interim condensed financial statements for the three months ended 31 March 2015 have been prepared in accordance with International Accounting Standard 34 Interim Financial Reporting.

The interim condensed financial statements do not contain all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Company’s annual financial statements as at 31 December 2014. In addition, results for the three months period ended 31 March 2015 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2015.

The interim condensed financial statements have been presented in United Arab Emirates Dirham (“AED”), which is the functional and presentation currency of the Company.

2.2 SIGNIFICANT ACCOUNTING POLICIES

In preparing these interim condensed financial statements, the significant judgments made by management in applying the Company’s accounting policies and the key sources of estimation uncertainty are the same as those applied to the financial statements as at and for the year ended 31 December 2014.

The accounting policies used in the preparation of the interim condensed financial statements are consistent with those followed in the preparation of the Company’s annual financial statements for the year ended 31 December 2014, except for the adoption of the following new standards and amendments to standards effective for the annual periods beginning on or after 1 January 2015:

IAS 19 Defined Benefit Plans: Employee Contributions – Amendments to IAS 19

IAS 19 requires an entity to consider contributions from employees or third parties when accounting for defined benefit plans. Where the contributions are linked to service, they should be attributed to periods of service as a negative benefit. These amendments clarify that, if the amount of the contributions is independent of the number of years of service, an entity is permitted to recognise such contributions as a reduction in the service cost in the period in which the service is rendered, instead of allocating the contributions to the periods of service. This amendment is effective for annual periods beginning on or after 1 July 2014. This amendment is not relevant to the Company, since the Company does not have a defined benefit plan with contribution from employees or third parties.

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

Three month period ended 31 March 2015 (unaudited)

2.2 SIGNIFICANT ACCOUNTING POLICIES continued

Annual Improvements to IFRSs (2010 – 2012)

On 12 December 2013, the IASB issued Annual Improvements to IFRS 2010 – 2012 cycle. The amendments broadly apply for annual periods beginning on or after 1 July 2014 and include amendments to the following:

- IFRS 2 Share based payments- Definitions of vesting conditions
- IFRS 3 Business Combinations – Accounting for contingent consideration in a business combination
- IFRS 8 Operating Segments – Aggregation of operating segments
- IFRS 8 Operating Segments – Reconciliation of the total of the reportable segments' assets to the entity's assets
- IFRS 13 Fair Value Measurement – Short term receivables and payables
- IAS 16 Property, plant and equipment and IAS 28 Intangible Assets – Revaluation method: proportionate restatement of accumulated depreciation /amortisation
- IAS 24 Related Party Disclosures – Key management personnel

Annual Improvements to IFRSs (2011- 2013)

On 12 December 2013, the IASB issued Annual Improvements to IFRS 2011 – 2013 cycle. The amendments broadly apply for annual periods beginning on or after 1 July 2014 and include amendments to the following:

- IFRS 3 Business Combinations – Scope exception for joint ventures
- IFRS 13 Fair Value Measurement – Scope of paragraph 52 (portfolio exception)
- IAS 40 Investment Property – Interrelationship between IFRS 3 and IAS 40 (ancillary services)

The Company does not expect these amendments to have any significant impact on the financial statements.

3 INVESTMENT PROPERTIES

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

During the period, the Company terminated two land sale agreements and re-acquired the relevant land. Land acquired are recorded in investment properties at fair value at the acquisition date of AED 286,940,150. The Company incurred a loss of AED 7,832,913 on the termination of the sale agreements.

4 DEVELOPMENT WORK IN PROGRESS

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

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

Three month period ended 31 March 2015 (unaudited)

5 TRADE AND OTHER RECEIVABLES

	<i>(Unaudited)</i> 31 March 2015 AED	<i>(Audited)</i> 31 December 2014 AED
Trade receivables	-	294,773,062
Advances to suppliers	9,519,147	9,187,347
Advance and prepayments	382,781	748,619
Staff receivable	96,538	86,538
Accrued revenue	1,367,947	968,944
Other receivables	<u>170,292</u>	<u>193,292</u>
	11,536,705	305,957,802
Non-current portion of trade receivables	<u>-</u>	<u>(133,250,000)</u>
	<u>11,536,705</u>	<u>172,707,802</u>

6 RELATED PARTY TRANSACTIONS

Related parties represent major shareholders, directors and key management personnel of the Company, and entities controlled, jointly controlled or significantly influenced by such parties. Pricing policies and terms of these transactions are approved by the Company's management.

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

	<i>(Unaudited)</i> 31 March 2015 AED	<i>(Audited)</i> 31 December 2014 AED
<i>Due from a related party</i>		
Nuran Marina Serviced Residences LLC	<u>2,801,022</u>	<u>2,625,574</u>
<i>Due to a related party</i>		
Tomouh Investments LLC	<u>242,813,039</u>	<u>242,813,039</u>

7 BANK BALANCES AND CASH

	<i>(Unaudited)</i> 31 March 2015 AED	<i>(Audited)</i> 31 December 2014 AED
Short term deposits	847,710,985	462,220,847
Cash at bank	9,006,453	394,091,446
Cash on hand	<u>81,184</u>	<u>92,292</u>
Balance at the end of the period	<u>856,798,622</u>	<u>856,404,585</u>

Included in short term deposits is an amount of AED 16,130,348 which is pledged against bank borrowing.

Short term deposits carry interest at 0.15% - 0.75% (31 December 2014: 0.28% - 0.38%) per annum.

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

Three month period ended 31 March 2015 (unaudited)

8 BASIC (LOSS) EARNING PER SHARE

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

	<i>3 months ended 31 March</i> 2015 <i>(Unaudited)</i>	<i>2014</i> <i>(Unaudited)</i>
Total comprehensive (loss) profit for the period (AED)	<u>(7,151,639)</u>	<u>42,750,454</u>
Weighted average number of shares outstanding	<u>2,325,000,000</u>	<u>1,500,000,000</u>
Basic (loss) earnings per share (AED)	<u>(0.0031)</u>	<u>0.0285</u>

As of 31 March 2015, the Company has not issued any instruments that have dilutive impact on (loss) earnings per share when converted or exercised.