AWTAD (P.J.S.C.)

PRIVATE JOINT STOCK COMPANY
DUBAI
UNITED ARAB EMIRATES

FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORT
FOR THE YEAR ENDED 31 DECEMBER 2017

AWTAD (P.J.S.C.)
PRIVATE JOINT STOCK COMPANY
DUBAI - UNITED ARAB EMIRATES

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Independent Auditors' Report to the Shareholders of
Awtad (P.J.S.C.)
Private Joint Stock Company
Dubai - United Arab Emirates

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of **Awtad (P.J.S.C)** (**"the Company"**), which comprise the statement of financial position as at 31 December 2017, statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended and notes to the financial statements including a summary of significant accounting policies.

In our opinion the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2017, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

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 *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants Code of Ethics for Professional Accountants (EISBA Code) and the ethical requirements that are relevant to our audit of the financial statements and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed on the context of our audit of the financial statements as a whole and in forming our opinion thereon, and we do not provide a separate opinion on these matters. We have determined the matter described below to be the key audit matters to be communicated in our report.

Valuation of investments properties

The Company has estimated the fair value of the investment property to be AED. 28,000,000 as at 31 December 2017 representing 11% of its total assets (Note 5) for the year ended 31 December 2017. Valuation was obtained from independent professional real estate surveyor in order to support management's estimates. The valuation was carried out using the residual method of valuation which involves certain key assumptions that require significant management judgments.

Key audit matters (Continued)

Valuation of investments properties (Continued)

We performed the following audit procedures:

- We have evaluated the competence, capabilities and objectivity of the independent professional real estate surveyor.
- We have assessed the methodologies used and the appropriateness of the key assumptions based on our knowledge of the property industry.
- We have checked the accuracy and relevance of the input data used.

Projects under progress

The Company has projects under progress of AED. 190,001,661 representing 77% of its total assets (Note 7) which principally comprise the land held for development, project under development, which are stated at lower of cost or net realizable value. Net realizable value of the projects under progress is determined by management based on the internal assessment by taking in to consideration available internal as well as comparable market data.

We performed the following audit procedures:

- We have sample tested the cost details of the projects under progress with the supporting documents.
- We assessed the fair value calculation by the management and assessed the appropriateness of the valuation methodologies, assumptions, critical judgment areas and estimates used by the management.

Other information

Management is responsible for the other information. Other information consists of the information included in the Company's Board of Directors Report of 2017, other than the financial statements and our auditors' report thereon. We obtained the report of the Company's Board of Directors, prior to the date of our auditors' report. Management is responsible for the other information.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the 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 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.

Responsibilities of Management and those charged with governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards (IFRSs), and applicable provisions of UAE Federal Law No. 2 of 2015 and the Articles of Association of the Company and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company'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 Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue auditors' 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

- Identify and assess the risks of material misstatement of the 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 of 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 Company's internal control.

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

Auditors' Responsibilities for the Audit of the Financial Statements

- 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 Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in auditors' report to the related disclosures in the 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 auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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 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 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.

Report on other legal and regulatory requirements

As required by UAE Federal Law No. 2 of 2015 we report that :

1. We have obtained all the information and explanation we considered necessary for our audit.

2. The financial statements comply, in all material respect with the applicable provisions of UAE Federal Law No. 2 of 2015 and the Articles of Association of the Company.

3. The Company has maintained proper books of accounts.

4. The financial information of the Director's report is in agreement with the books of account and records of the Company.

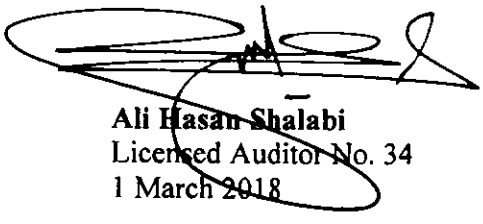
5. Transactions and terms with related parties disclosed in Note 6.

Independent Auditors' Report to the Shareholders of Awtad (P.J.S.C.) (Continued)

Report on other legal and regulatory requirements (Continued)

6. Based on the information and explanation that has been made available to us nothing came to our attention which causes us to believe that the Company has contravened during the financial year ended 31 December 2017 any of the applicable provisions of UAE Federal Law No. 2 of 2015 or the Articles of Association of the Company which would have a material affect on the Company's activities or on its financial position for the year.

For **TALAL ABU-GHAZALEH & CO. INTERNATIONAL**



Ali Hasan Shalabi
Licensed Auditor No. 34
1 March 2018

AWTAD (P.J.S.C.)

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2017

EXHIBIT A

ASSETS	Note	2017 AED	2016 AED
Non-Current Assets			
Investment properties	5	**28,000,000**	28,000,000
Due from related parties	6	**24,562,007**	25,058,963
Projects under progress	7	**190,001,661**	189,894,811
Total Non-Current Assets		**242,563,668**	242,953,774
Current Assets			
Other receivables	8	**2,705,818**	2,711,767
Cash and cash equivalents	9	**19,252**	17,652
Total Current Assets		**2,725,070**	2,729,419
TOTAL ASSETS		**245,288,738**	245,683,193
EQUITY AND LIABILITIES			
Equity			
Capital	10	**150,000,000**	150,000,000
Reserves	11	**14,164,848**	14,164,848
Retained earnings		**49,824,449**	50,436,014
Total Equity – Exhibit C		**213,989,297**	214,600,862
Non-Current Liabilities			
Retentions payable		**3,256,960**	3,256,960
Long term loan from a related party	6	**8,118,201**	7,979,201
Total Non-Current Liabilities		**11,375,161**	11,236,161
Current Liabilities			
Accounts payable and others	12	**19,924,280**	19,846,170
TOTAL EQUITY AND LIABILITIES		**245,288,738**	245,683,193

THE ACCOMPANYING NOTES CONSTITUTE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS

AWTAD P.J.S.C. P.O. BOX 225888, DUBAI, UAE

Majid Abdalla Juma Majid Al Sari
Chairman

Mohammad Harib Fadhel Al Mazrooei
Vice Chairman

AWTAD (P.J.S.C.)

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2017 **EXHIBIT B**

	Note	2017 AED	2016 AED
Sales		--	--
Cost of sales		--	--
Gross profit		--	--
Fair value gain on investment properties		--	10,100,000
Administrative expenses	15	**(206,955)**	(91,785)
Finance cost		**(404,610)**	(174,280)
(Loss)/profit for the year - Exhibit D		**(611,565)**	9,833,935
Other comprehensive income		--	--
Total Comprehensive (loss)/income for the year - Exhibit C		**(611,565)**	9,833,935
(Loss)/earnings per share (AED per share)	16	**(0.41)**	6.56

THE ACCOMPANYING NOTES CONSTITUTE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS

AWTAD (P.J.S.C.)

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2017

EXHIBIT C

	Capital AED	Reserves AED	Retained earnings AED	Total AED
Balance at 1 January 2016	150,000,000	12,198,060	42,568,867	204,766,927
Total Comprehensive income for the year 31 December 2016 - Exhibit B	--	--	9,833,935	9,833,935
Transferred to Statutory reserve	--	983,394	(983,394)	--
Transferred to Voluntary reserve	--	983,394	(983,394)	--
Balance at 31 December 2016 - Exhibit A	**150,000,000**	**14,164,848**	**50,436,014**	**214,600,862**
Total Comprehensive loss for the year 31 December 2017 - Exhibit B	--	--	**(611,565)**	**(611,565)**
Balance at 31 December 2017 - Exhibit A	**150,000,000**	**14,164,848**	**49,824,449**	**213,989,297**

THE ACCOMPANYING NOTES CONSTITUTE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS

AWTAD (P.J.S.C.)

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2017

EXHIBIT D

CASH FLOWS FROM OPERATING ACTIVITIES	2017 AED	2016 AED
(Loss)/profit for the year - Exhibit B	**(611,565)**	9,833,935
Adjustments for :		
Fair value gain on investment properties	--	(10,100,000)
Operating Cash flows before Working Capital Changes	**(611,565)**	(266,065)
Decrease in due from related parties	**496,956**	4,400,888
Decrease in other receivables	**5,949**	1,394,436
Increase in retentions payable	--	1,410,842
Increase in accounts payable and others	**78,110**	3,347,428
Net Cash (Used in)/Provided by Operating Activities	**(30,550)**	10,287,529
CASH FLOWS FROM INVESTING ACTIVITIES		
Additions to projects under progress	**(106,850)**	(18,262,905)
Net Cash Used in Investing Activities	**(106,850)**	(18,262,905)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from long-term loan from a related party	**139,000**	7,979,201
Net Cash Provided by Financing Activities	**139,000**	7,979,201
Net increase in cash and cash equivalents	**1,600**	3,825
Cash and cash equivalents at beginning of the year	**17,652**	13,827
Cash and Cash Equivalents at end of year - Note 9	**19,252**	17,652

THE ACCOMPANYING NOTES CONSTITUTE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS

1. STATUS AND ACTIVITIES

Awtad (P.J.S.C.) - Dubai (referred to hereinafter as the "**Company**") is a private joint stock company operating in accordance to the ministerial decree No.90 for the year 2006 issued by the Minister of Economy on 18 February 2006.

The main activities of the Company are buying and selling of real estate.

The Company domiciled in Dubai City and its registered address is P.O. Box 22588, Dubai, United Arab Emirates.

2. ADOPTION OF NEW AND REVISED STANDARDS

2.1 New and amended standards effective after 1 January 2017

The following new and revised IFRSs have been applied in the current year in these financial statements. Their adoption had no significant impact on the amounts reported in these financial statements but may affect the accounting for future transactions or arrangements.

- ***Amendments to IAS 7 "Statement of Cash Flows"-*** To introduce additional disclosure requirements that enable users of financial statements to evaluate changes in liabilities arising from financing activities including those from cash flows and other non-cash changes.

- ***Annual improvements to IFRSs 2014- 2016 Cycle*** – Amendment to IFRS 12 Disclosure of Interests in other Entities.

2.2 New and revised IFRSs in issue but not yet effective

The Company has not applied the following new and revised IFRSs that have been issued but are not yet effective:

a) ***IFRS 16 "Leases"***

Mandatory for annual periods beginning on or after 1 January 2019.

IFRS 16 specifies how an IFRSs reporter will recognize, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with IFRS 16's approach to lessor accounting substantially unchanged from its predecessor, IAS 17.

2. ADOPTION OF NEW AND REVISED STANDARDS (CONTINUED)

2.2 **New and revised IFRSs in issue but not yet effective (Continued)**

b) ***IFRS 9 "Financial Instruments"***

Mandatory for annual periods beginning on or after 1 January 2018.

In July 2014 IASB issued the final version of IFRS 9 Financial Instruments which replaces IAS 39 "Financial Instruments": "Recognition and Measurement". The revised standard addresses the following all the aspects of financial instruments:

*i) **Classification and measurement:***

The standard requires the Company to consider two criteria when determining the measurement basis for debt instruments held as financial assets :

- Its business model for managing those assets.
- Cash flow characteristics of the assets.

Based on these criteria, debt instruments are measured at amortized cost, fair value through other comprehensive income or fair value through profit or loss.

Financial liabilities are classified in a similar manner to under IAS 39 :

*ii) **Impairment:***

The final version of IFRS 9 introduces an "Expected Credit Loss" as a new single model for measurement of impairment losses on all financial assets which replaces current model "Incurred Loss" of IAS 39, so it is no longer necessary for a credit event to have occurred before a credit loss is recognized.

*iii) **Hedge accounting:***

The final version of IFRS 9 introduces a new hedge accounting model that is designed to be more closely aligned with how entities undertake risk management activities when hedging financial and non-financial risk exposures;

*iv) **Derecognition:***

The requirements for the derecognition of financial assets and liabilities are carried forward from IAS 39.

The management expects no impact from the new classification, measurement and derecognition rules on the Company's financial assets and financial liabilities.

2. ADOPTION OF NEW AND REVISED STANDARDS (CONTINUED)

2.2 **New and revised IFRSs in issue but not yet effective (Continued)**

c) ***IFRS 15 "Revenue from Contracts with Customers"***

Mandatory for annual periods beginning on or after 1 January 2018.

IFRS 15 provides a single, principles based five-step model to be applied to all contracts with customers. The five steps in the model are as follows:

i) Identify the contract(s) with the customer;
ii) Identify the performance obligations in the contract;
iii) Determine the transaction price;
iv) Allocates the transaction price to the performance obligations in the contracts;
v) Recognize revenue when (or as) the entity satisfies a performance obligation.

IFRS 15 also includes a cohesive set of disclosure requirements that will result in the entity providing users of the financial statements with comprehensive information about the nature, amount, timing and uncertainty of revenue and cash flows arising from the entity's contracts with customers.

The management anticipates that the application of IFRS 15 in the future may have a material impact on the amounts reported and disclosures made in the Company's financial statements.

d) Amendments to IAS 40 "Investment Property"

Amendments are effective for annual periods beginning on or after 1 January 2018.

Amendments to IAS 40 specifies on when an entity shall transfer a property asset to or from investment property. A transfer is made when and only when there is an actual change in use – an asset meets or ceases to meet the definition of investments property and there is an evidence of the change in use. A change in management intentions for the use of a property by itself does not constitute a change in use.

e) IFRIC 22 "Foreign Currency Transactions and Advance Consideration"

The Interpretation clarifies how to determine the 'date of transaction' for the purpose of determining the exchange rate to use on initial recognition of an asset, expense or income, when consideration for that item has been paid or received in advance in a foreign currency which resulted in the recognition of a non-monetary asset or liability.

The Interpretation specifies that the date of transaction is the date on which the entity initially recognizes the non-monetary asset or liability arising from the payment or receipt of advance consideration. If there are multiple payments or receipts in advance, the Interpretation requires an entity to determine the date of transaction for each payment or receipt.

The Interpretation is effective for annual periods beginning on or after 1 January 2018 with earlier application permitted. Entities can apply the Interpretation either retrospectively or prospectively.

3. BASIS OF PREPARATION

3.1 Statement of compliance

The financial statements of the Company have been prepared in accordance with International Financial Reporting Standards (IFRSs) and the UAE Commercial Companies Law.

3.2 Basis of measurement

The financial statements have been prepared on the historical cost except for certain elements which has been measured on the basis of fair value.

These financial statements are presented in Arab Emirates Dirham (AED), which is the Company's Functional Currency. Amounts presented in AED in these financial statements are rounded to the nearest Dirham.

3.3 Use of estimates and judgment

The preparation of financial statements in conformity with IFRSs requires management to make judgment, estimates and assumptions that affect the application of policies and reported amount of assets and liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future period affected.

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectation of future events that are believed to be reasonable under circumstance.

Estimates and judgments with significant risk of material adjustment in the future year mainly comprise of the following:

Fair value of investment properties

The fair value of investment properties is determined by independent real estate valuation experts using recognized valuation methods. These methods comprise the Residual Value Method and the Income Capitalization 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, financing costs, etc.), targeted internal rate return and developer's risk and targeted profits. These estimates are based on local market conditions existing at the end of the reporting period.

3. BASIS OF PREPARATION (CONTINUED)

3.3 **Use of estimates and judgment (Continued)**

Fair value of investment properties (Continued)

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the year in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Under the Income Capitalization Approach, the income receivable under existing lease agreements and projected future rental streams are capitalized at appropriate rates to reflect the investment market conditions at the valuation dates.

Such estimates are based on certain assumptions, which are subject to uncertainty and might materially differ from the actual results.

Estimation of net realizable value for projects under progress

Properties held for resale and properties classified under projects under progress are stated at lower of cost or net realizable value (NRV). NRV is assessed with reference to sales prices, costs of completion and advances received and market conditions existing at the end of the reporting period. For certain properties, NRV is determined by the Company having taken suitable external advice and in the light of recent market transaction, where available.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

4.1 **Projects under progress**

Projects under progress are carried at the lower of cost or net realizable value. Cost comprises all direct costs attributable to the design and construction of the property including staff costs. Net realizable value is the estimated selling price in the ordinary course of the business less estimated costs to complete and applicable variable selling expenses. Up on completion of construction such properties are transferred to respective category as per management decision.

4.2 **Investment properties**

Land and buildings owned by the Company for the purpose of generating rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes are classified as investment properties. Investment properties are initially measured at cost includes expenditures that are directly attributable to the acquisition of the investment properties.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4.2 **Investment properties (Continued)**

Subsequently, they are measured at fair value with gains or losses arising from changes in fair value recognized in statement of comprehensive income.

Any gain or loss on disposal of an investment property (calculated as the difference between the net proceeds from disposal and the carrying amount of the item) is recognized in statement of comprehensive income when an investment property that was previously classified as property and equipment is sold, any related amount included in the revaluation reserve is transferred to retained earnings.

Investment properties are derecognized when either they have been disposed off or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognized in the statement of comprehensive income within "Other operating income" in the year of retirement or disposal.

Transfers are made to investment properties when only there is a change in use evidenced by ending of owner-occupation on commencement of an operating lease of significant portion of the property to another party. Transfers are made from investment properties when and only when there is a change in use based on the business model.

4.3 **Financial assets**

The Company initially recognizes financial assets on trade date at which the Company becomes a party to the contractual provisions of the instrument.

All financial assets are initially measured at fair value. Transaction costs that are directly attributable to the assets acquisition or origination except for those financial assets measured at fair value through profit or loss.

All financial assets are subsequently measured at their amortized cost or fair value depending in the classification of the financial assets.

4.4 **Impairment of financial assets**

Financial assets that are measured at amortized cost are assessed for indicators of impairment at the end of each reporting period.

For financial assets carried at amortized cost the amount of the impairment is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The carrying amount of the financial asset is reduced by the impairment loss in the statement of comprehensive income.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4.4 Impairment of financial assets (Continued)

Financial assets are impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of financial assets that can be reliably estimated.

Evidence of impairment may include indications that: the debtors or counterparty is experiencing significant financial difficulty, default or delinquency in interest or principal payments the probability that they will enter bankruptcy or other financial reorganization.

4.5 Derecognition of financial assets

The Company derecognizes a financial asset only when the contractual rights of the cash flows from the asset expire or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity

4.6 Cash and cash equivalents

For the purposes of preparing statement of cash flows (Exhibit D) "cash and cash equivalents" comprise of cash in hand and unrestricted balance with the bank which are subject to an insignificant risk of changes in value.

4.7 Financial liabilities

Financial liabilities are recognized when the Company becomes a party to the contractual arrangement provision of the instrument.

Financial liabilities are initially measured at fair value, net of transaction costs. Financial liabilities are subsequently measured at amortized cost using the effective interest method, with interest expense recognized on an effective yield basis.

The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

4.8 Derecognition of financial liabilities

The Company derecognizes financial liabilities when, and only when, the Company's obligations are discharged, cancelled or they expire.

4.9 Accounts payable and accruals

Accounts payable and accruals are recognized for amounts to be paid in the future for goods or services received, whether billed by supplier or not.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4.10 **Provisions**

Provisions are present obligations (legal or constructive) resulted from past events and are recognized when the settlement of the obligations is probable and the amount of those obligations can be estimated reliably. The amount recognized as a provision is the best estimate of the expenditure required to settle the present obligation at the statement of financial position date. Provisions are reviewed and adjusted at each statement of financial position date. If outflows, to settle the provisions, are no longer probable, reversal of the provision is recorded as income. Provisions are only used for the purpose for which they were originally recognized.

4.11 **Revenue recognition**

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated provisions.

Rendering of services

Revenue from rendering of services is recognized when the outcome of the transaction can be estimated reliably by reference to the stage of completion of the transaction at the statement of financial position date.

4.12 **Foreign currencies**

Assets and liabilities denominated in foreign currencies are expressed in Arab Emirates Dirhams (AED) at exchange rates prevailing at the statement of financial position date. Foreign currency transactions occurring during the year are converted into AED at exchange rates prevailing on the dates of these transactions. All foreign currency gains and losses are credited or charged to statement of comprehensive income as they arise.

4.13 **Contingent liabilities**

Contingent liabilities are possible obligations depending on whether some uncertain future events occur, or they are present obligations but payments are not probable or the amounts cannot be measured reliably. Contingent liabilities are not recognized in the financial statements.

5. INVESTMENT PROPERTIES

a) The details of movement in this item during the year is as follows :

	2017 AED	2016 AED
Fair value at 1 January	**28,000,000**	17,900,000
Increase in fair value	**--**	10,100,000
Fair value at 31 December - Exhibit A	**28,000,000**	28,000,000

b) Investment properties amounting to AED. 28,000,000 (2016 : AED. 28,000,000) mentioned above represent the fair value of two plots of land located in the Emirate of Dubai valued by an Independent Professional real estate surveyor as at the statement of financial position date.

6. BALANCES AND TRANSACTIONS WITH RELATED PARTIES

In the normal course of business, the Company enters into various transactions with related parties. Related parties represent the shareholders, directors and key management personnel of the Company and entities controlled, jointly controlled or significantly influenced by such parties. The prices and terms of these transactions are agreed with the Company's management.

- At the statement of financial position date, balances due from related parties are as follows :

	2017 AED	2016 AED
Gulf General Investments Company P.J.S.C. - Dubai	**3,248,781**	3,248,781
Al Soor Investments LLC - Dubai	**21,313,226**	21,810,182
Total - Exhibit A	**24,562,007**	25,058,963

- At the statement of financial position date, balance of long term loan from a related party is as follows:

	2017 AED	2016 AED
Al Soor Investments LLC – Dubai - **Exhibit A**	**8,118,201**	7,979,201

6. **BALANCES AND TRANSACTIONS WITH RELATED PARTIES (CONTINUED)**

Long-term loan from a related party of AED. 8,118,201 (2016: AED. 7,979,201) mentioned above bears an agreed interest rate per annum with an agreed repayment term.

- The following are the details of significant related parties transactions :

	2017	2016
	AED	AED
Long term loan	**139,000**	7,979,201
Expenses	**575,565**	265,265

7. **PROJECTS UNDER PROGRESS**

a) The details of movement in this item during the year is as follows :

	2017	2016
	AED	AED
Balance at 1 January	**189,894,811**	171,631,906
Additions	**106,850**	18,262,905
Balance at 31 December - Exhibit A	**190,001,661**	189,894,811

b) Projects under progress of AED. 190,001,661 (2016 : AED. 189,894,811) mentioned above represent the amounts paid towards construction of real estate projects in the Emirate of Dubai.

8. **OTHER RECEIVABLES**

This item consists of the following :

	2017	2016
	AED	AED
Advances paid	**2,694,362**	2,694,362
Prepaid expenses	**10,456**	16,405
Refundable deposit	**1,000**	1,000
Total - Exhibit A	**2,705,818**	2,711,767

9. CASH AND CASH EQUIVALENTS

This item consists of the following :

	2017 AED	2016 AED
Bank balance - current accounts - **Exhibit A & D**	**19,252**	17,652

10. CAPITAL

This item consists of the following :

	2017 AED	2016 AED
Authorized Share Capital is 1,500,000 share (2016 : 1,500,000 share) ordinary shares of AED. 100 each fully paid - Exhibit A	**150,000,000**	150,000,000

11. RESERVES

a) **Basis of Retained Reserves**

The Company's annual profit is distributed after deducting all administrative expenses and other related expenses as follows :

i) **Statutory Reserve**

In accordance with Company's Articles of Association and U.A.E. Federal Law No. (2) of 2015 an amount equal to 10% of the yearly profit is to be transferred to a statutory reserve until such reserve balance reaches 50% of the Company's capital. Amounts retained in the statutory reserve account are not available for distribution except under the circumstances stipulated by the law.

ii) **Voluntary Reserve**

In accordance with Company's Articles of Association, 10% of the yearly profit to be transferred to a voluntary reserve, until a decision from the Ordinary General Assembly Meeting on a proposal by Board of Directors to stop such deduction or if such reserve reaches 50% of the company's paid-up capital.

b) The details of movement of this item during the year are as follows :

	Statutory reserve AED	Voluntary reserve AED	Total AED
Balance at 1 January 2016	6,099,030	6,099,030	12,198,060
Additions for the year	983,394	983,394	1,966,788
Balance at 31 December 2016 – Exhibit A	**7,082,424**	**7,082,424**	**14,164,848**
Additions for the year	**--**	**--**	**--**
Balance at 31 December 2017 – Exhibit A	**7,082,424**	**7,082,424**	**14,164,848**

12. ACCOUNTS PAYABLE AND OTHERS

This item consists of the following :

	2017	2016
	AED	AED
Accounts payable	**19,888,280**	19,846,170
Accrued expenses	**36,000**	--
Total - Exhibit A	**19,924,280**	19,846,170

13. FAIR VALUE OF FINANCIAL INSTRUMENTS

Financial instruments comprise financial assets and financial liabilities.

Financial assets consist of cash and cash equivalents and other receivable and due from related parties. Financial liabilities consist of accounts payable and other, retention payable and long-term loan from a related party.

The fair values of financial instruments are not materially different from their carrying values. The fair value of the financial assets and liabilities are considered at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

The following methods and assumptions were used to estimate the fair values:

- Cash and cash equivalents, other receivable, due from related parties, accounts payable and others, retention payable and long-term loan from a related party approximate their carrying amounts, largely due to the short-term maturities of these instruments.

- Receivables are evaluated by the company based on parameters such as interest rates, specific country risk factors, and individual credit worthiness of the customer and the risk characteristics of the financed project. Based on this evaluation, provisions are taken to account for the expected losses of these receivables. As at 31 December 2017, the carrying amounts of such receivables, net provisions, are not materially different from their fair values.

- Fair value of financial liabilities as well as other non-current financial liabilities is estimated by discounting future cash flows using rates currently available for debts on similar items, credit risk and remaining maturities.

14. RISK MANAGEMENT

Risk is inherited in the Company's activities but it is managed through a process of ongoing identification, measurement and monitoring, subject to risk limits and other controls. Operational risks are an inevitable consequence of being in the business.

The Company is exposed to a variety of financial risks included : capital risk, market risk (including foreign currency risk and interest rate risk), credit risk and liquidity risk.

The Company seeks to minimize the effects of these risks through internal reports which analyze the risk to achieve its risk management function and monitor risks and reviews policies implemented to mitigate risk exposures.

14.1 Capital risk

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and benefits for others and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders return capital to shareholders, increase the capital or sell assets.

14.2 Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rate will affect the Company's income or the value of its holdings of financial instruments, the objective of market risk management is to manage and control market risk exposure within acceptable parameters, while optimizing the return on risk.

Foreign currency risk

The Company undertakes certain transactions denominated in foreign currencies, which imposes sort of risk due to fluctuations in exchange rates during the year. The establishment maintains policies and procedures to manage the exchange rate risk exposure.

14.3 Interest rate risk

The Company is exposed to interest rate risk resultant from its borrowings. The risk is managed by maintains an appropriate mix between fixed and floating interest rates balance at the start of the financial year.

Details of financial assets and liabilities exposed to interest rate risk as at 31 December 2017 are as follows :

	Effective interest rate	
	2017	**2016**
Long term loan from a related party	**5% per annum**	5% per annum

14. RISK MANAGEMENT (CONTINUED)

14.4 **Credit risk**

Credit risk is the risk of financial loss to the Company, if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from accounts receivable and others, amounts due from related parties and cash and cash equivalents.

Due from related parties

Amounts due from related parties are considered to be fully recoverable by management.

Cash and cash equivalents

The Company's cash is placed with banks of repute. Management is confident that does not result in any credit risk to the Company as the banks are major banks operating in U.A.E

14.5 **Liquidity risk**

Liquidity risk refers to the risk that an entity will encounter difficulty in meeting obligations associated with its financial liabilities at maturity date. The Company manages the liquidity risk through risk management framework for the Company's short, medium and long-term funding and liquidity management requirements by maintaining adequate reserves, sufficient cash and cash equivalent and the availability of financing through banking arrangements to ensure funds are available to meet its commitments for liabilities as they fall due.

The details of maturity dates of the Company's financial assets and financial liabilities are as follows :

As at 31 December 2017 :

	Less than three months	From 3 months to one year	1-5 years	Total
	AED	AED	AED	AED
Financial Assets				
Cash and cash equivalents	19,252	--	--	19,252
Other receivables	--	1,000	--	1,000
Due from related parties	--	--	24,562,007	24,562,007
Total	19,252	1,000	24,562,007	24,582,259
Financial Liabilities				
Accounts payable and others	2,422,594	17,501,686	--	19,924,280
Retentions payable	--	--	3,256,960	3,256,960
Long term loan from a related party	--	--	8,118,201	8,118,201
Total	2,422,594	17,501,686	11,375,161	31,299,441

14. RISK MANAGEMENT (CONTINUED)

14.5 Liquidity risk (Continued)

As at 31 December 2016 :

	Less than three months	From 3 months to one year	1-5 years	Total
	AED	AED	AED	AED
Financial Assets				
Cash and cash equivalents	17,652	--	--	17,652
Other receivables	--	1,000	--	1,000
Due from a related party	--	--	25,058,963	25,058,963
Total	17,652	1,000	25,058,963	25,077,615
Financial Liabilities				
Accounts payable and others	2,381,540	17,464,630	--	19,846,170
Retentions payable	--	--	3,256,960	3,256,960
Long term loan from a related party	--	--	7,979,201	7,979,201
Total	2,381,540	17,464,630	11,236,161	31,082,331

15. ADMINISTRATIVE EXPENSES

This item consists of the following :

	2017 AED	2016 AED
Government expenses	**120,870**	69,910
Advertisements	**48,360**	--
Legal & professional charges	**36,000**	20,000
Miscellaneous expenses	**1,725**	1,875
Total - Exhibit B	**206,955**	91,785

16. BASIC EARNINGS PER SHARE

This item consists of the following :

	2017 AED	2016 AED
(Loss)/profit for the year attributable to equity holders (AED)	**(611,565)**	9,833,935
Weighted average number of shares (share)	**1,500,000**	1,500,000
Basic (loss)/earnings per share (AED) – Exhibit B	**(0.41)**	6.56

17. COMMITMENTS

Commitments of the Company as at financial position date towards construction obligation is AED. 114,644,289(2016 : AED. 114,751,139).

18. APPROVAL OF FINANCIAL STATEMENTS

These financial statements were approved for issue by the board of directors on 1 March 2018.