Sharjah Group Company P.S.C. and its subsidiary

Consolidated financial statements

31 December 2015

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Financial statements
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بسم الله الرحمن الرحيم

تقرير مجلس الإدارة

السادة / مساهمين شركة مجموعة الشارقة المحترمين ،،،

السلام عليكم ورحمة الله وبركاته ،،،

يطيب لنا أن نضع بين أيديكم تقرير مجلس الإدارة والبيانات المالية عن السنة المالية المنتهية في ٢٠١٥/١٢/٣١ لشركة مجموعة الشارقة (شركة مساهمة عامة).

لقد بلغ إجمالي الإيرادات المحققة للشركة مبلغ وقدره ١٤،٦٢٩،٠٦٩ درهم لسنة ٢٠١٥ مقارنة بمبلغ وقدره ١٣،٤٥٦،٦٦٤ درهم لسنة ٢٠١٤ بمعدل نمو قدره ٩٪

بلغت إيرادات التأجير ١٤،٠٧٣،٦٢٥ درهم لسنة ٢٠١٥ مقارنة بمبلغ ١٢،٦٩٥،٦٢١ درهم لسنة ٢٠١٤ بنسبة إرتفاع قدرها ١١٪ ويعود السبب إلى إستمرار الطلب على الوحدات الإيجارية مع إرتفاع قيم الإيجارات خلال سنة ٢٠١٥.

بلغت صافي الأرباح ١٥،٣٤٢،٨٤٠ درهم لسنة ٢٠١٥ بربحية السهم ١٩,٤ فلس. ويعود الإستمرار في الأرباح إلى إيراد العقارات التشغلي بالإضافة إلى نمو قيمة العقارات المملوكة للشركة.

و بلغت قيمة أصول الشركة مبلغ وقدره ٢٥١،٣٦١،٩٧٧ درهم عن سنة ٢٠١٥ مقارنة بمبلغ ٢٣٨،٣٨٣،٨٧٢ درهم عن سنة ٢٠١٤ بمعدل نمو قدره ٥،٥٪، و بلغ معدل العائد التشغيلي المحقق على مجمل الأصول نسبة ٥،٨٪ لسنة ٢٠١٥مقارنة بنسبة ٥,٦ ٪ لسنة ٢٠١٤ و عليه تكون نسبة العائد على الأصول ٦٪ عن سنة ٢٠١٥ بالمقارنة لنسبة ١١٪ عن سنة ٢٠١٤.

بلغت قيمة حقوق الملكية ١٥٧،٨٧٢،٣٦١ درهم لسنة ٢٠١٥ مقارنة بمبلغ ١٤٨،٦٩٧،٩٧٠ درهم لسنة ٢٠١٤ بنسبة نمو قدرها ٦٪ . وحافظ معدل العائد التشغيلي على حقوق الملكية بنسبة ٩,٣٪ لسنة ٢٠١٥ مقارنة مع سنة ٢٠١٤. وبلغت نسبة العائد على حقوق الملكية ٩,٧٪ عن سنة ٢٠١٥ بالمقارنة إلى نسبة ١٨٪ عن سنة ٢٠١٤.

والسلام عليكم ورحمة الله وبركاته.

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Independent auditors' report

The Shareholders
Sharjah Group Company P.S.C.

Report on the consolidated financial statements

We have audited the accompanying consolidated financial statements of Sharjah Group Company P.S.C. ("the Company") and its subsidiary collectively referred to as ("the Group"), which comprise the consolidated statement of financial position as at 31 December 2015, the consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's responsibility for the consolidated financial statements

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

Auditors' responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2015, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards.

KPMG

Independent auditors' report (continued)

Report on other legal and regulatory requirements

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

i) we have obtained all the information and explanations we considered necessary for the purposes of our audit;

ii) the consolidated financial statements have been prepared and comply, in all material respects, with the applicable provisions of the UAE Federal Law No. 2 of 2015;

iii) the Group has maintained proper books of account;

iv) the financial information included in the Directors' report, in so far as it relates to these consolidated financial statements, is consistent with the books of account of the Group;

v) as disclosed in note 11 to the consolidated financial statements, the Group has purchased shares during the financial year ended 31 December 2015;

vi) note 13 to the consolidated financial statements reflects material related party transactions and the terms under which they were conducted; and

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

KPMG

KPMG Lower Gulf Limited
Date: 16 FEB 2016

Sharjah Group Company P.S.C. and its subsidiary

Consolidated statement of profit or loss and other comprehensive income
for the year ended 31 December 2015

	Note	2015 AED	2014 AED
Rental income		**14,073,625**	12,695,621
Dividend income		**73,783**	595,575
Gain on sale of investment property	*8 (b)*	**108,363**	-
Unrealised loss on investment classified at fair value through profit and loss	*11*	**(724,442)**	(1,026,029)
Impairment losses on available for sale investment	*9*	**(673,075)**	-
Gain on fair valuation of investment properties	*8*	**9,212,000**	22,581,530
Gross profit		**22,070,254**	34,846,697
Administrative and general expenses	*5*	**(4,755,388)**	(5,192,748)
Repair and maintenance expenses		**(861,020)**	(730,750)
Property and equipment written off	*7*	-	(342,785)
Finance expenses on claims payable	*15*	**(1,484,304)**	(1,484,304)
Other income	*6*	**373,298**	165,468
Profit for the year		**15,342,840**	27,261,578
Other comprehensive income			
Items that will never be reclassified to profit or loss			
Change in fair value of investments classified at fair value through other comprehensive income	*10*	**3,016,742**	2,105,833
Items that are or may be reclassified to profit or loss			
Change in value of available for sale investments	*9*	**(66,607)**	(559,650)
Foreign currency translation reserve		**(738,475)**	(813,843)
Total comprehensive income for the year		**17,554,500**	27,993,918

The notes on pages 9 to 26 form an integral part of these consolidated financial statements.

The independent auditor's report is set out on pages 2 to 3.

Sharjah Group Company P.S.C. and its subsidiary

Consolidated statement of financial position
at 31 December 2015

	Note	2015 AED	2014 AED
Non-current assets			
Property and equipments	*7*	**300,047**	475,290
Investment properties	*8*	**216,747,723**	208,613,209
Available for sale investments	*9*	**3,090,171**	3,942,877
Investments at fair value through other comprehensive income	*10*	**15,244,416**	12,785,242
		235,382,357	225,816,618
Current assets			
Investments at fair value through profit or loss	*11*	**2,260,259**	1,083,180
Trade and other receivables	*12*	**818,853**	644,830
Cash in hand and at banks	*14*	**12,900,508**	10,839,244
		15,979,620	12,567,254
Current liabilities			
Trade and other payables	*15*	**59,798,058**	57,888,717
Dividends payable		**33,038,575**	31,307,782
		92,836,633	89,196,499
Net current liabilities		**(76,857,013)**	(76,629,245)
Staff terminal benefits	*16*	**(652,983)**	(489,403)
Net assets		**157,872,361**	148,697,970
Represented by:			
Share capital	*17*	**78,901,086**	78,901,086
Statutory reserve	*18*	**27,499,924**	25,673,296
Voluntary reserve	*19*	**7,818,983**	5,992,355
Foreign currency translation reserve		**(633,629)**	104,846
Fair value reserve		**224,439**	(2,725,696)
Retained earnings		**44,061,558**	40,752,083
		157,872,361	148,697,970

The notes on pages 9 to 26 form an integral part of these consolidated financial statements.

These financial statements were approved and authorised for issue by the Board of Directors on 16 FEB 2016 and signed on their behalf by:

Director

Director

The independent auditor's report is set out on pages 2 to 3.

Sharjah Group Company P.S.C. and its subsidiary

Consolidated statement of cash flows

for the year ended 31 December 2015

	2015 AED	2014 AED
Operating activities		
Profit for the year	**15,342,840**	27,261,578
Adjustments for:		
Unrealised loss on investment classified at fair value through profit or loss	**724,442**	1,026,029
Impairment losses on available for sale investment	**673,075**	-
Provision for employees end of service benefits	**189,291**	125,280
Gain on sale of investment properties	**(108,363)**	-
Gain on valuation of investment properties	**(9,212,000)**	(22,581,530)
Depreciation on property and equipments	**200,035**	133,169
Finance expense on claims payable	**1,484,304**	1,484,304
Property and equipment written off	-	342,785
Operating gain before working capital changes	**9,293,624**	7,791,615
Change in trade and other receivables	**(174,023)**	(7,919)
Change in trade and other payables	**419,338**	318,177
Staff terminal benefits paid	**(25,711)**	(5,807)
Net cash generated from operating activities	**9,513,228**	8,096,066
Investing activities		
Purchase of property and equipment	**(24,792)**	(154,266)
Addition in investment property	**(67,887)**	(50,606)
Purchase of investments classified at fair value through profit of loss	**(1,963,705)**	-
Proceeds from sale of investment property	**1,253,736**	-
Net cash used in investing activities	**(802,648)**	(204,872)
Financing activities		
Dividends paid	**(6,159,316)**	(2,560,797)
Board remuneration paid	**(490,000)**	-
Net cash used in financing activities	**(6,649,316)**	(2,560,797)
Net increase in cash and cash equivalents	**2,061,264**	5,330,397
Cash and cash equivalents at the beginning of year	**10,839,244**	5,508,847
Cash and cash equivalents at the end of year	**12,900,508**	10,839,244

The notes on pages 9 to 26 form an integral part of these consolidated financial statements.

The independent auditor's report is set out on pages 2 to 3.

Sharjah Group Company P.S.C. and its subsidiary

Consolidated statement of changes in equity

for the year ended 31 December 2015

	Share capital AED	Statutory reserve AED	Voluntary reserve AED	Fair value reserve AED	Retained earnings AED	Foreign currency translation reserve AED	Total AED
At 1 January 2014	78,901,086	22,736,560	3,055,619	(4,271,879)	23,309,031	918,689	124,649,106
Comprehensive income for the year							
Profit for the year	-	-	-	-	27,261,578	-	27,261,578
Other comprehensive income							
Items that will not be reclassified to profit or loss							
Net change in fair value of investments at fair value through other comprehensive income	-	-	-	2,105,833	-	-	2,105,833
Items that are or may be reclassified subsequently to profit or loss							
Change in value of available for sale investments	-	-	-	(559,650)	-	-	(559,650)
Foreign currency translation reserve	-	-	-	-	-	(813,843)	(813,843)
Total other comprehensive income	-	-	-	1,546,183	-	(813,843)	732,340
Total comprehensive income for the year	-	-	-	1,546,183	27,261,578	(813,843)	27,993,918
Transactions with owner of the Company recorded directly in equity							
Dividend declared	-	-	-	-	(3,945,054)	-	(3,945,054)
Total transactions with owner of the Company recorded directly in equity	-	-	-	-	(3,945,054)	-	(3,945,054)
Other equity movements							
Transfers to reserves	-	2,936,736	2,936,736	-	(5,873,472)	-	-
Total other equity movements	-	2,936,736	2,936,736	-	(5,873,472)	-	-
At 31 December 2014	**78,901,086**	**25,673,296**	**5,992,355**	**(2,725,696)**	**40,752,083**	**104,846**	**148,697,970**

Sharjah Group Company P.S.C. and its subsidiary

Consolidated statement of changes in equity (continued)

for the year ended 31 December 2015

	Share capital AED	Statutory reserve AED	Voluntary reserve AED	Fair value reserve AED	Retained earnings AED	Foreign currency translation reserve AED	Total AED
At 1 January 2015	78,901,086	25,673,296	5,992,355	(2,725,696)	40,752,083	104,846	148,697,970
Comprehensive income for the year							
Profit for the year	-	-	-	-	15,342,840	-	15,342,840
Other comprehensive income							
Items that will not be reclassified to profit or loss							
Net change in fair value of investments at fair value through other comprehensive income	-	-	-	3,016,742	-	-	3,016,742
Items that are or may be reclassified subsequently to profit or loss							
Change in value of available for sale investments	-	-	-	(66,607)	-	-	(66,607)
Foreign currency translation reserve	-	-	-	-	-	(738,475)	(738,475)
Total other comprehensive income	-	-	-	2,950,135	-	(738,475)	2,211,660
Total comprehensive income for the year	-	-	-	2,950,135	15,342,840	(738,475)	17,554,500
Transactions with owner of the Company recorded directly in equity							
Dividend declared	-	-	-	-	(7,890,109)	-	(7,890,109)
Total transactions with owner of the Company recorded directly in equity	-	-	-	-	(7,890,109)	-	(7,890,109)
Other equity movements							
Transfers to reserves	-	1,826,628	1,826,628	-	(3,653,256)	-	-
Board remuneration (refer note 20)	-	-	-	-	(490,000)	-	(490,000)
Total other equity movements	-	1,826,628	1,826,628	-	(4,140,938)	-	(490,000)
At 31 December 2015	**78,901,086**	**27,499,924**	**7,818,983**	**224,439**	**44,061,558**	**(633,629)**	**157,872,361**

The notes on pages 9 to 26 form an integral part of these consolidated financial statements.

The independent auditor's report is set out on pages 2 to 3.

1 Legal status and principal activities

Sharjah Group Company P.S.C. ("the Company") is a Public Share Holding Company, registered in the Emirate of Sharjah, United Arab Emirates under Emiri Decree number133/76 dated 16 November 1976. The registered office of the Company is P O. Box 5440, Sharjah, United Arab Emirates. On 14 September 2015, the Company was listed on the Abu Dhabi stock exchange.

The Company's principal activities comprise investing in financial instruments, real estate, industrial projects and leasing of rental properties.

The Company owns 100% of Tarfan General Trading and Contracting ("the subsidiary"). The ownership of Tarfan General Trading and Contracting is demonstrated as follows:

Shareholder	***Holding***
The Company	98%
Mohammed Abdullah Al-wazan ("the shareholder")	1%
Ibrahim Ahmed Al-Manaey ("the shareholder")	1%
	100%

The shareholders have provided an undertaking that the subsidiary is held for the beneficial interest of the Company, will continue to operate as a part of the Group and will not be separated or withdrawn from the Group during its tenure.

The principal activity of the subsidiary comprises trading in investments.

2 Basis of preparation

Statement of compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and the requirements of UAE Federal Law No. 2 of 2015. UAE Federal Law No. 2 of 2015 being the Commercial Companies Law ("UAE Companies Law of 2015") was issued on 1 April 2015 and has come into force on 1 July 2015. Companies are allowed to ensure compliance with the new UAE Companies Law of 2015 by 30 June 2016 as per the transitional provisions contained therein.

Going concern

These consolidated financial statements have been prepared on a going concern basis notwithstanding the fact that Group has net current liabilities of AED 76,857,013 *(2014: AED 76,629,245)* as at 31 December 2015.

The Group's management has prepared its business and cash flow forecasts for the twelve months period after the reporting date on a conservative basis and is of the opinion that the Group will be able to continue its operations in the future and accordingly the going concern assumption used in the preparation of these consolidated financial statements is appropriate.

2 Basis of preparation (continued)

Basis of measurement

The consolidated financial statements have been prepared on a historical cost basis except for the following which are stated at fair value:

- Investment properties;
- Derivative financial instruments;
- Financial instruments at fair value through profit or loss;
- Financial instruments at fair value through other comprehensive income; and
- Available for sale financial assets

Functional and presentation currency

These financial statements are presented in United Arab Emirates Dirhams ("AED"), which is also the functional currency of the Company.

Use of estimates and judgments

The preparation of these consolidated financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historic experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making judgements about the carrying values of assets and liabilities. Actual results may differ from these estimates.

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

In particular, information about significant areas of estimation, uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amount recognised in the financial statements are described in note 23.

3 Significant accounting policies

The following accounting policies, which comply with IFRS, have been applied consistently to all periods presented in these consolidated financial statements and have been applied consistently by the Group entity.

Basis of consolidation

Subsidiary

A Subsidiary is an enterprises, which is controlled by the Company. The Company controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Investments in subsidiary is recognized at cost, less impairment losses, if any.

3 Significant accounting policies (continued)

Basis of consolidation (continued)

Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealized gains and losses (except for foreign currency transaction gains or losses) arising from intra-group transactions, are eliminated in full in preparing these consolidated financial statements.

Foreign currency transactions

Transactions in foreign currencies are translated into the respective functional currencies of Group companies at the exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the exchange rate at the reporting date. Non-monetary assets and liabilities that are measured at fair value in a foreign currency are translated into the functional currency at the exchange rate when the fair value was determined. Non-monetary items that are measured based on historical cost in a foreign currency are translated at the exchange rate at the date of the transaction. Foreign currency differences are generally recognised in profit or loss.

However, foreign currency differences arising from the translation of available-for-sale equity investments (except on impairment, in which case foreign currency differences that have been recognised in OCI are reclassified to profit or loss) are recognised in OCI.

Revenue recognition

Rent income

Rental income from investment property represent the amounts charged to tenants against the rental of the Groups investment property and are recognised in the profit or loss on a straight-line basis over the term of the lease.

Dividend income

Dividend income is recognised in the profit or loss on the date that the Group's right to receive payment is established.

Income from sale of investments

Revenue from sale of investments is recognised on the date when all significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable and there is no continuing management involvement with the asset.

Investment properties

Investment properties are property held either to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business. Investment property is measured at cost on initial recognition and subsequently at fair value. Any changes in the value of the investment property are recognised in the profit or loss. Cost includes expenditure that is directly attributable to the acquisition of the investment property. The cost of self-constructed investment property includes the cost of materials and direct labour, and any other costs directly attributable to bringing the investment property to intended use.

3 Significant accounting policies (continued)

Property and equipment

Items of property and equipment are measured at cost less accumulated depreciation and accumulated impairment losses, if any.

Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of replacing part of an item of property and equipment is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group and its cost can be measured reliably. The cost of day-to-day servicing of property and equipment are recognized in the profit or loss as incurred. When parts of an item of property and equipment have different useful lives, they are accounted for as separate items (major components) of property and equipment.

Depreciation is recognized in the profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property and equipment. The estimated useful lives for the current and comparative periods are as follows:

Assets	*Life in years*
Other facilities	3
Furniture fixtures and office equipments	3-5
Motor vehicles	4

The depreciation method, useful lives and residual values of property and equipment are reassessed annually and altered if circumstances change significantly. Any change is accounted for as a change in accounting estimate by changing the depreciation charge for the current and future periods.

Gains or losses on disposal of an item of property and equipment are determined by comparing the proceeds from disposal with the carrying amount of property and equipment, and are recognized in the profit or loss.

Financial instruments

The Group classifies non-derivative financial assets into the following categories: financial assets at fair value through profit or loss, loans and receivables and available-for-sale financial assets. The Group classify non-derivative financial liabilities into the following categories: financial liabilities at fair value through profit or loss and other financial liabilities category.

Non-derivative financial assets and liabilities - recognition and derecognition

Non-derivative financial assets comprise investments in marketable securities, trade and other receivables, cash and cash equivalents and non-derivative financial liabilities comprise trade and other payables and dividends payable.

The Group initially recognises loans and receivables and debt securities on the date that they are originated. All other financial assets and financial liabilities are initially recognised on the trade date.

3 Significant accounting policies (continued)

Financial instruments (continued)

Non-derivative financial assets and liabilities - recognition and derecognition (continued)

The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred, or it neither transfers nor retains substantially all of the risks and rewards of ownership and does not retain control over the transferred asset. Any interest in such derecognised financial assets that is created or retained by the Group is recognised as a separate asset or liability.

The Group derecognises a financial liability when its contractual obligations are discharged or cancelled or expired. Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group has a legal right to offset the amounts and intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

Non-derivative financial assets - measurement

Financial assets at fair value through profit or loss

A financial asset is classified as at fair value through profit or loss if it is classified as held-for-trading or is designated as such on initial recognition. Directly attributable transaction costs are recognized in profit or loss as incurred. Financial assets at fair value through profit or loss are measured at fair value and changes therein, including any interest or dividend income, are recognized in profit or loss.

Loans and receivables

These assets are initially recognised at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, they are measured at amortised cost using the effective interest method. Loans and receivables comprise cash at banks and trade and other receivables (excluding prepayments).

Available-for-sale financial assets

These assets are initially measured at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses and foreign currency differences on debt instruments, are recognised in OCI and accumulated in the fair value reserve. When these assets are derecognised, the gain or loss accumulated in equity is reclassified to profit or loss.

Non-derivative financial liabilities - measurement

Non-derivative financial liabilities are initially recognised at fair value less any directly attributable transaction costs. Subsequent to initial recognition, these liabilities are measured at amortised cost using the effective interest method. This includes trade and other payables and dividends payable.

3 Significant accounting policies (continued)

Impairment

Non-derivative financial assets

Financial assets not classified as at fair value through profit or loss, are assessed at each reporting date to determine whether there is objective evidence of impairment.

Objective evidence that financial assets are impaired includes:

- default or delinquency by a debtor;
- restructuring of an amount due to the Company on terms that the Company would not consider otherwise;
- indications that a debtor or issuer will enter bankruptcy;
- adverse changes in the payment status of borrowers or issuers;
- the disappearance of an active market for a security; or
- observable data indicating that there is measurable decrease in expected cash flows from a group of financial assets.

Financial assets measured at amortised cost

The Group considers evidence of impairment for these assets at both an individual asset and a collective level. All individually significant assets are individually assessed for impairment. Those found not to be impaired are then collectively assessed for any impairment that has been incurred but not yet individually identified. Assets that are not individually significant are collectively assessed for impairment. Collective assessment is carried out by grouping together assets with similar risk characteristics.

In assessing collective impairment, the Group uses historical information on the timing of recoveries and the amount of loss incurred, and makes an adjustment if current economic and credit conditions are such that the actual losses are likely to be greater of lesser than suggested by historical trends.

An impairment loss is calculated as the difference between an asset's carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognised in the profit or loss and reflected in an allowance account. When the Group considers that there are no realistic prospects of recovery of the asset, the relevant amounts are written off. If the amount of impairment loss subsequently decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, then the previously recognised impairment loss is reversed through the profit or loss.

Available-for-sale financial assets

Impairment losses on available-for-sale financial assets are recognised by reclassifying the losses accumulated in the fair value reserve to profit or loss. The amount reclassified is the difference between the acquisition cost (net of any principal repayment and amortisation) and the current fair value, less any impairment loss previously recognised in profit or loss. If the fair value of an impaired available-for-sale debt security subsequently increases and the increase can be related objectively to an event occurring after the impairment loss was recognised, then the impairment loss is reversed through profit or loss. Impairment losses recognised in profit or loss for an investment in an equity instrument classified as available-for-sale are not reversed through profit or loss.

3 Significant accounting policies (continued)

Impairment (continued)

Non-financial assets

At each reporting date, the Group reviews the carrying amounts of its non-financial assets to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

The recoverable amount of an asset is the greater of its value in use and its fair value less cost to sell. Value in use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is recognised if the carrying amount of an asset exceeds its recoverable amount.

Impairment losses are recognised in the profit or loss. Impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognised.

Staff terminal benefits

The provision for staff terminal benefits is calculated in accordance with the UAE Federal Labour Law and is based on the liability that would arise if the employment of all staff were terminated at the financial position date.

Provisions

A provision is recognised if, as a result of a past event, the Group has a present (legal or constructive) obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation.

Determination of fair values

Certain of the Group's accounting policies and disclosures require the determination of fair value, for non-financial assets. Fair values have been determined for measurement and/or disclosure purposes based on the methods adopted by the Group. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset.

Fair Value Hierarchy

IFRS 7 was amended in March 2009 to require enhanced disclosures in respect of fair value measurements relating to financial instruments. The amendments require disclosures relating to fair value measurements using a three-level fair value hierarchy that reflects the significance of the inputs used in measuring fair values and contains the following three levels:

Level 1 – fair value measurements using quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 – fair value measurements using inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3 – fair value measurements using inputs for the asset or liability that are not based on observable market data (i.e. unobservable inputs).

3 Significant accounting policies (continued)

New standards and interpretations not yet effective

A number of new standards and amendments to standards are effective for annual periods beginning after 1 January 2015, and have not been applied in preparing these financial statements. None of these are expected to have a significant effect on the financial statements of the Company. Those which are relevant to the Company are set out below and the Company does not plan to adopt these early.

IFRS 15 Revenue from contracts with customers

IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaces existing revenue recognition guidance, including IAS 18 Revenue, IAS 11 Construction Contracts and IFRIC 13 Customer Loyalty Programmes.

IFRS 15 is effective for annual reporting periods beginning on or after 1 January 2018, with early adoption permitted. Management is assessing the potential impact on its consolidated financial statements resulting from the application of IFRS 15.

IFRS 16 Leases

IFRS 16, published in January 2016 replaces the previous guidance in IAS 17 Leases. Under this revised guidance, leases will be brought onto companies' balance sheets, increasing the visibility of their assets and liabilities. It further removes the classification of leases as either operating leases or finance leases treating all leases as finance leases from the perspective of the lessee, thereby eliminating the requirement for lease classification test. The revised guidance has an increased focus on who controls the asset and may change which contracts are leases. IFRS 16 is effective for annual periods beginning on or after 1 January 2019. Early adoption is permitted provided IFRS 15 Revenue from Contract with Customers is also applied by the Company

The above standards, amendments and interpretation are currently being assessed by management to determine whether they will have any material impact on the Group's consolidated financial statements.

4 Financial risk management

Overview

The Group has exposure to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk

This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risk, and the Group's management of capital. Further quantitative disclosures are included throughout these financial statements.

The Board of Directors has the overall responsibility for the establishment and oversight of the Group's risk management framework and is responsible for developing and monitoring the Group's risk management policies.

4 Financial risk management (continued)

Credit risk

Credit risk is the risk of financial loss to the Group, if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the Group's receivables from its customers and related parties. The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer and the related party. The Group establishes an allowance for impairment that represents its estimate of incurred losses in respect of receivables from customers and related parties. The main components of this allowance are a specific loss component that relates to individually significant exposures and a collective loss component established for Group's of similar assets in respect of losses that have been incurred but not yet identified. The collective loss allowance is determined based on historical data of payment statistics for similar financial assets.

The Group's cash at bank is placed with local and international banks of good repute.

Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as these falls due. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk. The Group also incurs financial liabilities in order to manage market risks.

Currency risk

The Group is exposed to currency risk on its financial instruments that are denominated in currencies other than the functional currency of the Company mainly Kuwaiti Dinar ("KD").

5 Administrative and general expenses

	2015	2014
	AED	AED
These include:		
Staff costs	**1,861,914**	1,712,026
Depreciation (refer note 7)	**200,035**	133,169
Rent	**149,640**	156,684
Provision for accounts receivables (refer note 22)	**157,373**	392,660
Salaries and other benefits to executive director (refer note 13)	**749,360**	813,386
Board remuneration (refer notes 13 and 20)	**-**	350,000
Directors sitting fee and other benefits (refer note 13)	**316,017**	307,500
	=======	=======

6 Other income

	2015 AED	2014 AED
Foreign exchange gain / (loss) - net	**8,621**	(7,247)
Others	**364,677**	172,715
	373,298	165,468

7 Property and equipment

	Other facilities AED	Furniture, fixtures and office equipment AED	Motor vehicles AED	Capital work in progress AED	Total AED
Cost					
At 1 January 2014	-	1,002,937	108,500	426,762	1,538,199
Additions	-	100,560	-	53,706	154,266
Transfer	291,968	-	-	(291,968)	-
Written off	-	(166,800)	-	(188,500)	(355,300)
At 31 December 2014	291,968	936,697	108,500	-	1,337,165
At 1 January 2015	291,968	936,697	108,500	-	1,337,165
Additions	2,299	22,493	-	-	24,792
At 31 December 2015	294,267	959,190	108,500	-	1,361,957
Depreciation					
At 1 January 2014	-	632,721	108,500	-	741,221
Charge for the year	32,230	100,939	-	-	133,169
Written off	-	(12,515)	-	-	(12,515)
At 31 December 2014	32,230	721,145	108,500	-	861,875
At 1 January 2015	32,230	721,145	108,500	-	861,875
Charge for the year	98,005	102,030	-	-	200,035
At 31 December 2015	130,235	823,175	108,500	-	1,061,910
Net book value					
At 31 December 2015	**164,032**	**136,015**	**-**	**-**	**300,047**
At 31 December 2014	259,738	215,552	-	-	475,290

8 Investment properties

The fair value measurement for investment properties has been categorised as level 3 based on the input and the valuation technique used for different levels of fair value hierarchy.

Investment properties consist of residential tower, residential buildings, offices and warehouses. It also includes undeveloped lands. The Group's investment properties are location in the United Arab Emirates.

8 Investment properties (continued)

The movement in investment properties for the current year was as follows:

	2015 AED	2014 AED
At 1 January	**208,613,209**	185,981,073
Additions during the year	**67,887**	50,606
Sale of investment properties (refer note (a) below)	**(1,145,373)**	-
Gain on fair valuation of investment properties (refer note (b) below)	**9,212,000**	22,581,530
	216,747,723	208,613,209

(a) *Sale of investment properties*

During the year, the Group has sold one of its investment properties having a carrying value of AED 1,145,373 for a consideration of AED 1,253,736 and as a result an amount of AED 108,363 was recognised as gain on sale of investment property for the year current year.

(b) *Valuation of investment properties*

Investment properties are stated at market value based on a valuation carried by independent registered valuer as at 31 December 2015. The fair values at the reporting date have been determined by taking into consideration the estimated rental value and discounted estimated net cash flows for buildings. In this regard, the Company's current lease arrangements, which are entered into on an arm's length basis and which are comparable to those for similar properties in the same location, have been taken into account. Furthermore, fair values have also been determined, where relevant, having regard to recent market transactions for similar properties in the same location as the Company's investment properties.

The Directors of the Company have reviewed the assumption and methodology used by the independent valuer and in their opinion the assumption and methodology are reasonable as at the reporting date considering the current economic and real estate outlook in the United Arab Emirates.

9 Available for sale investments

	2015 AED	2014 AED
Unquoted investments	**3,090,171**	3,942,877

The movement in available for sale investments for the current year was as follows:

	2015 AED	2014 AED
Opening balance	**3,942,877**	4,688,129
Change in the value of available for sale investments	**(66,607)**	(559,650)
Impairment losses on available for sale investments	**(673,075)**	-
Translation reserve	**(113,024)**	(185,602)
	3,090,171	3,942,877

10 Investments at fair value through other comprehensive income

	2015 AED	2014 AED
Quoted investments	**15,244,416**	12,785,242

Investments classified at fair value through other comprehensive income are located in Kuwait.

The movement in investment classified at fair value through other comprehensive income is as follows:

	2015 AED	2014 AED
Opening balance	**12,785,242**	11,281,248
Change in fair value of investments	**3,016,742**	2,105,833
Translation reserve	**(557,568)**	(601,839)
	15,244,416	12,785,242

11 Investments classified at fair value through profit or loss

	2015 AED	2014 AED
Quoted investments	**2,260,259**	1,083,180

Investments classified at fair value through profit or loss comprises of investment with a carrying value AED 560,131 *(2014: AED 617,288)* in United Arab Emirates and AED 1,700,128 *(2014: 465,892)* in Kuwait.

The movement in investment classified at fair value through profit and loss is as follows:

	2015 AED	2014 AED
Opening balance	**1,083,180**	2,131,140
Purchased during the year	**1,963,705**	-
Change in fair value of investments	**(724,442)**	(1,026,029)
Translation reserve	**(62,184)**	(21,931)
	2,260,259	1,083,180

12 Trade and other receivables

	2015 AED	2014 AED
Accounts receivable	**1,354,217**	1,170,123
Less: Provision for doubtful receivable (refer note 22)	**(924,365)**	(779,361)
	429,852	390,762
Prepayments, deposits and other receivable	**389,001**	254,068
	818,853	644,830

13 Related party transactions

The Group, in the normal course of business, enters into transactions with other business enterprises that fall within the definition of a related party contained in International Accounting Standard No. 24. Significant transactions with related parties are as follows:

Compensation to key management personnel is as follows:

	2015 AED	2014 AED
Salaries and other short-term employee benefits	**710,079**	772,256
Board remuneration (refer note 5 and 20)	**-**	350,000
Directors sitting fee and other benefits	**316,017**	307,500
End of service benefits charged to profit or loss	**39,281**	41,130

14 Cash in hand and at banks

	2015 AED	2014 AED
Cash in hand	**9,395**	8,959
Cash at banks	**12,891,113**	10,830,285
	12,900,508	10,839,244

15 Trade and other payables

	2015 AED	2014 AED
Trade payables	**76,952**	142,621
Rental income received in advance	**1,802,790**	1,700,915
Provision for claims and other legal expenses	**56,085,495**	54,601,191
Refundable deposits	**1,000,582**	958,145
Accrued expenses	**832,239**	485,845
	59,798,058	57,888,717

Provision for claims and other legal expenses relate to a legal case filed against the Company in December 1999. The final verdict on this case dated November 2010 required the Company to pay an amount of USD 5.7 million or its equivalent in Kuwaiti Dinars using the exchange rate announced by the Central Bank of Kuwait in December 1999 and interest of 7% of the claimed amount for the period starting 22 June 1992 to the date of settlement. The Company has created a provision for the amount relating to the claim and the interest payable upto the year ended 31 December 2015.

Although this amount is payable on demand, the timing of its payment, on the basis of information presently available, cannot be determined.

16 Staff terminal benefits

	2015 AED	2014 AED
Balance at 1 January	**489,403**	369,930
Provision made during the year	**189,291**	125,280
Settlement made during the year	**(25,711)**	(5,807)
	652,983	489,403

17 Share capital

	2015 AED	2014 AED
Authorised, issued and fully paid up:		
78,901,086 shares of AED 1 each	**78,901,086**	78,901,086

18 Statutory reserve

In accordance with Article 239 of the UAE Federal Law No. 2 of 2015, the Company is required to transfer a minimum of 10% of its profit for the year to a statutory reserve until such reserve equals one-half of its paid-up Share capital. The statutory reserve may not be distributed to shareholders.

19 Voluntary reserve

As required by the Company's articles of association, 10% of Company's net profit for the year is required to be transferred to the voluntary reserve until such reserve equals one half of the Company's share capital, the reserve is available for distribution.

20 Board remuneration

This represents professional fees paid to the Company's directors for serving as the board, and devoting special time and attention to the business and affairs of the Company. In accordance with the interpretation of Article 169 of the UAE Federal Law No. 2 of 2015, board remuneration is be recognised as an appropriation of retained earnings.

21 Contingent liabilities and capital commitments

Capital commitments outstanding at 31 December 2015 amounted to AED 6.3 million *(2014: AED Nil million)*.

22 Financial instruments

Financial assets of the Group comprise cash at banks and in hand and trade and other receivables. Financial liabilities of the Group comprise trade and other payable and dividends payable.

Credit risk

Exposure to credit risk

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

	2015	2014
	AED	AED
Trade receivables *	**1,354,217**	1,170,123
Cash at banks	**12,891,113**	10,830,285
	14,245,330	12,000,408

* Trade receivable represents the rent receivable from tenants that is due at the reporting date. The Group has a policy of obtaining post dated cheque for the rent period covered under the lease agreement, as at the reporting date the value of the post dated cheques were AED 4,408,250 *(2014: AED 4,025,750).*

Impairment losses

The ageing of account receivables at the reporting date was:

	Gross	**Impairment**	Gross	Impairment
	AED	**AED**	AED	AED
0 to 3 months	**254,384**	-	302,770	-
3 to 6 months	**69,651**	-	20,160	-
6 to 9 months	**68,453**	-	23,560	-
9 to 12 months	**35,920**	-	24,810	-
Above 1 year	**1,444**	-	19,462	-
Overdue	**924,365**	**(924,365)**	779,361	(779,361)
	1,354,217	**(924,365)**	1,170,123	(779,361)

The movement in the provision for doubtful receivables in respect of trade receivables during the year was as follows:

	2015	2014
	AED	AED
Balance at 1 January	**779,361**	386,701
Provision during the year	**157,373**	392,660
Provision written off against accounts receivables	**(12,369)**	-
Balance at 31 December	**924,365**	779,361

22 Financial instruments (continued)

Liquidity risk

The following are the contractual maturities of financial liabilities:

Particulars	Carrying amount AED	Contractual cash out flows AED	Less than 1 year AED	More than 1 year AED
31 December 2015				
Trade and other payables	**59,798,058**	**(59,798,058)**	**(59,798,058)**	**-**
Dividends payable	**33,038,575**	**(33,038,575)**	**(33,038,575)**	**-**
	92,836,633	**(92,836,633)**	**(92,836,633)**	**-**
31 December 2014				
Trade and other payables	57,888,717	(57,888,717)	(57,888,717)	-
Dividends payable	31,307,782	(31,307,782)	(31,307,782)	-
	89,196,499	(89,196,499)	(89,196,499)	-

Currency risk

The Group's exposure to foreign currency risk was as follows based on notional amounts:

	2015 KD	2014 KD
In AED		
Cash at bank	**345,521**	239,120

The following exchange rates applied during the year:

	Average rate 2015	Average rate 2014	Spot rate 2015	Spot rate 2014
AED equivalent				
KD 1	**12.4700**	13.0570	**12.0300**	12.4700

Sensitivity analysis

A 10 percent strengthening of the UAE Dirhams against the KD at 31 December would have increased / (decreased) equity and profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant. The analysis is performed on the same basis for 2014:

Effect in AED	Equity	Profit or loss
31 December 2015		
AED	**34,552**	**34,552**
31 December 2014		
AED	23,912	23,912

22 Financial instruments (continued)

Currency risk (continued)

Sensitivity analysis (continued)

A 10 percent weakening of the UAE Dirhams against the above currencies at 31 December would have had the equal but opposite effect on the KD to the amounts shown above, on the basis that all other variables remain constant.

Fair value

The table below analyses the Group financial instruments, measured at fair value at the reporting date, by level in accordance with the fair value hierarchy:

	Level 1 AED	Level 3 AED
2015		
Investments		
Investments at fair value through profit or loss - Quoted equities	**2,260,259**	**-**
Investments at fair value through other comprehensive income - Quoted equities	**15,244,416**	**-**
Available for sale securities - Un quoted	**-**	**3,090,171**
2014		
Investments		
Investments at fair value through profit or loss - Quoted equities	1,083,180	-
Investments at fair value through other comprehensive income - Quoted equities	12,785,242	-
Available for sale securities - Un quoted	-	3,942,877

23 Accounting estimates and judgment

The Group makes 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. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Impairment losses on receivables

The Group reviews its receivables to assess impairment on a regular basis. The Group's credit risk is primarily attributable to its trade receivables. In determining whether impairment losses should be reported in the profit or loss, the Group makes judgements as to whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flows. Accordingly, an allowance for impairment is made where there is an identified loss event or condition which, based on previous experience, is evidence of a reduction in the recoverability of the cash flows.

23 Accounting estimates and judgment (continued)

Estimated useful life and residual value of property and equipment

The Group's management determines the estimated useful lives and related depreciation charge for its property and equipment on an annual basis. The Group has carried out a review of the residual values and useful lives of property and equipment as at 31 December 2015 and the management has not highlighted any requirement for an adjustment to the residual lives and remaining useful lives of the assets for the current or future periods.

Valuation of investment properties

Investment properties are accounted for using the "Fair Value Model". The Group fair values investment properties at regular intervals, should the significant assumptions used for the purposes of valuation have changed, the fair value of investment properties would impact the disclosure of the fair value in the financial statements.

Impairment of available for sale investments

Impairment for quoted available for sale investments is based on a significant or prolonged decline in the quoted value of these investments. Impairment for unquoted available for sale investments is measured as the difference between the carrying amount and the present value of discounted estimated future cash flows.

Valuation of financial instruments

The Group's accounting policy on fair value measurements is discussed in note 3.

The Group measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

Level 1 : Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.

Level 2: Valuation techniques based on observable inputs, either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in the market that are considered less than active; or other valuation techniques where all significant inputs are directly or indirectly observable from market data.

Level 3: Valuation techniques using significant unobservable inputs. This category includes all instruments where the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuations.

If the inputs used to measure the fair value of an asset or a liability fall into different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

The Group recognises transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

Fair value of the financial assets at fair value through profit or loss (FVPL) is determined on the basis of the net asset value of the investment as provided by the valuator.

24 Comparative figures

Certain comparative figures have been reclassified / regrouped, wherever necessary, to confirm to the presentation adopted in these financial statements.