Arabtec Holding PJSC and its Subsidiaries

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 SEPTEMBER 2014 (UNAUDITED)

Building a better working world

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REPORT ON REVIEW OF INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS TO THE SHAREHOLDERS OF ARABTEC HOLDING PJSC

Introduction

We have reviewed the accompanying interim condensed consolidated financial statements of Arabtec Holding PJSC and its subsidiaries (the "Group") as at 30 September 2014, comprising the interim consolidated statement of financial position as at 30 September 2014 and the related interim consolidated statement of comprehensive income for the three-month and nine-month periods then ended and the related interim consolidated statements of cash flows and changes in equity for the nine-month period then ended and explanatory notes. Management is responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance with International Financial Reporting Standard IAS 34 Interim Financial Reporting ("IAS 34"). Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements 2410, Review of Interim Financial Information performed by the Independent Auditor of the Entity. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing. Consequently, it does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

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

Emphasis of matter

We draw attention to notes 16 and 21 to the interim condensed consolidated financial statements which provide details on negotiations relating to contractual arrangements with clients, the probable outcome of which cannot be determined with reasonable certainty at the date of this report.

Our conclusion is not qualified in respect of the above matter.

Ernst & Young

Signed by
Ashraf Abu-Sharkh
Partner
Registration No. 690

13 November 2014

Dubai, United Arab Emirates

INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
Period ended 30 September 2014 (Unaudited)

	Notes	*Three-month period ended 30 September*		*Nine-month period ended 30 September*	
		2014 AED'000	*2013 AED'000*	***2014 AED'000***	*2013 AED'000*
Revenues		**2,403,252**	1,937,480	**6,967,629**	5,079,580
Direct costs		**(2,094,825)**	(1,704,566)	**(5,996,487)**	(4,474,408)
GROSS PROFIT		**308,427**	232,914	**971,142**	605,172
Other operating income		**8,073**	4,828	**18,784**	11,373
General and administrative expenses		**(241,548)**	(127,505)	**(617,543)**	(366,230)
Other income		**20,839**	39,241	**50,887**	118,125
Net interest income on non-current receivables and payables		**1,324**	17,999	**322**	19,593
Net investment income		**3,385**	643	**5,868**	1,357
Finance costs		**(12,181)**	(11,052)	**(33,829)**	(33,666)
Share of profit (loss) of associates	9	**2,945**	7,213	**(37,535)**	14,886
PROFIT BEFORE TAX		**91,264**	164,281	**358,096**	370,610
Income tax expense	6	**(1,298)**	(1,968)	**(2,791)**	(3,810)
PROFIT FOR THE PERIOD		**89,966**	162,313	**355,305**	366,800
Profit for the period attributable to:					
Owners of the Parent		**68,651**	100,798	**308,987**	255,709
Non-controlling interests		**21,315**	61,515	**46,318**	111,091
		89,966	162,313	**355,305**	366,800
Earnings per share					
Basic and diluted earnings per share (AED)	15	**0.02**	0.02	**0.07**	0.08
Other comprehensive income					
Other comprehensive income that would be reclassified to profit or loss in subsequent periods:					
Unrealised gain / (loss) on revaluation of available-for-sale investments		**508**	6,464	**(996)**	8,994
Net change in foreign currency translation reserve		**(2,857)**	1,071	**2,384**	1,412
Total other comprehensive income for the period		**(2,349)**	7,535	**1,388**	10,406
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX		**87,617**	169,848	**356,693**	377,206
Total comprehensive income for the period attributable to:					
Owners of the Parent		**67,809**	108,648	**310,409**	266,905
Non-controlling interests		**19,808**	61,200	**46,284**	110,301
		87,617	169,848	**356,693**	377,206

The attached notes 1 to 22 form part of these interim condensed consolidated financial statements

Arabtec Holding PJSC and its Subsidiaries

INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 September 2014

	Notes	*30 September 2014 AED'000 (Unaudited)*	*31 December 2013 AED'000 (Audited)*
ASSETS			
Non-current assets			
Property, plant and equipment	7	**1,200,361**	1,159,033
Investment properties		**690,548**	619,106
Investments in associates	9	**261,929**	299,464
Goodwill		**248,741**	248,741
Other intangible assets	8	**43,013**	40,320
Trade and other receivables - non-current portion		**414,777**	325,345
Other financial assets	10	**34,510**	35,490
Other non-current assets		**-**	339
Deferred tax asset		**3,018**	-
		2,896,897	2,727,838
Current assets			
Trade and other receivables		**8,121,861**	6,324,872
Other financial assets	10	**87,113**	131,873
Inventories		**234,599**	220,904
Other current assets		**442,346**	348,137
Due from related parties	11	**1,143,558**	593,725
Bank balances and cash	12	**681,125**	2,452,981
		10,710,602	10,072,492
TOTAL ASSETS		**13,607,499**	12,800,330
EQUITY AND LIABILITIES			
Equity			
Share capital	13	**4,395,300**	3,139,500
Statutory reserve		**1,162,036**	1,131,138
Fair value adjustment reserve		**8,896**	9,465
Foreign currency translation reserve		**7,885**	5,894
Other reserves		**(192,747)**	(185,065)
Retained earnings		**417,925**	1,413,636
Equity attributable to equity holders of the Parent		**5,799,295**	5,514,568
Non-controlling interests		**290,836**	249,458
Total equity		**6,090,131**	5,764,026
Non-current liabilities			
Bank borrowings		**130,083**	57,894
Provision for employees' end of service indemnity		**215,157**	182,530
Retentions payable - non-current portion		**158,231**	98,765
Deferred tax liabilities		**-**	3,773
		503,471	342,962
Current liabilities			
Bank borrowings		**1,167,766**	862,537
Trade and other payables		**5,295,793**	5,286,381
Due to related parties	11	**541,355**	540,757
Income tax payable		**8,983**	3,667
Total current liabilities		**7,013,897**	6,693,342
Total liabilities		**7,517,368**	7,036,304
TOTAL EQUITY AND LIABILITIES		**13,607,499**	12,800,330



Mohamed Al Fahim
Interim CEO
13 November 2014

The attached notes 1 to 22 form part of these interim condensed consolidated financial statements



INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Period ended 30 September 2014 (Unaudited)

	Attributable to the owners of the Parent								
	Share capital AED'000	*Statutory reserve AED'000*	*Fair value adjustment reserve AED'000*	*Foreign currency translation reserve AED'000*	*Other reserves AED'000*	*Retained earnings AED'000*	*Total AED'000*	*Non-controlling interests AED'000*	*Total equity AED'000*
Balance at 1 January 2014 (audited)	**3,139,500**	**1,131,138**	**9,465**	**5,894**	**(185,065)**	**1,413,636**	**5,514,568**	**249,458**	**5,764,026**
Profit for the period	-	-	-	-	-	**308,987**	**308,987**	**46,318**	**355,305**
Other comprehensive income for the period	-	-	**(569)**	**1,991**	-	-	**1,422**	**(34)**	**1,388**
Total comprehensive income for the period	-	-	**(569)**	**1,991**	-	**308,987**	**310,409**	**46,284**	**356,693**
Transfer to statutory reserve	-	**30,898**	-	-	-	**(30,898)**	-	-	-
Remuneration paid to directors (note 14)	-	-	-	-	-	**(18,000)**	**(18,000)**	-	**(18,000)**
Capital contribution by a non-controlling shareholder	-	-	-	-	-	-	-	**6,054**	**6,054**
Net movement of non-controlling interest	-	-	-	-	**(7,682)**	-	**(7,682)**	**(10,960)**	**(18,642)**
Bonus shares issued (note 14)	**1,255,800**	-	-	-	-	**(1,255,800)**	-	-	-
Balance at 30 September 2014	**4,395,300**	**1,162,036**	**8,896**	**7,885**	**(192,747)**	**417,925**	**5,799,295**	**290,836**	**6,090,131**

The attached notes 1 to 22 form part of these interim condensed consolidated financial statements

INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Period ended 30 September 2014 (Unaudited)

	Attributable to owners of the Parent								
	Share capital AED'000	*Statutory reserve AED'000*	*Fair value adjustment reserve AED'000*	*Foreign currency translation reserve AED'000*	*Other reserves AED'000*	*Retained earnings AED'000*	*Total AED'000*	*Non-controlling interests AED'000*	*Total equity AED'000*
Balance at 1 January 2013 (audited)	1,569,750	308,486	300	2,315	(2,201)	1,067,903	2,946,553	398,792	3,345,345
Profit for the period	-	-	-	-	-	255,709	255,709	111,091	366,800
Other comprehensive income for the period	-	-	7,924	3,272	-	-	11,196	(790)	10,406
Total comprehensive income for the period	-	-	7,924	3,272	-	255,709	266,905	110,301	377,206
Issue of share capital (note 13)	1,569,750	784,875	-	-	-	-	2,354,625	-	2,354,625
Transaction costs (note 13)	-	-	-	-	-	(2,054)	(2,054)	-	(2,054)
Acquisition of non-controlling interests	-	-	-	-	(94,103)	-	(94,103)	(58,647)	(152,750)
Transfer to statutory reserve	-	25,571	-	-	-	(25,571)	-	-	-
Balance at 30 September 2013	**3,139,500**	**1,118,932**	**8,224**	**5,587**	**(96,304)**	**1,295,987**	**5,471,926**	**450,446**	**5,922,372**

The attached notes 1 to 22 form part of these interim condensed consolidated financial statements

INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS
Period ended 30 September 2014 (Unaudited)

	Nine months ended 30 September	
	2014 AED'000	*2013 AED'000*
OPERATING ACTIVITIES		
Profit before tax	**358,096**	370,610
Adjustments for:		
Depreciation of property, plant and equipment	**191,080**	192,175
Depreciation of investment properties	**2,984**	2,985
Amortisation of intangible assets	**4,330**	11,923
Provision for employees' end of service indemnity	**55,928**	50,605
Write back of provision for bonus	**(31,168)**	-
Gain on sale of property, plant and equipment	**(1,835)**	(1,154)
Share of loss / (profit) of associates	**37,535**	(14,886)
Finance costs	**33,829**	33,666
	650,779	645,924
Working capital changes		
Trade and other receivables	**(1,886,421)**	(1,280,133)
Due from related parties	**(549,833)**	232,807
Inventories	**(13,695)**	(42,400)
Other current assets	**(94,209)**	(68,971)
Trade and other payables	**311,738**	693,988
Due to related parties	**598**	127,077
Retentions payable – non current portion	**59,466**	(19,382)
Cash (used in) from operating activities	**(1,521,577)**	288,910
Employees' end of service indemnity paid	**(23,301)**	(18,548)
Interest paid	**(33,829)**	(33,666)
Dividend paid to directors	**(18,000)**	-
Income tax paid	**(4,266)**	(2,517)
Net cash flows (used in) from operating activities	**(1,600,973)**	234,179
INVESTING ACTIVITIES		
Purchase of property, plant and equipment	**(270,735)**	(691,039)
Intangible assets recognised	**(7,023)**	-
Additions to investment properties	**(74,426)**	-
Proceeds from disposal of property, plant and equipment	**40,162**	13,276
Payments for acquisition of non-controlling interest	**(289,800)**	(58,500)
Capital contribution by a non-controlling shareholder	**6,054**	-
Net movement in other financial assets	**45,083**	(36,243)
Deposit maturing after three months	**800,000**	-
Net cash flows from (used in) investing activities	**249,315**	(772,506)
FINANCING ACTIVITIES		
Proceeds from borrowings (net)	**459,486**	129,106
Issue of share capital	**-**	2,354,625
Transaction cost of issue of share capital	**-**	(2,054)
Net cash flows from financing activities	**459,486**	2,481,677
NET (DECREASE) / INCREASE IN CASH AND CASH EQUIVALENTS	**(892,172)**	1,943,350
Cash and cash equivalents at 1 January	**1,013,911**	345,186
Net foreign exchange difference	**2,384**	1,412
CASH AND CASH EQUIVALENTS AT 30 SEPTEMBER	**124,123**	2,289,948

The attached notes 1 to 22 form part of these interim condensed consolidated financial statements

1 ACTIVITIES

Arabtec Holding PJSC (the "Company") is a Public Joint Stock Company established under the laws of the United Arab Emirates pursuant to the resolution of the Department of Economic Development, Dubai, number 71 dated 2 July 2004. The Company commenced operations on 20 September 2004. The Company's shares are listed on the Dubai Financial Market ("DFM"). The registered office of the Company is P.O. Box 72122, Dubai, UAE.

Arabtec Holding PJSC and its Subsidiaries (the "Group") are primarily engaged in construction of high-rise towers, buildings and residential villas, in addition to the execution of related services such as drainage, electrical and mechanical works, provision of ready mix concrete and construction equipment supply and rental.

The Group also operates in the oil and gas, infrastructure and power sector, facilities management and property development.

The interim condensed consolidated financial statements of the Group for the nine month period ended 30 September 2014 were authorised for issue in accordance with a resolution of the Board of Directors on 13 November 2014.

2 SUBSIDIARIES, ASSOCIATES AND JOINT OPERATIONS

Name of subsidiary and domicile	*% Holding (including indirect holding)*		*Principal activities*
	30 September 2014	*31 December 2013*	
Arabtec Construction LLC – Dubai, UAE	**100%**	100%	Civil construction and related works
Arabtec Construction Syria LLC, Syrian Arab Republic	**100%**	100%	Civil construction and related works
Arabtec Pakistan (Pvt.) Limited, Pakistan	**60%**	60%	Civil construction and related works
Arabtec Saudi Arabia LLC, Kingdom of Saudi Arabia *	**45%**	45%	Civil construction and related works
Arabtec Egypt for Construction SAE, Arab Republic of Egypt**	**55%**	100%	Civil construction and related works
Arabtec Construction LLC (Foreign Company), State of Palestine	**100%**	100%	Civil construction and related works
Arabtec - Musawa W.L.L., Kingdom of Bahrain	**75%**	75%	Civil construction and related works
Arabtec Construction W.L.L., Qatar*	**49%**	49%	Civil construction and related works
Arabtec Construction LLC, State of Kuwait	**100%**	100%	Civil construction and related works
Arabtec Construction LLC (Jordan foreign working entity), Jordan	**100%**	100%	Civil construction and electrical, mechanical, plumbing contracting and related works
Arabtec International Company, Limited, Republic of Mauritius	**100%**	100%	Civil construction and related works
Arabtec Construction India (Pvt) Limited, India	**63%**	63%	Civil construction and related works

2 SUBSIDIARIES, ASSOCIATES AND JOINT OPERATIONS (continued)

Name of subsidiary and domicile	*% Holding (including indirect holding)*		*Principal activities*
	30 September 2014	*31 December 2013*	
Arabtec Construction LLC - Abu Dhabi, UAE	**100%**	100%	Civil construction and related works
Arabtec Precast LLC, UAE	**100%**	100%	Manufacturing of precast panels
Arabtec Investments Holding Limited, UAE	**100%**	100%	Investment holding company
Arabtec Building Equipment LLC, UAE	**70%**	70%	Trading and leasing of construction and building equipment
Arabtec Electromechanical LLC, UAE	**100%**	100%	Electrical mechanical and plumbing contracting
Arabtec Construction Machinery LLC Kingdom of Saudi Arabia	**58%**	58%	Trading and leasing of construction Equipment
Arabtec Engineering Services LLC, UAE	**80%**	80%	Infrastructure construction works
Arabtec-Envirogreen Facility Management Services LLC, UAE	**66%**	66%	Building maintenance and cleaning services, facilities management and security services
Arabtec Property Development LLC - Abu Dhabi, UAE	**100%**	100%	Real Estate , investment, development, and management
Arabtec Property Development LLC - Dubai, UAE	**100%**	100%	Real Estate development
Arabtec For General Maintenance LLC, UAE	**100%**	100%	Building general maintenance, electrical fittings, sewerage and water fittings maintenance, caravans maintenance
Arabtec Property Management LLC - Abu Dhabi, UAE	**100%**	100%	Management services
Arabtec Property Management LLC - Dubai, UAE	**100%**	100%	Leasing and management of third party property
Arabtec Facility Management LLC, UAE	**100%**	100%	Facilities management
Arabtec International Constructions Company LLC, UAE	**100%**	100%	Civil construction and related works
Arabtec Real Estate LLC - Abu Dhabi, UAE	**100%**	100%	Real estate leasing and management services

2 SUBSIDIARIES, ASSOCIATES AND JOINT OPERATIONS (continued)

Name of subsidiary and domicile	*% Holding (including indirect holding)*		*Principal activities*
	30 September 2014	*31 December 2013*	
Arabtec Real Estate LLC - Dubai, UAE	**100%**	100%	Buying and selling of real estate
Arabtec Living For Construction LLC, UAE	**100%**	100%	Civil construction and related works
Arabtec Construction Group LLC, UAE	**100%**	100%	Civil construction and related works, oil and gas facilities, and airports contracting
Arabtec Limited, JAFZA, UAE	**100%**	100%	General trading; commercial and real estate investments
Arabtec Trading Limited, JAFZA, UAE	**100%**	100%	General trading; commercial and real estate investments
Arabtec Consolidated Contractors Limited, JAFZA, UAE *	**50%**	50%	International business, general trading, and investments
Austrian Arabian Ready Mix Concrete Co. LLC - Dubai, UAE	**100%**	100%	Ready mixed concrete manufacturing
Austrian Arabian Readymix Co LLC – Abu Dhabi, UAE	**100%**	100%	Manufacturing and transportation of ready mix concrete products
Emirates Falcon Electromechanical Co. (EFECO) LLC - Dubai, UAE	**100%**	100%	Electrical mechanical and plumbing contracting
EFECO Qatar W.L.L, Qatar*	**49%**	49%	Electrical, mechanical and plumbing contracting
EFECO LLC, State of Palestine	**100%**	100%	Electrical, mechanical and plumbing contracting
Emirates Falcon Electromechanical Co. (EFECO) LLC - Abu Dhabi, UAE	**100%**	100%	Electrical, mechanical & plumbing contracting
EFECO Saudi LLC, Kingdom of Saudi Arabia	**53%**	53%	Electrical, mechanical and plumbing contracting
Gulf Steel Industries FZC, UAE	**100%**	100%	Fabrication of steel structure and profiles
Gulf Steel Industries FZE, Jordan	**100%**	100%	Fabrication of steel structure and profiles, steel storage tanks and road tankers, steel and structural buildings
GSI Steel Construction Contracting LLC, UAE	**100%**	100%	Fabrication of steel structure and profiles
House of Equipment Co. LLC, UAE	**67%**	67%	Trading and leasing of construction Equipment

2 SUBSIDIARIES, ASSOCIATES AND JOINT OPERATIONS (continued)

Name of subsidiary and domicile	*% Holding (including indirect holding)*		*Principal activities*
	30 September 2014	*31 December 2013*	
Idrotec Srl, Italy	**96%**	96%	Civil construction and related works
Lotus Limited, JAFZA, UAE	**100%**	100%	General trading; commercial and real estate investments
Magnolia Limited, JAFZA, UAE	**100%**	100%	General trading; commercial and real estate investments
Mars Limited, JAFZA, UAE	**100%**	100%	General trading; commercial and real estate investments
Nasser Bin Khaled Factory Ready Mix Concrete Co. LLC, Qatar*	**49%**	49%	Manufacturing and transportation of ready mix concrete products
Neptune Limited, JAFZA, UAE	**100%**	100%	General trading; commercial and real estate investments
Powercon Switchgear Factory, UAE	**75%**	75%	Manufacturing of switch gears and power distribution panels
Stone Oil and Gas Inc, Canada	**70%**	70%	Consultancy and engineering
Saudi Austrian Arabian Ready Mix Co LLC Kingdom of Saudi Arabia	**62%**	62%	Manufacturing and transportation of ready mix concrete products
Saudi Target Engineering Construction Company LLC, Kingdom of Saudi Arabia***	**65%**	64%	Civil construction and related works
Target Engineering Construction Company LLC, UAE***	**100%**	98%	Civil construction and related works
Target Steel Industries LLC, UAE	**97%**	97%	Fabrication of steel structure and profiles
Target Engineering Construction Company W.L.L., Qatar***	**60%**	59%	Civil construction and related works
Target Engineering Construction Company L.L.C, Jordan	**100%**	-	Civil construction and related works
Venus Limited, JAFZA, UAE	**100%**	100%	General trading; commercial and real estate investments

* Those represent indirect holdings of the Group. Although the Group holds 50% or less, it exercises control over these subsidiaries.

** As the legal formalities relating to the agreement signed within the shareholders was not completed, the Group decided to revoke the agreement during the quarter ended 30 June 2014.

*** During the period, the Group acquired the remaining shareholding of 2% in Target Engineering Construction Company LLC, UAE ("Target") and its subsidiaries that it did not already own, increasing its ownership interest to 100%. The difference between the purchase price and the carrying value of the non-controlling interest has been reflected in other reserves.

2 SUBSIDIARIES, ASSOCIATES AND JOINT OPERATIONS (continued)

The Company has the following associates over which it exercises significant influence:

Name of associate and domicile	*% Holding (including indirect holding) 30 September 2014*	*31 December 2013*	*Principal activities*
Depa Limited, Dubai, UAE ("DEPA")	**24%**	24%	Luxury fit-out of five star hotels, yachts and facilities and related services
Envirecon, Kingdom of Saudi Arabia	-	30%	Manufacture of concrete and mixture, additives and other construction chemicals
Gulf Capital PJSC – Salboukh project, Kingdom of Saudi Arabia	**24%**	24%	Development of Salboukh residential compound
Polypod Middle East LLC, Abu Dhabi, UAE ("Polypod")	**40%**	40%	Assembly of bathroom pods and other types of pods on the same concept
Jordan Wood Industries PSC	**14%**	14%	Production and distribution of furniture and fixtures

The Company has the following branches:

- Arabtec Holding PJSC –Abu Dhabi branch
- Arabtec Construction LLC, St Petersburg and Kazan, Russia
- Arabtec Construction LLC, Riyadh, Kingdom of Saudi Arabia
- Arabtec Saudi Arabia LLC, Riyadh, Kingdom of Saudi Arabia
- House of Equipment LLC - Abu Dhabi
- Idrotec SRL - Abu Dhabi
- ACC Arabtec JV SAL - Syrian Arab Republic branch
- Target Engineering Construction Company – Dubai branch
- Target Engineering Construction Company – Sharjah branch
- Target Engineering Construction Company – Fujairah branch
- Arabtec Constructions LLC – branch, Abu Dhabi
- GSI Steel Construction Contracting LLC – Abu Dhabi branch
- Arabtec Construction LLC – Egypt branch

Joint operations of the Group are disclosed in Note 17.

3 ACCOUNTING POLICIES

3.1 Basis of preparation

The interim condensed consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards ("IFRS') specifically International Accounting Standard 34, *Interim Financial Reporting.*

The interim condensed consolidated financial statements have been presented in United Arab Emirates Dirhams ("AED") being the functional and reporting currency of the Group.

The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual consolidated financial statements, and should be read in conjunction with the Group's annual consolidated financial statements as at 31 December 2013.

3 ACCOUNTING POLICIES (continued)

3.1 Basis of preparation (continued)

Although the Group owns less than 50% of the equity shares of Arabtec Construction WLL, Qatar; Nasser Bin Khaled Factory Ready Mix Concrete Co. LLC, Qatar; Arabtec Saudi Arabia LLC, Kingdom of Saudi Arabia and EFECO Qatar W.L.L., the Group is exposed, or has rights, to variable returns from its involvement with these entities and has the ability to affect those returns through its power to direct their strategic, operating and financial decisions and, therefore, recognises them as subsidiaries.

3.2 Changes in accounting policies

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2013, except for the adoption of new standards and interpretations effective as of 1 January 2014.

The nature and impact of each new standard or amendment is described below:

Investment Entities (Amendments to IFRS 10, IFRS 12 and IAS 27)
These amendments provide an exception to the consolidation requirement for entities that meet the definition of an investment entity under IFRS 10 Consolidated Financial Statements. The exception to consolidation requires investment entities to account for subsidiaries, associates and joint operations at fair value through profit or loss. These amendments have no impact on the Group, since none of the entities in the Group qualifies to be an investment entity under IFRS 10.

IAS 32 Offsetting Financial Assets and Financial Liabilities - Amendments to IAS 32
These amendments clarify the meaning of "currently has a legally enforceable right to set-off" and the criteria for non-simultaneous settlement mechanisms of clearing houses to qualify for offsetting. These amendments have no impact on the Group's financial position or performance.

IAS 39 Novation of Derivatives and Continuation of Hedge Accounting – Amendments to IAS 39
These amendments provide relief from discontinuing hedge accounting when novation of a derivative designated as a hedging instrument meets certain criteria. The amendments have no impact on the Group as the Group has no derivatives during the current period.

IFRIC Interpretation 21 – Levies (IFRIC 21)
IFRIC 21 clarifies that an entity recognises a liability for a levy when the activity that triggers payment, as identified by the relevant legislation, occurs. For a levy that is triggered upon reaching a minimum threshold, the interpretation clarifies that no liability should be anticipated before the specified minimum threshold is reached. The amendments have no impact on the Group.

Recoverable amounts disclosure for Non Financial Assets – IAS 36
These amendments remove the unintended consequences of IFRS 13 Fair Value Measurement on the disclosures required under IAS 36 Impairment of Assets. In addition, these amendments require disclosures of the recoverable amounts for the assets or cash-generating units (CGUs) for which an impairment loss has been recognised or reversed during the period. The amendments have no impact on the Group.

3.3 Standards, amendments and interpretations issued but not effective

Standards issued but not yet effective up to the date of issuance of the Group's financial statements are listed below. This listing of standards and interpretations issued are those that the Group reasonably expects to have an impact on disclosures, financial position or performance when applied at a future date. The Group intends to adopt these standards when they become effective.

IFRS 9 Financial Instruments: Classification and Measurement
IFRS 9 as issued reflects the first phase of the IASBs work on the replacement of IAS 39 and applies to the classification and measurement of financial assets and financial liabilities as defined in IAS 39. The standard's effective date has been deferred until completion of all phases of the project. In subsequent phases, the IASB will address hedge accounting and impairment of financial assets.

3 ACCOUNTING POLICIES (continued)

3.3 Standards, amendments and interpretations issued but not effective (continued)

IFRS 9 Financial Instruments: Classification and Measurement (continued)
The adoption of the first phase of IFRS 9 will have an effect on the classification and measurement of the Group's financial assets, but will have no impact on classification and measurements of financial liabilities. The Group will quantify the effect in conjunction with the other phases, when the final standard including all phases is issued, to present a comprehensive picture.

IFRS 15 Revenue from Contracts with Customers
In May 2014, the IASB issued IFRS 15 *Revenue from Contract with Customers.* The standard applies to revenue from contract with customers and replaces all of the revenue standards and interpretation in IFRS, including IAS 11 *Construction contracts*, IAS 18 *Revenue*, IFRIC 13 *Customer Loyalty Programmes*, IFRIC 15 *Agreements for the Construction of Real Estate*, IFRIC 18 *Transfer of Assets from Customers* and SIC-31 *Revenue – Barter Transactions involving Advertising Services.*

IFRS 15 creates a single source of revenue requirements for all entities in all industries using a principal based approach with increased judgement. The standard is effective for annual periods beginning on or after 1 January 2017, with early adoption permitted. The Group is currently evaluating the impact of the new standard.

4 SEASONALITY OF OPERATIONS

The Group has four operating segments: Construction; Mechanical, Electrical and Plumbing ("MEP"); Oil & Gas, Infrastructure and Power; and Other.

The results for the nine-month period ended 30 September 2014 reflect the results of the Group's continuing projects and new projects commenced during the period and are not significantly affected by any seasonal or cyclical operations.

Management has concluded that this does not constitute "highly seasonal" as considered by IAS *34 Interim Financial Reporting*. Notwithstanding, the results for the nine-month period ended 30 September 2014 are not necessarily indicative of the results that might be expected for the year ending 31 December 2014.

5 SEGMENT INFORMATION

Primary segment information
The management of the Group assessed the Group into four operating segments: Construction; MEP; Oil & Gas, Infrastructure and Power; and Other.

The Construction segment primarily engages in the construction of high-rise towers, buildings and residential villas. The MEP segment is involved in the execution of drainage, electrical and mechanical works. The Oil & Gas, Infrastructure and Power segment is involved in all works related to, intended to be used for, and/or for clients in the industries of Oil & Gas, Infrastructure and Power. The Other segment is involved in all other work that does not fall into the previous three segments in addition to the headquarters.

The above segments are the basis on which the Group reports its segment information. Transactions between segments are conducted at estimated market rates on an arm's length basis and eliminated on consolidation.

5 SEGMENT INFORMATION (continued)

Segment wise statement of income information for the nine-month period ended 30 September 2014 and three-month period ended 30 September 2014 is presented below:

Nine-month period ended 30 September 2014	*Construction AED'000*	*Mechanical, electrical and plumbing AED'000*	*Oil & Gas, infrastructure and power AED'000*	*Other AED'000*	*Elimination AED'000*	*Total AED'000*
Revenues	4,788,285	513,893	1,893,785	329,505	(557,839)	6,967,629
Direct costs	(4,043,627)	(489,453)	(1,715,026)	(301,748)	553,367	(5,996,487)
Gross profit	**744,658**	**24,440**	**178,759**	**27,757**	**(4,472)**	**971,142**
Other income and other expenses	39,149	504	11,496	(10,010)	(2,813)	38,326
General and administrative expenses	(204,110)	(54,361)	(94,408)	(267,477)	2,813	(617,543)
Finance costs	(4,041)	(13,804)	(11,086)	(4,898)	-	(33,829)
Income tax expense	(1,448)	(9)	(1,028)	(306)	-	(2,791)
Net segment results	**574,208**	**(43,230)**	**83,733**	**(254,934)**	**(4,472)**	**355,305**

5 SEGMENT INFORMATION (continued)

Three-month period ended 30 September 2014	*Construction AED'000*	*Mechanical, electrical and plumbing AED'000*	*Oil & Gas, infrastructure and power AED'000*	*Other AED'000*	*Elimination AED'000*	*Total AED'000*
Revenues	1,589,130	186,825	711,267	106,023	(189,993)	2,403,252
Direct costs	(1,372,422)	(182,350)	(621,140)	(107,853)	188,940	(2,094,825)
Gross profit	**216,708**	**4,475**	**90,127**	**(1,830)**	**(1,053)**	**308,427**
Other income and other expenses	26,008	322	6,054	4,769	(587)	36,566
General and administrative expenses	(82,751)	(19,756)	(34,872)	(104,756)	587	(241,548)
Finance costs	(1,342)	(4,487)	(4,112)	(2,240)	-	(12,181)
Income tax expense	(590)	(1)	(401)	(306)	-	(1,298)
Net segment results	**158,033**	**(19,447)**	**56,796**	**(104,363)**	**(1,053)**	**89,966**

5 SEGMENT INFORMATION (continued)

Segment wise statement of income information for the nine-month period ended 30 September 2013 and three-month period ended 30 September 2013 is presented below:

Nine-month period ended 30 September 2013	*Construction AED'000*	*Mechanical, electrical and plumbing AED'000*	*Oil & Gas, infrastructure and power AED'000*	*Other AED'000*	*Elimination AED'000*	*Total AED'000*
Revenues	2,872,939	404,868	1,900,514	366,208	(464,949)	5,079,580
Direct costs	(2,560,438)	(396,188)	(1,704,441)	(278,290)	464,949	(4,474,408)
Gross profit	312,501	8,680	196,073	87,918	-	605,172
Other income and other expenses	103,263	29,134	37,234	16,448	(20,745)	165,334
General and administrative expenses	(122,734)	(39,587)	(106,110)	(118,544)	20,745	(366,230)
Finance costs	(2,370)	(11,237)	(12,687)	(7,372)	-	(33,666)
Income tax expense	(2,714)	(34)	(900)	(162)	-	(3,810)
Net segment results	287,946	(13,044)	113,610	(21,712)	-	366,800

5 SEGMENT INFORMATION (continued)

Three-month period ended 30 September 2013	*Construction AED'000*	*Mechanical, electrical and plumbing AED'000*	*Oil & Gas, infrastructure and power AED'000*	*Other AED'000*	*Elimination AED'000*	*Total AED'000*
Revenues	1,130,729	104,524	759,546	86,856	(144,175)	1,937,480
Direct costs	(1,017,990)	(138,602)	(613,302)	(78,847)	144,175	(1,704,566)
Gross profit	112,739	(34,078)	146,244	8,009	-	232,914
Other income and other expenses	44,819	17,928	14,687	4,570	(12,080)	69,924
General and administrative expenses	(50,197)	(14,125)	(33,726)	(41,537)	12,080	(127,505)
Finance costs	(453)	(4,087)	(4,039)	(2,473)	-	(11,052)
Income tax expense	(1,783)	92	(277)	-	-	(1,968)
Net segment results	105,125	(34,270)	122,889	(31,431)	-	162,313

5 SEGMENT INFORMATION (continued)

The following table presents segment assets, segment liabilities and other information of the Group's operating segments as at 30 September 2014 and 31 December 2013.

30 September 2014	*Construction AED'000*	*Mechanical, electrical and plumbing AED'000*	*Oil & Gas, infrastructure and power AED'000*	*Other AED'000*	*Elimination AED'000*	*Total AED'000*
Segment assets	**8,428,402**	**777,081**	**3,655,679**	**3,496,273**	**(2,749,936)**	**13,607,499**
Segment liabilities	**(6,857,179)**	**(675,030)**	**(2,151,350)**	**(579,273)**	**2,745,464**	**(7,517,368)**

31 December 2013	*Construction AED'000*	*Mechanical, electrical and plumbing AED'000*	*Oil & Gas, infrastructure and power AED'000*	*Other AED'000*	*Elimination AED'000*	*Total AED'000*
Segment assets	7,107,116	738,662	3,595,982	3,589,962	(2,231,392)	12,800,330
Segment liabilities	(6,008,106)	(593,179)	(2,273,588)	(392,823)	2,231,392	(7,036,304)

5 SEGMENT INFORMATION (continued)

Geographical information
The following table presents revenue and total assets information regarding geographic segments for the period:

	"Nine-month" period ended		***30 September***	*31 December*
	30 September 2014 Revenue AED'000	*30 September 2013 Revenue AED'000*	***2014 Total assets AED'000***	*2013 Total assets AED'000 (Audited)*
GCC Countries	**6,762,543**	4,939,119	**13,245,303**	12,532,669
Others	**205,086**	140,461	**362,196**	267,661
	6,967,629	5,079,580	**13,607,499**	12,800,330

6 INCOME TAX

The Group calculates the period income tax expense using the tax rate that would be applicable to expected total annual earnings, i.e., the estimated average annual effective income tax rate applied to the pre-tax income of the interim period.

The major components of income tax expense in the interim condensed consolidated statement of comprehensive income are:

	"Nine-month" period ended 30 September	
	2014 AED'000	*2013 AED'000*
Income taxes		
Current income tax expense	**9,582**	3,625
Deferred tax expense (income) relating to the origination and (reversal) of temporary differences	**(6,791)**	185
	2,791	3,810

The Group is subject to taxation on its operations except in the United Arab Emirates and Bahrain. Income in other countries are subject to tax at rates ranging between 5% and 34%.

7 PROPERTY, PLANT AND EQUIPMENT

During the nine-month period ended 30 September 2014, the Group acquired various types of property, plant and equipment with a cost of AED 270.7 million (nine-month period ended 30 September 2013: AED 691 million). Assets with a net book value of AED 38.3 million were disposed off by the Group during the nine-month period ended 30 September 2014 (nine-month period ended 30 September 2013: AED 12.1 million). Depreciation expense for the period was AED 191.1 million (nine-month period ended 30 September 2013: AED 192.2 million).

8 OTHER INTANGIBLE ASSETS

During the period, the amortisation of other intangible assets amounted to AED 4.3 million ("Nine-month" period ended 30 September 2013: AED 11.9 million). There were addition of AED 7 million during the period (nine-month period ended 30 September 2013: Nil).

9 INVESTMENTS IN ASSOCIATES

DEPA Limited
On 21 November 2012, the Group acquired shares in Depa Limited ("DEPA") for AED 241,706 thousand representing a 24.329% interest in the Company's share capital upon acquisition. The investment in DEPA was classified as an associate as the Group obtained significant influence over the operating and financial policies of the company.

The company operates in the luxury fit-out sector, focusing primarily on hospitality, commercial and residential property developments through a combination of multiple subsidiaries, joint ventures and associates across a number of countries and market segments. The company operates in the Middle East/North Africa region, Europe and Asia.

During 2012, an indirect related party to one of DEPA's customers publicly announced its intention to file a claim against DEPA and its JV partner for compensation of USD 600 million in connection with a contract cancelled by the customer. Based on legal advice, the Group and its associate are confident that such a possible claim will have no grounds for jurisdiction as the third party was not a direct party to the contract. No legal proceedings have been initiated by the third party as of the date of issue of these financial statements.

Summarised financial information of DEPA as of 30 September 2014 is not available as DEPA has not declared its results at the date of approval of these financial statements. DEPA is listed in the Dubai International Financial Center (DIFC) on the NASDAQ Dubai.

Management has assessed the Group's share of profit in this associate using projections and estimations based on the previously published financial statements and analysts' reports. The share of loss of the Group for the "nine-month" period ended 30 September 2014 is AED 36,795 thousand ("nine-month" period ended 30 September 2013: profit of AED 14,886 thousand). Management believes that the actual financial information, once released, would not be materially different from the projections used.

The fair market value of the investment in DEPA as of 30 September 2014, based on listed bid prices, was approximately AED 345 million (31 December 2013: AED 373 million) which is higher than its carrying value of AED 222.5 million (2013: AED 259 million).

Jordan Wood Industries PSC
During 2013, the Group acquired shares in Jordan Wood Industries PSC ("JWICO") for AED 11,088 thousand representing a 14% interest in the Company's share capital upon acquisition. The investment in JWICO was classified as an associate as the Group obtained significant influence over the operating and financial policies of the company. JWICO deals in manufacturing, trading and distribution of various types of furniture.

The Group's share of loss in this associate for the "nine-month" period ended 30 September 2014 is AED 740 thousand.

The carrying value of the investment in JWICO is AED 10.4 million as at 30 September 2014 (31 December 2013 AED 11.41 million). The fair market value of the investment in JWICO as of 30 September 2014, based on listed bid prices, was approximately AED 6.5 million (31 December 2013 AED 9.6 million). Based on the book value of JWICO and the estimates of future profits, management is of the opinion that the investment in associate is not impaired.

Polypod Middle East LLC
On 6 May 2009, Polypod Middle East LLC ("Polypod"), Abu Dhabi was incorporated with the Company holding a 40% interest in Polypod at cost of AED 3.2 million, being equivalent to the Company's share of the issued share capital. On 7 March 2012, the Board of Directors approved to write off the investment in Polypod, as of 31 December 2011, due to continuous losses incurred. Management is in the process of restructuring this business with a view to allowing the business to positively trade out of its existing deficits.

Salboukh Project
During 2012, the Group entered into an investment arrangement with Gulf Capital PJSC, Kingdom of Saudi Arabia to acquire a 24% interest in the Salboukh project. The Group advanced an amount of AED 29,057 thousand and expects to have a significant influence on the special purpose entity being formed to hold the project. The legal formalities and the final ownership agreement are yet to be completed and agreed.

10 OTHER FINANCIAL ASSETS

	Current		*Non-current*	
	30 September 2014 AED'000	*31 December 2013 AED'000*	***30 September 2014 AED'000***	*31 December 2013 AED'000*
Financial assets at fair value				
Quoted equity shares (a)				
Available-for-sale investments	-	-	**15,450**	16,430
		-	**15,450**	16,430
Financial assets at cost				
Unquoted equity shares (b)				
Available-for-sale investments	-	-	**17,282**	17,282
		-	**17,282**	17,282
Financial assets at amortised cost				
Fixed deposits under lien	**59,819**	78,694	-	-
Margin deposits	**27,294**	53,179	-	-
Loans to related parties	-	-	**1,778**	1,778
	87,113	131,873	**1,778**	1,778
Total other financial assets	**87,113**	131,873	**34,510**	35,490

a) Quoted equity securities represent investments in listed equity securities and non-listed shares that offer the Group the opportunity for return through dividend income and fair value gains. They have no fixed maturity or coupon rate. The fair value of these securities is based on the quoted market prices where available.

b) Unquoted equity shares represent an investment in Al Waab City project, Qatar. As the fair value of this investment cannot be reliably determined, it is carried at cost less provision for impairment of AED 1,110 thousand. The Group intends to hold this investment for future growth or until an appropriate exit is found.

Impairment on quoted available-for-sale financial investments

For available-for-sale financial investments, the Group assesses at each reporting date whether there is objective evidence that an investment or a group of investments is impaired. In the case of equity investments classified as available-for-sale, objective evidence would include a significant or prolonged decline in the fair value of the investment below its cost. The determination of what is 'significant' or 'prolonged' requires judgment. In making this judgment, the Group evaluates, among other factors, the duration or extent to which the fair value of an investment is less than its cost. Based on these criteria, the Group did not identify any impairment (2013: Nil) on available-for-sale investments in quoted shares.

11 RELATED PARTY TRANSACTIONS

The following table provides the total amount of transactions that have been entered into with related parties during the "nine-month" periods ended 30 September 2014 and 30 September 2013, as well as balances with related parties as of 30 September 2014 and 31 December 2013:

	"Nine-month" period ended 30 September 2014				*At 30 September 2014*	
	Revenues AED'000	***Purchases AED'000***	***Purchase of fixed assets AED'000***	***Other expenses AED'000***	***Amount due to AED'000***	***Amount due from AED'000***
Joint operations	**113,471**	-	-	-	**311,244**	**374,423**
Shareholder	**798,657**	-	-	-	-	**653,497**
Other related parties	**955,262**	-	-	**7,071**	**230,111**	**115,638**
	1,867,390	-	-	**7,071**	**541,355**	**1,143,558**

	"Nine-month" period ended 30 September 2013				*At 31 December 2013 (Audited)*	
	Revenues AED'000	*Purchases AED'000*	*Purchase of fixed assets AED'000*	*Other expenses AED'000*	*Amount due to AED'000*	*Amount due from AED'000*
Joint operations	809,544	-	-	731,271	263,240	359,348
Shareholder	196,781	-	-	-	13,901	94,696
Other related parties	1,653,422	234,500	504,704	15,392	263,616	139,681
	2,659,747	234,500	504,704	746,663	540,757	593,725

Compensation of key management personnel

The remuneration of directors and other key members of management of the Group during the period were as follows:

	Three-month period ended 30 September		*Nine-month period ended 30 September*	
	2014 AED'000	*2013 AED'000*	***2014 AED'000***	*2013 AED'000*
Attendance fees to directors	-	90	**18,820**	90
Short term benefits	-	24,079	**2,056**	27,868
Employees' end of service benefits	-	608	**39**	750
Discretionary bonus	-	(1,592)	**21,092**	2,603
	-	23,185	**42,007**	31,311

12 CASH AND CASH EQUIVALENTS

For the purpose of the interim consolidated statement of cash flows, cash and cash equivalents comprise the following:

	30 September 2014 AED'000	*31 December 2013 AED'000 (Audited)*
Cash and bank balances	**483,970**	1,284,815
Short term bank deposits	**197,155**	1,168,166
Bank balances and cash	**681,125**	2,452,981
Short term deposit with maturity over three months	-	(800,000)
Bank overdrafts	**(557,002)**	(639,070)
Cash and cash equivalents	**124,123**	1,013,911

13 SHARE CAPITAL

	30 September 2014 AED'000	*31 December 2013 AED'000 (Audited)*
Authorised issued and fully paid up:		
4,395,300 thousand share (31 December 2013: 3,139,500 thousand) shares of AED 1 each	**4,395,300**	3,139,500

At the extra ordinary general meeting of the Company held on 13 April 2013, the shareholders approved the recommendation of the Board of Directors to increase the share capital of the Company by issuing up to 3,140 million shares (the "Rights Issue") with a nominal value of 1 AED and an issuance premium of 0.50 AED per share (the total value of the Rights Issue will approximate AED 4.7 billion) in two phases: the first for an amount of up to AED 2.4 billion or 1,570 million shares by the end of 2013, and the second of up to AED 2.4 billion or 1,570 million shares during 2014, if and when required; and to issue non-convertible bonds or other debt instruments in a total amount of up to AED 1.7 billion, if and when required, either at the end of 2013 or during 2014.

In July 2013, the Rights Issue concluded with a total of 1,570 million new shares issued with a nominal value of 1 AED and an issuance premium of 0.50 AED per share. The share capital of the Company increased by AED 1,570 million and the statutory reserve increased by AED 785 million for a total increase to shareholders' equity of AED 2,355 million. The Company incurred cost of AED 2 million related to the Rights Issue which was deducted from the proceeds of the Rights Issue and the impact has been taken to shareholders' equity directly.

14 DIVIDENDS

At the Board of Directors meeting held on 18 March 2014, a dividend was proposed of AED 0.4 per share to be distributed a bonus share dividends at 30% of share capital (1 bonus share for each 3.3 shares held totalling 941,850 thousand shares) and the distribution of cash dividends at AED 0.1 per share, or 10% cash dividends, totalling AED 313,950 thousand. This was subject to approval at the forthcoming Annual General Meeting of the Company.

At the Annual General Meeting held on 30 April 2014, the shareholders approved bonus share dividends of 40% of share capital (1 bonus share for each 2.5 shares held totaling 1,255,800 thousand shares) and to distribute remuneration to the members of the Board of Directors amounting to AED 18 million.

15 EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the profit for the period attributable to the shareholders of the Parent company of AED 308.9 million ("nine-month" period ended 30 September 2013: AED 255.7 million) by the weighted average number of shares outstanding during the period of 4,395,300 thousand (2013: 3,284,847 thousand).

The basic earnings per share of AED 0.02 and AED 0.08 as reported for the "three-month" and "nine-month" period ended 30 September 2013 respectively (previously reported as AED 0.03 and AED 0.13 for the "three-month" and "nine-month" period ended 30 September 2013 respectively) and the diluted earnings per share of AED 0.02 and AED 0.08 as reported for the "three-month" and "nine-month" period ended 30 September 2013 respectively (previously reported as AED 0.03 and AED 0.12 for the "three-month" and "nine-month" period ended 30 September 2013 respectively) has been adjusted for the effect of the shares issued in 2014 as a result of the stock dividend approved by shareholders as per Note 14. The Company has not issued any instruments during 2014 which would have a dilutive impact on earnings per share.

	Three-month period ended 30 September		*Nine-month period ended 30 September*	
	2014 AED	*2013 AED*	***2014 AED***	*2013 AED*
Earnings per share				
Basic earnings per share (AED)	**0.02**	0.02	**0.07**	0.08
Diluted earnings per share (AED)	**0.02**	0.02	**0.07**	0.08

16 AMICABLE DISCUSSION ON CONTRACTUAL ARRANGEMENT

On 25 December 2008, Arabtec Construction LLC WCT Engineering Berhad (Dubai Branch) Joint Venture (the "Joint Arrangement") for the construction of the Nad Al Sheba race course in Dubai, in which the Group has a 50% share, received notice from the customer, Meydan LLC ("Meydan") purporting to terminate the contract on 9 January 2009 for reasons which management considers did not justify such termination. Subsequently, by way of its notice dated 10 January 2009, the Joint Arrangement purported to terminate the contract on 24 January 2009 on a number of grounds including failure to pay certified amounts, the Joint Arrangement's exclusion from the site and Meydan's wrongful calls on the Performance Security and Advance Payment Guarantee.

Notice of the call of the Performance Security amounting to AED 461.3 million (Group's share: AED 230.7 million) and the Advance Payment Guarantee amounting to AED 77.3 million (Group's share: AED 38.6 million) was received by the Joint Arrangement on 29 December 2008. Both securities were payable on demand and, on payment by the banks concerned, management has recorded a receivable for the net amount due from Meydan, pending resolution of the dispute. The corresponding liability recorded at the 31 December 2008 year end has since been converted into a loan taken from a bank in 2009 on which Arabtec Construction LLC is paying interest, which is being expensed.

On 11 January 2009, the Joint Arrangement served its request for arbitration after which the arbitration proceedings commenced. The amount claimed by the Joint Arrangement was approximately AED 2.7 billion (Group's share: AED 1.4 billion). In June 2012, Meydan has further lodged a claim before Dubai Court contesting the validity of the arbitration tribunal and claiming a sum of AED 3.5 billion plus interest.

During the first quarter of 2013, the arbitration process was suspended in order to allow for the civil and penal cases in connection with the parties to proceed. Subsequently, in February 2013 the Board of Directors of the Company (the "Board") approved the withdrawal of the arbitration proceedings. Following the Board of Directors' approval in February 2013, the tribunal of DIAC CASE 2/ 2009 issued a partial order terminating the proceedings between Meydan and the Company, without prejudice to the parties' respective rights and obligations. The purpose of withdrawing the proceedings is to engage in and progress amicable settlement discussions. Management is in the process of engaging in these settlement discussions.

17 JOINT OPERATIONS

The Group has the following significant interests in joint operations:

		Share in JV
a)	Samsung/Arabtec joint operation project, UAE	40%
b)	Six Construct/Arabtec joint operation projects, UAE	50%
c)	Samsung/Six Construct/Arabtec joint operation project, UAE	30%
d)	Arabtec/Max Bogl joint operation projects, UAE	50%
e)	Arabtec/Aktor joint operation projects, UAE	60%
f)	Arabtec/Emirates Sunland joint operation projects, UAE	50%
g)	Arabtec/WCT Engineering joint operation projects, UAE	50%
h)	Arabtec/Engineering Enterprises Company joint operation projects, Jordan	50%
i)	Arabtec/Dubai Contracting Company joint operation project, UAE	50%
j)	Target Engineering and Construction Company LLC/ Marintek Middle East and Asia FLE joint operation project UAE	65%
k)	Arabtec Engineering Services/WCT Engineering joint operation project, UAE	50%
l)	Arabian Construction Company/Arabtec joint operation project, Syria	50%
m)	Arabtec/National Projects and Construction joint operation project, UAE	50%
n)	Arabtec/AI Saad joint operation project, KSA	66.66%
o)	Arabtec/Combined Group Contracting Company Joint operation, Kuwait	60%
p)	TAV/CCC/Arabtec Joint operation, UAE	33%
q)	Oger Abu Dhabi LLC/Constructora San Jose SA/Arabtec Joint operation, UAE	33%
r)	CCC/Arabtec Joint operation, Kazakhstan	50%
s)	ATC/CCC/DSC Joint Venture Limited, Jordan	33%
t)	ATC/SIAC joint operation project, Egypt	55%
u)	ATC/ Constructora San Jose SA joint operation project, UAE	50%
v)	EFECO/ACC joint operation project, Kazakhstan	40%
w)	Arabtec Al Mukawilon Joint operation, Palestine	60%
x)	ACC Arabtec Joint operation, Lebanon	50%

The Group is entitled to a proportionate share of the joint operations' assets and revenues and bears a proportionate share of their liabilities and expenses.

18 LEASE AND FIXED ASSETS COMMITMENTS

At the reporting date, the Group had outstanding commitments under non-cancellable operating leases, which fall due as follows:

	30 September 2014 AED'000	*31 December 2013 AED'000 (Audited)*
Future minimum lease payments:		
Within one year	**52,085**	26,569
In the second to fifth years inclusive	**323,562**	18,155
Later than 5 years	**367,468**	9,461
Total operating lease expenditure contracted for at the reporting date	**743,115**	54,185

	Three-month period ended 30 September		*Nine -month period ended 30 September*	
	2014 AED'000	*2013 AED'000*	*2014 AED'000*	*2013 AED'000*
Minimum lease payments under operating leases recognised as expense during the period	**30,764**	1,971	**63,261**	34,839

At 30 September 2014, the Group had commitments for the acquisition of property, plant and equipment amounting to AED 32,568 thousand (31 December 2013: AED 49,143 thousand (Audited)).

19 CONTINGENCIES

At 30 September 2014, the Group had contingent liabilities in respect of performance and bid bonds, advance payment bonds, financial guarantees, retention bonds, labour guarantees and letters of credit amounting to AED 6,701,709 thousand (31 December 2013: AED 6,530,342 thousand (Audited)).

The Group is a defendant in a number of lawsuits relating to its ordinary course of business. The Group's management believes that it is only possible, but not probable, that the claimants will succeed. Accordingly, the Group's management has assessed that the provision currently booked is adequate to cover any liability arising for such cases.

20 GOODWILL

Goodwill is tested for impairment annually or when circumstances indicate the carrying value may be impaired. The Group's impairment test for goodwill and intangible assets with indefinite lives is based on value-in-use calculations that use a discounted cash flow model. The key assumptions used to determine the recoverable amount for the different cash generating units were disclosed in the annual financial statements for the year ended 31 December 2013.

21 POLITICAL UNREST IN SYRIA

The Group has a project in Syria that has been suspended as a result of the current political events and civil unrest in the country. The Group management has taken proactive measures by entering into negotiations with its Syrian client in order to realise its assets and ensure that any exposure on its financial statements is covered.

While it is difficult to quantify the effect of these events on the future financial statements, the significance of this impact will depend on the extent to which these events and their effect will last. In management's opinion, the events in Syria will not materially affect the Group's financial position or performance.

22 FAIR VALUES

Financial instruments comprise financial assets and financial liabilities.

Financial assets consist of bank balances and cash, trade and other receivables, other financial assets, other current assets, investment properties and due from related parties. Financial liabilities consist of bank borrowings, trade and other payables, due to related parties and income tax payable.

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:

- Bank balances and cash, trade receivables, other financial assets, other current assets, due from related parties bank borrowings, trade and other payables, due to related parties and income tax payable approximate their carrying amounts, largely due to the short-term maturities of these instruments.
- Long term receivables and borrowings are evaluated by the Group based on parameters such as interest rates, specific country risk factors, 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 30 September 2014, the carrying amounts of such receivables, net of provisions, are not materially different from their fair values.
- Fair value of bank borrowings and other 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.
- The fair value of the investment properties is determined by a qualified and independent property consultant, which is done on annual basis. The property consultant is a specialist in valuing these types of investment properties. The fair value stated in the consultant reports is determined using transactions observable in the market.

22 FAIR VALUES (continued)

Fair value hierarchy

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

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

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

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

The Group measures its financial instruments and investment properties at fair value as follows:

At 30 September 2014	*Level 1 AED'000*	*Level 2 AED'000*	*Level 3 AED'000*	*Total AED'000*
Available-for-sale investments	**15,450**	-	-	**15,450**
Investment properties	-	-	**664,626**	**664,626**
	15,450	-	**664,626**	**680,076**

At 31 December 2013	*Level 1 AED'000*	*Level 2 AED'000*	*Level 3 AED'000*	*Total AED'000*
Available-for-sale investments	16,430	-	-	16,430
Investment properties	-	-	590,200	590,200
	16,430	-	590,200	606,630