Arabtec Holding PJSC and its Subsidiaries

CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2015

DIRECTORS' REPORT

The Board of Directors of Arabtec Holding PJSC (the "Company") has the pleasure in submitting the consolidated statement of financial position of the Company and its Subsidiaries (the "Group") as at 31 December 2015, and the related consolidated statement of comprehensive income, consolidated statement of cash flows and consolidated statement of changes in equity for the year ended 31 December 2015.

Principal activities

The Group is primarily engaged in the 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 through Arabtec Construction LLC and other contracting related subsidiaries and joint operations both in the UAE and overseas.

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

Financial results

The Group has reported a net loss for the year of AED 2,778.9 million (2014: Profit of AED 241.5 million). Total equity attributable to the shareholders of the Company as of 31 December 2015 amounted to AED 3,362 million (2014: AED 5,693 million) representing a decrease of 41%.

During the year, no transfer is made to statutory reserve from retained earnings (2014: AED 21.4 million)

Strategy

The Company's growth strategy is being implemented through organic growth, acquisitions and international joint operations. The Company continues to achieve greater geographical and sectorial diversification via its expansion strategy. It is actively exploring opportunities in selective fast-growing markets, and is also solidifying its strong presence in residential and commercial projects, and has begun to expand its footprint in the fast-growing and sophisticated construction sectors in the Middle East.

Directors

H.E Mohamed Thani Murshed Al Rumaithi
Mr. Saeed Mohamed Saeed Al Mhairbi
Mr. Mohamed Ali Ismail Ali Al Fahim
Mr. Mohamed Hamed Ghanem Hamad Al Mehairi
Mr. Khalifa Abdulla Khamis Al Rumaithi

Dubai P.O. Box : 3399
Tel : (+971) 4 340 0700
Fax : (+971) 4 340 4004

دبي ص.ب : 3399
تلفون : (+971) 4 340 0700
فاكس : (+971) 4 340 4004

www.arabtecholding.com

arabtec holding

Auditors
Ernst & Young were appointed as external auditors of the Group for the year ended 31 December 2015.

On behalf of the Board



H.E Mohamed Thani Murshed Al Rumaithi
Chairman

Dubai
30 March 2016

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www.arabtecholding.com

Ernst & Young
P.O. Box 9267
28th Floor, Al Saqr Business Tower
Sheikh Zayed Road
Dubai, United Arab Emirates

Tel: +971 4 332 4000
Fax: +971 4 332 4004
dubai@ae.ey.com
ey.com/mena

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INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF ARABTEC HOLDING PJSC

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Arabtec Holding PJSC (the "Company") and its Subsidiaries (together the "Group"), which comprise the consolidated statement of financial position as at 31 December 2015 and the consolidated statements of comprehensive income, cash flows and changes in equity for the year then ended, and 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 financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the 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 financial statements.

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

Basis for qualified opinion

1. As explained in Note 40 to the consolidated financial statements, certain of the Group's operations in Saudi Arabia are carried as assets and liabilities held for disposal, with a net asset value of AED 310.6 million as of 31 December 2015 (2014: AED 860.5 million). We were not provided with sufficient audit evidence to ascertain whether the net assets are carried at the lower of their net carrying amount and their fair value less cost to sell as required by International Financial Reporting Standard IFRS 5.

2. As explained in Note 30 (a), the Group is involved in a contractual dispute with Meydan over liquidated guarantees, work in progress, retention and other receivables, net of advances, with a total balance of AED 478 million as of 31 December 2015 (2014: AED 478 million). We were not provided with sufficient audit evidence to ascertain the extent and timing of the recoverability of the outstanding amounts.

3. Included in trade and other receivables is an amount of AED 301 million for which we were not provided with a balance confirmation as of 31 December 2015. In the absence of such a confirmation, and any alternative audit procedures that we could carry out in this regard, we were unable to satisfy ourselves with regards to the existence and recoverability of the outstanding balance.

Qualified opinion
In our opinion, except for the possible effects of the matters described in the 'Basis for qualified opinion' paragraphs above, the consolidated financial statements present fairly, in all material respects, the financial position of the Group as at 31 December 2015, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

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INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF ARABTEC HOLDING PJSC (continued)

Emphasis of matter
We draw attention to the following notes to the consolidated financial statements:

1. Note 30 (b) which provides details on a contractual dispute that is subject to arbitration proceedings, the probable outcome of which cannot be determined with reasonable certainty at the date of this report.

2. Note 41 (b) which provides details on a dispute with a non-controlling shareholder of Arabtec Construction W.L.L Qatar, the outcome of which cannot be determined with reasonable certainty at the date of this report.

3. Note 41(a) which provides details on a fire that occurred at an on-going project subsequent to the year end, and a claim recognised as part of the project's revenue for the year.

Our opinion is not qualified in respect of the above matters.

Report on other Legal and Regulatory Requirements

As required by the UAE Federal Law No. (2) of 2015, we report, except for the matters referred to in the basis for qualified opinion paragraphs, 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, and the Articles of Association of the Company;

iii) the Group has maintained proper books of account;

iv) the financial information included in the Directors' report is consistent with the books of account and records of the Company;

v) investments in shares and stocks are included in notes 14 and 17 to the consolidated financial statements and include purchases and investments made by the Group during the year ended 31 December 2015;

vi) note 19 reflects the disclosures relating to related party transactions and the terms under which they were conducted;

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 Company 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 of its Articles of Association which would materially affect its activities or its consolidated financial position as at 31 December 2015; and

viii) based on the information that has been made available to us, no social contributions were made during the year.

For Ernst & Young

Signed by:
Ashraf Abu-Sharkh
Partner
Registration No. 690

30 March 2016

Arabtec Holding PJSC and its Subsidiaries

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2015

	Notes	2015 AED'000	2014 AED'000
Continuing operations			
Revenues	5	**7,257,588**	8,293,031
Direct costs	6	**(8,633,493)**	(7,374,472)
Gross (loss) / profit		**(1,375,905)**	918,559
Other operating income	19	**18,509**	24,481
General and administrative expenses	9	**(626,355)**	(742,439)
Impairment losses	9.1	**(231,449)**	(7,509)
Other income	7	**31,238**	18,135
Investment income	8	**1,118**	7,085
Net interest expense on non-current receivables and payables	10	**(8,051)**	(8,352)
Finance costs		**(50,637)**	(51,786)
Share of loss of associates	14	**(11,786)**	(32,510)
(Loss) / Profit before tax from continuing operations		**(2,253,318)**	125,664
Income tax expense	21	**(4,814)**	(4,424)
(Loss) / Profit for the year from continuing operations		**(2,258,132)**	121,240
Discontinued operations			
(Loss) / Profit before tax from discontinued operations		**(517,991)**	127,382
Income tax expense	21	**(2,837)**	(7,040)
(Loss) / Profit after tax for the year from discontinued operations	40	**(520,828)**	120,342
(Loss) / Profit for the year		**(2,778,960)**	241,582
Attributable to:			
Equity holders of the parent		**(2,346,701)**	214,553
Non-controlling interests		**(432,259)**	27,029
		(2,778,960)	241,582
BASIC AND DILUTED EARNINGS PER SHARE (AED)	4	**(0.51)**	0.05
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		**43**	(7,339)
Net change in foreign currency translation reserve		**3,201**	3,607
		3,244	(3,732)
Other comprehensive income that would not be reclassified to profit or loss in subsequent periods:			
Actuarial gain / (loss) recognised	26	**18,616**	(9,409)
Other comprehensive income / (loss) for the year		**21,860**	(13,141)
TOTAL COMPREHENSIVE (LOSS) / INCOME FOR THE YEAR, NET OF TAX		**(2,757,100)**	228,441
Attributable to:			
Equity holders of the parent		**(2,330,440)**	203,854
Non-controlling interests		**(426,660)**	24,587
		(2,757,100)	228,441

The attached notes 1 to 41 form part of these consolidated financial statements.

Arabtec Holding PJSC and its Subsidiaries

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2015

	Notes	2015 AED'000	2014 AED'000
ASSETS			
Non-current assets			
Property, plant and equipment	12	**876,710**	935,618
Investment properties	11	**631,597**	741,781
Development properties		**20,000**	59,464
Investments in associates	14	**222,460**	237,934
Goodwill	15	**248,741**	248,741
Other intangible assets	13	**27,328**	40,221
Trade and other receivables	16	**894,698**	387,778
Other financial assets	17	**28,194**	28,151
Deferred tax asset	21	**3,406**	3,216
		2,953,134	2,682,904
Current assets			
Trade and other receivables	16	**5,995,737**	6,650,922
Other financial assets	17	**83,763**	86,912
Inventories	18	**169,988**	197,183
Other current assets	22	**333,144**	320,530
Due from related parties	19	**1,260,834**	1,378,341
Cash and cash equivalents	20	**735,385**	1,080,942
		8,578,851	9,714,830
Assets of disposal group classified as held for sale	40	**1,399,662**	1,947,065
TOTAL ASSETS		**12,931,647**	14,344,799
EQUITY AND LIABILITIES			
Equity			
Share capital	23	**4,615,065**	4,395,300
Statutory reserve	24	**1,152,593**	1,152,593
Fair value adjustment reserve		**2,942**	3,084
Foreign currency translation reserve		**11,810**	9,066
Other reserves		**(192,747)**	(192,747)
(Accumulated losses) / Retained earnings		**(2,227,363)**	325,444
Equity attributable to equity holders of the Parent		**3,362,300**	5,692,740
Non-controlling interests		**(162,576)**	269,004
Total equity		**3,199,724**	5,961,744
Non-current liabilities			
Bank borrowings	25	**258,637**	377,827
Provision for employees' end of service indemnity	26	**187,765**	183,606
Retentions payable	27	**321,557**	183,485
		767,959	744,918
Current liabilities			
Bank borrowings	25	**1,490,711**	869,025
Trade and other payables	28	**5,936,142**	5,299,344
Due to related parties	19	**433,113**	370,527
Income tax payable	21	**14,974**	12,645
Total current liabilities		**7,874,940**	6,551,541
Liabilities directly associated with assets held for disposal	40	**1,089,024**	1,086,596
Total liabilities		**9,731,923**	8,383,055
TOTAL EQUITY AND LIABILITIES		**12,931,647**	14,344,799

Saeed Mohamed Saeed Al Mhairbi
Acting CEO
30 March 2016

The attached notes 1 to 41 form part of these consolidated financial statements.

Arabtec Holding PJSC and its Subsidiaries

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2015

	Notes	2015 AED'000	2014 AED'000
OPERATING ACTIVITIES			
(Loss) / Profit before tax from continuing operations		**(2,253,318)**	125,664
(Loss) / Profit before tax from discontinued operations		**(517,991)**	127,382
		(2,771,309)	253,046
Adjustments for:			
Gain on sale of property, plant and equipment	7	**(15,174)**	(8,401)
Gain on disposal of a subsidiary	7	**-**	(835)
Loss on sale of investment properties	9	**9,502**	-
Investment income	8	**(1,118)**	(7,085)
Impairment losses	9.1	**238,521**	7,509
Net interest expense on non-current receivables and payables	10	**8,051**	8,352
Depreciation of investment properties	11	**11,023**	3,990
Depreciation of property, plant and equipment	12	**275,789**	279,585
Amortisation of intangible assets	13	**5,773**	5,773
Provision for employees' end of service indemnity	26	**54,857**	63,622
Finance costs		**54,729**	55,154
Share of loss from associate		**11,786**	32,510
		(2,117,570)	693,220
Working capital change:			
Trade and other receivables		**382,341**	(1,818,711)
Due from related parties		**124,126**	(840,095)
Inventories		**1,284**	(11,404)
Other current assets		**15,486**	(22,268)
Trade and other payables		**630,239**	847,982
Due to related parties		**(45,994)**	(34,300)
Retentions payable		**138,072**	84,720
Cash used in operating activities		**(872,016)**	(1,100,856)
Employees' end of service indemnity paid	26	**(43,127)**	(34,611)
Investment income received		**1,118**	7,085
Remuneration paid to directors	34	**-**	(18,000)
Income tax paid		**(11,656)**	466
Net cash used in operating activities		**(925,681)**	(1,145,916)
INVESTING ACTIVITIES			
Purchase of property, plant and equipment	12	**(213,288)**	(337,504)
Additions to investment properties	11	**(11,829)**	(126,665)
Additions to development properties		**-**	(59,464)
Intangible assets recognised	13	**(33)**	(5,674)
Advance for investment		**-**	(50,000)
Proceed from disposal of investment in associate	14	**3,282**	-
Dividend received from associate	14	**377**	-
Proceeds from disposal of property, plant and equipment		**53,991**	41,145
Proceeds from disposal of investment properties		**101,488**	-
Proceeds from disposal of a subsidiary		**-**	700
Payments for acquisition of non-controlling interest	35	**-**	(289,800)
Net movement in other financial assets		**3,149**	44,961
Deposit maturing after three months		**-**	800,000
Net cash (used in) / generated from investing activities		**(62,863)**	17,699

The attached notes 1 to 41 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS (continued)

Year ended 31 December 2015

	Notes	2015 AED'000	2014 AED'000
FINANCING ACTIVITIES			
Proceeds from borrowings – net of repayments		**372,846**	351,367
Capital contribution by a non-controlling shareholder		**-**	6,054
Dividends paid to non-controlling interests		**(4,920)**	-
Interest paid		**(54,729)**	(55,154)
Net cash flows generated from financing activities		**313,197**	302,267
NET DECREASE IN CASH AND CASH EQUIVALENTS		**(675,347)**	(825,950)
Cash and cash equivalents at 1 January		**191,568**	1,013,911
Net foreign exchange difference		**3,201**	3,607
CASH AND CASH EQUIVALENTS AT 31 DECEMBER	20	**(480,578)**	191,568

The attached notes 1 to 41 form part of these consolidated financial statements.

Arabtec Holding PJSC and its Subsidiaries

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2015

	Attributable to the equity holders 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*	*(Accumulated losses)/ Retained earnings AED'000*	*Total AED'000*	*Non-controlling interests AED'000*	*Total equity AED'000*
Balance at 1 January 2015	**4,395,300**	**1,152,593**	**3,084**	**9,066**	**(192,747)**	**325,444**	**5,692,740**	**269,004**	**5,961,744**
Loss for the year	-	-	-	-	-	**(2,346,701)**	**(2,346,701)**	**(432,259)**	**(2,778,960)**
Other comprehensive income / (loss) for the year	-	-	**(142)**	**2,744**	-	**13,659**	**16,261**	**5,599**	**21,860**
Total comprehensive income / (loss) for the year	-	-	**(142)**	**2,744**	-	**(2,333,042)**	**(2,330,440)**	**(426,660)**	**(2,757,100)**
Dividends paid	-	-	-	-	-	-	-	**(4,920)**	**(4,920)**
Bonus shares issued (Note 34)	**219,765**	-	-	-	-	**(219,765)**	-	-	-
Balance at 31 December 2015	**4,615,065**	**1,152,593**	**2,942**	**11,810**	**(192,747)**	**(2,227,363)**	**3,362,300**	**(162,576)**	**3,199,724**

The attached notes 1 to 41 form part of these consolidated financial statements.

Arabtec Holding PJSC and its Subsidiaries

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2015

	Attributable to the equity holders 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	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 year	-	-	-	-	-	214,553	214,553	27,029	241,582
Other comprehensive income / (loss) for the year	-	-	(6,381)	3,172	-	(7,490)	(10,699)	(2,442)	(13,141)
Total comprehensive income for the year	-	-	(6,381)	3,172	-	207,063	203,854	24,587	228,441
Transfer to statutory reserve	-	21,455	-	-	-	(21,455)	-	-	-
Remuneration paid to directors (Note 34)	-	-	-	-	-	(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)	(11,095)	(18,777)
Bonus shares issued (Note 34)	1,255,800	-	-	-	-	(1,255,800)	-	-	-
Balance at 31 December 2014	4,395,300	1,152,593	3,084	9,066	(192,747)	325,444	5,692,740	269,004	5,961,744

The attached notes 1 to 41 form part of these consolidated financial statements.

1 CORPORATE INFORMATION

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 3399, 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 consolidated financial statements of the Group for the year ended 31 December 2015 were authorised for issue in accordance with a resolution of the Board of Directors on 30 March 2016.

2 SUBSIDIARIES, ASSOCIATES AND JOINT OPERATIONS

Name of subsidiary and domicile	*% Holding (including indirect holding)*		*Principal activities*
	31 December 2015	*31 December 2014*	
Arabtec Constructions 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%**	55%	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 (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
Arabtec Constructions LLC - Abu Dhabi, UAE	**100%**	100%	Civil construction and related works

2 SUBSIDIARIES, ASSOCIATES AND JOINT OPERATIONS (continued)

Name of subsidiary and domicile	*% Holding (including indirect holding)*		*Principal activities*
	31 December 2015	*31 December 2014*	
Arabtec Precast LLC, UAE	**100%**	100%	Manufacturing of precast panels
Arabtec Minority Holdings Limited, JAFZA, 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	**67%**	67%	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
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

2 SUBSIDIARIES, ASSOCIATES AND JOINT OPERATIONS (continued)

Name of subsidiary and domicile	*% Holding (including indirect holding)*		*Principal activities*
	31 December 2015	*31 December 2014*	
Arabtec Constructions 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
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 FZE, UAE	**100%**	100%	Fabrication of steel structure and profiles
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
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

2 SUBSIDIARIES, ASSOCIATES AND JOINT OPERATIONS (continued)

Name of subsidiary and domicile	*% Holding (including indirect holding)*		*Principal activities*
	31 December 2015	*31 December 2014*	
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%	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%**	65%	Civil construction and related works
Target Engineering Construction Company LLC, UAE	**100%**	100%	Civil construction and related works
Target Steel Industries LLC, UAE	**97%**	97%	Fabrication of steel structure and profiles
Target Engineering Construction Company L.L.C, (Foreign Company) Jordan	**100%**	100%	Civil construction and related works
Venus Limited, JAFZA, UAE	**100%**	100%	General trading; commercial and real estate investments
Arabtec Egypt for Property Development, Egypt	**100%**	100%	Real Estate , investment, development, and management
Arabtec Gulf for Property Investment LLC, UAE	**100%**	100%	Buying and selling of real estate as well as holding activities
Arabtec Interests Limited, JAFZA, UAE	**100%**	100%	Investment holding company

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

**During 2014, the Group disposed of its investment in one of its subsidiary, Stone Oil Gas Inc. Legal formalities relating to this disposal have been completed during the period ended 30 September 2015.

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) 31 December 2015*	*31 December 2014*	*Principal activities*
Depa Limited, Dubai, UAE ("DEPA")	**24%**	24%	Luxury fit-out of five star hotels, yachts and facilities and related services
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
Gulf Capital PJSC – Salboukh project, Kingdom of Saudi Arabia	**24%**	24%	Development of Salboukh residential compound

The Company and its subsidiaries has following branches:

- Arabtec Holding PJSC –Abu Dhabi branch
- Arabtec Construction LLC, St Petersburg, 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
- Target Engineering Construction Company WLL – Qatar branch
- Arabtec Construction LLC – branch, Abu Dhabi
- GSI Steel Construction Contracting LLC – Abu Dhabi branch
- Gulf Steel Industries FZE – Jordan branch
- Arabtec Construction LLC – Egypt branch
- Arabtec Consolidated Contractors Limited – Astana City Branch, Kazakhstan
- Austrian Arabian Ready-Mix Co LLC – Abu Dhabi branch

Joint operations of the Group are disclosed in Note 31.

3 BASIS OF PREPARATION AND ACCOUNTING POLICIES

3.1 BASIS OF PREPARATION

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

The consolidated financial statements have been prepared on a historical cost basis, except for available-for-sale financial assets that have been measured at fair value. The consolidated financial statements are presented in United Arab Emirates Dirhams ("AED") since that is the currency of the country in which the Company is domiciled. All values are rounded to the nearest thousand ("000"), except when otherwise indicated.

3 BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)

3.2 BASIS OF CONSOLIDATION

The consolidated financial statements comprise the financial statements of the Group and its subsidiaries (Note 2) as at 31 December 2015.

Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has:

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee);
- Exposure, or rights, to variable returns from its involvement with the investee, and
- The ability to use its power over the investee to affect its returns.

When the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee
- Rights arising from other contractual arrangements
- The Group's voting rights and potential voting rights

Non-controlling interest represents the interest not held by the Group. Although the Group owns less than 50% of the equity shares in certain companies as listed in Note 2, the Group has power over the companies, 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.

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the statement of comprehensive income from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

- Derecognises the assets (including goodwill) and liabilities of the subsidiary;
- Derecognises the carrying amount of any non-controlling interest;
- Derecognises the cumulative translation differences recorded in equity;
- Recognises the fair value of the consideration received;
- Recognises the fair value of any investment retained;
- Recognises any surplus or deficit in profit or loss; and
- Reclassifies the parent's share of components previously recognised in other comprehensive income to profit or loss or retained earnings, as appropriate, as would be required if the Group had directly disposed of the related assets or liabilities.

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 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 BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)

3.3 CHANGES IN ACCOUNTING POLICIES

(a) New standards, interpretations and amendments adopted by the Group

The accounting policies adopted are consistent with those of the previous year except for the adoption of the following standards and interpretation as on 1 January 2015:

The nature and the effect of these changes are disclosed below. Although these new standards and amendments apply for the first time in 2015, they do not have a material impact on the annual consolidated financial statements of the Group or the interim condensed consolidated financial statements of the Group.

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

Amendments to IAS 19 Defined Benefit Plans: Employee Contributions
Amendments to IAS 19 Defined Benefit Plans: Employee Contributions IAS 19 requires an entity to consider contributions from employees or third parties when accounting for defined benefit plans. Where the contributions are linked to service, they should be attributed to periods of service as a negative benefit. These amendments clarify that, if the amount of the contributions is independent of the number of years of service, an entity is permitted to recognise such contributions as a reduction in the service cost in the period in which the service is rendered, instead of allocating the contributions to the periods of service. This amendment is effective for annual periods beginning on or after 1 July 2014. This amendment is not relevant to the Group, since none of the entities within the Group have defined benefit plans with contributions from employees or third parties.

(b) Standards, amendments and interpretations issued but not effective

The standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Group's consolidated financial statements are disclosed below. The Group intends to adopt these standards, if applicable, when they become effective.

IFRS 9 Financial Instruments
In July 2014, the IASB issued the final version of IFRS 9 Financial Instruments which reflects all phases of the financial instruments project and replaces IAS 39 Financial Instruments: Recognition and Measurement and all previous versions of IFRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting. IFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted. Except for hedge accounting, retrospective application is required but providing comparative information is not compulsory. For hedge accounting, the requirements are generally applied prospectively, with some limited exceptions. The adoption of IFRS 9 will have an effect on the classification and measurement of the Group's financial assets, but no impact on the classification and measurement of the Group's financial liabilities. The Group is in the process of analysing the detailed impact of IFRS 9.

IFRS 14 Regulatory Deferral Accounts
IFRS 14 is an optional standard that allows an entity, whose activities are subject to rate-regulation, to continue applying most of its existing accounting policies for regulatory deferral account balances upon its first-time adoption of IFRS. Entities that adopt IFRS 14 must present the regulatory deferral accounts as separate line items on the statement of financial position and present movements in these account balances as separate line items in the statement of profit or loss and OCI. The standard requires disclosure of the nature of, and risks associated with, the entity's rate-regulation and the effects of that rate-regulation on its financial statements. IFRS 14 is effective for annual periods beginning on or after 1 January 2016. Since the Group is an existing IFRS preparer, this standard would not apply.

Amendments to IFRS 11 *Joint Arrangements: Accounting for Acquisitions of Interests*
The amendments to IFRS 11 require that a joint operator accounting for the acquisition of an interest in a joint operation, in which the activity of the joint operation constitutes a business, must apply the relevant IFRS 3 principles for business combinations accounting. The amendments also clarify that a previously held interest in a joint operation is not remeasured on the acquisition of an additional interest in the same joint operation while joint control is retained. In addition, a scope exclusion has been added to IFRS 11 to specify that the amendments do not apply when the parties sharing joint control, including the reporting entity, are under common control of the same ultimate controlling party.

The amendments apply to both the acquisition of the initial interest in a joint operation and the acquisition of any additional interests in the same joint operation and are prospectively effective for annual periods beginning on or after 1 January 2016, with early adoption permitted. These amendments are not expected to have any significant impact on the Group.

3 BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)

3.3 CHANGES IN ACCOUNTING POLICIES (continued)

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

IFRS 15 Revenue from Contracts with Customers
IFRS 15 was issued in May 2014 and establishes a five-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The new revenue standard will supersede all current revenue recognition requirements under IFRS. Either full retrospective application or a modified retrospective application is required for annual periods beginning on or after 1 January 2018, when the IASB finalises their amendments to defer the effective date of IFRS 15 by one year. Early adoption is permitted. The Group is currently assessing the impact of IFRS 15 and plans to adopt the new standard on the required effective date.

Amendments to IAS 16 and IAS 38: Clarification of Acceptable Methods of Depreciation and Amortisation
The amendments clarify the principle in IAS 16 and IAS 38 that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is part) rather than the economic benefits that are consumed through use of the asset. As a result, a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortise intangible assets. The amendments are effective prospectively for annual periods beginning on or after 1 January 2016, with early adoption permitted. These amendments are not expected to have any impact to the Group given that the Group has not used a revenue-based method to depreciate its non-current assets.

Amendments to IAS 16 and IAS 41 Agriculture: Bearer Plants
The amendments change the accounting requirements for biological assets that meet the definition of bearer plants. Under the amendments, biological assets that meet the definition of bearer plants will no longer be within the scope of IAS 41. Instead, IAS 16 will apply. After initial recognition, bearer plants will be measured under IAS 16 at accumulated cost (before maturity) and using either the cost model or revaluation model (after maturity). The amendments also require that produce that grows on bearer plants will remain in the scope of IAS 41 measured at fair value less costs to sell. For government grants related to bearer plants, IAS 20 *Accounting for Government Grants and Disclosure of Government Assistance* will apply. The amendments are retrospectively effective for annual periods beginning on or after 1 January 2016, with early adoption permitted. These amendments are not expected to have any impact to the Group as the Group does not have any bearer plants.

Amendments to IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
The amendments address the conflict between IFRS 10 and IAS 28 in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture. The amendments clarify that the gain or loss resulting from the sale or contribution of assets that constitute a business, as defined in IFRS 3, between an investor and its associate or joint venture, is recognised in full. Any gain or loss resulting from the sale or contribution of assets that do not constitute a business, however, is recognised only to the extent of unrelated investors' interests in the associate or joint venture. These amendments must be applied prospectively and are effective for annual periods beginning on or after 1 January 2016, with early adoption permitted. These amendments are not expected to have any impact on the Group.

Amendments to IAS 27: Equity Method in Separate Financial Statements
The amendments will allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. Entities already applying IFRS and electing to change to the equity method in its separate financial statements will have to apply that change retrospectively. For first-time adopters of IFRS electing to use the equity method in its separate financial statements, they will be required to apply this method from the date of transition to IFRS. The amendments are effective for annual periods beginning on or after 1 January 2016, with early adoption permitted. These amendments will not have any impact on the Group as the Group does not issue separate financial statements.

3 BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)

3.3 CHANGES IN ACCOUNTING POLICIES (continued)

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

Amendments to IAS 1 Disclosure Initiative
The amendments to IAS 1 *Presentation of Financial Statements* clarify, rather than significantly change, existing IAS 1 requirements. The amendments clarify:

- The materiality requirements in IAS 1
- That specific line items in the statement(s) of profit or loss and OCI and the statement of financial position may be disaggregated
- That entities have flexibility as to the order in which they present the notes to financial statements
- That the share of OCI of associates and joint ventures accounted for using the equity method must be presented in aggregate as a single line item, and classified between those items that will or will not be subsequently reclassified to profit or loss

Furthermore, the amendments clarify the requirements that apply when additional subtotals are presented in the statement of financial position and the statement(s) of profit or loss and OCI. These amendments are effective for annual periods beginning on or after 1 January 2016, with early adoption permitted. These amendments are not expected to have any impact on the Group.

Amendments to IFRS 10, IFRS 12 and IAS 28 Investment Entities: Applying the Consolidation Exception
The amendments address issues that have arisen in applying the investment entities exception under IFRS 10. The amendments to IFRS 10 clarify that the exemption from presenting consolidated financial statements applies to a parent entity that is a subsidiary of an investment entity, when the investment entity measures all of its subsidiaries at fair value.

Furthermore, the amendments to IFRS 10 clarify that only a subsidiary of an investment entity that is not an investment entity itself and that provides support services to the investment entity is consolidated. All other subsidiaries of an investment entity are measured at fair value. The amendments to IAS 28 allow the investor, when applying the equity method, to retain the fair value measurement applied by the investment entity associate or joint venture to its interests in subsidiaries.

These amendments must be applied retrospectively and are effective for annual periods beginning on or after 1 January 2016, with early adoption permitted. These amendments are not expected to have any impact on the Group.

Annual Improvements *2012-2014 Cycle*
These improvements are effective for annual periods beginning on or after 1 January 2016. They include:

IFRS 5 Non-current Assets Held for Sale and Discontinued Operations
Assets (or disposal groups) are generally disposed of either through sale or distribution to owners. The amendment clarifies that changing from one of these disposal methods to the other would not be considered a new plan of disposal, rather it is a continuation of the original plan. There is, therefore, no interruption of the application of the requirements in IFRS 5. This amendment must be applied prospectively.

IFRS 7 Financial Instruments: Disclosures
(i) Servicing contracts The amendment clarifies that a servicing contract that includes a fee can constitute continuing involvement in a financial asset. An entity must assess the nature of the fee and the arrangement against the guidance for continuing involvement in IFRS 7 in order to assess whether the disclosures are required. The assessment of which servicing contracts constitute continuing involvement must be done retrospectively. However, the required disclosures would not need to be provided for any period beginning before the annual period in which the entity first applies the amendments.

(ii) Applicability of the amendments to IFRS 7 to condensed interim financial statements
The amendment clarifies that the offsetting disclosure requirements do not apply to condensed interim financial statements, unless such disclosures provide a significant update to the information reported in the most recent annual report. This amendment must be applied retrospectively.

3 BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)

3.3 CHANGES IN ACCOUNTING POLICIES (continued)

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

Annual Improvements *2012-2014 Cycle (continued)*

IAS 19 Employee Benefits
The amendment clarifies that market depth of high quality corporate bonds is assessed based on the currency in which the obligation is denominated, rather than the country where the obligation is located. When there is no deep market for high quality corporate bonds in that currency, government bond rates must be used. This amendment must be applied prospectively.

IAS 34 Interim Financial Reporting
The amendment clarifies that the required interim disclosures must either be in the interim financial statements or incorporated by cross-reference between the interim financial statements and wherever they are included within the interim financial report (e.g., in the management commentary or risk report). The other information within the interim financial report must be available to users on the same terms as the interim financial statements and at the same time. This amendment must be applied retrospectively.

These amendments are not expected to have any impact on the Group.

3.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Business combinations and goodwill
Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree. For each business combination, the Group elects whether to measure the non-controlling interest in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred and included in administrative expenses.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, the previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of IAS 39 Financial Instruments: Recognition and Measurement, is measured at fair value with changes in fair value recognised either in either profit or loss or as a change to other comprehensive income. If the contingent consideration is not within the scope of IAS 39, it is measured in accordance with the appropriate IFRS. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interest over the net identifiable assets acquired and liabilities assumed. If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group re-assesses whether it has correctly identified all the assets acquired and all of the liabilities assumed and review the procedures used to measure the amounts to be recognised at the acquisition date. If the re-assessment still results in an excess of fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognised in consolidated statement of comprehensive income.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units ("CGU") that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units. CGU's to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that unit may be impaired. An impairment loss recognised for goodwill is not reversed in a subsequent period.

3 BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)

3.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Business combinations and goodwill (continued)
Where goodwill has been allocated to a CGU and part of the operation within that unit is disposed off, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill disposed in these circumstances is measured based on the relative values of the disposed operation and the portion of the CGU retained.

Interest in joint operations
A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement. Those parties are called joint operators.

The considerations made in determining joint control are similar to those necessary to determine control over subsidiaries.

The Group accounts for its interests in joint operations by recognising:
a) its assets, including its share of any assets held jointly;
b) its liabilities, including its share of any liabilities incurred jointly; and
c) its revenue from the sale of its share of the output arising from the joint operation.

The Group combines its share of each of the assets, liabilities, income and expenses of the joint operation with similar items, line by line, in its consolidated financial statements. The financial statements of the joint operations are prepared for the same reporting period as the Group. Adjustments are made, where necessary, to bring the accounting policies in line with those of the Group.

Where any Group entity undertakes its activities under joint operation arrangements directly, the Group's share of jointly controlled assets and any liabilities incurred jointly with other joint operators is recognised in the financial statements of the relevant entity and classified according to their nature. Liabilities and expenses incurred directly in respect of interests in jointly controlled assets are accounted for on an accrual basis. Income from the sale or use of the Group's share of the output of jointly controlled assets, and its share of joint operations expenses, are recognised when it is probable that the economic benefits associated with the transactions will flow to/from the Group and their amount can be measured reliably.

The Group's share of intra-group balances, transactions and unrealised gains and losses on such transactions between the Group and its joint operation are eliminated on consolidation. Losses on transactions are recognised immediately if there is evidence of a reduction in the net realisable value of current assets or an impairment loss.

Upon loss of joint control, the Group measures and recognises its remaining investment at its fair value. The difference between the carrying amount of the investment upon loss of joint control and the fair value of the remaining investment and proceeds from disposal is recognised in profit or loss. When the remaining investment constitutes significant influence, it is accounted for as an investment in associate.

Investments in associates
An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The Group's investments in associates are accounted for using the equity method. Under the equity method, the investment in the associate is initially recognised at cost. The carrying amount of the investment is adjusted to recognise changes in the Group's share of net assets of the associate since the acquisition date. Goodwill relating to the associate is included in the carrying amount of the investment and is not amortised.

The consolidated statement of comprehensive income reflects the Group's share of the results of operations of the associate. When there has been a change recognised directly in the equity of the associate, the Group recognises its share of any changes, when applicable, in the statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and the associate are eliminated to the extent of the interest in the associate.

The financial statements of the associate are prepared for the same reporting period as the Group. When necessary, adjustments are made to bring the accounting policies in line with those of the Group.

3 BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)

3.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments in associates (continued)
After application of the equity method, the Group determines whether it is necessary to recognise an impairment loss on its investments in its associates. At each reporting date, the Group determines whether there is objective evidence that the investment in the associate is impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value, then recognises the loss as 'Share of losses of an associate' in the consolidated statement of comprehensive income. Losses of an associate in excess of the Group's interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate) are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

Where a Group entity transacts with an associate of the Group, profits and losses are eliminated to the extent of the Group's interest in the relevant associate.

Upon loss of significant influence over the associate, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

Foreign currencies
The Group's consolidated financial statements are presented in AED, which is also the parent company's functional and reporting currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

Transactions and balances
Transactions in foreign currencies are initially recorded by the Group entities at their respective functional currency spot rates at the date the transaction first qualifies for recognition. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rates of exchange at the reporting date. Differences arising on settlement or translation of monetary items are recognised in consolidated statement of comprehensive income.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of gain or loss on change in fair value of the item (i.e., translation differences on items whose fair value gain or loss is recognised in other comprehensive income or profit or loss are also recognised in other comprehensive income or profit or loss, respectively).

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition are treated as assets and liabilities of the foreign operation and translated at the spot rate of exchange at the reporting date.

Group companies
On consolidation, the assets and liabilities of foreign operations are translated into AED at the rate of exchange prevailing at the reporting date and their income statements are translated at the average exchange rates for the period, unless exchange rates fluctuated significantly during that period, in which case the exchange rates at the dates of the transactions are used. The exchange differences arising on translation for consolidation are recognised in other comprehensive income. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in consolidated statement of comprehensive income.

Revenue recognition
Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured, regardless of when the payment is being made. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding discounts, rebates, customer returns and other sales taxes or duty. The Group assesses its revenue arrangements against specific criteria in order to determine if it is acting as principal or agent. The Group has concluded that it is acting as a principal in all of its revenue arrangements. The following specific recognition criteria must also be met before revenue is recognised:

3 BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)

3.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition (continued)

Contract revenue
Where the outcome of a construction contract can be estimated reliably, revenue and costs are recognised by reference to the stage of completion of the contract activity at the end of the reporting period, which is determined based on the proportion of contract costs incurred to date to the estimated total contract costs. Variations in contract work are recognised to the extent that it is probable that they will result in revenue and such revenue can be reliably measured, while contract claims and incentive payments are included only to the extent that they have been agreed with the customer.

Where the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised only to the extent of contract costs incurred where the recoverability is probable. Contract costs are recognised in the period in which they are incurred.

When it is probable that total contract costs will exceed total contract revenue, the total expected loss is recognised immediately, as soon as foreseen, whether or not work has commenced on these contracts.

Due from customers or contract work-in-progress is stated at cost plus attributable profit, less provision for any anticipated losses and progress payments received and receivable. Where the payments received and receivable for any contract exceed the cost plus attributable profit or less anticipated losses, the excess is shown as due to customers or excess billings.

Sale of goods
Revenue from the sale of goods is recognised when all the following conditions are satisfied:

- The Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- The Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- The amount of revenue can be measured reliably;
- It is probable that the economic benefits associated with the transaction will flow to the entity and not to the Group; and
- The costs incurred or to be incurred and amount of revenue in respect of the transaction can be measured reliably.

Interest income
Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate ("EIR") applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

Dividend income
Dividend income from investments is recognised when the rights to receive payment have been established.

Rental income
Rental income arising from operating leases on investment properties is accounted for on a straight-line basis over the lease terms and is included in revenue due to its operating nature.

Contract costs
Contract costs comprise direct contract costs and other costs relating to the contracting activity in general and which can be allocated to contracts. In addition, contract costs include other costs that are specifically chargeable to the customer under the terms of the contracts.

Costs that cannot be related to contract activity or cannot be allocated to a contract are excluded from the costs of the construction contracts and are included in general and administrative expenses.

3 BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)

3.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income tax

Current income tax

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date in the countries where the Group operates and generates taxable income.

Current income tax relating to items recognised directly in equity is recognised in equity and not in the consolidated statement of comprehensive income. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred tax

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date. Deferred tax liabilities are recognised for all taxable temporary differences, except:

- When the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.
- In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised, except:

- When the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.
- In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amounts of deferred tax assets are reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date. Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority. Tax benefits acquired as part of a business combination, but not satisfying the criteria for separate recognition at that date, are recognised subsequently if new information about facts and circumstances change. The adjustment is either treated as a reduction to goodwill (as long as it does not exceed goodwill) if it was incurred during the measurement period or recognised in profit or loss.

3 BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)

3.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant and equipment
Property, plant and equipment except for land are stated at cost less accumulated depreciation and accumulated impairment losses, if any. Such cost includes the cost of replacing part of the property, plant and equipment and borrowing costs for long-term construction projects if the recognition criteria are met. When significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly. All other repair and maintenance costs are recognised in consolidated statement of comprehensive income as incurred.

Depreciation is charged so as to write off the cost or valuation of assets other than land and properties under construction, over their estimated useful lives, using the straight-line method as follows:

Leasehold land	Period of lease
Plant, machinery and office equipment	Over 3 to 15 years
Vehicles	Over 5 to 7 years
Labour camps and buildings	Over 10 to 20 years
Scaffolding, cabins and tunnel forms	Over 3 to 7 years
Furniture	Over 5 years

Labour camps built on leased plots of land are depreciated over the shorter of their estimated useful lives or the periods of the leases.

Properties under construction for production, rental or administrative purposes, or for purposes not yet determined, are carried at cost, less any recognised impairment loss. Cost includes professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably.

An item of property, plant and equipment and any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the consolidated statement of comprehensive income when the asset is derecognised. The residual values, useful lives and methods of depreciation of property, plant and equipment are reviewed at each financial year end and adjusted prospectively, if appropriate.

Investment properties
Properties held for rental or capital appreciation purposes are classified as investment properties. Investment properties are initially measured at cost, including transaction costs. Subsequent expenditure is added to the carrying value of investment properties when it is probable that future economic benefits in excess of the originally assessed standard of performance will flow to the Group. Any expenditure that results in the maintenance of property to an acceptable standard or specification is treated as repairs and maintenance expenses and is charged to the consolidated statement of comprehensive income in the period in which it is incurred.

Subsequently, investment properties are measured at cost less any accumulated depreciation and accumulated impairment losses. Depreciation is charged on a straight-line basis over the estimated useful lives of 20 years. All subsequent additions are depreciated over the remaining useful lives of investment properties. Land is not depreciated.

Investment properties are derecognised when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of investment properties are recognised in the consolidated statement of comprehensive income in the year of retirement or disposal.

3 BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)

3.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investment properties (continued)
Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property to owner occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use.

No assets held under operating lease have been classified as investment properties.

Development properties
Property acquired or being constructed for sale in the ordinary course of business, rather than to be held for rental or capital appreciation, is held as development properties and is measured at the lower of cost and net realisable value.

Cost includes:

- Freehold and leasehold rights for land;
- Amounts paid to contractors for construction;
- Borrowing costs, planning and design costs, costs of site preparation, professional fees for legal services, property transfer fee, construction overheads and other related direct costs; and
- Non refundable commissions paid to sales agents on the sale of real estate units are expensed when the revenues of such sale is recognised.

Pre-construction costs are expensed as incurred until it is virtually certain that a contract will be awarded, from which time further pre construction costs are recognised as an asset and charged as an expense over the period of the contract.

Cost incurred for development of residential project in Egypt amounts to AED 20 million (2014: AED 59.4 million). The project will be used to construct housing units to be sold in Egypt. During the year, the Group has written off certain amounts relating to development properties under construction where the scope of work has been significantly scaled down.

Intangible assets
Intangible assets acquired separately are measured on initial recognition at cost. The cost of an intangible asset acquired in a business combination is its fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. Internally generated intangible assets, excluding capitalised development costs, are not capitalised and expenditure is reflected in the consolidated statement of comprehensive income in the year in which the expenditure is incurred. The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets arising on business combinations are recognised only if all of the following conditions are met:

- The assets can be identified and are separable;
- It is probable that the asset will generate future economic benefits; and
- The fair value of the asset can be reliably measured.

Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the consolidated statement of comprehensive income in the expense category consistent with the function of the intangible asset.

Intangible assets with indefinite useful lives are not amortised, but are tested for impairment annually, either individually or at the CGU level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

3 BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)

3.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Intangible assets (continued)
Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the consolidated statement of comprehensive income when the asset is derecognised.

A summary of the policies applied to the Group's intangible assets is as follows:

Leasehold property benefits	amortised on a straight line basis over 18 – 21 years
Arabtec brand	amortised on a straight line basis over 30 years
Customer contracts	amortised on a straight line basis over 10 years
Other intangibles	amortised on a straight line basis over 5 - 10 years

Borrowing costs
Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the asset. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are expensed in the period in which they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Financial assets
Initial recognition and measurement
The Group determines the classification of its financial assets at initial recognition.

All financial assets are recognised initially at fair value plus transaction costs, except in the case of financial assets recorded at fair value through profit or loss. Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the Group commits to purchase or sell the asset.

Derecognition
A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when:
- The rights to receive cash flows from the asset have expired.
- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Current versus non-current classification
The Group presents assets and liabilities in statement of financial position based on current/non-current classification. An asset is current when it is:
- Expected to be realised or intended to sold or consumed in normal operating cycle
- Held primarily for the purpose of trading
- Expected to be realised within twelve months after the reporting period, or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period

All other assets are classified as non-current.

A liability is current when:
- It is expected to be settled in normal operating cycle
- It is held primarily for the purpose of trading
- It is due to be settled within twelve months after the reporting period, or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period

The Group classifies all other liabilities as non-current. Deferred tax assets and liabilities are classified as non-current assets and liabilities.

3 BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)

3.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Loans and receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortised cost using the effective interest rate method (EIR), less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in finance income in the income statement. The losses arising from impairment are recognised in the consolidated statement of comprehensive income.

Available-for-sale financial investments
Available-for-sale financial investments include equity investments and debt securities. Equity investments classified as available-for-sale are those that are neither classified as held for trading nor designated at fair value through profit or loss. Debt securities in this category are those that are intended to be held for an indefinite period of time and that may be sold in response to needs for liquidity or in response to changes in the market conditions.

After initial measurement, available-for-sale financial investments are subsequently measured at fair value with unrealised gains or losses recognised as other comprehensive income in the available-for-sale reserve until the investment is derecognised, at which time the cumulative gain or loss is recognised in other income, or the investment is determined to be impaired, when the cumulative loss is reclassified from the available-for-sale reserve to the consolidated statement of comprehensive income. Interest earned whilst holding available-for-sale financial investments is reported as interest income using EIR method.

The Group evaluates whether the ability and intention to sell its available-for-sale financial assets in the near term is still appropriate. When, in rare circumstances, the Group is unable to trade these financial assets due to inactive markets and management's intention to do so significantly changes in the foreseeable future, the Group may elect to reclassify these financial assets. Reclassification to loans and receivables is permitted when the financial assets meet the definition of loans and receivables and the Group has the intent and ability to hold these assets for the foreseeable future or until maturity. Reclassification to the held to maturity category is permitted only when the entity has the ability and intention to hold the financial asset accordingly.

For a financial asset reclassified from the available-for-sale category, the fair value carrying amount at the date of reclassification becomes its new amortised cost and any previous gain or loss on the asset that has been recognised in equity is amortised to profit or loss over the remaining life of the investment using the EIR. Any difference between the new amortised cost and the maturity amount is also amortised over the remaining life of the asset using the EIR. If the asset is subsequently determined to be impaired, then the amount recorded in equity is reclassified to the consolidated statement of comprehensive income.

Impairment of financial assets
The Group assesses, at each reporting date, whether there is objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if there is objective evidence of impairment as a result of one or more events that has occurred since the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Financial assets carried at amortised cost
For financial assets carried at amortised cost, the Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

3 BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)

3.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of financial assets (continued)

Financial assets carried at amortised cost (continued)

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original EIR. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current EIR.

The carrying amount of the asset is reduced through the use of an allowance account and the loss is recognised in profit or loss. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as finance income in the consolidated statement of comprehensive income. Loans and advances together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Group. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a write-off is later recovered, the recovery is credited to finance costs in the consolidated statement of comprehensive income.

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. 'Significant' is evaluated against the original cost of the investment and 'prolonged' against the period in which the fair value has been below its original cost. When there is evidence of impairment, the cumulative loss - measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognised in the consolidated statement of comprehensive income - is removed from other comprehensive income and recognised in the consolidated statement of comprehensive income. Impairment losses on equity investments are not reversed through profit or loss. Increases in their fair value after impairment are recognised directly in other comprehensive income.

In the case of debt instruments classified as available-for-sale, impairment is assessed based on the same criteria as financial assets carried at amortised cost. However, the amount recorded for impairment is the cumulative loss measured as the difference between the amortised cost and the current fair value, less any impairment loss on that investment previously recognised in the consolidated statement of comprehensive income.

Future interest income continues to be accrued based on the reduced carrying amount of the asset, using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of finance income. If, in a subsequent year, the fair value of a debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in the consolidated statement of comprehensive income, the impairment loss is reversed through the consolidated statement of comprehensive income.

Impairment of non-financial assets

The Group assesses, at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or CGUs fair value less costs to sell and its value in use. Recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

3 BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)

3.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of non-financial assets (continued)
In assessing value in use, the estimated future cash flows are 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. In determining fair value less costs to sell, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies or other available fair value indicators.

The Group bases its impairment calculation on detailed budgets and forecast calculations, which are prepared separately for each of the Group's CGUs to which the individual assets are allocated. These budgets and forecast calculations generally cover a period of one to five years. For longer periods, a long-term growth rate is calculated and applied to project future cash flows after the fifth year.

Impairment losses are recognised in the consolidated statement of comprehensive income in expense categories consistent with the function of the impaired asset.

For assets excluding goodwill, an assessment is made at each reporting date to determine whether there is an indication that previously recognised impairment losses no longer exist or have decreased. If such indication exists, the Group estimates the asset's or CGU's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the consolidated statement of comprehensive income unless the asset is carried at a revalued amount, in which case, the reversal is treated as a revaluation increase. The following assets have specific characteristics for impairment testing:

Goodwill
Goodwill is tested for impairment annually as at 31 December and when circumstances indicate that the carrying value may be impaired. Impairment is determined for goodwill by assessing the recoverable amount of each CGU (or group of CGUs) to which the goodwill relates. When the recoverable amount of the CGU is less than its carrying amount, an impairment loss is recognised. Impairment losses relating to goodwill cannot be reversed in future periods.

Intangible assets
Intangible assets with indefinite useful lives are tested for impairment annually as at 31 December either individually or at the CGU level, as appropriate, and when circumstances indicate that the carrying value may be impaired.

Cash and cash equivalents
For the purpose of the consolidated statement of cash flows, cash and cash equivalents consist of cash in hand, bank balances, and short-term deposits with an original maturity of three months or less, net of outstanding bank overdrafts.

Trade and other receivables
Contract and trade receivables are stated at original invoice amount less a provision for any uncollectible amounts. An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written off when there is no possibility of recovery.

Where payment plans exceed one year from the financial position date, these are reclassified as non-current and are measured at amortised cost.

Inventories
Inventories are stated at the lower of cost and net realisable value. Cost comprises direct materials and, where applicable, those costs that have been incurred in bringing the inventories to their present location and condition.

Raw materials, consumables and trading goods	-	purchase cost on a weighted average basis.
Manufacturing work-in-progress and finished goods	-	costs of direct materials and labour plus attributable overheads based on a normal level of activity.

Net realisable value represents the estimated selling price less all estimated costs of completion and costs necessary to make the sale.

3 BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)

3.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Due from/to related parties
Amounts due from/to related parties are stated at their amortised cost.

Financial liabilities
Financial liabilities within the scope of IAS 39 are classified as financial liabilities at fair value through profit or loss or loans and borrowings, as appropriate. The Group determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings, net of directly attributable transaction costs.

The Group's financial liabilities include trade and other payables and bank borrowings.

Derecognition- financial liabilities
A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the consolidated statement of comprehensive income.

Trade and other payables and accruals
Liabilities are recognised for amounts to be paid in the future for goods or services received, whether billed by the supplier or not.

Bank borrowings
Interest bearing bank loans and overdrafts are recorded at the proceeds received, net of direct issue costs. Finance charges are accounted on accrual basis and are added to the carrying amount of the instrument to the extent that they are not settled in the year in which they arise.

Provisions
Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event and it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Leases
The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at the inception date. The arrangement is assessed for whether fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset or assets, even if that right is not explicitly specified in an arrangement. Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Group as a lessee
Finance leases that transfer substantially all the risks and benefits incidental to ownership of the leased item to the Group, are capitalised at the commencement of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised in finance costs in the consolidated statement of comprehensive income.

3 BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)

3.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Leases (continued)

Group as a lessee (continued)
A leased asset is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.
Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

Group as a lessor
Leases in which the Group does not transfer substantially all the risks and benefits of ownership of an asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

Employees' end of service indemnity
In accordance with labour laws prevailing in the countries in which Group and its subsidiaries operate, the Group provides end of service benefits to its employees. The entitlement to these benefits is usually based upon the employees' salary and length of service, subject to the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment.

The Group provides for a number of post employment defined benefit plans under several jurisdictions in which the Group operates. These benefits are un-funded. The cost of providing benefits under the defined benefit plans is determined separately for each plan using the projected unit credit method. Actuarial gains and losses for the defined benefit plans are recognised in full in the period in which they occur in other comprehensive income. The past service costs are recognised as an expense in the consolidated statement of comprehensive income, on a straight line basis over the average period until the benefits become vested. The interest cost component is expensed to the statement of comprehensive income.

The defined benefit liability comprises the present value of the defined benefit obligations using a discount rate based on market yield rates. The Group has not allocated any assets to such plans.

Payments made to Social Security Institutions in connection with government pension plans in various countries where the Group operates are dealt with as payments to defined contribution plans, where the Group's obligations under the plans are equivalent to those arising in a defined contribution retirement benefit plan. The Group pays contributions to the social security institutions on a mandatory basis. The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as an employee benefit expense in the period to which the employees' service relates.

Offsetting
Financial assets and financial liabilities are only offset and the net amount reported in the consolidated statement of financial position when there is a legally enforceable right to offset the recognised amounts and the Group intends to settle on a net basis.

Contingencies
Contingent liabilities are not recognised in the consolidated financial statements. They are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. Liabilities which are probable are recorded in the consolidated financial statement under accounts payable and accruals. A contingent asset is not recognised in the financial statements but disclosed when an inflow of economic benefits is probable.

3 BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)

3.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair value of financial instruments

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible to by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities;
- Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Management determines the policies and procedures for both recurring fair value measurement and for non-recurring measurement, such as assets held for sale. External valuers are involved for valuation of significant assets, such as investment properties. Selection criteria for valuers include market knowledge, reputation, independence and whether professional standards are maintained. Management decides which valuation techniques and inputs to use for each case.

Management, in conjunction with the Group's external valuers, also compares the changes in the fair value of each asset and liability with relevant external sources to determine whether the change is reasonable.

For investments quoted in an active market, fair value is determined by reference to quoted market prices. Bid prices are used for assets and ask prices are used for liabilities.

The estimated fair value of deposits with no stated maturity, which includes non-interest bearing deposits, is the amount payable on demand.

The fair value of unquoted investments is determined by reference to discounted cash flows, pricing models, net asset base of investee companies or broker over-the-counter quotes.

An analysis of fair value of financial instruments and further details as to how they are measured are provided in Note 38.

3 BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)

3.5 USE OF ESTIMATES AND JUDGMENTS

The preparation of the Group's consolidated financial statements requires management to make judgments, estimates and assumptions that may affect the reported amount of financial assets and liabilities, revenues, expenses, disclosure of contingent liabilities and the resultant provisions and fair values. Such estimates are necessarily based on assumptions about several factors and actual results may differ from reported amounts.

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 judgments in applying accounting policies (that have the most significant effect on the amount recognises in the financial statements) are as follows:

Judgments

Joint operations

The Group reports its interests in jointly controlled entities as joint operations which management considers appropriately recognises the substance of the business arrangements.

Operating lease commitments - Group as lessor

The Group has entered into commercial property leases on its investment property portfolio. The Group has determined, based on an evaluation of the terms and conditions of the arrangements, such as the lease term not constituting a substantial portion of the economic life of the commercial property, that it retains all the significant risks and rewards of ownership of these properties and accounts for the contracts as operating leases.

Contract disputes

Note 30 describes contractual disputes that are currently in progress with certain customers of the Group. The encashment of the Performance Security and Advance Payment Guarantee (the "Securities") by Meydan, and the claims presented required the directors to consider whether it was appropriate to recognise the amount of the encashed securities as expenses or, alternatively, as amounts receivable from the customer pending resolution of the dispute. In case of others, regarding disputed receivables, the Directors considered whether it was appropriate to recognise the amount as expenses or, alternatively, continue the amounts as receivables pending resolution of the dispute.

In making these judgments, management considered the criteria in The Framework for the Preparation and Presentation of Financial Statements in conjunction with IAS 37 Provisions, Contingent Liabilities and Contingent Assets in determining whether the amounts paid can be recognised as an asset of the Group. In particular, consideration was given to whether it is probable that recognition of the asset will result in future economic benefits flowing to the Group. In view of management's judgment that the contract termination and call on the securities and non-payment of receivables were not justified, and, in the light of continuing legal opinion, management continues to consider that the outcome of the negotiations will be favourable to the Group and continues to recognise the amount as receivables and not as an expense.

Management has continued to obtain legal advices relating to the above and, based on these advices, considers that the Group continues to have a strong case against Meydan and others which will ultimately result in the full recovery, of all related amounts included in receivables in these consolidated financial statements.

Classification of Investment properties

The Group determines whether a property is classified as an investment property or property, plant and equipment. Investment properties comprises land and buildings which are not occupied substantially for use by, or in the operations of, the Group, nor for sale in the ordinary course of business, but are held primarily to earn rental income and capital appreciation or where the intention of the Group is not yet clear.

Property, plant and equipment comprise property, land and buildings which are occupied substantially for use by, or in the operations of the Group.

Impairment of available-for-sale financial asset

The Group follows the guidance of IAS 39 to determine when an available-for-sale financial asset is impaired. This determination requires significant judgment. In making this judgment, the Group evaluates, among other factors, the duration and extent to which the fair value of an investment is less than its cost; and the financial health of and near-term business outlook for the investee, including factors such as industry and sector performance, changes in technology and operational and financing cash flow.

3 BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)

3.5 USE OF ESTIMATES AND JUDGMENTS (continued)

Estimates and assumptions
The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

Percentage-of-completion and cost to complete estimates of construction contracts
The Group uses the percentage-of-completion method in accounting for its construction contracts. At each reporting date, the Group is required to estimate stage of completion and costs to complete on its construction contracts. These estimates require the Group to make estimates of future costs to be incurred, based on work to be performed beyond the reporting date. These estimates also include the cost of potential claims by subcontractors and the cost of meeting other contractual obligations to the customers. Effects of any revision to these estimates are reflected in the year in which the estimates are revised. When it is probable that total contract costs will exceed total contract revenue, the total expected loss is recognised immediately, as soon as foreseen, whether or not work has commenced on these contracts. The Group uses its commercial teams together with project managers to estimate the costs to complete of construction contracts. Factors such as delays in expected completion date, changes in the scope of work, changes in material prices, increase in labour and other costs are included in the construction cost estimates based on best estimates updated on a regular basis.

Contract variations
Contract variations are recognised as revenues only to the extent that it is probable that they will result in revenue which can be reliably measured. This requires the exercise of estimating the value of variations based on management's prior experience, application of contract terms and the relationship with the customers.

Contract claims
Contract claims are recognised as revenue only when management believes that an advanced stage of negotiation has been reached and the revenue can be estimated with reasonable certainty. The amount of claim recognised as part of the revenue for the year is AED 343 million (2014: AED 244 million). Management reviews the judgement related to these contract claims periodically and adjustments are made in the future periods, if assessments indicate that such adjustments are appropriate. As a result of the above, adjustments to revenues were made during the year, including recognition of expected future losses arising on onerous contracts.

Estimation of net realisable value for development properties
Properties classified as development properties are stated at the lower of cost and net realisable value (NRV). NRV is assessed with reference to market conditions and prices for similar properties existing at the end of the reporting period, off-plan sales prices, costs of completion etc at the end of the reporting period. During the year, the Group has written off AED 39.4 million (2014: nil) relating to the development properties under construction where the scope of work has been significantly scaled down.

Impairment of accounts receivable
An estimate of the collectible amount of contract and trade receivables is made when collection of the full amount is no longer probable. For individually significant amounts, this estimation is performed on an individual basis. Amounts which are not individually significant, but which are past due, are assessed collectively and a provision applied according to the length of time past due, based on historical recovery rates.

Provision for doubtful debts is determined using a combination of factors, including the overall quality and ageing of receivables, continuing credit evaluation of the customers' financial strength and collateral requirements from customers in certain circumstances. Management makes provision for doubtful debts based on its best estimates at the end of the reporting period.

At the end of the reporting period the Group has significant receivables from entities operating in the real estate sector. Management has carefully considered these receivables in light of current economic circumstances and the status of negotiations with customers, signed and draft memoranda of understanding, agreed payment plans, together with potential offsetting arrangements with advances received from customers and amounts due to subcontractors in order to determine provision for the potential impairment losses which may occur on finalising collection of contract receivables, amounts due from customers for contract work and retentions receivable.

3 BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)

3.5 USE OF ESTIMATES AND JUDGMENTS (continued)

Estimates and assumptions (continued)

Impairment of accounts receivable (continued)
At the reporting date, gross trade, contract and other receivables were AED 2,093,022 thousand (2014: AED 1,931,758 thousand), and the provision for doubtful debts was AED 113,706 thousand (2014: AED 24,903 thousand). Any difference between the amounts actually collected in a future period and the amounts expected, will be recognised in the consolidated statement of comprehensive income in that period.

Impairment of inventories
Inventories are held at the lower of cost and net realisable value. When inventories become old or obsolete, an estimate is made of their net realisable value. For individually significant amounts this estimation is performed on an individual basis. Amounts which are not individually significant, but which are old or obsolete, are assessed collectively and a provision applied according to the inventory type and the degree of ageing or obsolescence, based on historical selling prices. Factors influencing these adjustments include changes in demand, technological changes, physical deterioration and quality issues.

At the reporting date, gross inventories were AED 202,498 thousand (2014: AED 214,447 thousand), with provisions for old and obsolete inventories of AED 32,510 thousand (2014: AED 17,264 thousand). Any difference between the amounts actually realised in a future period and the amounts expected, will be recognised in the consolidated statement of comprehensive income in that period.

Useful lives of property, plant and equipment
The Group's management determines the estimated useful lives of its property, plant and equipment for calculating depreciation. This estimate is determined after considering the expected usage of the asset or physical wear and tear. Management reviews the residual value and useful lives annually and future depreciation charge would be adjusted where the management believes the useful lives differ from previous estimates.

Management has not considered any residual value as it is deemed immaterial. During the year management performed assessments of both the fair value and value in use of property, plant and equipment and determined that no impairment losses arose.

Useful lives of investment properties
The Group's management determines the estimated useful lives of its investment properties for calculating depreciation. This estimate is determined after considering the expected usage of the asset or physical wear and tear. Management reviews the residual value and useful lives annually and future depreciation charge would be adjusted where the management believes the useful lives differ from previous estimates.

Management has not considered any residual value as it is deemed immaterial. During the year management performed assessments of both the fair value and value in use of investment properties and determined that no impairment losses arose.

Non-current retentions and contract receivables
Non-current retentions receivable and contract receivables and payables are restated at their amortised cost at each reporting period by discounting at the Group's effective deposit and borrowing rates, as appropriate, which management considers being the appropriate discount rates for these assets and liabilities.

Fair value of other financial instruments
When the fair value of financial assets and financial liabilities recorded in the statement of financial position cannot be derived from active markets, their fair value is determined using valuation techniques including the discounted cash flow model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgment and estimation is required in establishing fair values. The judgments include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

3 BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)

3.5 USE OF ESTIMATES AND JUDGMENTS (continued)

Estimates and assumptions (continued)

Impairment of non-financial assets
The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the CGU to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from each CGU and also to choose a suitable discount rate in order to calculate the present value of those cash flows.

The value in use calculation is based on a discounted cash flow model. The cash flows are derived from the budget for the next five years, and do not include significant future investments that will enhance the asset's performance of the CGU being tested. The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash-inflows and the growth rate used for extrapolation purposes.

Impairment of intangible assets
If there is an indication that an intangible asset may be impaired, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of the estimated future economic benefits expected to be derived from the asset.

During the year, management reconsidered the recoverability of the intangible assets arising from the Group's business combinations and recorded impairments where required. Management is confident that the remaining carrying amount of the assets will be recovered in full, over the defined amortisation periods. This situation will be closely monitored, and adjustments made in future periods, if future assessments indicate that such adjustments are appropriate.

Taxation
The Group is subject to tax in a number of jurisdictions and judgment is required in determining the provision for income taxes. The Group provides for future liabilities in respect of uncertain tax positions where additional tax may become payable in future periods, and such provisions are based upon management's assessment of exposures.

Uncertainties exist with respect to the interpretation of complex tax regulations, changes in tax laws, and the amount and timing of future taxable income. Given the wide range of international business relationships and the long-term nature and complexity of existing contractual agreements, differences arising between the actual results and the assumptions made, or future changes to such assumptions, could necessitate future adjustments to tax income and expense already recorded. The Group establishes provisions, based on reasonable estimates, for possible consequences of audits by the tax authorities of the respective countries in which it operates. The amount of such provisions is based on various factors, such as experience of previous tax audits and differing interpretations of tax regulations by the taxable entity and the responsible tax authority. Such differences of interpretation may arise on a wide variety of issues, depending on the conditions prevailing in the respective Group company's domicile. As the Group assesses the probability of litigation and subsequent cash outflow with respect to taxes as remote, no contingent liability has been recognised.

Employees' end of service indemnity
The cost of the end of service benefits and the present value of these benefits obligation are determined using actuarial valuations. An actuarial valuation involves making various assumptions that may differ from actual developments in the future. These include the determination of the discount rate and future salary increases. Due to the complexities involved in the valuation and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date. Further details about the assumptions used and sensitivity analysis are given in Note 26.

Estimation of net realisable value for discontinued operations
As required by IFRS 5, assets held for sale shall be measured at the lower of their net carrying amount and fair value less costs to sell. Net realisable value is assessed by management based on market conditions and adjustments in revenue to reflect changes in estimates. Management concluded that disposal group is carried at lower of net carrying amount and fair value less costs to sell.

4 BASIC AND DILUTED EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the loss for the year attributable to the shareholders of the Parent company of AED 2,347 million (2014: Profit for the year of AED 215 million) by the weighted average number of shares outstanding during the period of 4,615,065 thousand (2014: 4,395,300 thousand).

The basic and diluted earnings per share of AED 0.05 as reported for the year ended 31 December 2014 (previously reported as AED 0.05 for the year ended 31 December 2014) has been adjusted for the effect of the shares issued in 2015 as a result of the bonus share dividends approved by shareholders as per Note 34. The Company has not issued any instruments during 2015 which would have a dilutive impact on earnings per share.

	2015	*2014*
Basic and diluted earnings per share (AED)	**(0.51)**	0.05

5 REVENUES

Revenues comprise the following:

	2015 AED'000	*2014 AED'000*
Contract revenue	**6,864,661**	7,987,187
Sale of ready mix concrete / precast	**148,274**	59,636
Drainage division revenue	**87,216**	160,082
Sale and hire of equipment	**56,481**	37,938
Plant division revenue	**18,221**	25,978
Other revenues	**82,735**	22,210
	7,257,588	8,293,031
Attributable to continuing operations	**7,257,588**	8,293,031
Attributable to discontinued operations (Note 40)	**358,652**	1,489,476
	7,616,240	9,782,507

6 DIRECT COSTS

Direct costs comprise the following:

	2015 AED'000	*2014 AED'000*
Contract costs	**8,246,205**	7,076,989
Cost of sales of ready mix concrete / precast	**126,239**	61,628
Drainage division costs	**83,559**	148,715
Cost of sales and hire of equipment	**51,466**	29,997
Plant division costs	**22,513**	36,444
Other costs	**103,511**	20,699
	8,633,493	7,374,472

6 DIRECT COSTS (continued)

	2015 AED'000	2014 AED'000
Attributable to continuing operations	**8,633,493**	7,374,472
Attributable to discontinued operations (Note 40)	**840,782**	1,314,913
	9,474,275	8,689,385

7 OTHER INCOME

	2015 AED'000	2014 AED'000
Gain on sale of property, plant and equipment	**11,125**	7,245
Scrap sales	**1,509**	3,964
Rental income	**4,052**	5,029
Gain on disposal of a subsidiary	**-**	835
Write back of liabilities	**5,234**	-
Others	**9,318**	1,062
	31,238	18,135

8 INVESTMENT INCOME

	2015 AED'000	2014 AED'000
Interest income	**956**	4,458
Profit on sale of securities	**-**	2,362
Dividend income	**162**	265
	1,118	7,085

9 GENERAL AND ADMINISTRATIVE EXPENSES

	2015 AED'000	2014 AED'000
Employees' salaries and other benefits	**311,619**	363,683
IT, communication and utilities	**54,529**	13,224
Sponsorship expenses	**45,373**	58,019
Office rent – operating leases	**34,770**	85,739
Depreciation (apportioned)	**30,703**	23,183
Consultancy fees	**29,575**	11,826
Travelling expenses	**13,967**	27,052
Selling expenses	**11,177**	47,900
Tender expenses	**10,395**	23,785
Amortisation of intangible assets (Note 13)	**5,773**	5,773
Legal expenses	**4,319**	3,119
Charitable donations	**-**	9,125
Loss on disposal of investment properties	**9,502**	-
Other general and administrative expenses	**64,653**	70,011
	626,355	742,439

9 GENERAL AND ADMINISTRATIVE EXPENSES (continued)

	2015 AED'000	*2014 AED'000*
Attributable to continuing operations	**626,355**	742,439
Attributable to discontinued operations (Note 40)	**39,181**	52,613
	665,536	795,052

9.1 IMPAIRMENT LOSSES

	2015 AED'000	*2014 AED'000*
Provision for doubtful debts (Note 16)	**89,759**	3,167
Impairment loss on amounts due from customers for contract work (Note 16)	**39,209**	-
Impairment loss on development properties	**39,464**	-
Impairment loss on properties under construction (Note 12)	**37,307**	-
Impairment losses on slow-moving inventories (Note 18)	**15,246**	4,342
Impairment loss on other intangible assets (Note 13)	**7,153**	-
Impairment loss on investment in an associate (Note 14)	**3,311**	-
	231,449	7,509
Attributable to continuing operations	**231,449**	7,509
Attributable to discontinued operations (Note 40)	**7,072**	-
	238,521	7,509

10 NET INTEREST EXPENSE ON NON-CURRENT RECEIVABLES AND PAYABLES

	2015 AED'000	*2014 AED'000*
Interest income on non-current trade receivables	**1,240**	2,415
Interest expense on non-current retentions receivable	**(9,637)**	(10,724)
Interest income / (expense) on non-current retentions payable	**346**	(43)
	(8,051)	(8,352)

10 NET INTEREST EXPENSE ON NON-CURRENT RECEIVABLES AND PAYABLES (continued)

Interest (expense) / income relates to the Group agreeing on long-term payment plans for certain trade receivables and payables, in addition to retentions which are due after completion of a minimum service period of completed contracts. On date of inception, the discount amount is recognised as interest income or expense. Payments are estimated to be received or paid over the long term which results in interest expense or income recognised on amortisation until maturity. The risk of recovery for receivables was provided for under the provision for doubtful debts.

11 INVESTMENT PROPERTIES

	2015 AED'000	*2014 AED'000*
Cost		
At 1 January	**751,430**	624,765
Additions during the year	**11,829**	126,665
Disposals during the year	**(124,452)**	-
At 31 December	**638,807**	751,430
Accumulated depreciation		
At 1 January	**(9,649)**	(5,659)
Charge for the year	**(11,023)**	(3,990)
Relating to disposal	**13,462**	-
At 31 December	**(7,210)**	(9,649)
Net book value	**631,597**	741,781

The Group's investment properties consist of the following:

- Land in Dubai, UAE including development costs already incurred amounting to AED 560.5 million (2014: AED 548.6 million). The land will be used to construct a mixed used development and has been designated as an investment property. The fair value of land as at 23 December 2015 is AED 400 million (2014: AED 450 million). Based on a detailed impairment review of the land performed by management, the recoverable amount after development of the property exceeds its carrying value including development cost already incurred. Accordingly, no impairment provision as at 31 December 2015 (2014: nil) is required.
- Villas in Abu Dhabi, UAE with a carrying value of AED 45.5 million (2014: AED 79.6 million), the fair value of these investment properties based on market prices approximates AED 46.9 million at 31 December 2015 (2014: AED 79.6 million). The villas are designated for rental activities and accordingly, classified as investment properties.
- Land in Al Ain, UAE amounting to AED 25.6 million (2014: AED 25.6 million). Management has classified this land as investment property and is currently held for appreciation in the value. The fair value of the land is not expected to be materially different from the carrying value as at 31 December 2015.
- Certain villas in Abu Dhabi and a land and building in Dubai with a net book value of AED 111 million were disposed during the year.

Land classified as investment properties are not depreciated.

During the year, the rental income related to investment properties amounted to AED 3,226 thousand (2014: AED 5,453 thousand) and direct cost recognised in consolidated statement of comprehensive income amounting to AED 13,138 thousand (2014: AED 5,594 thousand).

The fair values of the properties were determined by a qualified and independent property consultant. 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 (level 3).

12 PROPERTY, PLANT AND EQUIPMENT

	Land AED'000	*Leasehold land AED'000*	*Plant machinery and office equipment AED'000*	*Vehicles AED'000*	*Labour camps buildings AED'000*	*Furniture AED'000*	*Scaffolding cabins and tunnel forms AED'000*	*Properties under construction AED'000*	*Total AED'000*
Cost:									
At 1 January 2015	48,031	6,218	1,217,850	194,436	447,157	112,695	178,399	146,699	2,351,485
Additions	-	-	67,869	36,424	30,404	25,166	39,675	13,750	213,288
Impairment	-	-	-	-	-	-	-	(37,307)	(37,307)
Disposals	-	-	(65,847)	(10,444)	(174)	(2,884)	(25,827)	(7,172)	(112,348)
Net movement related to assets classified as held for disposal	-	-	9,692	9,278	(576)	(300)	17,561	-	35,655
At 31 December 2015	**48,031**	**6,218**	**1,229,564**	**229,694**	**476,811**	**134,677**	**209,808**	**115,970**	**2,450,773**
Accumulated depreciation:									
At 1 January 2015	-	1,609	789,296	160,483	244,882	79,466	140,131	-	1,415,867
Charge for the year	-	118	136,438	29,595	40,391	16,352	52,895	-	275,789
Relating to disposals	-	-	(55,777)	(8,241)	(174)	(2,341)	(6,998)	-	(73,531)
Net movement related to assets classified as held for disposal	-	-	(25,935)	(6,147)	(6,570)	(1,988)	(3,422)	-	(44,062)
At 31 December 2015	-	**1,727**	**844,022**	**175,690**	**278,529**	**91,489**	**182,606**	-	**1,574,063**
Net carrying value At 31 December 2015	**48,031**	**4,491**	**385,542**	**54,004**	**198,282**	**43,188**	**27,202**	**115,970**	**876,710**

Net movement during the year related to assets of disposal group classified as held for sale includes additions of AED 4,909 thousand, disposals with a net carrying value of AED 13,615 thousand and depreciation expense of AED 71,011 thousand.

12 PROPERTY, PLANT AND EQUIPMENT (continued)

	Land AED'000	*Leasehold land AED'000*	*Plant machinery and office equipment AED'000*	*Vehicles AED'000*	*Labour camps buildings AED'000*	*Furniture AED'000*	*Scaffolding cabins and tunnel forms AED'000*	*Properties under construction AED'000*	*Total AED'000*
Cost:									
At 1 January 2014	53,001	6,512	1,233,723	269,067	493,421	107,810	249,914	157,217	2,570,665
Additions	-	-	246,040	29,687	5,836	21,558	24,627	9,756	337,504
Transfers	-	-	-	-	19,694	-	-	(19,694)	-
Reclassification	(4,970)	(294)	-	-	5,264	-	-	-	-
Disposals	-	-	(40,763)	(34,730)	(2,684)	(1,995)	(5,567)	(580)	(86,319)
Transfer to assets classified as held for disposal (Note 40)	-	-	(221,150)	(69,588)	(74,374)	(14,678)	(90,575)	-	(470,365)
At 31 December 2014	48,031	6,218	1,217,850	194,436	447,157	112,695	178,399	146,699	2,351,485
Accumulated depreciation:									
At 1 January 2014	-	1,526	745,062	192,197	235,740	76,867	160,240	-	1,411,632
Charge for the year	-	83	152,316	29,612	46,042	14,671	36,861	-	279,585
Relating to disposals	-	-	(27,363)	(15,430)	(7,124)	(744)	(2,915)	-	(53,576)
Transfer to assets classified as held for disposal (Note 40)	-	-	(80,719)	(45,896)	(29,776)	(11,328)	(54,055)	-	(221,774)
At 31 December 2014	-	1,609	789,296	160,483	244,882	79,466	140,131	-	1,415,867
Net carrying value									
At 31 December 2014	48,031	4,609	428,554	33,953	202,275	33,229	38,268	146,699	935,618

During 2014, labour camps and building amounting to AED 5,264 thousand were reclassified from land and lease hold land to the labour camps building. The transfer was made to correct the classification of information presented in prior years.

The depreciation charge has been allocated in the consolidated statement of comprehensive income to direct costs and general and administrative expenses.

13 OTHER INTANGIBLE ASSETS

31 December 2015	*Leasehold property benefits AED'000*	*Arabtec brand AED'000*	*Customer contracts AED'000*	*Other intangibles AED'000*	*Total AED'000*
Cost:					
At 1 January 2015	**5,700**	**110,000**	**195,056**	**16,119**	**326,875**
Additions	**-**	**-**	**-**	**33**	**33**
Impairment	**-**	**-**	**-**	**(7,153)**	**(7,153)**
At 31 December 2015	**5,700**	**110,000**	**195,056**	**8,999**	**319,755**
Accumulated amortisation:					
At 1 January 2015	**5,700**	**90,000**	**183,756**	**7,198**	**286,654**
Charge for the year	**-**	**1,000**	**3,874**	**899**	**5,773**
At 31 December 2015	**5,700**	**91,000**	**187,630**	**8,097**	**292,427**
Net carrying value as at 31 December 2015	**-**	**19,000**	**7,426**	**902**	**27,328**

31 December 2014	*AED'000*	*AED'000*	*AED'000*	*AED'000*	*AED'000*
Cost:					
At 1 January 2014	5,700	110,000	195,056	10,445	321,201
Additions	-	-	-	5,674	5,674
At 31 December 2014	5,700	110,000	195,056	16,119	326,875
Accumulated amortisation:					
At 1 January 2014	5,700	89,000	179,882	6,299	280,881
Charge for the year	-	1,000	3,874	899	5,773
At 31 December 2014	5,700	90,000	183,756	7,198	286,654
Net carrying value as at 31 December 2014	-	20,000	11,300	8,921	40,221

13 OTHER INTANGIBLE ASSETS (continued)

The intangible assets included above, arising on business combinations relating to Arabtec brand, have finite useful lives, over which the assets are amortised.

Amortisation of the leasehold property benefits is based on the underlying leases which have periods of between 18 to 21 years.

The value of customer contracts acquired as a result of the acquisition of Target Engineering Construction Company LLC are amortised over the estimated useful life of 10 years.

Other intangibles are amortised over the estimated useful lives of 5 to 10 years and represent software licence and technological expertise. T he technological expertise, trade name and the special historic and beneficial working relationship between the companies, that together form a set of complementary assets described as 'technological expertise' and which has been valued based on the price and quality differential for electro-mechanical services available to the Group.

The Group has tested its intangible assets for impairment through an external independent expert. Management has concurred to the expert's conclusion that these intangible assets suffered no impairment except write off of certain software amounting to AED 7 million (2014: nil). The valuation technique used is level 3, management believes that no reasonable changes in assumptions used will result in any risk of impairment.

14 INVESTMENTS IN ASSOCIATES

	2015 AED'000	*2014 AED'000*
DEPA Limited	**216,589**	227,462
Jordan Wood Industries PSC	**5,871**	10,472
Polypod Middle East LLC	**-**	-
	222,460	237,934

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 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.

Summarised financial information of DEPA as of 31 December 2015 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 recognised the Group's share of loss in this associate amounted to AED 10,873 thousand (31 December 2014: AED 31,857 thousand) using the previously published financial statements as of 30 June 2016 and financial highlights as of 30 September 2015. This also includes a loss of AED 9.16 million recognized during the year to adjust the share of profits recognized as of 31 December 2014 using the analysts' projections.

The fair market value of the investment in DEPA as of 31 December 2015, based on listed bid prices, was approximately AED 233 million (31 December 2014: AED 286 million) which is higher than its carrying value as at 31 December 2015.

14 INVESTMENTS IN ASSOCIATES (continued)

DEPA Limited (continued)
The following table illustrates the summarised financial information of the Group's investment in Depa limited:

	30 June 2015 AED'000	*31 December 2014 AED'000*
Current assets	**1,803,442**	1,997,427
Non-current assets	**951,988**	984,041
Current liabilities	**1,125,124**	1,323,107
Non-current liabilities	**141,183**	168,819

	30 June 2015 AED'000	*Year ended 2014 AED'000*
Revenue	**841,431**	1,940,249
Profit for the period / year	**17,600**	49,123
Group's share of loss for the year	**(10,873)**	(31,857)

Summarised financial information of DEPA as of 31 December 2015 is not available; the above information represents the results of the associate as at 30 June 2015 and 31 December 2014.

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 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 as at 30 September 2015 is AED 913 thousand (2014: AED 653 thousand). During 2015, an impairment loss of AED 3,311 thousand (2014: Nil) is recorded. Dividend received amounted to AED 377 thousand for the year ended 31 December 2015 (2014: Nil).

The fair market value of the investment in JWICO as of 31 December 2015, based on listed bid prices, was approximately AED 5.9 million (31 December 2014: AED 6.1 million). Based on the carrying value of JWICO and the estimates of future profits, management is of the opinion that no further impairment is required for investment in this associate.

The following table illustrates the summarised financial information of the Group's investment in JWICO:

	30 September 2015 AED'000	*31 December 2014 AED'000*
Current assets	**38,372**	37,670
Non-current assets	**39,674**	42,198
Current liabilities	**26,817**	20,540

	30 September 2015 AED'000	*Year ended 2014 AED'000*
Revenue	**38,274**	58,128
(Loss) / Profit for the period / year	**(5,459)**	474
Group share of loss for the year	**(913)**	(653)

14 INVESTMENTS IN ASSOCIATES (continued)

Jordan Wood Industries PSC (continued)
Summarised financial information of JWICO as of 31 December 2015 is not available as JWICO has not declared its results at the date of approval of these consolidated financial statements. Accordingly, the above information represents the results of the associate as at 30 September 2015 and 31 December 2014.

Polypod Middle East LLC
On 6 May 2009, Polypod Middle East LLC ("Polypod"), Abu Dhabi was incorporated and the Group holds 40% interest in the Company at a 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 25,738 thousand (2014: AED 29,057 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. The investment is classified as held for sale as part of assets of the disposal group.

15 GOODWILL

Goodwill arising on acquisition of:

	2015 AED'000	*2014 AED'000*
a) Arabtec Construction LLC	**87,963**	87,963
b) Emirates Falcon Electro Mechanical Co. (LLC)	**9,086**	9,086
c) Target Engineering Construction Company LLC	**134,945**	134,945
d) Gulf Steel Industries FZC	**14,842**	14,842
e) Idrotec Srl	**1,905**	1,905
f) Powercon Switchgears Factory	**1,786**	1,786
	250,527	250,527
Less: provision for impairment in goodwill	**(1,786)**	(1,786)
	248,741	248,741

Goodwill acquired in a business combination is allocated, on acquisition, to the CGUs that are expected to benefit from the business combination.

Management has allocated goodwill as follows, for management reporting purposes:

	2015 AED'000	*2014 AED'000*
Construction	**102,805**	102,805
Mechanical, electrical and plumbing (MEP)	**9,181**	9,181
Oil, gas and infrastructure	**136,755**	136,755
	248,741	248,741

Management has carried out an impairment test of goodwill at the year-end and has concluded that no impairment exists as of 31 December 2015. For this purpose, the recoverable amount of each CGU has been estimated by an independent expert, and is based on a value-in-use calculation using cash flow projections approved by senior management and covering a five-year period. Cash flows beyond the five year period are extrapolated using a growth rate, which management believes approximates the long-term average growth rate for the industries in which the CGU's operate.

Management concurred to the expert's calculation of the value in use of goodwill at 31 December 2015 and concluded that no impairment loss exists for the financial year ended 31 December 2015 (31 December 2014: Nil).

15 GOODWILL (continued)

Key assumptions used for calculation of value-in-use

The calculation of value in use is sensitive to the following assumptions:

- Growth rate
- Profit margins, and
- Discount rate

Growth rate: Estimates are based on forecasted growth rates in the industry and historical performance of each CGU. An average growth rate of 24% per annum (2014: 16% per annum) has been applied.

A reduction of 10% in growth rates would result in a reduction of AED 470,591 thousand (2014 AED: 644,401 thousand) of the value-in-use for all CGU, but will not impact the recoverable amount or goodwill of the CGU.

Profit margins: Estimates are based on assumption of achieving a stabilised level of performance based on the contracts in hand and expected orders. The effect of changes in economic conditions and the level of activity in the construction industry would impact the profit margins.

Discount rate: average discount rates used throughout the assessment period was 15 % per annum (2014: 18% per annum), reflecting the CGU's estimated weighted average cost of capital and specific market risk profile and cost of debt. Segment-specific risk is incorporated by applying individual beta factors. The beta factors are evaluated annually based on publicly available marked data.

Sensitivity to changes in assumptions
With regard to the assessment of value-in-use, management believes that no reasonably possible change in any of the above key assumptions (growth rate, profit margin and discount rate) would cause the carrying value of the CGU, including goodwill, to materially exceed its recoverable amount.

16 TRADE AND OTHER RECEIVABLES

Contract receivables represent amounts due from customers for construction work rendered by the Group and certified by the customers' consultants.

Retentions receivable represent amounts withheld by the customers in accordance with contract terms and conditions. These amounts are to be released upon fulfilment of contractual obligations.

	Current		*Non-current*	
	2015 AED'000	*2014 AED'000*	***2015 AED'000***	*2014 AED'000*
Trade receivables	**62,923**	63,851	**-**	2,425
Contract receivables	**2,010,611**	1,832,238	**19,488**	33,244
Amounts due from customers for contract work (Note 29)	**2,721,654**	3,364,680	**-**	-
	4,795,188	5,260,769	**19,488**	35,669
Provision for doubtful debts	**(111,970)**	(23,167)	**(1,736)**	(1,736)
	4,683,218	5,237,602	**17,752**	33,933
Retentions receivable	**569,421**	531,900	**506,946**	353,845
Advances paid to suppliers and sub-contractors	**738,065**	868,489	**370,000**	-
Contract work in progress	**5,033**	12,931	**-**	-
Total	**5,995,737**	6,650,922	**894,698**	387,778

16 TRADE AND OTHER RECEIVABLES (continued)

Included in contract receivables are amounts totalling AED 552.4 million (2014: AED 552.4 million) receivable from Meydan LLC in connection with the dispute on a contractual arrangement described in Note 30. The remaining balance of contract receivables includes two customers' balances totalling AED 234 million (2014: AED 201.9 million) individually representing more than 5% of the total balance of contract receivables.

Included in trade and other receivables are contract claims amounting to AED 343 million (2014: AED 572 million) where management believes that advanced stages of negotiations have been reached and the outcome of such negotiations can be estimated with reasonable certainty.

Of the contract and trade receivables balance at the end of the year, AED 123 million (2014: AED 116 million) is due from the Group's largest customer.

A provision has been made for the estimated impairment amounts of trade and other receivables of AED 113.7 million (2014: AED 24.9 million). This provision has been determined based on collection history and past experience of management and on management's assessment of current economic conditions, project completion, negotiations underway, future recoverability of these balances and potential offsetting arrangements with customers and subcontractors.

Movement in the provision for doubtful debts reduced from trade and other receivables is as follows:

	2015 AED'000	*2014 AED'000*
At 1 January	**24,903**	22,256
Write off of trade receivables	**(956)**	(520)
Provision made during the year	**89,759**	3,167
At 31 December	**113,706**	24,903

Amounts due from customers for contract work includes impairment provision of AED 39,209 thousand (2014: Nil).

Contract receivables
The average credit period on contract and trade receivables is 90 days. No interest is charged on the contract receivables overdue. The contract and trade receivables above 90 days are provided for based on estimated irrecoverable amounts, determined by reference to past default experience and on management's assessment of current economic conditions as to the future recoverability of these balances.

Before accepting any new customer, the Group assesses the potential customer's credit quality and defines credit limits by customer.

Included in the Group's contract and trade receivables balance are debtors with a carrying amount of AED 1,139 million (2014: AED 1,201 million) which are past due at the reporting date for which the Group has not recorded any provision as there has not been a significant change in credit quality and the amounts are still considered recoverable. The Group does not hold any collateral over these balances.

Ageing of past due but not impaired:

	2015 AED'000	*2014 AED'000*
Past due for less than 3 months	**168,665**	176,760
Past due for more than 3 months	**970,167**	1,024,736
	1,138,832	1,201,496

16 TRADE AND OTHER RECEIVABLES (continued)

In determining the recoverability of contract and trade receivables, the Group considers any change in the credit quality of the contract and trade receivables from the date the credit was initially granted up to the reporting date. At the reporting date, management has taken the current market conditions into account when assessing the credit quality of contract and trade receivables. The project directors also hold regular meetings with contract customers to renegotiate payment terms and to ensure the credit-worthiness of the ultimate end-users. In addition, the concentration of credit risk is limited due to the customer base being large and unrelated. Accordingly, taking all of the above into account, the board of directors of the Group believe that there is no further credit provision required in excess of the current provision for doubtful debts disclosed above.

Ageing of impaired contract and trade receivables against which the provision for doubtful debts has been made:

	2015 AED'000	*2014 AED'000*
Current	-	-
Past due for less than 3 months	**2,106**	2,106
Past due for more than 3 months	**126,740**	33,898
	128,846	36,004

17 OTHER FINANCIAL ASSETS

	Current		***Non-current***	
	2015 AED'000	*2014 AED'000*	***2015 AED'000***	*2014 AED'000*
Financial assets at fair value				
Available-for-sale investments				
Quoted equity shares (a)	-	-	**9,134**	9,091
	-	-	**9,134**	9,091
Financial assets at cost				
Available-for-sale investments				
Unquoted equity shares (b)	-	-	**17,282**	17,282
Total available-for-sale investments	-	-	**26,416**	26,373
Financial assets at amortised cost				
Fixed deposits under lien	**34,222**	59,915	-	-
Margin deposits	**49,541**	26,997	-	-
Loan to related parties	-	-	**1,778**	1,778
	83,763	86,912	**1,778**	1,778
Total other financial assets	**83,763**	86,912	**28,194**	28,151

17 OTHER FINANCIAL ASSETS (continued)

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 (2014: AED 1,110 thousand). The Group intends to hold this investment for future growth or until an appropriate exit is available.

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 (2014: Nil) on available-for-sale investments in quoted shares.

18 INVENTORIES

	2015 AED'000	*2014 AED'000*
Steel inventories required for specific projects	**53,284**	48,976
Trading goods	**26,493**	21,017
General steel inventories	**3,000**	27,068
Other construction materials	**99,379**	108,443
Work in progress	**13,025**	1,323
Ready mix concrete and other related materials	**7,317**	7,620
	202,498	214,447
Less: provision for impairment in inventories	**(32,510)**	(17,264)
	169,988	197,183

Movement in provision for impairment in inventories:

	2015 AED'000	*2014 AED'000*
At 1 January	**17,264**	12,922
Provision recognised during the year (Note 9.1)	**16,818**	4,342
Reversal of provision during the year (Note 9.1)	**(1,572)**	-
At 31 December	**32,510**	17,264

19 RELATED PARTY TRANSACTIONS

a) The Group entered into a variety of transactions with companies and entities that fall within the definition of related parties as contained in International Accounting Standard No. 24: Related Party Disclosures. Related parties comprise the Group's directors and entities related to them, companies under common ownership and/or common management and control, their partners and key management personnel. Joint venture partners and non-controlling interests are considered by the Group as related parties. Management decides on the terms and conditions of the transactions and services received/rendered from/to related parties as well as on other charges.

19 RELATED PARTY TRANSACTIONS (continued)

b) At the end of the reporting period, due from related parties comprise the following:

	2015 AED'000	*2014 AED'000*
Joint operations		
Amounts due from joint operations' partners	**392,200**	377,563
Shareholders	**858,413**	904,276
Other related parties		
Entities with common ownership and management		
Al Waab City W.L.L., Doha, Qatar	**2,792**	82,391
Others	**7,429**	14,111
	10,221	96,502
	1,260,834	1,378,341

c) At the end of the reporting period, due to related parties comprise the following:

	2015 AED'000	*2014 AED'000*
Joint operations		
Amounts due to joint operations' partners	**354,496**	329,977
Associate		
Depa Interiors LLC, Dubai, UAE	**22,960**	3,627
Other related parties		
Entities with common ownership and management		
Nasser Bin Khaled Al-Thani and Sons Group and its related parties, Qatar	**37,573**	36,923
Others	**18,084**	-
	55,657	36,923
	433,113	370,527

d) The nature of significant related party transactions and the amounts involved were as follows:

	2015 AED'000	*2014 AED'000*
Joint operations		
Manpower and other charges to joint operations*	**18,509**	24,481
Shareholders	**104,649**	1,372,271
Other related parties		
Contract and other revenue	**392,699**	1,256,453
Subcontracting costs	**16,846**	24,832
Equipment hire	**997**	997
Wages and salaries	**2,695**	5,233

* Manpower and other charges to joint operations are disclosed within other operating income.

19 RELATED PARTY TRANSACTIONS (continued)

e) The Group provided a loan of AED 1.8 million (2014: AED 1.8 million) to a minority shareholder in House of Equipment Co. LLC. Interest on the loan is charged at 6% per annum (2014: 6% per annum) (Note 17).

f) The remuneration of directors and other members of key management during the year was as follows:

	2015 AED'000	*2014 AED'000*
Remuneration and attendance fees to Board of Directors	-	18,280
Short term benefits	**17,455**	24,950
End of service indemnity	**2,251**	1,143
Discretionary Bonus and settlement	**7,803**	40,088

The remuneration of key executives and attendance fees of the Board of Directors are determined by the Board of Directors.

g) At 31 December 2014, included in trade and other payables is an amount of AED 34.28 million representing contributions from employees and directors towards an employee benefit scheme. Assets of the scheme are included in the consolidated statement of financial position under cash and cash equivalents of AED 14.25 million and other current assets of AED 20.03 million.

h) Included in amounts due from customers for contract work is an amount of AED 1,050 million (2014: AED 1,083 million) due from related parties.

i) Contract claims are recognised as revenue only when management believes that an advanced stage of negotiation has been reached and the revenue can be estimated with reasonable certainty. Management reviews the judgement related to these contract claims periodically and adjustments are made in the future periods, if assessments indicate that such adjustments are appropriate. The amount of claims receivable from related parties impaired during the year is AED 122 million (2014: nil).

20 CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise bank balances, cash and short-term deposits held by the Group, net of bank overdrafts. The details are as follows:

	2015 AED'000	*2014 AED'000*
Cash and bank balances	**606,805**	911,389
Short term bank deposits	**128,580**	169,553
Bank balance and cash	**735,385**	1,080,942
Bank overdrafts (Note 25)	**(743,774)**	(614,124)
Attributable to continued operations	**(8,389)**	466,818
Attributable to discontinued operations	**(472,189)**	(275,250)
	(480,578)	191,568

21 INCOME TAX

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

Income tax recognised in the consolidated financial statements

	2015 AED'000	*2014 AED'000*
Tax expense comprises:		
Current tax expense	**5,004**	11,413
Deferred tax income relating to the origination and reversal of temporary differences	**(190)**	(6,989)
Total income tax expense from continuing operation	**4,814**	4,424

The total charge for the year can be reconciled to the accounting profit for entities subject to taxation as follows:

	2015 AED'000	*2014 AED'000*
(Loss) / Profit before tax		
Attributable to continuing operations	**(2,253,318)**	125,664
Attributable to discontinued operations (Note 40)	**(517,991)**	127,382
Income tax expense		
Attributable to continuing operations	**4,814**	4,424
Attributable to discontinued operations (Note 40)	**2,837**	7,040

Deferred tax balances

Deferred tax assets arise from temporary differences on property, plant and equipment as follows:

	2015 AED'000	*2014 AED'000*
Opening balance asset / (liability)	**3,216**	(3,773)
Impact on the consolidated statement of comprehensive income	**190**	6,989
Closing balance asset	**3,406**	3,216

Deferred tax assets and liabilities are considered non-current

Current tax liability

Current tax liability included in the statement of financial position	**14,974**	12,645

22 OTHER CURRENT ASSETS

	2015 AED'000	*2014 AED'000*
Prepaid expenses	**163,860**	181,744
Other receivables	**159,896**	129,849
Due from employees	**9,388**	8,937
	333,144	320,530

22 OTHER CURRENT ASSETS (continued)

Included in other receivables are amounts totalling AED 50 million (2014: 50 million) regarding advance payment made for acquisition of 40% of the share capital of an entity in UAE. The total amount of consideration for the acquisition as per the agreement is AED 124 million (2014: AED 124 million). As at 31 December 2015, the completion formalities for this acquisition are not finalised and the amounts are recoverable, if the conditions as per agreement are not fulfilled. Subsequent to the year end, the Group terminated the agreement and informed the seller to pay back AED 50 million to the Group.

23 SHARE CAPITAL

The share capital as at 31 December 2015 comprises 4,615 million (2014: 4,395 million) authorised, issued and fully paid shares of AED 1.

24 STATUTORY RESERVE

In accordance with United Arab Emirates Federal law number 2 of 2015, and the Company's Articles of Association, the Company is required to establish a statutory reserve by appropriation of a minimum of 10% of net profit for each year until the reserve equals a minimum of 50% of the share capital, for which purposes the Group uses the net profit attributable to the equity holders of the parent. This reserve is not available for distribution except in the circumstances stipulated by the Law. No transfers were made during the year as the Company incurred a loss.

As of 31 December 2015 the statutory reserve amounted to AED 1,153 million representing 25% of the issued capital (2014: AED 1,153 million representing 26% of the issued share capital).

25 BANK BORROWINGS

	Current		*Non-current*	
	2015 AED'000	*2014 AED'000*	***2015 AED'000***	*2014 AED'000*
Bank overdrafts (Note 20)	**743,774**	614,124	**-**	-
Acceptances	**58,048**	48,321	**-**	1,538
Trust receipts	**161,522**	17,076	**-**	-
Term loans	**527,367**	189,504	**258,637**	376,289
Total	**1,490,711**	869,025	**258,637**	377,827

The term loans are repayable as follows:

	2015 AED'000	*2014 AED'000*
On demand or within one year	**527,367**	189,504
In the second year	**110,070**	188,439
Third year onwards	**148,567**	187,850
	786,004	565,793
Less: Amount due for settlement within 12 months (shown under current liabilities)	**(527,367)**	(189,504)
Amount due for settlement after 12 months	**258,637**	376,289

25 BANK BORROWINGS (continued)

Term loans I
Loans amounting to AED 81,942 thousand (2014: AED 100,545 thousand) are taken from commercial banks in the UAE for purchase of certain property, plant and equipment. These loans carry interest ranging from EIBOR + 3.25% to EIBOR + 3.95% per annum (2014: EIBOR +3% to EIBOR +3.5% per annum) and are repayable in monthly and quarterly equal instalments of various amounts.

Term loans II
Loans amounting to AED 329,062 thousand (2014: AED 154,748 thousand) are taken from commercial banks in the UAE for working capital requirements. These loans carry interest ranging from EIBOR + 2.9% to EIBOR + 5% per annum (2014: EIBOR + 2.9% to EIBOR + 5% per annum) and are repayable in monthly and quarterly equal instalments of various amounts.

Term loans III
Loans amounting to AED 375,000 thousand (2014: AED 310,500 thousand) are taken by the Company from commercial banks in the UAE. These loans carry interest ranging from EIBOR + 2.75% to EIBOR + 3% per annum (2014: EIBOR + 2.75% to EIBOR + 3.5% per annum) and are repayable in quarterly and yearly equal instalments of various amounts

Bank overdrafts
Bank overdrafts have been obtained from commercial banks and subject to EIBOR and QCB rates + margins of 1.5% to 3.7% per annum (2014: EIBOR, SIBOR and QCB rates + margins of 1.5% to 3.5% per annum).

Acceptances and trust receipts
Acceptances are subject to commission charges. Trust receipts are obtained from commercial banks, repayable in 180 days and subject to EIBOR and QCB rates + margins of 2.75% to 3.95% per annum (2014: margins of 1.5% to 3.5% per annum).

The bank facilities are subject to certain restrictive covenants on overall borrowings outstanding at any time, including:

- Irrevocable assignment of project proceeds to the financing banks to be confirmed by the customers.
- Irrevocable undertaking by a subsidiary to deposit the proceeds of projects financed by banks into the specific accounts maintained with the financing banks.
- Assignment of concession rights on property.
- Assignment of sub-contractors' performance bonds in favour of the financing banks for specific contracts.
- Assignment of leasehold rights and insurance over property.
- Minimum net worth requirements.
- Maximum leverage ratio requirements
- Corporate guarantees of subsidiaries and the parent company.
- Pledge of purchased shares of other companies

Covenants
The Group is required to comply with certain covenants in case of bank borrowings. The Group has not been able to comply with certain covenants during the year. As the Group does not have an unconditional right to defer the settlement of the outstanding amounts before the year end, and, accordingly, the outstanding balances relating to such bank facilities have been classified under current liabilities. Management based on their ongoing relationship with banks is confident that this will not have any significant implications on the facilities provided by the banks.

26 PROVISION FOR EMPLOYEES' END OF SERVICE INDEMNITY

Provision for employees' end of service indemnity is made in accordance with the relevant labour laws assuming the maximum payable based on current remuneration and cumulative years of service at the end of the reporting period.

The following tables summarise the components of net benefit expense recognised in the consolidated statement of comprehensive income:

26 PROVISION FOR EMPLOYEES' END OF SERVICE INDEMNITY (continued)

	2015 AED'000	*2014 AED'000*
Net benefit expense		
Current service cost	**42,038**	39,438
Interest cost	**9,579**	8,331
Net expense recognised in the statement of comprehensive income	**51,617**	47,769
Net actuarial (gains) / losses recognised in other comprehensive income	**(18,616)**	9,409

Changes in the present value of defined benefit obligations is as follows

	2015 AED'000	*2014 AED'000*
At 1 January	**183,606**	158,119
Current service cost	**42,038**	39,438
Interest cost	**9,579**	8,331
Benefits paid during the year	**(28,842)**	(31,691)
Actuarial (gain) / loss recognised in other comprehensive income	**(18,616)**	9,409
At 31 December	**187,765**	183,606

The principal assumptions used in determining the provision for end of service benefit obligations are shown below:

	2015	*2014*
Discount rate per annum	**6%**	5%
Salary increase rate per annum		
Staff	**5%**	5%
Workers	**3.25%**	3.25%

	2015 AED'000	*2014 AED'000*
Current service cost and interest cost:		
Attributable to continuing operations	**51,617**	47,769
Attributable to discontinued operations	**3,240**	15,853
	54,857	63,622
Benefits paid during the year:		
Attributable to continuing operations	**(28,842)**	(31,691)
Attributable to discontinued operations	**(14,285)**	(2,920)
	(43,127)	(34,611)

27 RETENTIONS PAYABLE

Retentions payable represent retentions that have been withheld by the Group from payments due to sub-contractors. These amounts become due in a period exceeding one year from the end of the reporting period.

	2015 AED'000	*2014 AED'000*
Total retentions payable	**570,171**	443,824
Less: Retentions payable - current portion (Note 28)	**(248,614)**	(260,339)
Retentions payable - non-current portion at amortised cost	**321,557**	183,485

28 TRADE AND OTHER PAYABLES

	2015 AED'000	*2014 AED'000*
Trade payables	**669,239**	699,765
Amounts due to subcontractors	**2,170,265**	1,270,833
Advances received from customers for contract work	**1,807,091**	1,713,541
Subcontractors' retentions payable - current portion (Note 27)	**248,614**	260,339
Amounts due to customers for contract work (Note 29)	**111,315**	103,207
Other accruals and other payables	**929,618**	1,251,659
	5,936,142	5,299,344

Included in trade and other payables are amounts totalling AED 331.1 million (2014: AED 331.1 million) that are payable to third parties in connection with the Nad Al Sheba racecourse project which is subject to a dispute on a contractual arrangement described in Note 30 (a).

29 AMOUNTS DUE FROM / (TO) CUSTOMERS FOR CONTRACT WORK

	2015 AED'000	*2014 AED'000*
Amounts due from customers for contract work included in trade and other receivables (Note 16)	**2,721,654**	3,364,680
Amounts due to customers for contract work included in trade and other payables (Note 28)	**(111,315)**	(103,207)
	2,610,339	3,261,473
Contract costs incurred plus recognised profit less recognised losses to date on projects in progress	**27,895,491**	21,922,201
Less: Progress billings	**(25,285,152)**	(18,660,728)
	2,610,339	3,261,473

30 CONTRACT DISPUTES

(a) Meydan

The Group's net exposure to Meydan LLC in connection with the Nad Al Sheba race course project as at 31 December 2015 amounts to AED 478 million (2014: AED 478 million), representing liquidated guarantees, work in progress, retention and other receivables, net of advances.

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. Subsequent to the year ended 31 December 2015, the Board of Directors of the Company resolved to reinitiate arbitration proceedings against Meydan.

(b) Others

The Group has a total exposure of AED 237 million as at 31 December 2015 relating to receivables against construction of towers in Dubai Marina, UAE. As the client disputed the payment of receivables, the Board of Directors of the Company resolved to initiate arbitration proceedings against the customer.

31 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%

31 JOINT OPERATIONS (continued)

		Share in JV
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.

32 SEGMENT INFORMATION

Primary segment information
The management of the Group has assessed the business and reorganised 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.

Segment wise statement of income information for the year ended 31 December 2015 is presented below:

32 SEGMENT INFORMATION (continued)

Year ended 31 December 2015	*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	**4,402,225**	**559,782**	**2,422,030**	**425,035**	**(551,484)**	**7,257,588**
Contract costs	**(5,387,079)**	**(551,717)**	**(2,882,321)**	**(362,677)**	**550,301**	**(8,633,493)**
Gross (loss) / profit	**(984,854)**	**8,065**	**(460,291)**	**62,358**	**(1,183)**	**(1,375,905)**
Other income and other expenses	**11,315**	**4,172**	**19,656**	**(3,336)**	**(779)**	**31,028**
General and administrative expenses and impairment losses	**(367,733)**	**(47,644)**	**(143,233)**	**(299,973)**	**779**	**(857,804)**
Finance costs	**(13,897)**	**(1,821)**	**(16,617)**	**(18,302)**	**-**	**(50,637)**
Income tax expense	**(3,788)**	**-**	**(25)**	**(1,001)**	**-**	**(4,814)**
Net segment results	**(1,358,957)**	**(37,228)**	**(600,510)**	**(260,254)**	**(1,183)**	**(2,258,132)**

Year ended 31 December 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	5,916,600	440,196	2,375,571	230,077	(669,413)	8,293,031
Contract costs	(4,990,138)	(596,011)	(2,234,444)	(216,825)	662,946	(7,374,472)
Gross profit / (loss)	926,462	(155,815)	141,127	13,252	(6,467)	918,559
Other income and other expenses	32,569	(1,307)	19,523	(36,365)	(5,581)	8,839
General and administrative expenses and impairment losses	(294,981)	(57,490)	(133,563)	(269,495)	5,581	(749,948)
Finance costs	(15,219)	(14,658)	(14,536)	(7,373)	-	(51,786)
Income tax expense	(2,301)	(31)	(2,136)	44	-	(4,424)
Net segment results	646,530	(229,301)	10,415	(299,937)	(6,467)	121,240

32 SEGMENT INFORMATION (continued)

The following table presents segment assets, segment liabilities and other information of the Group's operating segments as at 31 December 2015 and 31 December 2014.

31 December 2015	***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	**8,012,310**	**931,330**	**2,980,673**	**3,510,181**	**(2,502,847)**	**12,931,647**
Segment liabilities	**(7,569,668)**	**(543,794)**	**(2,585,294)**	**(1,537,197)**	**2,504,030**	**(9,731,923)**

31 December 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	8,775,688	695,379	3,612,436	4,338,947	(3,077,651)	14,344,799
Segment liabilities	(6,820,930)	(754,850)	(2,416,016)	(1,475,377)	3,084,118	(8,383,055)

32 SEGMENT INFORMATION (continued)

Geographical information
The following table presents revenue and total assets information regarding geographic segments for the periods ended 31 December 2015 and 31 December 2014:

	2015		*2014*	
	Revenue AED'000	***Total assets AED'000***	*Revenue AED'000*	*Total assets AED'000*
GCC Countries	**6,900,214**	**12,531,933**	8,040,505	13,964,734
Others	**357,374**	**399,714**	252,526	380,065
	7,257,588	**12,931,647**	8,293,031	14,344,799

Information about major customers
Revenues from the largest 4 customers of the Construction segment represent approximately AED 2.76 billion (31 December 2014: AED 2.9 billion) of the Group's total revenues.

33 OPERATING LEASE ARRANGEMENTS

The Group as lessee:

	2015 AED'000	*2014 AED'000*
Minimum lease payments under operating leases recognised as expense in the consolidated statement of comprehensive income for the year	**353,843**	63,380

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

	2015 AED'000	*2014 AED'000*
Within one year	**289,749**	86,748
Two to five years	**662,834**	403,636
More than five years	**713,196**	282,059
	1,665,779	772,443

Operating lease payments represents rentals payable by the Group for land, buildings, certain labour camps and rented vehicles.

34 DIVIDENDS

At the Board of Directors meeting held on 19 March 2015, a dividend was proposed of AED 0.05 per share to be distributed as bonus share at 5% of share capital (1 bonus share for each 20 shares held, totalling 219,765 thousand shares). At the Annual General Meeting held on 30 April 2015, the shareholders approved bonus share dividends of 5% of share capital (1 bonus share for each 20 shares held, totalling 219,765 thousand shares).

At the Board of Directors meeting held on 18 March 2014, a dividend was proposed of AED 0.4 per share to be distributed as bonus share 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 approved at the forthcoming Annual General Meeting of the Company.

34 DIVIDENDS (continued)

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, totalling 1,25 5,800 thousand shares) and to distribute remuneration to the members of the Board of Directors amounting to AED 18 million.

35 ACQUISITION OF NON-CONTROLLING INTERESTS AND BUSINESS COMBINATION

During 2014, the Group acquired remaining shareholding of 2% in Target Engineering Construction Company LLC ("Target") for AED 20 million, increasing its ownership interest to 100%. The difference between the purchase price and the carrying value of the non-controlling interest acquired of AED 8.6 million had been reflected in other reserves.

36 MATERIAL PARTLY-OWNED SUBSIDIARY

Financial information of subsidiaries that have material non-controlling interests are provided below:

(a) Proportion of equity interest held by non-controlling interests

	2015	*2014*
	AED'000	*AED'000*
EFECO Qatar W.L.L.	**51%**	51%
Arabtec Saudi Arabia LLC	**55%**	55%
Arabtec Construction W.L.L., Qatar	**51%**	51%

(b) Accumulated balances of material non-controlling interest

	2015	*2014*
	AED'000	*AED'000*
EFECO Qatar W.L.L.	**(84,616)**	(56,672)
Arabtec Saudi Arabia LLC	**(8,896)**	253,921
Arabtec Construction W.L.L., Qatar	**(103,596)**	4,552

(c) Profit/(loss) allocated to material non-controlling interest

	2015	*2014*
	AED'000	*AED'000*
EFECO Qatar W.L.L.	**(27,944)**	(23,274)
Arabtec Saudi Arabia LLC	**(264,353)**	50,318
Arabtec Construction W.L.L., Qatar	**(108,148)**	(4,075)

36 MATERIAL PARTLY-OWNED SUBSIDIARIES (continued)

The summarised financial information of these subsidiaries are provided below. This information is based on amounts before inter-company eliminations:

(d) Summarised statement of comprehensive income

For the year ended 31 December 2015

	EFECO Qatar W.L.L. AED'000	***Arabtec Saudi Arabia LLC AED'000***	***Arabtec Construction W.L.L. AED'000***
Revenue	**44,804**	**168,884**	**397,172**
Gross profit / (loss)	**(40,118)**	**(463,800)**	**(205,728)**
Other income	**2**	**9,575**	**697**
Profit / (loss) before tax	**(54,250)**	**(479,873)**	**(213,952)**
Profit / (loss) after tax	**(54,250)**	**(480,642)**	**(213,952)**

For the year ended 31 December 2014

	EFECO Qatar W.L.L. AED'000	*Arabtec Saudi Arabia LLC AED'000*	*Arabtec Construction W.L.L. AED'000*
Revenue	191,003	1,142,605	598,660
Gross profit	(32,526)	104,426	2,109
Other income	101	19,878	587
Profit / (loss) before tax	(45,183)	96,054	(7,911)
Profit / (loss) after tax	(45,183)	91,487	(7,911)

(e) Summarised statement of financial position

At 31 December 2015

	EFECO Qatar W.L.L. AED'000	***Arabtec Saudi Arabia LLC AED'000***	***Arabtec Construction W.L.L. AED'000***
Current assets	**58,543**	**1,300,037**	**455,855**
Current liabilities	**(220,537)**	**(1,506,078)**	**(692,005)**
Non-current assets	**328**	**209,148**	**126,445**
Non-current liabilities	**(2,284)**	**(19,283)**	**(76,581)**
	(163,950)	**(16,176)**	**(186,286)**

36 MATERIAL PARTLY-OWNED SUBSIDIARIES (continued)

(e) Summarised statement of financial position (continued)

At 31 December 2014

	EFECO Qatar W.L.L. AED'000	*Arabtec Saudi Arabia LLC AED'000*	*Arabtec Construction W.L.L. AED'000*
Current assets	113,165	1,692,342	583,102
Current liabilities	(191,828)	(1,481,799)	(582,667)
Non-current assets	468	277,247	93,558
Non-current liabilities	(1,731)	(26,114)	(64,916)
	(79,926)	461,676	29,077

(f) Summarised statement of cash flows

For the year ended 31 December 2015

	EFECO Qatar W.L.L. AED'000	***Arabtec Saudi Arabia LLC AED'000***	***Arabtec Construction W.L.L. AED'000***
Operating	**(186)**	**(205,405)**	**963**
Investing	**(286)**	**16,063**	**(416)**
Financing	**-**	**134,756**	**40,733**
Net increase / (decrease) in cash and cash equivalents	**(472)**	**(54,586)**	**41,280**

For the year ended 31 December 2014

	EFECO Qatar W.L.L. AED'000	*Arabtec Saudi Arabia LLC AED'000*	*Arabtec Construction W.L.L. AED'000*
Operating	2,858	(65,022)	(79,426)
Investing	(410)	(38,089)	(5,699)
Financing	-	118,567	104,869
Net decrease in cash and cash equivalents	2,447	15,456	19,744

37 COMMITMENTS AND CONTINGENCIES

	2015 *AED'000*	*2014* *AED'000*
Commitments		
Commitments for the acquisition of property, plant and equipment	**24,211**	15,223
Development properties	**1,063,917**	1,063,917
Contingent liabilities		
Performance and bid bonds	**3,904,895**	4,131,230
Advance payment bonds	**2,050,816**	1,974,992
Financial guarantees	**90,568**	91,735
Retention bonds	**324,739**	316,587
Labour guarantees	**19,484**	93,939
Letters of credit	**222,163**	188,692

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.

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, 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 as all exposures relating to the Group's operations in Syria, including guarantees, are provided in the consolidated financial statements of the Group.

38 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 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 31 December 2015, 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.

38 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.

As at 31 December, the Group held the following financial instrument measured at fair value:

At 31 December 2015	*Level 1 AED'000*	*Level 2 AED'000*	*Level 3 AED'000*	*Total AED'000*
Available-for-sale investments	**9,134**	-	-	**9,134**

At 31 December 2014	*Level 1 AED'000*	*Level 2 AED'000*	*Level 3 AED'000*	*Total AED'000*
Available-for-sale investments	9,091	-	-	9,091

Fair value hierarchy disclosures relating to other assets and liabilities (such as goodwill and investment properties) are made in the relevant notes.

39 RISK MANAGEMENT

The Group's principal financial liabilities comprise bank borrowings and trade and other payables. The main purpose of these financial liabilities is to finance the Group's operations and to provide guarantees to support its operations. The Group has trade and other receivables, other current assets and cash and short-term deposits that arrive directly from its operations. The Group also holds available-for-sale investments and investments in associates.

The Group is exposed to interest rate risk, market risk, credit risk, equity price risk and liquidity risk. The Group's Board of directors and senior management oversees the management of these risks. The Board of Directors reviews and agrees policies for managing each of these risks which are summarized below.

Interest rate risk
Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Group is exposed to interest rate risk on its interest bearing assets and liabilities (bank deposits, bank overdrafts, acceptances, trust receipts and term loans). The risk is managed by the Group by maintaining an appropriate mix between fixed and floating rate borrowings.

The following table demonstrates the sensitivity of the consolidated statement of comprehensive income to reasonably possible changes in interest rates, with all other variables held constant.

The sensitivity of the consolidated statement of comprehensive income is the effect of the assumed changes in interest rates on the Group's profit for a year, based on the floating rate financial assets and financial liabilities held at 31 December. There is no impact on the Group's equity.

39 RISK MANAGEMENT (continued)

	Increase/ Decrease in basis points	*Effect on profit for the year AED'000*
2015		
AED	**±10**	**1,749**
2014		
AED	±10	1,247

Credit risk

Credit risk is the risk that counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group is exposed to credit risk from its operating activities including contract, retention and trade receivables, due from related parties and bank balances. Trade and contract receivables consist of a number of customers, spread across diverse industries and geographical areas within and outside the UAE. The terms of payment are specified in formal signed contracts with customers.

The Group is only dealing with creditworthy counterparties and obtaining sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults. The Group uses other publicly available financial information and its own trading records to rate its major customers. The Group's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties. Credit exposure is controlled by counterparty limits that are reviewed and approved by the management regularly and the Group maintains a provision for doubtful accounts receivable based on expected collectability of all accounts receivable.

The Group does not have any additional significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. The Group defines counterparties as having similar characteristics if they are related entities. Concentration of credit risk did not exceed 15% of gross monetary assets at any time during the year. The concentration of credit risk is disclosed in Note 16.

The Group limits its credit risk with regard to bank deposits by dealing only with reputable banks.

With respect to credit risk arising from the other financial assets of the Group, including cash and cash equivalents, the Group's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments.

Equity price risk

Equity price risk is the risk that the fair values of equities decrease as a result of changes in the levels of equity indices and the value of individual stocks. The Group's listed and unlisted equity securities are susceptible to market price risk arising from uncertainties about future values of the investment securities. The Group manages the equity price risk through diversification and by placing limits on individual and total equity instruments. Reports on the equity portfolio are submitted to the Group's senior management on a regular basis. The Group's Board of Directors reviews and approves all equity investment decisions.

The effect on equity due to a reasonably possible change in equity indices, with all other variables held constant, is as follows:

	Change in equity price 2015 %	***Effect on equity 2015 AED'000***	*Change in equity price 2014 %*	*Effect on equity 2014 AED'000*
Singapore Stock Exchange	**+10**	**701**	+10	574
Dubai Financial Market	**+10**	**213**	+10	335

Unquoted investments in shares carried at cost less impairment where the impact of changes in prices will only be reflected when the investment is sold or deemed to be impaired and, accordingly, at that time the consolidated statement of comprehensive income will be impacted.

39 RISK MANAGEMENT (continued)

Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting financial obligations due to shortage of funds. The Group's exposure to liquidity risk arises primarily from mismatches of the maturities of financial assets and liabilities.

The Group limits its liquidity risk by ensuring adequate bank facilities are available and by maintaining adequate reserves, by monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and financial liabilities. The Group's terms of executing contracts and sales require amounts to be paid as specified in the contracts and in case of sales within 120 days of the date of invoice. Trade payables are normally settled within 120 days of the date of purchase.

The table below summarises the maturities of the Group's undiscounted financial liabilities at 31 December 2014, based on contractual payment dates and current market interest rates.

Year ended 31 December 2015

	Less than 3 months AED'000	*3 to 12 months AED'000*	*1 to 5 years AED'000*	*>5 years AED'000*	*Total AED'000*
Accounts payable and accruals	**1,451,557**	**2,177,336**	-	-	**3,628,893**
Due to related parties	**392,069**	**41,044**	-	-	**433,113**
Income tax payable	**14,974**	-	-	-	**14,974**
Retentions payable	**12,431**	**236,183**	**321,902**	-	**570,516**
Bank overdrafts, trust receipt and acceptances	**228,925**	**775,459**	-	-	**1,004,384**
Term loans	**474,933**	**89,887**	**262,097**	**2,500**	**829,417**
Total	**2,574,889**	**3,319,909**	**583,999**	**2,500**	**6,481,297**

Year ended 31 December 2014

	Less than 3 months AED'000	*3 to 12 months AED'000*	*1 to 5 years AED'000*	*>5 years AED'000*	*Total AED'000*
Accounts payable and accruals	1,656,854	1,977,455	-	-	3,634,309
Due to related parties	329,395	41,132	-	-	370,527
Income tax payable	2,281	10,184	-	-	12,465
Retentions payable	2,015	268,127	183,200	-	453,342
Bank overdrafts, trust receipt and acceptances	328,735	346,621	1,538	-	676,894
Term loans	3,671	200,265	364,738	37,873	606,547
Total	2,322,951	2,843,784	549,476	37,873	5,754,084

Currency risk

The Group's foreign currency monetary assets and liabilities are denominated mainly in following currencies:

- Category I: Saudi Arabian Riyals, Qatari Riyals, Jordanian Dinars, Bahraini Dinars.
- Category II: Euro, Kuwaiti Dinars, Indian Rupee, Pakistani Rupees, Egyptian Pounds, Syrian Pounds.

As the Category I monetary assets and liabilities are pegged to US Dollars, the sensitivity only considers the effect of a reasonably possible movement of the AED currency rate against Category II monetary assets and liabilities with all other variables held constant, on the consolidated statement of comprehensive income (due to the fair value of currency sensitive monetary assets and liabilities).

At 31 December 2015, if Category II currencies had weakened/strengthened by 10% against the AED, the profit/loss for the year from Continuing operations would have been higher/lower by AED 11,820 thousand (2014: AED 13,845 thousand).

39 RISK MANAGEMENT (continued)

Capital Management
The primary objective of the Company's capital management is to ensure that it maintains a healthy capital ratio in order to support its business and maximise shareholders' value.

The Group manages its capital structure and makes adjustments to it, in light of changes in business conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment or issue new shares. No changes were made in the objectives, policies or processes during the years ended 31 December 2015 a nd 31 December 2014. Capital comprises share capital, retained earnings / accumulated losses, reserves and non-controlling interests, and is measured at AED 3,199,724 thousand as at 31 December 2015 (2014: AED 5,961,744 thousand).

40 DISCONTINUED OPERATIONS

At the year ended 31 December 2014, the Board of Directors of the Group approved a plan to dispose off the Group's equity interest in Arabtec Saudi Arabia LLC, Kingdom of Saudi Arabia, Arabtec Construction Machinery LLC Kingdom of Saudi Arabia, Saudi Austrian Arabian Ready Mix Co LLC Kingdom of Saudi Arabia and EFECO Saudi LLC, Kingdom of Saudi Arabia. As a result, the Group's net interest in above entities has been classified as assets held for sale and disclosed as discontinued operations as per International Financial Reporting Standard 5: *Non-current Assets held for sale and discontinued operations.*

	Notes	***2015 AED'000***	*2014 AED'000*
Revenues	5	**358,652**	1,489,476
Direct costs	6	**(840,782)**	(1,314,913)
Gross (loss) / profit		**(482,130)**	174,563
Other operating income		**646**	501
General and administrative expenses	9	**(39,181)**	(52,613)
Impairment losses	9.1	**(7,072)**	-
Other income		**13,838**	8,299
Finance costs		**(4,092)**	(3,368)
(Loss) / Profit before tax from discontinued operations		**(517,991)**	127,382
Income tax expense	21	**(2,837)**	(7,040)
(Loss) / Profit for the year from discontinued operations		**(520,828)**	120,342

As required by IFRS 5, assets held for sale shall be measured at the lower of their net carrying amount and fair value less cost to sell. Revenue for the year includes adjustments in relation to changes in estimates and impairments recognised to reflect the net realisable value of the disposal group based on fair value less cost to sell.

The major classes of assets and liabilities of the disposal group classified as held for sale as at 31 December 2015 are as follows:

	2015 AED'000	*2014 AED'000*
ASSETS		
Non- current assets		
Property, plant and equipment	**168,874**	248,591
Investments in associates	**25,738**	29,020
	194,612	277,611

40 DISCONTINUED OPERATIONS (continued)

	2015 AED'000	*2014 AED'000*
Current assets		
Trade and other receivables	**1,095,878**	1,468,708
Inventories	**36,110**	30,783
Other current assets	**22,114**	50,214
Due from related parties	**48,860**	55,479
Cash and cash equivalents	**2,088**	64,270
	1,205,050	1,669,454
Total assets	**1,399,662**	1,947,065
LIABILITIES		
Non-current liabilities		
Provision for employees' end of service indemnity	**26,299**	37,344
Current liabilities		
Bank borrowings	**474,276**	339,520
Trade and other payables	**557,302**	563,861
Due to related parties	**27,350**	135,930
Income tax payable	**3,797**	9,941
	1,062,725	1,049,252
Total liabilities	**1,089,024**	1,086,596
Net assets directly associated with disposal group	**310,638**	860,469

Net cash flows of the discontinued operations are as follows:

	2015 AED'000	*2014 AED'000*
Operating activities	**(222,185)**	(73,005)
Investing activities	**25,247**	(31,517)
Financing activities	**134,756**	118,567
Net cash (outflow) / inflow	**(62,182)**	14,045

41 SUBSEQUENT EVENTS AND OTHER MATTERS

(a) Subsequent to year end, a fire occurred at the construction site on one of the Group's project. The fire was contained in a timely manner and, currently, management with its joint venture partner and the relevant authorities are in the process of assessing the extent of damage and insurance claim amount. The under-construction building, including loss of assets due to fire, are covered by a Contractors All Risk and third party liability insurance policy provided by the contract manager.

During the year, the Group recognised AED 285 million as revenue for the year against a claim on the above project based on advanced stages of negotiation with contract manager.

41 SUBSEQUENT EVENTS AND OTHER MATTERS (continued)

(b) Subsequent to the year-end, one of the non-controlling shareholders of a Group subsidiary in Qatar issued a letter indicating their non-approval or authorisation to issue the financial statements of the subsidiary, on the grounds that they accept no responsibility for the financial position and performance of the subsidiary for the year ended 31 December 2015. The Group has obtained legal advice and strongly believes that the non-controlling shareholder is responsible for their share of the company's operations based on the Qatari commercial companies law, and that both shareholders of the entity are jointly liable for the liabilities of the company.

Management believes that the outcome of such a dispute would have no impact on the consolidated results of the Group as a whole or on its total equity.