Arabtec Holding PJSC and its subsidiaries

Condensed consolidated interim financial information
for the nine-month period ended 30 September 2016 (Unaudited)

Arabtec Holding PJSC and its subsidiaries

Condensed consolidated interim financial information for the nine-month period ended 30 September 2016

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Report on review of condensed consolidated interim financial information to the shareholders of Arabtec Holding PJSC

Introduction

We have reviewed the accompanying condensed consolidated interim statement of financial position of Arabtec Holding PJSC (the "Company") and its subsidiaries (collectively referred to as the "Group") as at 30 September 2016 and the related condensed consolidated interim income statement and the condensed consolidated interim statement of comprehensive income for the three-month and nine-month periods then ended, and the condensed consolidated interim statements of changes in equity and cash flows for the nine-month period then ended and notes, comprising a summary of significant accounting policies and other explanatory notes. Management is responsible for the preparation and presentation of this condensed consolidated interim financial information in accordance with International Accounting Standard 34, 'Interim Financial Reporting'. Our responsibility is to express a conclusion on this condensed consolidated interim financial information based on our review.

Scope of review

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

Basis for qualified conclusion

1. As explained in Note 21 to the condensed consolidated interim financial information, certain of the Group's operations in Saudi Arabia are classified as assets and liabilities of a disposal group held for sale, with a net carrying amount of AED 252.2 million as of 30 September 2016 (31 December 2015: AED 310.6 million). We were not provided with sufficient appropriate evidence to ascertain the probability of disposing of these operations and whether the fair value less costs to sell of the net assets are lower than their net carrying amount as required by International Financial Reporting Standard IFRS 5: Non-current Assets Held for Sale and Discontinued Operations.

2. As explained in Note 14 (a), the Group is involved in a contractual dispute with a customer over liquidated guarantees, work in progress, retention and other receivables, net of advances, with a total exposure of AED 465 million as of 30 September 2016 (31 December 2015: AED 478 million). We were not provided with sufficient appropriate evidence to ascertain the extent and timing of the recoverability of the outstanding amounts.

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Report on review of condensed consolidated interim financial information to the shareholders of Arabtec Holding PJSC (continued)

Qualified conclusion

Based on our review, with the exception of the matters described in the preceding paragraph, nothing has come to our attention that causes us to believe that the accompanying condensed consolidated interim financial information is not prepared, in all material respects, in accordance with International Accounting Standard 34, 'Interim Financial Reporting'.

Emphases of matter

We draw attention to the following notes to the condensed consolidated interim financial information:

1. Note 14 (b) which describes the uncertainty related to the outcome of arbitration with a customer;

2. Note 22 (a) which describes a critical accounting estimate and judgement on recoverability of receivables and revenue recognition relating to unapproved variation orders and claims;

3. Note 22 (b) which provides details of a dispute with the non-controlling shareholder of Arabtec Construction W.L.L Qatar, the outcome of which cannot be determined with reasonable certainty as at the date of this report.

Our conclusion is not qualified in respect of the aforesaid matters.

PricewaterhouseCoopers
13 November 2016

Paul Suddaby
Registered Auditor Number 309
Dubai, United Arab Emirates

Arabtec Holding PJSC and its subsidiaries

Condensed consolidated interim statement of financial position

	Notes	As at 30 September 2016 Unaudited AED'000	As at 31 December 2015 Audited AED'000
ASSETS			
Non-current assets			
Property, plant and equipment	7	816,297	876,710
Other intangible assets	8	25,001	27,328
Goodwill		248,741	248,741
Investment properties		595,965	631,597
Development properties		-	20,000
Trade and other receivables		1,002,979	894,698
Other financial assets	19	20,397	28,194
Investment in associates	20	189,402	222,460
Deferred tax asset		3,564	3,406
		2,902,346	2,953,134
Current assets			
Inventories		239,713	169,988
Trade and other receivables		5,985,139	5,995,737
Other financial assets	19	98,662	83,763
Other current assets		438,972	333,144
Due from related parties	9	1,625,286	1,260,834
Cash and bank balances	10	795,660	735,385
		9,183,432	8,578,851
Assets of disposal group classified as held for sale	21	1,392,810	1,399,662
Total assets		13,478,588	12,931,647
EQUITY AND LIABILITIES			
EQUITY			
Share capital	12	4,615,065	4,615,065
Statutory reserve		148,159	1,152,593
Fair value adjustment reserve		814	2,942
Foreign currency translation reserve		24,900	11,810
Other reserves		(194,240)	(192,747)
Accumulated losses		(1,681,276)	(2,227,363)
Equity attributable to owners of the Parent		2,913,422	3,362,300
Non-controlling interests		(227,433)	(162,576)
Total equity		2,685,989	3,199,724
LIABILITIES			
Non-current liabilities			
Bank borrowings	16	382,243	258,637
Loan from a related party	9	154,000	-
Provision for employees' end of service benefits		210,714	187,765
Retention payable		359,297	321,557
		1,106,254	767,959
Current liabilities			
Bank borrowings	16	1,473,393	1,490,711
Trade and other payables		6,563,308	5,936,142
Due to related parties	9	488,930	433,113
Income tax payable		20,124	14,974
		8,545,755	7,874,940
Liabilities of disposal group classified as held for sale	21	1,140,590	1,089,024
Total liabilities		10,792,599	9,731,923
Total equity and liabilities		13,478,588	12,931,647

The condensed consolidated interim financial information was approved by the Board of Directors on 13 November 2016 and signed on its behalf by:

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Saeed Mohamed Saeed Al Mehairbi
Acting CEO

The notes on pages 9 to 33 are an integral part of this condensed consolidated interim financial information.

Arabtec Holding PJSC and its subsidiaries

Condensed consolidated interim income statement

	Notes	Three months ended		Nine months ended	
		30 September 2016 Unaudited AED'000	30 September 2015 Unaudited AED'000	30 September 2016 Unaudited AED'000	30 September 2015 Unaudited AED'000
Continuing operations					
Revenue		2,000,488	1,603,160	6,094,904	5,194,128
Direct costs		(2,152,582)	(2,220,503)	(6,196,333)	(6,363,865)
Gross loss		(152,094)	(617,343)	(101,429)	(1,169,737)
Other operating income		6,477	2,184	21,188	15,547
General and administrative expenses		(107,029)	(302,021)	(329,980)	(679,663)
Impairment of development properties		-	(33,539)	(20,000)	(39,464)
Other income		7,488	13,272	42,562	26,376
Net interest income/ (expense) on non-current receivables and payables		2,548	520	(743)	(333)
Investment income, net		144	221	824	810
Finance costs		(17,999)	(9,055)	(47,328)	(28,045)
Share of profit / (loss) from investment in associates		1,770	-	(33,058)	(5,579)
Loss before tax from continuing operations		(258,695)	(945,761)	(467,964)	(1,880,088)
Income tax expense		(5,554)	(1,609)	(7,887)	(4,321)
Loss after tax for the period from continuing operations		(264,249)	(947,370)	(475,851)	(1,884,409)
Discontinued operations					
Loss before tax from discontinued operations	21	(16,796)	(78,454)	(47,763)	(458,991)
Income tax expense	11	(85)	(61)	(315)	(240)
Loss after tax for the period from discontinued operations	21	(16,881)	(78,515)	(48,078)	(459,231)
Loss for the period		(281,130)	(1,025,885)	(523,929)	(2,343,640)
Attributable to:					
Owners of the Parent		(225,545)	(944,785)	(458,347)	(1,942,961)
Non-controlling interests		(55,585)	(81,100)	(65,582)	(400,679)
		(281,130)	(1,025,885)	(523,929)	(2,343,640)
Loss per share					
Basic and diluted (AED)	13	(0.05)	(0.20)	(0.10)	(0.42)

Arabtec Holding PJSC and its subsidiaries

Condensed consolidated interim statement of comprehensive income

	Notes	Three months ended		Nine months ended	
		30 September 2016 Unaudited AED'000	30 September 2015 Unaudited AED'000	30 September 2016 Unaudited AED'000	30 September 2015 Unaudited AED'000
Loss for the period		(281,130)	(1,025,885)	(523,929)	(2,343,640)
Other comprehensive income					
Items that will be reclassified subsequently to profit or loss					
Unrealised (loss) / gain on revaluation of available-for-sale investments		-	(537)	-	693
Reclassification of reserve on disposal of available-for-sale investments	19	-	-	(2,128)	-
Net change in foreign currency translation reserve		(276)	(458)	15,122	3,325
Other comprehensive (loss) / income for the period		(276)	(995)	12,994	4,018
Total comprehensive loss for the period		(281,406)	(1,026,880)	(510,935)	(2,339,622)
Attributable to:					
Owners of the Parent		(225,333)	(945,558)	(447,385)	(1,939,610)
Non-controlling interests		(56,073)	(81,322)	(63,550)	(400,012)
		(281,406)	(1,026,880)	(510,935)	(2,339,622)

Arabtec Holding PJSC and its subsidiaries

Condensed consolidated interim statement of changes in equity

	Attributable to owners of the Parent								
	Share capital AED'000	Statutory reserve AED'000	Fair value adjustment reserve AED'000	Foreign currency translation reserve AED'000	Other reserves AED'000	Accumulated losses AED'000	Total AED'000	Non-controlling interests AED'000	Total Equity AED'000
Balance at 1 January 2016 (Audited)	4,615,065	1,152,593	2,942	11,810	(192,747)	(2,227,363)	3,362,300	(162,576)	3,199,724
Loss for the period	-	-	-	-	-	(458,347)	(458,347)	(65,582)	(523,929)
Other comprehensive (loss) / income for the period	-	-	(2,128)	13,090	-	-	10,962	2,032	12,994
Total comprehensive (loss) / income for the period	-	-	(2,128)	13,090	-	(458,347)	(447,385)	(63,550)	(510,935)
Acquisition of non-controlling interest	-	-	-	-	(1,493)	-	(1,493)	493	(1,000)
Offset of statutory reserve against accumulated losses (Note 12)	-	(1,004,434)	-	-	-	1,004,434	-	-	-
Dividend paid	-	-	-	-	-	-	-	(1,800)	(1,800)
Balance at 30 September 2016 (Unaudited)	4,615,065	148,159	814	24,900	(194,240)	(1,681,276)	2,913,422	(227,433)	2,685,989

	Attributable to owners of the Parent								
	Share capital AED'000	Statutory reserve AED'000	Fair value adjustment reserve AED'000	Foreign currency translation reserve AED'000	Other reserves AED'000	Retained earnings/ (Accumulated losses) AED'000	Total AED'000	Non-controlling interests AED'000	Total equity AED'000
Balance at 1 January 2015 (Audited)	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 period	-	-	-	-	-	(1,942,961)	(1,942,961)	(400,679)	(2,343,640)
Other comprehensive income for the period	-	-	519	2,832	-	-	3,351	667	4,018
Total comprehensive loss for the period	-	-	519	2,832	-	(1,942,961)	(1,939,610)	(400,012)	(2,339,622)
Bonus shares issued	219,765	-	-	-	-	(219,765)	-	-	-
Dividend paid	-	-	-	-	-	-	-	(2,800)	(2,800)
Balance at 30 September 2015 (Unaudited)	4,615,065	1,152,593	3,603	11,898	(192,747)	(1,837,282)	3,753,130	(133,808)	3,619,322

The notes on pages 9 to 33 are an integral part of this condensed consolidated interim financial information.

Arabtec Holding PJSC and its subsidiaries

Condensed consolidated interim statement of cash flows

	Notes	Nine months ended 30 September 2016 Unaudited AED'000	Nine months ended 30 September 2015 Unaudited AED'000
Operating activities			
Loss before tax from continuing operations		(467,964)	(1,880,088)
Loss before tax from discontinued operations	21	(47,763)	(458,991)
		(515,727)	(2,339,079)
Adjustments for:			
Gain on sale of property, plant and equipment		(2,000)	(11,492)
Loss on sale of investment properties		90	6,289
Gain on disposal of other financial assets		(427)	-
Investment income, net		(824)	(810)
Net interest expense on non-current receivables and payables		743	333
Depreciation of property, plant and equipment	7	186,112	207,633
Depreciation of investment properties		1,733	6,895
Impairment loss on development properties		20,000	39,464
Impairment loss on other financial assets		1,778	-
Amortisation of intangible assets	8	2,327	4,330
Provision for employees' end of service benefits		44,802	71,996
Finance costs		50,546	31,135
Gain on disposal of investment in associate		(5,063)	-
Share of loss from investment in associates		33,058	5,579
Operating cash flows before changes in working capital		(182,852)	(1,977,727)
Changes in working capital:			
Trade and other receivables		(100,046)	798,616
Due from related parties		(396,576)	116,315
Inventories		(107,840)	(14,411)
Other current assets		(102,252)	(163,674)
Trade and other payables		647,083	468,847
Due to related parties		72,029	11,818
Retentions payables		37,740	77,136
Cash used in operating activities		(132,714)	(683,080)
Employees' end of service benefits paid		(42,072)	(30,187)
Income tax paid		(7,007)	(12,624)
Net cash used in operating activities		(181,793)	(725,891)
Balance carried forward		(181,793)	(725,891)

Arabtec Holding PJSC and its subsidiaries

Condensed consolidated interim statement of cash flows (continued)

	Notes	Nine months ended 30 September 2016 Unaudited AED'000	Nine months ended 30 September 2015 Unaudited AED'000
Balance brought forward		(181,793)	(725,891)
Investing activities			
Investment income received		824	810
Purchase of property, plant and equipment	7	(101,684)	(211,089)
Additions to investment properties		-	(10,674)
Intangible assets recognised		-	(33)
Proceeds from disposal of other financial assets	19	4,318	-
Proceeds from disposal of investment properties		33,809	80,615
Proceeds from disposal of property, plant and equipment		32,259	27,821
Acquisition of additional interest in a subsidiary		(1,000)	-
Net movement in other financial assets		(14,899)	12,059
Proceeds from disposal of investment in an associate		30,801	2,955
Net cash used in investing activities		(15,572)	(97,536)
Financing activities			
(Repayment) of / proceeds from borrowings, net		(55,147)	386,897
Interest paid		(50,546)	(31,135)
Loan from a related party		154,000	-
Dividend paid to non-controlling interests		(1,800)	(2,800)
Net cash flow from financing activities		46,507	352,962
Net decrease in cash and cash equivalents		(150,858)	(470,465)
Cash and cash equivalents at the beginning of the period		(480,578)	191,568
Net foreign currency translation difference		15,122	3,325
Cash and cash equivalents at the end of the period	10	(616,314)	(275,572)

Arabtec Holding PJSC and its subsidiaries

Notes to the condensed consolidated interim financial information for the nine-month period ended 30 September 2016

1 General 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 address 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 condensed consolidated interim financial information of the Group for the nine-month period ended 30 September 2016 was authorised for issue in accordance with a resolution of the Board of Directors on 13 November 2016.

The condensed consolidated interim financial information is reviewed, not audited.

The Company has directly or indirectly the following major subsidiaries:

Name of subsidiary and domicile	% Holding (including indirect holding)		Principal activities
	30 September 2016	31 December 2015	
Arabtec Construction LLC – Dubai, UAE	100%	100%	Civil construction and related works
Arabtec Construction Syria LLC, Syrian Arab Republic	100%	100%	Civil construction and related works
Arabtec Pakistan (Pvt.) Limited, Pakistan	60%	60%	Civil construction and related works
Arabtec Saudi Arabia LLC, Kingdom of Saudi Arabia*	45%	45%	Civil construction and related works
Arabtec Egypt for Construction SAE, Arab Republic of Egypt	55%	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

1 General information (continued)

Name of subsidiary and domicile	% Holding (including indirect holding) 30 September 2016	31 December 2015	Principal activities
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
Arabtec Precast LLC, UAE	100%	100%	Manufacturing of precast panels
Arabtec Minority Holding 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%	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**	100%	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%	Building general maintenance, electrical fittings, sewerage and water fittings maintenance, caravans maintenance

1 General information (continued)

Name of subsidiary and domicile	% Holding (including indirect holding) 30 September 2016	31 December 2015	Principal activities
Arabtec Property Management LLC - Abu Dhabi, UAE***	-	100%	Management services
Arabtec Property Management LLC - Dubai, UAE	100%	100%	Leasing and management of third party property
Arabtec Facility Management LLC, UAE***	-	100%	Facilities management
Arabtec International Constructions Company LLC, UAE***	-	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
Arabtec Constructions Group LLC, UAE***	-	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

1 General information (continued)

Name of subsidiary and domicile	% Holding (including indirect holding) 30 September 2016	31 December 2015	Principal activities
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 and 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%	General trading; commercial and real estate investments
Magnolia Limited, JAFZA, UAE***	-	100%	General trading; commercial and real estate investments
Mars Limited, JAFZA, UAE***	-	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%	General trading; commercial and real estate investments
Powercon Switchgear Factory, UAE	75%	75%	Manufacturing of switch gears and power distribution panels
Saudi Austrian Arabian Ready Mix Co LLC, Kingdom of Saudi Arabia	62%	62%	Manufacturing and transportation of ready mix concrete products

1 General information (continued)

Name of subsidiary and domicile	% Holding (including indirect holding) 30 September 2015	31 December 2015	Principal activities
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%	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 Construction W.L.L., Qatar*	49%	49%	Civil construction and related works
Arabtec Interests Limited, JAFZA, UAE	100%	100%	Investment holding company

* Although the Group holds 50% or less of the share capital, it exercises control over these subsidiaries.

** During the nine-month period ended 30 September 2016, the Group acquired the remaining 33% shareholding in Arabtec Envirogreen Facility Management Services LLC for AED 1 million, increasing its ownership interest to 100%. The difference of AED 1,493 thousand between the purchase price and the carrying value of the non-controlling interest acquired has been reflected in other reserves.

***Certain non-operating companies of the Group were liquidated during the period.

1 General information (continued)

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

Name of associate and domicile	% Holding (including indirect holding) 30 September 2016	31 December 2015	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%	Development of Salboukh residential compound

The Company and its subsidiaries have the 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
- Arabtec Construction LLC, Fujairah branch
- Arabtec Construction LLC, Bahrain branch
- 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

2 Basis of preparation and accounting policies

2.1 Basis of preparation

This condensed consolidated interim financial information for the nine-month period ended 30 September 2016 has been prepared in accordance with IAS 34, 'Interim financial reporting'.

The condensed consolidated interim financial information has been presented in United Arab Emirates Dirhams ("AED") being the functional and presentation currency of the Group. All numbers are rounded off to the nearest thousand except otherwise stated.

The condensed consolidated interim financial information should be read in conjunction with the annual consolidated financial statements for the year ended 31 December 2015, which have been prepared in accordance with International Financial Reporting Standards.

2.2 Significant accounting policies

The accounting policies applied in the preparation of the condensed consolidated interim financial information are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2015.

There are no new standards, amendments or interpretations which are effective for the financial period commencing on 1 January 2016, which have a material impact on the Group's condensed consolidated interim financial information.

2.3 Basis of consolidation

The condensed consolidated interim financial information as at, and for the three-month and nine-month period ended 30 September 2016 comprises results of the Group. The condensed interim financial information of the subsidiaries is prepared for the same reporting period as that of the Company, using consistent accounting policies. All inter-company transactions, profits and balances are eliminated on consolidation.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group and cease to be consolidated from the date on which control is transferred out of the Group.

3 Critical accounting estimates and judgements

The preparation of condensed consolidated interim financial information requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

In preparing this condensed consolidated interim financial information, the significant judgements made by the management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied in the consolidated financial statements for the year ended 31 December 2015.

3.1 Critical accounting estimates and assumptions

The preparation of the Group's interim condensed consolidated financial information 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.

3 Critical accounting estimates and judgements (continued)

3.1 Critical accounting estimates and assumptions (continued)

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.

(a) 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 the stage of completion and costs to complete on its construction contracts. This requires 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 period 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 team 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, labour costs and other costs are included in the construction cost estimates based on best estimates updated on a regular basis.

(b) 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.

(c) 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. Management reviews the judgment related to these contract claims periodically and adjustments are made, as assessments indicates that such adjustments are appropriate.

As a result of the above, adjustments to revenues were made during the period, including expected future losses arising on onerous contracts recognised in contract cost.

4 Financial risk management and financial instruments

4.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk.

The condensed consolidated interim financial information does not include all financial risk management information and disclosures required in the annual consolidated financial statements; therefore, it should be read in conjunction with the Group's annual consolidated financial statements as at 31 December 2015. The Group's financial risk management objectives and policies are consistent with those disclosed in the annual consolidated financial statements at and for the year ended 31 December 2015.

There have been no changes in the risk management department or in any risk management policies since the year end.

4 Financial risk management and financial instruments (continued)

4.2 Liquidity risk factors

The Group monitors its risk of a possible shortage of funds using cash flow forecasts. These forecasts consider the maturity of both its financial investments and financial assets (e.g. accounts receivable, other financial assets) and projected cash flows from operations.

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank facilities. The Group manages liquidity risk by maintaining adequate bank balances and credit facilities, by continuously monitoring forecasted and actual cash flows and matching the maturity profiles of financial assets and liabilities.

Compared to year ended 31 December 2015, there was no material change in the contractual undiscounted cash out flows for financial liabilities.

4.3 Fair values of financial instruments

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 excluding prepayments and advances, and due from related parties. Financial liabilities consist of bank borrowings, trade and other payables, retentions payable and due to related parties.

At the period end, 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 approximate their carrying amounts, largely due to the short-term maturities of these instruments.
- Long term receivables are evaluated by the Group based on parameters such as interest rates, specific country risk factors, individual credit worthiness of the customer and the risk characteristics of the financed project. Based on this evaluation, provisions are taken to account for the expected losses of these receivables. As at 30 September 2016, the carrying amounts of such receivables, net of provisions, are not materially different from their fair values.

4.4 Fair value estimation

The table below analyses financial instruments carried at fair value and investment properties for which fair value is disclosed, by valuation method. The different levels have been defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (Level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (Level 3).

4 Financial risk management and financial instruments (continued)

4.4 Fair value estimation (continued)

The following table presents the Group's assets that are measured at fair value and investment properties for which fair value is disclosed at 30 September 2016.

	Level 1 AED'000 Unaudited	Level 2 AED'000 Unaudited	Level 3 AED'000 Unaudited	Total AED'000 Unaudited
Assets				
Assets measured at fair value				
- Available-for-sale investments (Note 19)	3,115	-	-	3,115
Assets for which fair values are disclosed				
- Investment properties*	-	-	516,440	516,440
Total	3,115	-	516,440	519,555

The following table presents the Group's assets that are measured at fair value and investment properties for which fair value is disclosed at 31 December 2015.

	Level 1 AED'000 Audited	Level 2 AED'000 Audited	Level 3 AED'000 Audited	Total AED'000 Audited
Assets				
Assets measured at fair value				
- Available-for-sale investments (Note 19)	9,134	-	-	9,134
Assets for which fair values are disclosed				
- Investment properties*	-	-	553,075	553,075
Total	9,134	-	553,075	562,209

*Carrying value of investment properties includes a land in Dubai, UAE that will be used to construct a mixed used development and has been designated as an investment property. Based on a detailed impairment review of the land performed by management during December 2015, the recoverable amount after development of the property exceeds its carrying value including development cost already incurred. Accordingly, no impairment provision as at 30 September 2016 (31 December 2015: Nil) is required.

5 Seasonality of operations

The results for the three-month and nine-month period ended 30 September 2016 reflect the results of the Group's continuing projects and new projects commenced during the period and are not significantly affected by any seasonal or cyclical operations.

Management has concluded that this does not constitute "highly seasonal" as considered by IAS 34 Interim Financial Reporting. Notwithstanding, the results for the three-month and nine-month period ended 30 September 2016 are not necessarily indicative of the results that might be expected for the year ending 31 December 2016.

6 Segment reporting

Information regarding the Group's operating segments is set out below in accordance with IFRS 8 "Operating Segments". IFRS 8 requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the "Executive management" who are the Chief Operating decision-makers in order to allocate resources to the segment and to assess its performance. Executive management assesses the performance of the operating segments based on revenue.

The management of the Group assessed the Group into four operating segments: Construction; Mechanical, Electrical and Plumbing (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.

6 Segment reporting (continued)

Information about business segments

All figures in AED'000

	Construction	Mechanical, Electrical and Plumbing	Oil & Gas, Infrastructure and Power	Others	Eliminations	Total
Nine-month period ended 30 September 2016 (Unaudited)						
Revenue	4,172,758	751,384	1,313,014	216,928	(359,180)	6,094,904
Direct cost	(4,220,232)	(791,481)	(1,347,912)	(195,888)	359,180	(6,196,333)
Gross (loss) / profit	(47,474)	(40,097)	(34,898)	21,040	-	(101,429)
Other income and other expenses, net	32,434	-	26,025	(26,220)	(1,466)	30,773
General and administrative expenses	(139,661)	(31,141)	(55,329)	(105,315)	1,466	(329,980)
Impairment of development properties	(20,000)	-	-	-	-	(20,000)
Finance cost	(18,654)	(1,979)	(9,653)	(17,042)	-	(47,328)
Income tax expense	(2,109)	-	-	(5,778)	-	(7,887)
Net segment results	(195,464)	(73,217)	(73,855)	(133,315)	-	(475,851)
Three-month period ended 30 September 2016 (Unaudited)						
Revenue	1,481,742	175,113	419,674	39,196	(115,237)	2,000,488
Direct cost	(1,548,408)	(230,337)	(461,852)	(27,969)	115,984	(2,152,582)
Gross (loss) / profit	(66,666)	(55,224)	(42,178)	11,227	747	(152,094)
Other income and other expenses, net	12,564	(5)	2,893	4,373	(1,398)	18,427
General and administrative expenses	(44,431)	(15,724)	(21,734)	(26,538)	1,398	(107,029)
Finance cost	(7,694)	90	(3,644)	(6,751)	-	(17,999)
Income tax expense	(182)	(4)	(368)	(5,000)-	-	(5,554)
Net segment results	(106,409)	(70,867)	(65,031)	(22,689)	747	(264,249)

6 Segment reporting (continued)

Information about business segments (continued)

All figures in AED'000

	Construction	Mechanical, Electrical and Plumbing	Oil & Gas, Infrastructure and Power	Others	Eliminations	Total
Nine-month period ended 30 September 2015 (Unaudited)						
Revenue	3,145,094	396,856	1,704,474	325,710	(378,006)	5,194,128
Direct cost	(3,984,430)	(387,396)	(2,095,557)	(273,420)	376,938	(6,363,865)
Gross (loss) / profit	(839,336)	9,460	(391,083)	52,290	(1,068)	(1,169,737)
Other income and other expenses, net	18,142	104	18,352	1,314	(1,091)	36,821
General and administrative expenses	(299,104)	(55,665)	(137,381)	(188,604)	1,091	(679,663)
Impairment of development properties	-	-	-	(39,464)	-	(39,464)
Finance cost	(6,285)	(970)	(8,780)	(12,010)	-	(28,045)
Income tax expense	(2,950)	(3)	(368)	(1,000)	-	(4,321)
Net segment results	(1,129,533)	(47,074)	(519,260)	(187,474)	(1,068)	(1,884,409)
Three-month period ended 30 September 2015 (Unaudited)						
Revenue	855,594	133,012	548,098	145,604	(79,148)	1,603,160
Direct cost	(1,198,226)	(146,813)	(865,726)	(88,717)	78,979	(2,220,503)
Gross (loss) / profit	(342,632)	(13,801)	(317,628)	56,887	(169)	(617,343)
Other income and other expenses, net	4,304	31	9,217	2,829	(184)	16,197
General and administrative expenses	(121,206)	(38,737)	(78,551)	(63,711)	184	(302,021)
Impairment of development properties	-	-	-	(33,539)	-	(33,539)
Finance cost	(2,625)	414	(2,954)	(3,890)	-	(9,055)
Income tax expense	(609)	-	-	(1,000)	-	(1,609)
Net segment results	(462,768)	(52,093)	(389,916)	(42,424)	(169)	(947,370)

6 Segment reporting (continued)

Information about business segments (continued)

All figures in AED'000

	Construction	Mechanical, Electrical and Plumbing	Oil & Gas, Infrastructure and Power	Others	Eliminations	Total
As at 30 September 2016 (Unaudited)						
Segment assets	9,147,418	966,126	2,401,627	3,346,727	(2,383,310)	13,478,588
Segment liabilities	(9,299,025)	(681,149)	(1,681,427)	(1,514,308)	2,383,310	(10,792,599)
As at 31 December 2015 (Audited)						
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)

7 Property, plant and equipment

During the nine-month period ended 30 September 2016, the Group acquired various types of property, plant and equipment with a cost of AED 101,684 thousand (nine-month period ended 30 September 2015: AED 211,089 thousand). Assets with a net book value of AED 30,259 thousand were disposed off by the Group during the nine-month period ended 30 September 2016 (nine-month period ended 30 September 2015: AED 16,329 thousand). Depreciation expense for the period was AED 186,112 thousand (nine-month period ended 30 September 2015: AED 207,633 thousand).

Included in the above amounts are additions of AED 163 thousand (nine-month period ended 30 September 2015: AED 2,691 thousand), assets with a net book value of AED 20,954 (nine- month period ended 30 September 2015: AED 7,535 thousand) disposed off and depreciation charge of AED 33,483 thousand (nine month period ended 30 September 2015: AED 55,600 thousand) related to discontinued operations.

8 Other intangible assets

During the period, the amortisation of other intangible assets amounts to AED 2,327 thousand (nine-month period ended 30 September 2015: AED 4,330 thousand). There were no additions during the nine month period ended 30 September 2016 (nine-month period ended 30 September 2015: AED 33 thousand).

9 Related party transactions and balances

The following table provides the total amount of transactions that have been entered into with related parties during nine-month period ended 30 September 2016 and 30 September 2015, as well as balances with related parties as of 30 September 2016 and 31 December 2015:

	Nine months 30 September 2016 (Unaudited)		As at 30 September 2016 (Unaudited)	
	Revenue AED'000	Other expenses AED'000	Amount due to AED'000	Amount due from AED'000
Joint operations	128,414	-	395,089	421,755
Shareholders	66,763	-	-	1,194,242
Associate	-	-	35,827	9,289
Other related parties	483,043	500	58,014	-
	678,220	500	488,930	1,625,286

	Nine months 30 September 2015 (Unaudited)		As at 31 December 2015 (Audited)	
	Revenue AED'000	Other expenses AED'000	Amount due to AED'000	Amount due from AED'000
Joint operations	100,697	-	354,496	392,200
Shareholders	132,456	-	-	858,413
Associate	-	-	22,960	-
Other related parties	312,974	2,605	55,657	10,221
	546,127	2,605	433,113	1,260,834

9 Related party transactions and balances (continued)

On 13 July 2016, the Group entered into a loan note agreement with Aabar investments PJS (a shareholder) for a term loan facility of AED 400 million, to support the projects' execution. As at 30 September 2016, the draw-down balance of the loan amounted to AED 154 million. The loan is repayable in full on 30 June 2018 and carries interest at mutually agreed rate.

Compensation of key management personnel

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

	Three-months ended		Nine-months ended	
	Unaudited 30 September 2016 AED'000	Unaudited 30 September 2015 AED'000	Unaudited 30 September 2016 AED'000	Unaudited 30 September 2015 AED'000
Short term benefits	1,245	6,772	3,767	15,507
Employees' benefits	162	1,541	451	2,068
Discretionary bonus	-	1,456	-	7,803
	1,407	9,769	4,218	25,378

10 Cash and bank balances

	30 September 2016 Unaudited AED'000	31 December 2015 Audited AED'000
Bank balances and cash	577,165	606,805
Short term bank deposits	218,495	128,580
Cash and bank balances	795,660	735,385

Cash and cash equivalents comprise bank balances and cash net of bank overdrafts. The details are as follows:

	30 September 2016 Unaudited AED'000	30 September 2015 Unaudited AED'000
Bank balance and cash	795,660	868,353
Bank overdrafts	(905,209)	(687,125)
Attributable to continued operations	(109,549)	181,228
Attributable to discontinued operations	(506,765)	(456,800)
	(616,314)	(275,572)

11 Income tax expense

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

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

	30 September 2016 Unaudited AED'000	30 September 2015 Unaudited AED'000
Income taxes		
Current tax expense	8,045	4,150
Deferred tax expense relating to the origination of temporary differences	(158)	171
Total income tax expense from continuing operations	7,887	4,321

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

	30 September 2016 Unaudited AED'000	30 September 2015 Unaudited AED'000
Loss before tax:		
Attributable to continuing operations	(467,964)	(1,880,088)
Attributable to discontinued operations (Note 21)	(47,763)	(458,991)
Income tax expense:		
Attributable to continuing operations	(7,887)	(4,321)
Attributable to discontinued operations (Note 21)	(315)	(240)

The Group is subject to taxation on its operations in different jurisdiction with tax rates ranging between 5% and 34%.

12 Share capital

	30 September 2016 Unaudited AED'000	31 December 2015 Audited AED'000
Authorised, issued and fully paid up:		
4,615,065 thousand shares of AED 1 each	4,615,065	4,615,065

In line with the Board of Directors' recommendation under UAE Federal Law No. 2 of 2015, a resolution was passed by the shareholders during the General Assembly convened on 2 June 2016 to reduce the accumulated losses by using the statutory reserve. Accordingly, statutory reserve amounting to AED 1,004,434 thousand was offset against the accumulated losses at the date of approval.

13 Loss per share

Earnings per share is calculated by dividing the loss attributable to the owners of the Parent for the nine-month period ended 30 September 2016, amounting to AED 458,347 thousand (nine-month period ended 30 September 2015, loss of AED 1,942,961 thousand) by the weighted average number of shares outstanding during the period of AED 4,615,065 thousand (2015: AED 4,615,065 thousand).

	Three-months ended		Nine-months ended	
	30 September 2016 Unaudited AED'000	30 September 2015 Unaudited AED'000	30 September 2016 Unaudited AED'000	30 September 2015 Unaudited AED'000
Basic and diluted loss per share	(0.05)	(0.20)	(0.10)	(0.42)

14 Contract disputes

(a) Meydan

The Group's net exposure to Meydan LLC ("Meydan") in connection with the Nad Al Sheba race course project as at 30 September 2016 amounts to AED 465 million (31 December 2015: 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 had a 50% share, received notice from the customer, Meydan LLC 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 has paid interest, which was 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 the 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 was to engage in and progress amicable settlement discussions. During the nine-month period ended 30 September 2016, the Board of Directors of the Company resolved to reinitiate arbitration proceedings against Meydan.

14 Contract disputes (continued)

(b) Other customer

During year ended 31 December 2014, the Board of Directors of the Company resolved to initiate arbitration proceedings against a customer for settlement of the receivables balance amounting to AED 237 million, which related to projects that were completed and handed over to the customer. At 30 September 2016, the outcome of arbitration was uncertain. However, management is of the opinion that balances are fully recoverable and as at 30 September 2016, no provision for impairment has been made against these balances.

15 Joint operations

The Group has significant interests in the following joint operations:

		% Share
(a)	Samsung/Arabtec joint operation project, UAE	40%
(b)	Six Construct/Arabtec joint operation projects, UAE	50%
(c)	Samsung/Six Construct/Arabtec joint operation project, UAE	30%
(d)	Arabtec/Max Bogl joint operation projects, UAE	50%
(e)	Arabtec/Aktor joint operation projects, UAE	60%
(f)	Arabtec/Emirates Sunland joint operation projects, UAE	50%
(g)	Arabtec/WCT Engineering joint operation projects, UAE	50%
(h)	Arabtec/Engineering Enterprises Company joint operation projects, Jordan	50%
(i)	Arabtec/Dubai Contracting Company joint operation project, UAE	50%
(j)	Target Engineering and Construction Company LLC/ Marintek Middle East and Asia FLE joint operation project UAE	65%
(k)	Arabtec Engineering Services/WCT Engineering joint operation project, UAE	50%
(l)	Arabian Construction Company/Arabtec joint operation project, Syria	50%
(m)	Arabtec/National Projects and Construction joint operation project, UAE	50%
(n)	Arabtec/Al 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%
(y)	Arabtec TAV Joint operation, Bahrain	60%

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.

16 Bank Borrowings

The Group has obtained bank borrowings (including bank overdrafts) from several commercial banks, mainly to fund working capital requirements.

	Current		Non-current	
	30 September 2016 Unaudited AED'000	31 December 2015 Audited AED'000	30 September 2016 Unaudited AED'000	31 December 2015 Audited AED'000
Bank overdrafts	905,209	743,774	-	-
Acceptances	64,893	58,048	-	-
Trust receipts	159,782	161,522	-	-
Term loans	343,509	527,367	382,243	258,637
Total borrowings	1,473,393	1,490,711	382,243	258,637

During the nine-month period ended 30 September 2016, the Group has obtained additional term loan amounting to AED 75 million from a local bank. The loan carries interest of EIBOR + 3.75% and is secured against pledge of land.

At 30 September 2016 and 31 December 2015, the Group was not in compliance with certain financial covenants in relation to several borrowing facilities. As the Group does not have an unconditional right to defer the settlement of the outstanding amounts, accordingly, the outstanding balances relating to these 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.

17 Operating lease arrangements

	30 September 2016 Unaudited AED'000	30 September 2015 Unaudited AED'000
Minimum lease payments under operating leases recognised as expense during the period	178,464	206,025

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

	30 September 2016 Unaudited AED'000	31 December 2015 Audited AED'000
Within one year	190,581	289,749
Two to five years	449,461	662,834
More than five years	385,217	713,196
Total operating lease expenditure contracted for at the reporting date	1,025,259	1,665,779

18 Contingencies and commitment

At 30 September 2016, the Group had contingent liabilities in respect of performance and bid bonds, advance payment bonds, financial guarantees, retention bonds, labour guarantees and letters of credit amounting to AED 7,866 million (31 December 2015: AED 6,613 million).

The Group is a defendant in a number of lawsuits relating to its 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.

At 30 September 2016, the Group had commitments for the acquisition or development of property, plant and equipment amounting to AED 1,059 million (31 December 2015: AED 1,077 million).

19 Other financial assets

	Current		Non- Current	
	Unaudited 30 September 2016 AED'000	Audited 31 December 2015 AED'000	Unaudited 30 September 2016 AED'000	Audited 31 December 2015 AED'000
Financial assets at fair value				
Available-for-sale investments				
Quoted equity shares (a)	-	-	3,115	9,134
	-	-	3,115	9,134
Financial assets at cost				
Available-for-sale investments				
Unquoted equity shares (b)	-	-	17,282	17,282
Total available-for-sale investments	-	-	20,397	26,416
Financial assets at amortised cost				
Fixed deposits under lien	49,818	34,222	-	-
Margin deposits	48,844	49,541	-	-
Loan to related parties	-	-	-	1,778
	98,662	83,763	-	1,778
Total other financial assets	98,662	83,763	20,397	28,194

(a) Quoted equity securities represent investments in listed equity securities 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 (2015: AED 1,110 thousand), The Group intends to hold this investment for future growth or until an appropriate exit is available.

During the period ended 30 September 2016, available for sale quoted equity shares with a carrying value of AED 6,019 thousand were disposed off for AED 4,318 thousand. Fair value adjustment reserve related to these assets amounting to AED 2,128 thousand was reclassified to investment income.

19 Other financial assets (continued)

Impairment on quoted available-for-sale investments

For available-for-sale 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, Group did not identify any impairment on available-for-sale investments in quoted shares at 30 September 2016 and 2015.

During the nine month period ended 30 September 2016, the Group has recognised an impairment loss of AED 1,778 thousand on the loan to related parties.

20 Investment in associates

	30 September 2016 Unaudited AED'000	31 December 2015 Audited AED'000
DEPA Limited	183,531	216,589
Jordan Wood Industries PSC	5,871	5,871
Polypod Middle East LLC	-	-
	189,402	222,460

(a) 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 DEPA'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.

In the year ended 31 December 2015, the Group recognised a share of loss in DEPA amounting to AED 10,873 thousand using the previously published financial statements as of 30 September 2015 and financial highlights as of 30 September 2015. Subsequent to the date of issuance of the consolidated financial statements of the Group for the year ended 31 December 2015, DEPA published its financial statements for the same period that show an additional share of loss attributable to the Group of AED 37,018 thousand excluding losses amounting to AED 25,880 thousand relating to impairment of goodwill and other intangible assets in the books of DEPA relating to acquisitions made by DEPA, prior to it becoming associate of the Group. These losses have been recognised during nine-month period ended 30 September 2016.

Furthermore, the Group has recognised its share in the results of DEPA announced for the six-month period ended 30 June 2016 amounting to AED 3,960 thousand. The financial information of DEPA for the nine-month period ended 30 September 2016 has not been published on the date of the authorisation of this condensed consolidated interim financial information.

20 Investments in associates (continued)

(b) Jordan Wood Industries PSC

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

The fair market value of the investment in JWICO as of 30 September 2016, based on listed bid prices, was approximately AED 5.8 million (31 December 2015: AED 5.9 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.

Summarised financial statements of JWICO as of 30 September 2016 is not available as JWICO has not declared its results at the date of approval of this condensed consolidated interim financial information.

(c) Polypod Middle East LLC

On 6 May 2009, Polypod Middle East LLC ("Polypod"), Abu Dhabi was incorporated and the Group holds 40% interest in Polypod at a cost of AED 3.2 million, being equivalent to the Polypod'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 of Polypod is in the process of restructuring this business with a view to allowing the business to positively trade out of its existing deficits.

21 Discontinued operations

At the year ended 31 December 2014, the Board of Directors of the Group approved a plan to dispose of 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 management consider the sale to be highly probable and actively marketed, the Group's interest in the net assets of the 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.

	Three-month period		Nine-month period	
	30 September 2016 Unaudited	30 September 2015 Unaudited	30 September 2016 Unaudited	30 September 2015 Unaudited
Revenue	(19,524)	139,682	31,858	259,277
Direct costs	1,760	(196,558)	(62,751)	(674,615)
Gross loss	(17,764)	(56,876)	(30,893)	(415,338)
General and administrative expenses	(3,983)	(21,938)	(25,299)	(45,445)
Other income	942	1,384	6,584	4,882
Net Investment Income	5,063	-	5,063	-
Finance costs	(1,054)	(1,024)	(3,218)	(3,090)
Loss before tax from discontinued operations	(16,796)	(78,454)	(47,763)	(458,991)
Income tax expense	(85)	(61)	(315)	(240)
Loss for the period from discontinued operations	(16,881)	(78,515)	(48,078)	(459,231)

As required by IFRS 5, assets held for sale are to be measured at the lower of their net carrying amount and fair value less cost to sell.

21 Discounted operations (continued)

The carrying value of the major classes of assets and liabilities of the disposal group classified as held for sale are as follows:

	30 September 2016 AED'000 Unaudited	31 December 2015 AED'000 Audited
ASSETS		
Non-current assets		
Property, plant and equipment	114,600	168,874
Investment in an associate*	-	25,738
	114,600	194,612
Current assets		
Inventories	74,225	36,110
Trade and other receivables	1,097,498	1,095,878
Other current assets	18,538	22,114
Due from related parties	80,985	48,860
Cash and bank balances	6,964	2,088
	1,278,210	1,205,050
Total assets	1,392,810	1,399,662
LIABILITIES		
Non-current liabilities		
Provision for employees' end of service benefits	6,080	26,299
Current liabilities		
Bank borrowings	513,729	474,276
Trade and other payables	577,219	557,302
Due to related parties	43,562	27,350
Income tax payable	-	3,797
	1,134,510	1,062,725
Total liabilities	1,140,590	1,089,024
Net assets of the disposal group	252,220	310,638

*During the period ended 30 September 2016, the investment in associate was disposed off and a gain of AED 5,063 thousand was recognised in the condensed consolidated interim income statement.

Net cash flows of the discontinued operations are as follows:

	Nine months ended	
	30 September 2016 AED'000 Unaudited	30 September 2015 AED'000 Audited
Operating activities	(47,733)	(193,303)
Investing activities	52,611	11,753
Financing activities	-	142,611
Net cash inflow / (outflow)	4,878	(38,939)

22 Other matters

(a) During the period ended 30 September 2016, a fire occurred at the construction site on one of the Group's projects. The under-construction building, including loss of assets due to fire, are covered by Contractors' All Risk and third party liability insurance policy provided by the contract manager. During the period, the insurance company has disbursed part amount of the claim on its preliminary assessment and the final assessment of the claim amount is expected to be completed in due course of time.

Further, during the nine-month period ended 30 September 2016, the Group recognised AED 54 million as revenue for the period (year ended 31 December 2015: AED 285 million) against a claim on the above project. As at 30 September 2016, the Group's trade and other receivables included an amount of AED 339 million (31 December 2015: AED 285 million) of unbilled revenue with respect to the above project which management believe is recoverable based on the stage of negotiation.

(b) During the period ended 30 September 2016, the non-controlling shareholder of the Group's 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.