Union Properties Public Joint Stock Company and its Subsidiaries

Condensed consolidated interim financial statements (unaudited)

30 September 2017

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Independent Auditors' Report on Review of Condensed Consolidated Interim Financial Statements

To the Shareholders of Union Properties PJSC

Introduction

We reviewed the accompanying 30 September 2017 condensed consolidated interim financial statements of Union Properties PJSC ("the Company") and its subsidiaries (collectively referred to as "the Group"), which comprise:

- the condensed consolidated statement of profit or loss and other comprehensive income for the three month and nine month periods ended 30 September 2017;
- the condensed consolidated statement of financial position as at 30 September 2017;
- the condensed consolidated statement of cash flows for the nine month period ended 30 September 2017;
- the condensed consolidated statement of changes in equity for the nine month period ended 30 September 2017; and
- notes to the condensed consolidated interim financial statements

Management is responsible for the preparation and fair presentation of this condensed consolidated interim financial statements in accordance with IAS 34, *'Interim Financial Reporting'*. Our responsibility is to express a conclusion on this condensed consolidated interim financial statements based on our review.

Scope of Review

We conducted our review in accordance with the International Standard on Review Engagements 2410, "Review of Interim Financial Information performed by the Independent Auditor of the Entity". A review of interim financial statements 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.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying 30 September 2017 condensed consolidated interim financial statements is not prepared, in all material respects, in accordance with IAS 34, 'Interim Financial Reporting'.

Emphasis of matters

We draw attention to note 7 to this condensed consolidated interim financial statements which states that:

- during the six month period ended 30 June 2017, the Company had identified a suspected irregularity (the "irregularity") and had communicated this to the relevant Regulatory Authority in the UAE. This irregularity was in respect of a transaction, recorded in 2015, which resulted in the recognition of a fair valuation gain on a certain investment property. New information was brought to our attention during the six month period ended 30 June 2017 which suggested that the Company did not at the time of the aforementioned transaction, have adequate title and ownership to this investment property. As a result, the Company had restated its comparative information presented in the 30 June 2017 condensed consolidated interim financial statements. Given the significance of the matter, the Company had appointed third party external forensic accountant to investigate this matter and any further matters arising from the irregularity. The third party external forensic accountant have completed its investigation during the three months period ended 30 September 2017 and have issued a final report on 18 October 2017, which confirms that the Company did not, at the time of the aforementioned transaction, have adequate title and ownership to this investment property.

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Emphasis of matters (continued)

- during the six month period ended 30 June 2017, the Company appointed a third party independent expert to prepare an updated master community development plan for the MotorCity project using certain significant estimates and assumptions. Based on this, the Company had reviewed the application of its available gross floor area to be applied on the Company's plots of land in the future. The updated master plan included less available gross floor area than previously recognised. The Company's Board of Directors, taking into account the above reduction in gross floor area and lower fair value of the Group's land bank on account of market conditions, had recorded a fair valuation loss amounting to AED 2,070 million in the condensed consolidated statement of profit or loss. The Company's intention is to develop its land bank and while doing so it may revisit the application of its available gross floor area to be applied on the Company's plots of land in the future depending on the commercial and practicality of utilizing this extra gross floor area. As at 30 September 2017, the Company is still preparing the documentation for submitting updated master community development plan for the MotorCity project to Regulatory Authorities for approval. Should the estimates or assumptions change, the actual results may differ.

Our review conclusion is not modified in respect of the above matters.

KPMG Lower Gulf Limited

Fawzi AbuRass
Registration No.: 968
Dubai, United Arab Emirates
Date: 13 November 2017

Union Properties Public Joint Stock Company and its Subsidiaries

Condensed consolidated statement of profit or loss and other comprehensive income (unaudited)
for the nine month period ended 30 September 2017

	Note	Nine month period ended 30 September	
		2017	2016
		AED'000	AED'000
Property management and sales revenue	*17*	**76,664**	55,717
Contracting and other operating activities	*17*	**269,799**	470,157
Gain on sale of investment properties		**-**	8,680
Share in profit of associates and joint ventures	*5*	**24,392**	32,899
(Loss) / gain on fair valuation of investment properties	*7*	**(2,070,733)**	165,670
Finance income		**10,768**	23,406
Other income	*6*	**142,478**	89,733
Total income		**(1,546,632)**	846,262
Direct costs	*8 & 17*	**(586,754)**	(579,183)
Administrative and general expenses	*17*	**(108,865)**	(84,993)
Finance expense	*17*	**(46,595)**	(35,941)
(Loss) / profit for the period attributable to the shareholders of the Company		**(2,288,846)**	146,145
Other comprehensive income for the period		**-**	-
Total comprehensive (loss) / income for the period		**(2,288,846)**	146,145
Basic and diluted earnings per share (AED)	*13*	**(0.534)**	0.034

The notes on pages 9 to 19 form an integral part of this condensed consolidated interim financial statements.

The independent auditors' report on review of condensed consolidated interim financial statements is set out on pages 1 and 3.

Union Properties Public Joint Stock Company and its Subsidiaries

Condensed consolidated statement of profit or loss and other comprehensive income (unaudited)

for the three month period ended 30 September 2017

		Three month period ended 30 September	
		2017	2016
	Note	**AED'000**	AED'000
Property management and sales revenue	*17*	**18,122**	21,292
Contracting and other operating activities	*17*	**82,307**	185,605
Share in profit of associates and joint ventures	*5*	**10,453**	14,497
Finance income		**1,154**	11,065
Other income	*6*	**4,267**	20,501
Total income		**116,303**	252,960
Direct costs	*8 & 17*	**(98,778)**	(182,710)
Administrative and general expenses	*17*	**(48,213)**	(24,548)
Finance expense	*17*	**(14,296)**	(13,391)
(Loss) / profit for the period attributable to the shareholders of the Company		**(44,984)**	32,311
Other comprehensive income for the period		**-**	-
Total comprehensive (loss) / income for the period		**(44,984)**	32,311
Basic and diluted earnings per share (AED)	*13*	**(0.010)**	0.008

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The independent auditors' report on review of condensed consolidated interim financial statements is set out on pages 1 and 3.

Union Properties Public Joint Stock Company and its Subsidiaries

Condensed consolidated statement of financial position (unaudited)

at 30 September 2017

	Note	Unaudited 30 September 2017 AED'000	Audited 31 December 2016 Restated AED'000	Audited 1 January 2016 Restated AED'000
ASSETS				
Non-current assets				
Intangible assets		**295**	295	295
Property, plant and equipment		**137,903**	145,778	86,572
Investment properties	*7*	**3,660,706**	5,595,437	5,566,680
Inventories	*9*	**24,793**	40,084	42,608
Investments in associates and joint ventures	*5*	**530,569**	510,177	582,061
Non-current receivables	*10*	**333,699**	409,842	383,319
		4,687,965	6,701,613	6,661,535
Current assets				
Other investments	*12*	**2,491**	173,399	109,826
Inventories		**27,156**	61,547	48,064
Contract work-in-progress		**215,949**	230,049	226,839
Trade and other receivables	*10*	**470,907**	522,282	363,822
Due from related parties		**27,618**	12,676	9,549
Cash in hand and at bank		**119,886**	224,626	368,968
		864,007	1,224,579	1,127,068
Total assets		**5,551,972**	7,926,192	7,788,603
EQUITY AND LIABILITIES				
Capital and reserves				
Share capital		**4,289,540**	3,971,796	3,711,959
Treasury shares	*14*	**-**	-	(4,998)
Statutory reserve	*15*	**326,647**	326,647	305,505
General reserve		**-**	313,697	313,697
(Accumulated losses)/retained earnings		**(1,869,995)**	422,898	492,455
Total equity attributable to the shareholders of the Company		**2,746,192**	5,035,038	4,818,618
Non-current liabilities				
Long-term bank loans		**1,271,818**	1,268,784	1,304,340
Advances from sale of properties		**45,516**	51,249	52,923
Non-current payables		**-**	-	1,000
Provision for staff terminal benefits		**41,100**	54,676	60,571
		1,358,434	1,374,709	1,418,834
Current liabilities				
Trade and other payables		**1,185,017**	1,106,422	1,096,068
Advances and deposits		**111,597**	115,583	134,127
Due to related parties		**-**	4,386	5,311
Short-term bank borrowings		**55,416**	194,740	183,070
Current portion of long-term bank loans		**95,316**	95,314	132,575
		1,447,346	1,516,445	1,551,151
Total liabilities		**2,805,780**	2,891,154	2,969,985
Total equity and liabilities		**5,551,972**	7,926,192	7,788,603

The notes on pages 9 to 19 form an integral part of this condensed consolidated interim financial statements.

The condensed consolidated interim financial statements were authorised for issue on behalf of the Board of Directors on 13 NOV 2017

Chairman

Chief Executive Officer

The independent auditors' report on review of condensed consolidated interim financial statements is set out on pages 1 and 3.

Union Properties Public Joint Stock Company and its Subsidiaries

Condensed consolidated statement of cash flows (unaudited)

for the nine month period ended 30 September 2017

	Nine month period ended 30 September 2017 AED'000	2016 AED'000
Operating activities		
(Loss)/profit for the period	**(2,288,846)**	146,145
Adjustments for:		
Depreciation	**10,922**	9,563
Gain on sale of investment properties	-	(8,680)
Loss/(gain) on fair valuation of investment properties	**2,070,733**	(165,670)
Share in profit of associates and joint ventures	**(24,392)**	(32,899)
Gain on disposal of property, plant and equipment	-	(14,139)
Provision for slow moving materials	**25,000**	-
Finance income	**(10,768)**	(23,406)
Finance expense	**46,595**	35,941
Operating loss before working capital changes	**(170,756)**	(53,145)
Change in non-current receivables	**76,143**	83,628
Change in inventories	**9,391**	(13,990)
Change in contract work-in-progress	**14,100**	3,399
Change in trade and other receivables	**51,000**	(162,003)
Change in due from related parties	**(14,942)**	(6,327)
Change in non-current payables	-	(354)
Change in trade and other payables	**93,886**	113,839
Change in advances and deposits	**(3,986)**	(17,858)
Change in due to related parties	**(4,386)**	3,559
Change in staff terminal benefits (net)	**(13,576)**	1,363
Change in advances from sale of properties	**(5,733)**	-
Net cash from/(used in) operating activities	**31,141**	**(47,889)**
Investing activities		
Additions to property, plant and equipment	**(5,996)**	(5,790)
Additions to investment properties	**(136,002)**	(73,143)
Dividend income	**4,000**	10,000
Proceeds from disposal of property, plant and equipment	**2,949**	15,000
Proceeds from sale of investment properties	-	108,180
Proceeds from sale of equity accounted investees (net)	-	94,108
Interest income	**10,768**	6,831
Change in other investments (net)	**170,908**	(70,804)
Change in deposit with banks	**30,775**	39,971
Net cash from investing activities	**77,402**	124,353
Financing activities		
Net movement in long-term bank loans	**3,036**	(83,236)
Net movement in trust receipts	-	(3,721)
Interest paid	**(46,220)**	(35,941)
Net cash used in financing activities	**(43,184)**	(122,898)
Net increase/(decrease) in cash and cash equivalents	**65,359**	(46,434)
Cash and cash equivalents at the beginning of the period	**8,417**	121,256
Cash and cash equivalents at the end of the period	**73,776**	74,822

The notes on pages 9 to 19 form an integral part of this condensed consolidated interim financial statements.

The independent auditors' report on review of condensed consolidated interim financial statements is set out on pages 1 and 3.

Condensed consolidated statement of changes in equity (unaudited)

for the nine month period ended 30 September 2017

	Share capital AED'000	Treasury shares AED'000	Statutory reserve AED'000	General reserve AED'000	(Accummulated losses)/retained earnings AED'000	Total AED'000
At 1 January 2016 (as stated)	3,711,959	(4,998)	305,505	313,697	995,870	5,322,033
Restatement (refer note 7)	-	-	-	-	(503,415)	(503,415)
At 1 January 2016 (as restated)	3,711,959	(4,998)	305,505	313,697	492,455	4,818,618
Total comprehensive income for the period	-	-	-	-	113,834	113,834
Issuance of bonus shares	259,837	-	-	-	(259,837)	-
Sale of treasury shares (refer note 14)	-	4,998	-	-	-	4,998
At 30 September 2016 (unaudited)	**3,971,796**	**-**	**305,505**	**313,697**	**346,452**	**4,937,450**
At 1 January 2017 (audited)	3,971,796	-	326,647	313,697	422,898	5,035,038
Total comprehensive loss for the period	-	-	-	-	(2,288,846)	(2,288,846)
Issuance of bonus shares	317,744	-	-	-	(317,744)	-
Transfer of general reserve (refer note 15)	-	-	-	(313,697)	313,697	-
At 30 September 2017 (unaudited)	**4,289,540**	**-**	**326,647**	**-**	**(1,869,995)**	**2,746,192**

The notes on pages 9 to 19 form an integral part of this condensed consolidated interim financial statements.

1 Legal status and principal activities

Union Properties Public Joint Stock Company ("the Company") was incorporated on 28 October 1993 as a public joint stock company by a United Arab Emirates Ministerial decree. The Company's registered office address is P.O. Box 24649, Dubai, United Arab Emirates ("UAE").

The principal activities of the Company are investment in and development of properties, the management and maintenance of its own properties including the operation of cold stores, the undertaking of property related services on behalf of other parties (including related parties) and acting as the holding company of its subsidiaries and investing in associates and joint ventures.

The Company and its subsidiaries are collectively referred to as "the Group". Most of the Group's significant business and investment activities in land, properties, securities and financial derivatives are carried out within the UAE. The Group does not have significant foreign currency exposure towards land, properties, securities and financial derivatives.

During the nine month period ended 30 September 2017, the Group registered the following companies:

Entity	**Incorporated in**	**Effective ownership**	**Principal activities**
Subsidiaries			
Union Holdings	UAE	100%	Investment in equities.
Union Malls	UAE	100%	Facilities management services.
UPP Capital Investment	UAE	100%	Investment in equities.
UPP International Investments LLC	UAE	100%	Investment in commercial enterprises and management.
UPP Investments LLC	UAE	100%	Investment in equities.
Al Etihad Education	UAE	100%	Investment in educational enterprises and management.

2 Basis of preparation and significant accounting policies

These condensed consolidated interim financial statements have been prepared in accordance with the International Accounting Standard ("IAS") 34, *Interim Financial Reporting*. The condensed consolidated interim financial statements of the Group, presented in UAE Dirhams ("AED"), which is also the Group's functional currency, rounded to the nearest thousand, have been prepared under the historical cost convention except in respect of investment properties, derivative financial instruments and investment in marketable securities, which are stated at fair values.

The condensed consolidated interim financial statements are to be read in conjunction with the latest audited consolidated financial statements of the Group for the year ended 31 December 2016.

The accounting policies adopted in the preparation of the condensed consolidated interim financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2016.

3 Significant accounting estimates and judgements

The preparation of condensed consolidated interim financial statements 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 expense. Actual results may differ from these estimates.

In preparing these condensed consolidated interim financial statements, 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 to the consolidated financial statements for the year ended 31 December 2016.

4 Financial risk management

The Group's financial risk management objectives and policies are consistent with that disclosed in the consolidated financial statements as at and for the year ended 31 December 2016.

5 Share in profit of associates and joint ventures

During the nine month period ended 30 September 2017, the Group's share of loss in Properties Investment LLC amounted to AED 1.6 million *(30 September 2016: profit of AED 10.6 million)* and its share of profit in Emirates District Cooling LLC amounted to AED 26 million *(30 September 2016: AED 22.3 million)*.

6 Other income

Other income of the period mainly represents positive saving on account of liabilities settlement with the contractors for certain projects, reversal of related provisions and sale of obsolete and slow moving products.

7 Investment properties

	Unaudited 30 September 2017 AED'000	Audited 31 December 2016 Restated AED'000	Unaudited 30 September 2016 Restated AED'000	Audited 1 January 2016 Restated AED'000
Opening balance	**5,595,437**	5,566,680	5,566,680	5,907,879
Additions during the period/year	**136,002**	106,664	73,143	49,718
Sale of investment properties	-	(186,750)	(99,500)	(556,965)
Transfer from inventory (refer note 9)	-	2,039	2,039	-
(Loss)/gain on fair valuation (Refer the notes below)	**(2,070,733)**	172,766	165,670	669,463
Restatement (Refer the notes below)	-	-	-	(503,415)
Transfer to property, plant and equipment	-	(65,962)	(4,762)	-
Closing balance	**3,660,706**	5,595,437	5,703,270	5,566,680

The fair value measurement for investment properties has been categorized as a level 3 fair value based on the inputs to the valuation technique used. For different level of fair value hierarchy refer note 16.

7.1 Valuation loss on investment properties

The Group follows the fair value model under IAS 40 (Revised 2003) where investment property defined as land and buildings owned for the purpose of generating rental income or capital appreciation, or both, are fair valued based on an open market valuation carried out by an independent registered valuer, Valustrat Consulting FZCO. The independent valuer provides the fair value of the Group's investment property portfolio every six months. The independent registered valuer had carried out the valuation as at 30 June 2017 in accordance with RICS Appraisal and Valuation Manual issued by the Royal Institute of Chartered Surveyors, adopting the IFRS basis of fair value and using established valuation techniques. The independent valuer had reviewed the updated master community development plan for the MotorCity project in forming its view of the fair value of the portfolio as at 30 June 2017.

The fair values have been determined by taking into consideration the discounted cash flow revenues where the Company has ongoing lease arrangements. In this regard, the Group's current lease arrangements, which are entered into on an arm's length basis and which are comparable to those for similar properties in the same location, have been taken into account.

In cases where the Company does not have any on-going lease arrangements, fair values have been determined, where relevant, having regard to recent market transactions for similar properties as well as taking into account an expected significant increase in the new supply of plots of land in and around the same location as the Group's investment properties. These values are adjusted for differences in key attributes such as property size.

For property under construction, the valuation was determined using residual value approach incorporating a combination of both the income and cost approaches. The market value estimate of these properties is on the assumption that the properties are complete as at the date of valuation, and from which appropriate deductions are made for the costs to complete the project in order to estimate the value of the property in its present condition.

7 Investment properties (continued)

7.1 Valuation loss on investment properties (continued)

Considering the expected significant increase in the new supply of plots of land in and around the land bank of the Company together with the already existing undeveloped plots of land in existing communities, the independent valuers and management believe this is resulting in increased competition and downward pricing pressures particularly for plots of land. Furthermore, increased property developments in and around the land bank of the Group that are being completed for delivery in the end user property market have resulted into more competition and reduced prices for developed properties as well as land prices. As a result, development margin risks are believed to be increasing when purchasing land as compared to 2016. These factors have resulted in a lower fair value of the Group's land bank. As at 30 June 2017, the independent valuer has determined AED 3,608 million as the fair value of the Group's investment properties. The independent valuers and management believe that there is no significant change in the fair value of the Group's investment properties as at 30 September 2017 as compared to 30 June 2017.

The Company's Board of Directors have reviewed the assumption and methodology used by the independent registered valuer and in their opinion these assumptions and valuation methodology is appropriate and prudent as at the reporting date. Furthermore, the Company's Board of Directors have reviewed the fair value of investment properties as of 30 September 2017 and have confirmed there is no change in the fair value as compared to 30 June 2017.

Accordingly, based on the above valuation, a fair value loss of AED 2,070 million (30 September 2016: valuation gain of AED 165.7 million) has been recognised in the condensed consolidated interim statement of profit or loss for the nine month period ended 30 September 2017. The fair value loss of AED 2,070 million includes AED 690 million of valuation loss on gross floor area (see details below) and AED 1,380 million as change in fair value of investment properties.

Any significant movement in the assumptions used for the fair valuation of investment properties would result in significantly lower/higher fair values of those assets.

7.2 Valuation loss on gross floor area

As at 1 January 2017, the Company had ownership of 14.33 million square feet of gross floor area for development within the MotorCity project. With the expected significant increase in new supply of plots of land in and around the land bank of the Company, during the six month period ended 30 June 2017, the Company had appointed an independent third party consultant to review and prepare an updated master community development plan for the MotorCity project. Considering the infrastructure and the master community development plan as approved by Dubai Municipality, the independent third party consultant had advised that the Company will likely only be able to utilize only 12 million square feet of gross floor area distributed among residential, retail and commercial on the existing unsold and undeveloped plots of land within the MotorCity project. The independent third party consultant had recommended that in case the Company would like to utilize the extra 2.33 million square feet of gross floor area, the Company would need to consider additional commercial costs as well as the practicality of obtaining the required regulatory approvals in the UAE for developing this extra gross floor area.

As at 30 September 2017, the independent third party consultant and the management continues to believe that the Company will likely only be able to utilize only 12 million square feet of gross floor area distributed among residential, retail and commercial on the existing unsold and undeveloped plots of land within the MotorCity project.

7 Investment properties (continued)

7.2 Valuation loss on gross floor area (continued)

The Company's Board of Directors continues to review the application of highest and best use of its available gross floor area to be applied on the Company's plots of land in the future without forfeiture. The Company's Board of Directors is of the opinion taking into account the market factors noted above, that the updated master community development plan for the MotorCity project is most likely to yield the highest value and this plan has been approved by the Board of Directors for submission to the regulatory authorities for review and approval. Accordingly, the Company's Board of Directors has confirmed that the 2.33 million of extra gross floor area should continue to be valued at Nil as at 30 September 2017 and have recorded the corresponding fair valuation loss amounting to AED 690 million in the condensed consolidated interim statement of profit or loss for the period then ended.

The Company's intention is to develop its land bank and while doing so it may require and utilize this extra gross floor area depending on the commercial and practicality of utilizing this extra gross floor area. Furthermore, as at 30 September 2017, the Company is still preparing the documentation for submitting the updated master community development plan for the MotorCity project to Regulatory Authorities for approval. Should this estimates or assumptions change, the actual results may defer.

7.3 Restatement in relation to a suspected irregularity and error identified

During the six month period ended 30 June 2017, the Company's Board of Directors had identified a suspected irregularity and had communicated this to the Regulatory Authorities in UAE. This suspected irregularity was on account of a transaction, where, in 2015, a revaluation gain was recorded on 1.67 million square feet of gross floor area on which the Company did not have adequate title and ownership. The Company had appointed third party external forensic accountant to investigate this matter and any further matters arising from the irregularity. The Company's Board of Directors had resolved to correct and restate its comparative information as presented in the 30 June 2017 condensed consolidated interim financial statements. The impact of this restatement resulted in a reduction in opening retained earnings by AED 503 million and the corresponding reduction in the investment properties. This restatement did not have any cash impact and were all related to the recognition of unrealized revaluation gains.

As at 30 September 2017, the third party external forensic accountant have significantly completed its investigation and have issued a final report on 18 October 2017, which confirms that the Company did not at the time of the aforementioned transaction, have adequate title and ownership to that asset.

8 Direct cost

Provision against the contracting business

Thermo LLC a subsidiary of the Company, faced significant issues and is still facing them through their current business of MEP work. The Group had recorded significant provisions on contracts, however, the Company's Board of Directors have decided to down size Thermo LLC to a closure level. As claims which were not recognised in the books are still arising, the Company's Board of Directors with the assistance from independent lawyers continues to review and assess the risk associated with the Group's contracting business. Accordingly, based on the historical claims arising, management have recorded provision amounting to AED 65 million against the work in progress and on certain contract and retention receivables. In addition, based on the assessment of future claims, which the management is of the view that more likely than not, will come through and the performance bond guarantees against projects will not be retrieved as the final take over certificate is still awaited. Accordingly, a provision of AED 149 million is recorded to mitigate the risk and obligation that may arise against future claims towards the Group's contracting business.

9 Inventories

	Unaudited 30 September 2017 AED'000	Audited 31 December 2016 AED'000	Unaudited 30 September 2016 AED'000	Audited 1 January 2016 AED'000
Opening balance	**40,084**	42,608	42,608	49,423
Cost of properties sold	**(15,291)**	(485)	(485)	(6,815)
Transfer to investment properties (refer note 7)	**-**	(2,039)	(2,039)	-
Closing balance	**24,793**	40,084	40,084	42,608

10 Trade and other receivables

The ageing of trade/contract and retention receivables (including non-current receivables) at the reporting date is as follows:

	Unaudited 30 September 2017		Audited 31 December 2016		Audited 1 January 2016	
	Gross AED '000	**Provision AED '000**	Gross AED '000	Provision AED '000	Gross AED '000	Provision AED '000
Not Past Due	**529,041**	**-**	612,951	-	466,788	-
Past due 1-90 days	**109,126**	**372**	46,385	425	43,111	425
Past due 91-365 days	**83,255**	**1,366**	71,019	1,960	70,336	1,960
More than one year	**1,800,093**	**1,790,218**	1,794,864	1,789,591	1,888,475	1,789,428
	2,521,515	**1,791,956**	2,525,219	1,791,976	2,468,710	1,791,813

The Board of Directors and management believe that existing provision for doubtful debts is adequate and consider that the balance amounts are fully recoverable.

The movement in the provision for doubtful debts in respect of trade/contract receivables during the period/year is as follows:

	Unaudited 30 September 2017 AED'000	Audited 31 December 2016 AED'000	Audited 1 January 2016 AED'000
Opening balance	**1,791,976**	1,791,813	1,794,823
Provision for the period/year	**375**	1,500	750
Amounts written off/provision reversed during the period/year	**(395)**	(1,337)	(3,760)
Closing balance	**1,791,956**	1,791,976	1,791,813

11 Transactions with related parties

The Group, in the normal course of business, enters into transactions with other enterprises, which fall within the definition of a related party contained in IAS 24. Such transactions are carried out at agreed rates. The transactions with related parties, other than those already disclosed separately elsewhere in the condensed consolidated interim financial statements are as follows:

Transactions with related parties

	Unaudited 30 September 2017 AED'000	Unaudited 30 September 2016 AED'000
Compensation to key management personnel are as follows :		
- Salaries and other short-term employee benefits	**7,006**	4,667
- Provision towards staff terminal benefits	**395**	252

12 Investments at fair value through profit and loss

The Company had invested in various financial instruments held for short term purposes. During the nine month period ended 30 September 2017, the Company made additional investments amounting to AED 18.3 million *(30 September 2016: AED 92 million)* and sold all financial instruments at fair value amounting to AED 190.4 million *(30 September 2016: AED 26.5 million)*. Due to the sale of the financial instruments the fair value of these financial instruments as at the reporting date is will not be applicable *(31 December 2016: AED 176.8 million)*.

These investments at fair value through profit or loss were pledged towards a credit line facility obtained specifically for these investments. The Board of Directors has approved these investments and confirmed that they were held for short term purposes.

The Group also has an investment in a real estate fund of AED 2.5 million *(30 September 2016: 3.8 million)*.

13 Basic and diluted earnings per share

	Unaudited Nine month period ended 30 September		**Unaudited Three month period ended 30 September**	
	2017	2016	**2017**	2016
Net profit attributable to shareholders (AED'000)	**(2,288,846)**	146,145	**(44,984)**	32,311
Weighted average number of shares	**4,289,540,135**	4,289,540,135	**4,289,540,135**	4,289,540,135
Basic and diluted earnings per share (AED)	**(0.534)**	0.034	**(0.010)**	0.008

Weighted average number of shares outstanding for the nine month periods ended 30 September 2017 and 30 September 2016 have been retrospectively adjusted to include the bonus shares approved in the shareholders Annual General Meeting (AGM) held on 26 April 2017.

14 Treasury shares

During the previous year, one of the subsidiaries had sold AED 5 million treasury shares. No gain or loss was recognised in the consolidated statement of profit or loss on this transaction.

15 General reserve

During the nine month period ended 30 September 2017, the Group reversed the general reserve.

16 Financial instruments

Financial assets of the Group include non-current receivables, other investments, trade and other receivables, amounts due from related parties and cash in hand and at bank. Financial liabilities of the Group include trade and other payables, security deposits, amounts due to related parties, short-term bank borrowings, long-term bank loans and non-current payables. The table below sets out the Group's classification of each class of financial assets and financial liabilities and their fair values for the current and the comparative periods:

	Designated as fair value through profit or loss AED'000	Loans and receivables AED'000	Others at amortized cost AED'000	Carrying amount AED'000	Fair value AED'000
30 September 2017					
Financial assets					
Non-current receivables	-	333,699	-	333,699	333,699
Other investments	2,491	-	-	2,491	2,491
Trade and other receivables	-	427,084	-	427,084	427,084
Due from related parties	-	27,618	-	27,618	27,618
Cash in hand and at bank	-	119,886	-	119,886	119,886
Total	**2,491**	**908,287**	-	**910,778**	**910,778**
Financial liabilities					
Trade and other payables	-	-	1,181,244	1,181,244	1,181,244
Security deposits	-	-	11,136	11,136	11,136
Due to related parties	-	-	-	-	-
Short-term bank borrowings	-	-	55,416	55,416	55,416
Long-term bank loans	-	-	1,367,134	1,367,134	1,367,134
Total	-	-	**2,614,930**	**2,614,930**	**2,614,930**

	Designated as fair value through profit or loss AED'000	Loans and receivables AED'000	Others at amortized cost AED'000	Carrying amount AED'000	Fair value AED'000
31 December 2016					
Financial assets					
Non-current receivables	-	409,842	-	409,842	409,842
Other investments	173,399	-	-	173,399	173,399
Trade and other receivables	-	471,840	-	471,840	471,840
Due from related parties	-	12,676	-	12,676	12,676
Cash in hand and at bank	-	224,626	-	224,626	224,626
Total	**173,399**	**1,118,984**	-	**1,292,383**	**1,292,383**
Financial liabilities					
Trade and other payables	-	-	1,100,557	1,100,557	1,100,557
Security deposits	-	-	13,261	13,261	13,261
Due to related parties	-	-	4,386	4,386	4,386
Short-term bank borrowings	-	-	194,740	194,740	194,740
Long-term bank loans	-	-	1,364,098	1,364,098	1,364,098
Total	-	-	**2,677,042**	**2,677,042**	**2,677,042**

16 Financial instruments (continued)

	Designated as fair value through profit or loss AED'000	Loans and receivables AED'000	Others at amortized cost AED'000	Carrying amount AED'000	Fair value AED'000
1 January 2016					
Financial assets					
Non-current receivables	-	383,319	-	383,319	383,319
Other investments	109,826	-	-	109,826	109,826
Trade and other receivables	-	333,063	-	333,063	333,063
Due from related parties	-	9,549	-	9,549	9,549
Cash in hand and at bank	-	368,968	-	368,968	368,968
Total	**109,826**	**1,094,899**	**-**	**1,204,725**	**1,204,725**
Financial liabilities					
Trade and other payables	-	-	1,092,494	1,092,494	1,092,494
Security deposits	-	-	10,796	10,796	10,796
Due to related parties	-	-	5,311	5,311	5,311
Short-term bank borrowings	-	-	183,070	183,070	183,070
Long-term bank loans	-	-	1,436,915	1,436,915	1,436,915
Non-current payables	-	-	1,000	1,000	1,000
Total	**-**	**-**	**2,729,586**	**2,729,586**	**2,729,586**

Fair value hierarchy

The table below analyzes financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

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

- **Level 2:** Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices),

- **Level 3:** Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

16 Financial instruments (continued)

The Group has other investments which are stated at fair value. The fair value of quoted securities is determined by reference to their quoted bid prices as at the reporting date. Investments in marketable securities are stated at cost where no observable market data is available. Accordingly, the fair value hierarchy is set out as below:

	Level 1 AED'000	Level 3 AED'000	Total AED'000
30 September 2017			
Other investment	**-**	**2,491**	**2,491**
31 December 2016			
Other investment	170,908	2,491	173,399
1 January 2016			
Other investment	105,992	3,834	109,826

There have been no reclassifications made during the current period or in the previous year/period.

Level 1:

	Unaudited **30 September 2017** **AED'000**	Audited 31 December 2016 AED'000	Unaudited 1 January 2016 AED'000
Investment securities			
Opening balance	**170,908**	105,992	234,044
Additions	**18,267**	91,336	1,899
Sale of Investment securities at fair value	**(190,408)**	(30,194)	(128,513)
Total gains or losses – net:			
- in the condensed consolidated interim statement of profit or loss	**1,233**	3,774	(1,438)
Closing balance	**-**	170,908	105,992

17 Segment reporting

Business segments

The Group's activities comprise of two main business segments, namely, (i) real estate property management and sales and (ii) construction activities. Other activities mainly comprise of services. The details of segment revenue, segment result, segment assets and segment liabilities are as below:

	Real estate property management and sales AED'000	Construction AED'000	Others AED'000	Total AED'000
Nine month period ended 30 September 2017				
Segment revenue	**76,664**	**241,965**	**27,834**	**346,463**
Finance income	**10,464**	**304**	**-**	**10,768**
Loss on valuation of properties	**(2,070,733)**	**-**	**-**	**(2,070,733)**
Other income	**133,325**	**6,389**	**2,764**	**142,478**
Share in profit/(loss) of associates and joint ventures	**(1,561)**	**-**	**25,953**	**24,392**
Total Income	**(1,851,841)**	**248,658**	**56,551**	**(1,546,632)**
Direct costs	**(286,791)**	**(277,684)**	**(22,279)**	**(586,754)**
Administrative and general expenses	**(55,800)**	**(42,793)**	**(10,272)**	**(108,865)**
Finance expense	**(26,376)**	**(20,219)**	**-**	**(46,595)**
Profit/(loss) for the period	**(2,220,808)**	**(92,038)**	**24,000**	**(2,288,846)**
Segment assets	**4,384,207**	**593,279**	**43,917**	**5,021,403**
Investment in associates and joint ventures	**153,643**	**-**	**376,926**	**530,569**
Total assets	**4,537,850**	**593,279**	**420,843**	**5,551,972**
Segment liabilities	**1,363,767**	**1,392,045**	**49,968**	**2,805,780**
Capital expenditure	**137,260**	**3,618**	**1,120**	**141,998**
Depreciation	**6,334**	**2,820**	**1,768**	**10,922**
Nine month period ended 30 September 2016				
Segment revenue	55,717	437,623	32,534	525,874
Finance income	23,108	298	-	23,406
Gain on sale of investment properties	8,680	-	-	8,680
Gain on valuation of properties	165,670	-	-	165,670
Other income	82,005	5,141	2,587	89,733
Share in profit/(loss) of associates and joint ventures	10,613	-	22,286	32,899
Total Income	345,793	443,062	57,407	846,262
Direct Cost	(43,767)	(509,894)	(25,522)	(579,183)
Administrative and general expenses	(26,745)	(47,742)	(10,506)	(84,993)
Finance expense	(13,781)	(22,160)	-	(35,941)
Profit/(loss) for the period	261,500	(136,734)	21,379	146,145
Segment assets	7,181,659	708,526	44,734	7,934,919
Investment in associates and joint ventures	155,129	-	357,673	512,802
Total assets	7,336,788	708,526	402,407	8,447,721
Segment liabilities	452,694	2,479,189	42,662	2,974,545
Capital expenditure	75,806	1,515	1,612	78,933
Depreciation	2,619	4,379	2,565	9,563