Union Properties P.J.S.C
and its Subsidiaries

Unaudited interim condensed consolidated financial statements

30 June 2018

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REPORT ON REVIEW OF INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS TO THE SHAREHOLDERS OF UNION PROPERTIES P.J.S.C

Introduction

We have reviewed the accompanying interim condensed consolidated financial statements of Union Properties P.J.S.C (the "Company") and its subsidiaries (collectively the "Group") as at 30 June 2018, comprising of the interim consolidated statement of financial position as at 30 June 2018, and the related interim consolidated statements of profit or loss and other comprehensive income for the three-month and six-month periods then ended and the statements of cash flows and changes in equity for the six-month period then ended and explanatory notes. Management is responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance with IAS 34 *Interim Financial Reporting* (IAS 34). Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, *"Review of Interim Financial Information Performed by the Independent Auditor of the Entity"*. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing, 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 interim condensed consolidated financial statements are not prepared, in all material respects, in accordance with IAS 34.

Other matters

We draw attention to the fact that the consolidated financial statements of the Group as at and for the year ended 31 December 2017 were audited by another auditor who issued an unmodified audit report on those statements on 12 March 2018.

We also draw attention to the fact that the interim condensed consolidated financial statements of the Group as at and for the six-month period ended 30 June 2017 were reviewed by another auditor who expressed a disclaimer of conclusion on those statements on 14 August 2017.

For Ernst & Young

Signed by
Anthony O'Sullivan
Partner
Registration number: 687

13 August 2018

Dubai, United Arab Emirates

Union Properties P.J.S.C and its Subsidiaries

Interim consolidated statement of profit or loss and other comprehensive income (unaudited)
for the six month period ended 30 June 2018

		Six month period ended 30 June	
	Notes	**2018** **AED'000**	2017 AED'000
Property management and sales revenue	*17*	**35,168**	58,542
Contracting and other operating activities revenue	*17*	**204,501**	187,492
Gain on financial instruments at fair value through profit or loss	*10*	**13,265**	1,233
Share of profit of an associate and a joint venture	*5*	**21,756**	13,939
Gain on disposal of a joint venture	*5*	**125,014**	-
Gain/(loss) on fair valuation of investment properties	*7*	**120,674**	(2,070,733)
Finance income		**2,517**	8,381
Other income	*6*	**68,686**	138,211
		591,581	(1,662,935)
Direct costs	*17*	**(181,165)**	(487,976)
Administrative and general expenses	*17*	**(148,031)**	(60,652)
Finance cost	*17*	**(54,963)**	(32,299)
Profit/(loss) for the period attributable to the shareholders of the Company		207,422	(2,243,862)
Other comprehensive income for the period		-	-
Total comprehensive income/(loss) for the period		207,422	(2,243,862)
Basic and diluted earnings per share (AED)	*12*	0.048	-

The notes from 1 to 18 form an integral part of these interim condensed consolidated financial statements.

Union Properties P.J.S.C and its Subsidiaries

Interim consolidated statement of profit or loss and other comprehensive income (unaudited)
for the three month period ended 30 June 2018

	Notes	Three month period ended 30 June 2018 AED'000	2017 AED'000
Property management and sales revenue	*17*	**19,082**	39,801
Contracting and other operating activities revenue	*17*	**104,719**	85,786
(Loss)/gain on financial instruments at fair value through profit or loss	*10*	**(70,591)**	551
Share of profit of an associate and a joint venture	*5*	**21,438**	8,820
Gain/(loss) on fair valuation of investment properties	*7*	**120,674**	(2,070,733)
Finance income		**1,248**	1,583
Other income	*6*	**65,403**	4,144
		261,973	(1,930,048)
Direct costs	*17*	**(93,082)**	(307,915)
Administrative and general expenses	*17*	**(112,175)**	(31,864)
Finance cost	*17*	**(32,008)**	(16,501)
Profit/(loss) for the period attributable to the shareholders of the Company		**24,708**	(2,286,328)
Other comprehensive income for the period		**-**	-
Total comprehensive income/(loss) for the period		**24,708**	(2,286,328)
Basic and diluted earnings per share (AED)	*12*	**0.006**	-

The notes from 1 to 18 form an integral part of these interim condensed consolidated financial statements.

Union Properties P.J.S.C and its Subsidiaries

Interim consolidated statement of financial position

as at 30 June 2018

	Notes	**Unaudited 30 June 2018 AED'000**	Audited 31 December 2017 AED'000
ASSETS			
Non-current assets			
Property, plant and equipment		**144,197**	143,035
Investment properties	*7*	**4,239,106**	3,718,645
Development properties		**8,868**	8,868
Investments in an associate and a joint venture	*5*	**140,527**	493,757
Non-current receivables	*8*	**67,912**	299,259
		4,600,610	4,663,564
Current assets			
Investments at fair value through profit or loss	*10*	**646,478**	93,250
Inventories		**8,265**	6,359
Development properties	*7*	**48,535**	-
Contract work-in-progress		**203,311**	207,671
Trade and other receivables	*8*	**364,268**	483,688
Due from related parties	*9*	**24,333**	31,223
Cash in hand and at banks	*11*	**180,191**	129,657
		1,475,381	951,848
Total assets		**6,075,991**	5,615,412
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital		**4,289,540**	4,289,540
Statutory reserve		**326,647**	326,647
Accumulated losses		**(1,753,947)**	(1,961,369)
Total equity attributable to the shareholders of the Company		**2,862,240**	2,654,818
Non-current liabilities			
Long-term bank borrowings	*15*	**1,464,913**	919,111
Advances from sale of properties		**37,914**	34,263
Provision for staff terminal benefits		**36,666**	40,464
		1,539,493	993,838
Current liabilities			
Trade and other payables		**1,246,157**	1,213,262
Advances and deposits		**86,289**	110,823
Short-term bank borrowings	*11*	**228,584**	51,106
Current portion of long-term bank borrowings	*15*	**113,228**	591,565
		1,674,258	1,966,756
Total liabilities		**3,213,751**	2,960,594
Total equity and liabilities		**6,075,991**	5,615,412

The interim condensed consolidated financial statements were authorised for issue on 13 August 2018 by the Board of Directors and signed on its behalf by:

Board Member

Managing Director

The notes from 1 to 18 form an integral part of these interim condensed consolidated financial statements.

Union Properties P.J.S.C and its Subsidiaries

Interim consolidated statement of cash flows (unaudited)

for the six month period ended 30 June 2018

	Notes	Six month period ended 30 June 2018 AED'000	2017 AED'000
Operating activities			
Profit/(loss) for the period		**207,422**	(2,243,862)
Adjustments for:			
Depreciation		**6,676**	6,657
(Gain)/loss on fair valuation of investment properties		**(120,674)**	2,070,733
Share of profit of an associate and a joint venture		**(21,756)**	(13,939)
Gain on financial instruments at fair value through profit or loss		**(13,265)**	(1,233)
Gain on disposal of a joint venture		**(125,014)**	-
Provision for slow moving inventories		**-**	15,000
Finance income		**(2,517)**	(8,381)
Finance cost		**54,963**	32,299
Operating loss before working capital changes		**(14,165)**	(142,726)
Change in inventories		**(1,906)**	8,551
Change in contract work-in-progress		**4,360**	16,735
Change in trade and other receivables		**(71,648)**	135,353
Change in due from related parties		**6,890**	(13,420)
Change in trade and other payables		**32,395**	66,730
Change in advances and deposits		**(24,534)**	(4,197)
Change in due to related parties		**-**	(4,386)
Change in staff terminal benefits (net)		**(3,798)**	(10,848)
Change in advances from sale of properties		**3,651**	(8,169)
Net cash (used in)/from operating activities		**(68,755)**	43,623
Investing activities			
Additions to property, plant and equipment		**(8,520)**	(4,839)
Additions to investment properties		**(32,500)**	(83,387)
Additions to development properties		**(2,792)**	-
Dividend income received		**-**	4,000
Proceeds from disposal of property, plant and equipment		**289**	4,803
Proceeds from disposal of a joint venture		**500,000**	-
Interest income received		**778**	8,381
Purchase of financial instruments at FVTPL		**(539,963)**	-
Proceeds from sale of financial instruments at FVTPL		**-**	121,439
Change in deposit with banks		**2,561**	39,862
Net cash (used in)/from investing activities		**(80,147)**	90,259
Financing activities			
Proceeds from long-term bank borrowings		**473,702**	52,521
Repayment of long-term bank borrowings		**(406,236)**	(47,657)
Interest paid		**(42,945)**	(32,049)
Net cash from/(used in) financing activities		**24,521**	(27,185)
Net (decrease)/increase in cash and cash equivalents		**(124,381)**	106,697
Cash and cash equivalents at the beginning of the period	*11*	**67,488**	8,417
Cash and cash equivalents at the end of the period	*11*	**(56,893)**	115,114

The notes from 1 to 18 form an integral part of these interim condensed consolidated financial statements.

Union Properties P.J.S.C and its Subsidiaries

Interim consolidated statement of changes in equity (unaudited)

for the six month period ended 30 June 2018

	Share capital AED'000	Statutory reserve AED'000	General reserve AED'000	Retained earnings / (Accummulated losses) AED'000	Total AED'000
At 1 January 2017 (audited)	3,971,796	326,647	313,697	422,898	5,035,038
Total comprehensive loss for the period	-	-	-	(2,243,862)	(2,243,862)
Issuance of bonus shares (note 14)	317,744	-	-	(317,744)	-
Transfer of general reserve	-	-	(313,697)	313,697	-
At 30 June 2017 (unaudited)	4,289,540	326,647	-	(1,825,011)	2,791,176
At 1 January 2018 (audited)	4,289,540	326,647	-	(1,961,369)	2,654,818
Total comprehensive income for the period	-	-	-	207,422	207,422
At 30 June 2018 (unaudited)	**4,289,540**	**326,647**	**-**	**(1,753,947)**	**2,862,240**

The notes from 1 to 18 form an integral part of these interim condensed consolidated financial statements.

1 Legal status and principal activities

Union Properties P.J.S.C ("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". All of the Group's significant business and investment activities in land, properties and securities are carried out within the UAE, except for certain foreign investments in securities.

2 Basis of preparation and significant accounting policies

The interim condensed consolidated financial statements of the Group are prepared in accordance with International Accounting Standard 34: Interim Financial Reporting and applicable requirements of the United Arab Emirates laws.

The interim condensed consolidated financial statements do not contain all information and disclosures required for full financial statements prepared in accordance with International Financial Reporting Standards (IFRS), and should be read in conjunction with the Group's annual consolidated financial statements for the year ended 31 December 2017. The same accounting policies, methods of computation, significant accounting judgments and estimates and assumptions are followed in these interim condensed consolidated financial statements as compared with the most recent annual consolidated financial statements.

The interim condensed consolidated financial statements have been prepared in United Arab Emirates Dirhams (AED), which is the Company's functional and presentation currency, and all values are rounded to the nearest thousand except where otherwise indicated.

The interim condensed consolidated financial statements have been prepared on a historical cost basis except for financial assets at fair value through profit and loss and investment properties that have been measured at fair value. Historical cost is generally based on the fair value of the consideration given in exchange for assets.

The results for the six-month period ended 30 June 2018 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2018.

3 Significant accounting estimates and judgements

The preparation of interim condensed consolidated 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 interim condensed consolidated 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 2017.

4 New standards, interpretations and amendments adopted by the Group

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2017, except for the adoption of new standards and interpretations effective as of 1 January 2018.

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

Although these new standards and amendments apply for the first time in 2018, they do not have a material impact on the annual consolidated financial statements of the Group or the interim condensed consolidated financial statements of the Group. The nature and the impact of each new standard or amendment is described below:

IFRS 9 Financial Instruments

IFRS 9 Financial Instruments replaces IAS 39 Financial Instruments: Recognition and Measurement for annual periods beginning on or after 1 January 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement; impairment; and hedge accounting.

The Group adopted the new standard on the required effective date. Overall, the Group did not have any significant impact on its interim consolidated statement of financial position and equity as follows:

Classification and measurement
The Group did not have a significant impact on its interim consolidated statement of financial position or equity on applying the classification and measurement requirements of IFRS 9. The Group continues measuring at fair value all financial assets that were held at fair value. In regards to financial asset at fair value through profit or loss, the Group has elected to apply the fair value through profit or loss (FVTPL) classification, which is consistent with its previous accounting treatment under IAS 39, and hence, the application of IFRS 9 did not have an impact on these financial assets.

Loans as well as trade receivables are held to collect contractual cash flows and are expected to give rise to cash flows representing solely payments of principal and interest. The Group analysed the contractual cash flow characteristics of those instruments and concluded that they meet the criteria for amortised cost measurement under IFRS 9. Therefore, reclassification for these instruments was not required upon adoption of IFRS 9.

Impairment
IFRS 9 requires the Group to record expected credit losses on all of its loans and trade receivables, either on a 12-month or lifetime basis. The Group applied the simplified approach and recorded lifetime expected losses on all trade and retentions receivables. However, the application of IFRS 9 did not have a significant impact on the carrying value of its loans and receivables on the application date.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 supersedes IAS 11 Construction Contracts, IAS 18 Revenue and related Interpretations and it applies to all revenue arising from contracts with customers, unless those contracts are in the scope of other standards. The new standard establishes a five-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The standard requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract.

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

IFRS 15 Revenue from Contracts with Customers (continued)

Revenue recognition

The Group has several revenue sources and has assessed the impact of the adoption of IFRS 15 on its interim condensed consolidated financial statements from each revenue source as follows:

a. Trading activities (excluding development properties sales)
In relation to the Group's activities related to sales of goods, in which the sale of goods and delivery of services is generally expected to be the only performance obligation, adoption of IFRS 15 did not have any major impact on the Group's revenue and profit or loss. The Group concluded that the revenue recognition to occur at a point in time when control of the asset is transferred to the customer, generally on delivery of the goods.

b. Sales of development properties
In relation to the Group's activities related to sales of development properties, the Group concluded that, based on the terms and conditions of its open sale contracts with customers at the reporting date, revenue from sale of development properties is recognized at a point of time, when the unit is handed over to the customer. The Group will reassess the revenue recognition criteria when changes to the terms and conditions of its contracts occur.

c. Rental income and facility management and maintenance services
The Group concluded that the services are satisfied over time given that the customer simultaneously receives and consumes the benefits provided by the Group. Consequently, under IFRS 15 the Group would continue to recognize revenue for these services over time.

d. Contracting activities
The Group is engaged in electro-mechanical and plumbing projects, as well as interior design projects, which are generally long-term in nature.

Long-term projects – performance obligations
In the previous year, the Group recorded revenue from long-term projects on the basis of percentage of completion arrived at using cost-to-cost method as per the provisions of IAS 11 *Construction Contracts*. Management assessed that the above mentioned services are not distinct in the context of the contract based on the following:

- The Group effectively manages and coordinates all the various services and assumes the risks associated with the integration of these services. This includes coordinating the activities performed by the Group's staff and subcontractors (if any) and making sure the quality of the work performed is in compliance with contract specifications.
- Each of the services significantly modifies and customises the other services to provide a combined output. More specifically, supply and delivery of the goods will define the quantity of materials to be installed, the testing activities and related maintenance work.
- The various services from supply and delivery to maintenance are all highly interdependent and interrelated as each of the services significantly affects the other services.

Warranty obligations
The Group provides its customers warranty against defects arising from normal and/or expected usage and maintenance for a period of 1 year from the date of taking over certificates. Management assessed that 1 year warranty for defects are considered as an assurance type warranty as this warranty is necessary to ensure that the delivered products/services are as specified in the contract for a minimum period. There is no separate performance obligation for this warranty.

Where warranty is considered as an assurance type warranty, the Group will accrue for the cost of satisfying the warranty liability on the basis of historical experiences in accordance with the provisions of IAS 37.

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

IFRS 15 Revenue from Contracts with Customers (continued)

Revenue recognition (continued)

d. *Contracting activities (continued)*

Variable consideration
Contracts with customers specify that the Group is liable to pay penalty or for liquidated damages if certain conditions specified in the contract are not met for reasons not attributable to the customer. This penalty amount may vary for different contracts and/or customers.

Upon implementation of IFRS 15, liquidated damages, penalties and similar payments, price concession (discounts) or deductions have been accounted for as variable consideration. Management has assessed its estimate of the variable consideration for liquidated damages and penalty (including any amounts that are constrained) at the reporting date and concluded that, to the best knowledge of management, none of the contracts with customers is subject to delays, liquidated damages or penalty.

Contract modifications
Variation orders or modifications to original contracts are common to the Group considering the long-term contracting nature of business. The terms for variation orders are defined in each contract. Generally, variations are priced by reference to the per unit rates agreed in the contract and the revised quantities required for the completion of the contract. In accordance with IFRS 15, the Group will account for a modification through a cumulative catch-up adjustment if the goods or services in the modification are not distinct and are part of a single performance obligation that is only partially satisfied when the contract is modified. Alternatively, the Group will account for a contract modification as a separate contract if the scope of contract increases due to addition of distinct goods or services and price of the contract increases by an amount that reflects the Group's standalone selling prices.

The Group has assessed whether variation orders on its open contracts at the application date would be accounted for as a single or separate contract in accordance with the provisions of IFRS 15, and concluded that a significant portion of such modifications to contracts cannot be distinguished from the original contract as variations are not necessarily reflective of distinct products but rather part of a single performance obligation. Accordingly, the application of IFRS 15 on contract modification did not have a significant impact on the Group interim condensed consolidated financial statements.

Advances received from customers
The Group receives advance payments from its customers in relation to its contracts. Such advance payments are adjusted progressively against the subsequent invoicing during the tenure of a contract.

IFRS 15 requires the total transaction price to include the effects of time value of money (significant financing component) if the timing of the payment does not match the timing of the transfer of goods or services to the customer. In accordance with IFRS 15, and as a practical expedient, a significant financing component need not be accounted for if the difference in timing of payment and delivery is one year or less. There is no financing component explicitly stated in the Group's contracts with customers, and management has assessed that advances from customers do not include any financing component. Accordingly, the application of IFRS 15 did not have a material impact on the Group's interim condensed consolidated financial statements on transition.

Presentation and disclosure requirements
As required for the interim condensed financial statements, the Group disaggregated revenue recognized from contracts with customers into categories that depict how the nature, amount, timing and uncertainty of revenue and cash flows are affected by economic factors. Refer to Note 17 for the disclosure on disaggregated revenue.

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

IFRS 15 Revenue from Contracts with Customers (continued)

d. Contracting activities (continued)

Other adjustments
In addition to the adjustments described above, upon adoption of IFRS 15, other items of the primary financial statements such as investments in associate and a joint venture, share of profit of an associate and a joint venture, and retained earnings, were adjusted as necessary. However, such adjustments did not have a material impact on the Group's interim condensed consolidated financial statements.

Amendments to IAS 40 Transfers of Investment Property
The amendments clarify when an entity should transfer property, including property under construction or development into, or out of investment property. The amendments state that a change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. A mere change in management's intentions for the use of a property does not provide evidence of a change in use. During the six month period ended 30 June 2018, the Group transferred certain investment properties to development properties (refer note 7) as a result of change in use of those properties. All other properties transferred to or from investment properties in previous years have been made based on evidence of the change in use. Accordingly, these amendments do not have any significant impact on the Group's interim condensed consolidated financial statements.

Amendments to IFRS 2 Classification and Measurement of Share-based Payment Transactions
The IASB issued amendments to IFRS 2 Share-based Payment that address three main areas: the effects of vesting conditions on the measurement of a cash-settled share-based payment transaction; the classification of a share-based payment transaction with net settlement features for withholding tax obligations; and accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash settled to equity settled. On adoption, entities are required to apply the amendments without restating prior periods, but retrospective application is permitted if elected for all three amendments and other criteria are met.

The Group does not provide share-base payments. Therefore, these amendments did not have any impact on the Group's interim condensed consolidated financial statements.

Amendments to IFRS 4 Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts
The amendments address concerns arising from implementing the new financial instruments standard, IFRS 9, before implementing IFRS 17 Insurance Contracts, which replaces IFRS 4. The amendments introduce two options for entities issuing insurance contracts: a temporary exemption from applying IFRS 9 and an overlay approach. These amendments are not relevant to the Group.

Amendments to IAS 28 Investments in Associates and Joint Ventures - Clarification that measuring investees at fair value through profit or loss is an investment-by-investment choice
The amendments clarify that an entity that is a venture capital organisation, or other qualifying entity, may elect, at initial recognition on an investment-by-investment basis, to measure its investments in associates and joint ventures at fair value through profit or loss. If an entity, that is not itself an investment entity, has an interest in an associate or joint venture that is an investment entity, the entity may, when applying the equity method, elect to retain the fair value measurement applied by that investment entity associate or joint venture to the investment entity associate's or joint venture's interests in subsidiaries. This election is made separately for each investment entity associate or joint venture, at the later of the date on which: (a) the investment entity associate or joint venture is initially recognized; (b) the associate or joint venture becomes an investment entity; and (c) the investment entity associate or joint venture first becomes a parent.

These amendments do not have any impact on the Group's interim condensed consolidated financial statements.

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

Amendments to IFRS 1 First-time Adoption of International Financial Reporting Standards - Deletion of short-term exemptions for first-time adopters

Short-term exemptions in paragraphs E3–E7 of IFRS 1 were deleted because they have now served their intended purpose. These amendments are not relevant to the Group.

5 Investments in an associate and a joint venture

Investment in a joint venture

On 18 January 2018, the Group disposed of its 50% interest in Emirates District Cooling (Emicool) LLC to Dubai Investments PJSC for a total consideration of AED 500 million, resulting in a gain on disposal amounting to AED 125 million recognized in profit or loss. No share of results of the joint venture was recorded during the current period *(30 June 2017: profit of AED 14.6 million)*.

Investment in an associate

The Group's share of profit in Properties Investment LLC, during the six months period amounted to AED 21.7 million *(30 June 2017: loss of AED 0.6 million)*.

6 Other income

Other income for the six month period mainly represents positive saving on account of liabilities and provision settlement with the counter parties amounting to AED 55.3 million *(30 June 2017: AED 124 million)*.

7 Investment properties

	Unaudited 30 June 2018 AED'000	Audited 31 December 2017 AED'000	Unaudited 30 June 2017 AED'000
Opening balance	**3,718,645**	5,595,437	5,595,437
Additions during the period/year	**32,500**	198,906	83,387
Transfer to development properties (refer 7.4)	**(45,743)**	-	-
Transfer from property, plant and equipment (Refer 7.5)	**893**	-	-
Transfer from receivables (Refer 7.1)	**412,137**	-	-
Gain/(loss) on fair valuation (Refer 7.2)	**120,674**	(2,075,698)	(2,070,733)
Closing balance	**4,239,106**	3,718,645	3,608,091

7.1 Transfer from receivables

During the six month period ended 30 June 2018, amounts of AED 233.7 million and AED 178.5 million were transferred from current receivables and non-current receivables, respectively, pertaining to receivables from the sale of a property, whereby the buyer defaulted on the payments and the Company exercised its contractual legal right to claim back the property. Accordingly, these amounts were reclassified to investment properties based on management's decision to hold the property for rental and/or capital appreciation purposes resulting in a change in fair value of AED 112.9 million recorded in profit or loss during the six month period ended 30 June 2018.

7 Investment properties (continued)

7.2 Valuation loss on investment properties

An independent valuer provides the fair value of the Group's investment property portfolio every six months. 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 registered valuer has carried out the valuation 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 has reviewed the updated master community development plan for the MotorCity project in forming its view of the fair value of the portfolio.

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.

The Company's Board of Directors has reviewed the assumptions and methodology used by the independent registered valuer and, in the opinion of the Board, these assumptions and valuation methodology are appropriate and prudent as at the reporting date.

Accordingly, based on such valuation, a fair value gain of AED 120.7 million *(30 June 2017: valuation loss of AED 2,070 million)* has been recognized in the condensed consolidated interim statement of profit or loss. The fair value gain of AED 120.7 million for the six month period ended 30 June 2018 represents the change in fair value of investment properties including the fair value change of AED 112.9 million of the reclaimed property (refer 7.1) *(30 June 2017: the fair value loss of AED 2,070 million includes AED 690 million of valuation loss on gross floor area (refer 7.3) and AED 1,380 million as change in fair value of investment properties)*.

7.3 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 an expected significant increase in new supply of plots of land in and around the land bank of the Company, during the year ended 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.

7 Investment properties (continued)

7.3 Valuation loss on gross floor area (continued)

As at 30 June 2018, the independent third party consultant and the management continue 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.

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 June 2018 against which the Group had recorded the corresponding fair valuation loss amounting to AED 690 million in profit or loss during the six month period ended 30 June 2017.

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 June 2018, 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.

7.4 Transfer to development properties

During the six month period ended 30 June 2018, investment properties under construction amounting to AED 45.7 million have been transferred to development properties.

7.5 Transfer from property, plant and equipment

During the six month period ended 30 June 2018, the Group has transferred one of its property, plant and equipment to investment properties amounting to AED 0.9 million.

8 Trade and other receivables

	Unaudited 30 June 2018 AED'000	Audited 31 December 2017 AED'000
Financial instruments		
Trade and contract receivables	**1,990,636**	1,947,953
Retention receivables	**53,647**	58,249
Property sales receivables (refer note 7.1)	**8,261**	207,244
	2,052,544	2,213,446
Less: allowance for doubtful receivables	**(1,793,020)**	(1,792,210)
	259,524	421,236
Other receivables	**53,082**	24,025
Total (A)	**312,606**	445,261
Non-financial instruments		
Advances to contractors	**24,379**	11,275
Prepayments and advances	**27,283**	27,152
Total (B)	**51,662**	38,427
Total (A+B)	**364,268**	483,688

Non-current receivables

	Unaudited 30 June 2018 AED'000	Audited 31 December 2017 AED'000
Retention receivables	**25,310**	35,497
Property sales receivables (refer note 7.1)	**42,485**	263,608
Other receivables	**117**	154
	67,912	299,259

8 Trade and other receivables (continued)

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

	Unaudited 30 June 2018		Audited 31 December 2017	
	Gross AED '000	**Provision AED '000**	Gross AED '000	Provision AED '000
Not Past Due	**99,724**	**-**	80,809	-
Past due 1-90 days	**105,170**	**372**	57,655	425
Past due 91-365 days	**108,131**	**1,808**	69,227	1,960
More than one year	**1,807,314**	**1,790,840**	2,211,114	1,789,825
	2,120,339	**1,793,020**	2,418,805	1,792,210

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

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

	Unaudited 30 June 2018 AED'000	Audited 31 December 2017 AED'000
Opening balance	**1,792,210**	1,791,976
Additions for the period/year	**810**	599
Amounts written off/reversed during the period/year	**-**	(365)
Closing balance	**1,793,020**	1,792,210

9 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 significant transactions with related parties, other than those already disclosed separately elsewhere in the interim condensed consolidated financial statements are as follows:

	Unaudited 30 June 2018 AED'000	Unaudited 30 June 2017 AED'000
Compensation to key management personnel are as follows :		
- Salaries and other short-term employee benefits	**8,799**	3,359
- Provision towards staff terminal benefits	**412**	192

9 Transactions with related parties (continued)

Due from related parties in the interim consolidated statement of financial position represents balances owed by the associate as at 30 June 2018 *(30 June 2017 owed by the associate and joint venture)*.

10 Investments at fair value through profit or loss

The Group holds investment securities which are classified as investments at fair value through profit or loss in accordance with IFRS 9.

During the six month period ended 30 June 2018, the Group invested in a fund, having a fair value of AED 271 million as at the reporting date, which resulted in a loss on change in fair value of AED 15.6 million during the current period *(30 June 2017: nil)*.

During the current six month period ended 30 June 2018, the Group made additional purchases of 293.4 million shares in Palm Hills Development PJSC, a company based in Egypt and listed on the Egyptian Stock Market and London Stock Exchange, increasing its ownership of shares as at the reporting date to 406.2 million shares, representing 18.7% shareholding in the company. The fair value of this investment as at the reporting date is AED 374.1 million which resulted in a gain on change in fair value of AED 28.9 million during the current period *(30 June 2017: nil)*.

The Group also has an investment in a real estate fund valued at AED 1.35 million *(30 June 2017: 2.5 million)*.

The Group has no investments in Abraaj Group, any of its projects, funds or any business relationship with or exposure to it.

11 Cash and cash equivalents

	Unaudited 30 June 2018 AED'000	Audited 31 December 2017 AED'000
Cash in hand	**751**	556
Cash at bank		
– in deposit accounts held under lien	**8,500**	11,063
– in current accounts	**139,738**	90,460
– in other deposit accounts	**31,202**	27,578
Cash and bank balances	**180,191**	129,657
Less: Deposit under lien	**(8,500)**	(11,063)
Less: Bank overdrafts	**(228,584)**	(51,106)
Cash and cash equivalents	**(56,893)**	**67,488**

12 Basic and diluted earnings per share

	Unaudited Six month period ended 30 June		Unaudited Three month period ended 30 June	
	2018	2017	**2018**	2017
Net profit/(loss) attributable to shareholders (AED'000)	**207,422**	(2,246,362)	**24,708**	(2,287,578)
Weighted average number of shares	**4,289,540,134**	4,289,540,134	**4,289,540,134**	4,289,540,134
Basic and diluted earnings per share (AED)	**0.048**	-	**0.006**	-

The net loss attributable to shareholders for the period ended 30 June 2017 excludes Directors' fees of AED 2.5 million, being the appropriated prorated portion of the total fees proposed for the period.

13 General reserve

According to the Articles of Association of the Company, 10% of the annual net profit is appropriated to general reserve. The transfer to general reserve may be suspended at the recommendation of the Board of Directors or when it equals 50% of the paid-up share capital.

During the previous year and in accordance to the Article of Association of the Company, the Board of Directors have resolved to apply the general reserve amounting to AED 313.7 million to partially offset the Group's accumulated losses as at 31 December 2017.

14 Issuance of bonus shares

At the Annual General Meeting held on 26 April 2017, the shareholders approved issuing 8% bonus shares as dividends for the year ended 31 December 2016.

15 Long-term bank borrowings

(i) During the six month period ended 30 June 2018, the Group entered into an agreement with a local bank to obtain a long-term loan which was partially utilized to early settle another bank loan amounting to AED 240 million. The new facility is repayable in 39 quarterly instalments on a reducing balance basis commencing on September 2018 and final instalment of AED 113.8 million due on March 2028. The loan carries commercial interest rate and is secured by registered mortgage of properties.

(ii) During the six month period ended 30 June 2018, the Group entered into an agreement with a local bank to obtain a long-term loan amounting to AED 100 million. The loan is repayable in 24 quarterly equal instalments of AED 4.2 million commenced on April 2018. The loan carries commercial interest rate and is secured by registered mortgage of properties.

16 Financial instruments

Financial assets of the Group include non-current receivables, investments at FVTPL, trade and other receivables, amounts due from related parties and cash in hand and at banks. Financial liabilities of the Group include trade and other payables, security deposits, 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 June 2018 (unaudited)					
Financial assets					
Non-current receivables	-	67,912	-	67,912	67,912
Investments at FVTPL	646,478	-	-	646,478	646,478
Trade and other receivables	-	312,606	-	312,606	312,606
Due from related parties	-	24,333	-	24,333	24,333
Cash in hand and at banks	-	180,191	-	180,191	180,191
Total	**646,478**	**585,042**	-	**1,231,520**	**1,231,520**
Financial liabilities					
Trade and other payables	-	-	1,238,082	1,238,082	1,238,082
Security deposits	-	-	10,395	10,395	10,395
Short-term bank borrowings	-	-	228,584	228,584	228,584
Long-term bank loans	-	-	1,578,141	1,578,141	1,578,141
Total	-	-	**3,055,202**	**3,055,202**	**3,055,202**

	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 2017 (audited)					
Financial assets					
Non-current receivables	-	299,259	-	299,259	299,259
Investments at FVTPL	93,250	-	-	93,250	93,250
Trade and other receivables	-	445,261	-	445,261	445,261
Due from related parties	-	31,223	-	31,223	31,223
Cash in hand and at banks	-	129,657	-	129,657	129,657
Total	93,250	905,400	-	998,650	998,650
Financial liabilities					
Trade and other payables	-	-	1,208,611	1,208,611	1,208,611
Security deposits	-	-	10,245	10,245	10,245
Short-term bank borrowings	-	-	51,106	51,106	51,106
Long-term bank loans	-	-	1,510,676	1,510,676	1,510,676
Total	-	-	2,780,638	2,780,638	2,780,638

16 Financial instruments (continued)

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).

The Group holds investments at fair value through profit or loss. 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 June 2018 (unaudited)			
Investments at fair value through profit or loss	**645,130**	**1,348**	**646,478**
	======	====	======
31 December 2017 (audited)			
Investments at fair value through profit or loss	91,902	1,348	93,250
	======	====	======

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

Level 1:

	Unaudited **30 June 2018** **AED'000**	Audited 31 December 2017 AED'000
Investment securities		
Opening balance	**91,902**	170,908
Additions	**539,963**	111,878
Disposals	**-**	(190,408)
Total gains or losses – net:		
- in profit or loss	**13,265**	(476)
	----------	----------
Closing balance	**645,130**	91,902
	======	======

17 Segment reporting

Business segments

The Group's activities comprise of three main business segments, namely, (i) real estate property management and sales (ii) construction activities, (iii) investments. 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	Contracting AED'000	Investments AED'000	Others AED'000	Total AED'000
Six month period ended 30 June 2018 (unaudited)					
Segment revenue	**35,168**	**183,937**	**-**	**20,564**	**239,669**
Gain on financial instruments at FVTPL	**-**	**-**	**13,265**	**-**	**13,265**
Share in profit of associate	**-**	**-**	**21,756**	**-**	**21,756**
Gain on disposal of a joint venture	**-**	**-**	**125,014**	**-**	**125,014**
Gain on valuation of properties	**120,674**	**-**	**-**	**-**	**120,674**
Finance income	**2,358**	**159**	**-**	**-**	**2,517**
Other income	**66,678**	**646**	**-**	**1,362**	**68,686**
Total Income	**224,878**	**184,742**	**160,035**	**21,926**	**591,581**
Direct costs	**(20,565)**	**(146,858)**	**-**	**(13,742)**	**(181,165)**
Administrative and general expenses	**(115,245)**	**(24,893)**	**(2,389)**	**(5,504)**	**(148,031)**
Finance cost	**(21,249)**	**(20,756)**	**(12,683)**	**(275)**	**(54,963)**
Profit/(loss) for the period	**67,819**	**(7,765)**	**144,963**	**2,405**	**207,422**
Capital expenditure	**42,231**	**984**	**92**	**505**	**43,812**
Depreciation	**3,053**	**2,333**	**10**	**1,280**	**6,676**
As at 30 June 2018 (unaudited)					
Segment assets	**4,542,972**	**641,110**	**704,820**	**46,562**	**5,935,464**
Investment in an associate	**-**	**-**	**140,527**	**-**	**140,527**
Total assets	**4,542,972**	**641,110**	**845,347**	**46,562**	**6,075,991**
Segment liabilities	**1,236,354**	**1,793,341**	**160,276**	**23,780**	**3,213,751**
Six month period ended 30 June 2017 (unaudited)					
Segment revenue	58,542	164,984	-	22,508	246,034
Gain on financial instruments at FVTPL	-	-	1,233	-	1,233
Share in profit of an associate and a joint venture	-	-	13,939	-	13,939
Loss on valuation of properties	(2,070,733)	-		-	(2,070,733)
Finance income	8,167	214	-	-	8,381
Other income	130,678	5,767	-	1,766	138,211
Total Income	(1,873,346)	170,965	15,172	24,274	(1,662,935)
Direct costs	(252,917)	(217,903)	-	(17,156)	(487,976)
Administrative and general expenses	(26,124)	(27,834)	-	(6,694)	(60,652)
Finance cost	(18,246)	(14,053)	-	-	(32,299)
Profit/(loss) for the period	(2,170,633)	(88,825)	15,172	424	(2,243,862)
Capital expenditure	83,727	3,045	-	1,454	88,226
Depreciation	3,211	1,879	-	1,567	6,657
As at 31 December 2017 (audited)					
Segment assets	4,443,635	539,200	91,902	46,918	5,121,655
Investment in associates and joint ventures	-	-	493,757	-	493,757
Total assets	4,443,635	539,200	585,659	46,918	5,615,412
Segment liabilities	313,712	2,506,574	-	140,308	2,960,594

17 Segment reporting (continued)

	Real estate property management and sales AED'000	Contracting AED'000	Investments AED'000	Others AED'000	Total AED'000
Three month period ended 30 June 2018 (unaudited)					
Segment revenue	**19,082**	**99,828**	**-**	**4,891**	**123,801**
Loss on financial instruments at FVTPL	**-**	**-**	**(70,591)**	**-**	**(70,591)**
Share in profit of associate	**-**	**-**	**21,438**	**-**	**21,438**
Gain on valuation of properties	**120,674**	**-**	**-**	**-**	**120,674**
Finance income	**1,114**	**134**	**-**	**-**	**1,248**
Other income	**65,032**	**347**	**-**	**24**	**65,403**
Total Income	**205,902**	**100,309**	**(49,153)**	**4,915**	**261,973**
Direct costs	**(9,093)**	**(78,649)**	**-**	**(5,340)**	**(93,082)**
Administrative and general expenses	**(93,315)**	**(13,936)**	**(1,939)**	**(2,985)**	**(112,175)**
Finance cost	**(10,374)**	**(13,752)**	**(7,607)**	**(275)**	**(32,008)**
Profit/(loss) for the period	**93,120**	**(6,028)**	**(58,699)**	**(3,685)**	**24,708**
Three month period ended 30 June 2017 (unaudited)					
Segment revenue	39,801	75,507	-	10,279	125,587
Gain on financial instruments at FVTPL	-	-	551	-	551
Share in profit of associate and joint venture	-	-	8,820	-	8,820
Loss on valuation of properties	(2,070,733)	-	-	-	(2,070,733)
Finance income	1,443	140	-	-	1,583
Other income	1,919	1,332	-	893	4,144
Total Income	(2,027,570)	76,979	9,371	11,172	(1,930,048)
Direct costs	(242,844)	(56,228)	-	(8,843)	(307,915)
Administrative and general expenses	(14,525)	(13,562)	-	(3,777)	(31,864)
Finance cost	(9,023)	(7,478)	-	-	(16,501)
Profit/(loss) for the period	(2,293,962)	(289)	9,371	(1,448)	(2,286,328)

18 Capital commitments and contingent liabilities

	Unaudited 30 June 2018 AED'000	Audited 31 December 2017 AED'000
Company and its subsidiaries		
Commitments:		
Capital commitments	**20,502**	49,571
Contingent liabilities:		
Letters of guarantee	**319,638**	398,791
Associate		
Contingent liabilities:		
Letters of guarantee	**150,000**	150,000