Arabtec Holding PJSC and its subsidiaries

Directors' report and consolidated financial statements for the year ended 31 December 2017

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Arabtec Holding PJSC

Directors' Report

The Board of Directors (**Board**) of Arabtec Holding PJSC (**Company**) and its subsidiaries (collectively, the **Group**) presents the consolidated financial statements as at 31 December 2017.

Financial Overview

Reinforcing our commitment to return to growth and deliver on the Group's strategic roadmap, we are pleased to report the consolidated financial statements for the 12 months ending 31 December 2017. The company has delivered four consecutive quarters of profitability. The Group reported a net profit to parent of AED 123.1 million for the 12 months ending 31 December 2017 compared to a net loss of AED 3.4 billion in FY16. Revenue for the period was AED 9.1 billion accounting for a 12% year-on-year growth compared to AED 8.2 billion reported in FY16. The Group's backlog remained strong at AED 17.2 billion as at 31 December 2017, well-supported by a number of quality awards across the Group.

In line with the Group's dividend policy of paying out between 25% and 50% of net profit annually, the Board of Directors is proposing to distribute a final cash dividend of 2.05 fils per share for the year ended 31 December 2017, subject to shareholder approval at the Annual General Assembly Meeting.

Key Milestones:

In 2017, the Group embarked on a three-phase strategic roadmap to position the Group for long-term profitable and sustainable growth. Phase 1 was to stabilise the business, which importantly included the Recapitalisation Programme that was approved at our General Assembly held on 18 April 2017.

The Recapitalisation Programme comprised of a capital increase from AED 4,615,065,000 to AED 6,115,065,000. Following the successful completion of the right's issue, AED 4,615,065,000 of equity was cancelled to extinguish all accumulated losses as at 31 December 2016. On 28 June 2017, the Company announced that it had completed its Recapitalisation Programme. The objective was to extinguish all accumulated losses to accelerate Arabtec's path to resuming dividends and provide the Group with the flexibility to pursue profit and cash-generating opportunities whilst strengthening the Group's financial and liquidity position.

A major highlight for the Group was the opening of the Louvre Abu Dhabi on 8 November 2017. The Company proudly played a key role in the delivery and completion of this landmark project, highlighting our contribution and competencies in delivering social and economic infrastructure in the UAE.

Operations

Governance, risk management and instilling a performance-based culture across the group has been the main focus for management in 2017. The successful implementation of a series of risk management processes and tools have supported the Group to on-board quality projects. In parallel, we have continued to turn risk into opportunity as we drive further accountability across all our projects with focus on cash collection and resolution of legacy projects and receivables.

The Year Ahead

The business has stabilised in 2017 creating a solid foundation that we will build on throughout 2018. The Group's focus for the year ahead moves to re-basing the business with a range of initiatives to increase productivity, efficiency, innovation and strengthen the balance sheet. Together with our core values, we remain committed to building a successful and sustainable future for Arabtec and all its stakeholders.

The Board of Directors as at 31 December 2017:

Director	Role
Mohamed Thani Murshed Al Rumaithi	Chairman
Mohamed Hamad Al Mehairi	Vice Chairman & Chairman of the Nomination and Remuneration Committee
Eng. Saeed Mohamed Al Mehairbi	Board Member
Khalifa Abdulla Khamis Al Romaithi	Board Member and Audit Committee Member
Tareq Ahmed Al Masaood Al Mehairbi	Board Member & Nomination and Remuneration Committee Member
Ghannam Butti Al Mazrouei	Board Member and Chairman of the Audit Committee
Jamal Saeed Saleh Al Nuaimi	Board Member & Nomination and Remuneration Committee Member

On behalf of the Board of Directors:

H.E. Mohamed Thani Murshed Al Rumaithi
Chairman of the Board of Directors

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Independent auditor's report to the shareholders of Arabtec Holding PJSC

Report on the audit of the consolidated financial statements

Our qualified opinion

In our opinion, except for the possible effects of the matter described in the *Basis for qualified opinion* section of our report, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Arabtec Holding PJSC (the "Company") and its subsidiaries (together the "Group") as at 31 December 2017, and their consolidated financial performance and their consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards.

What we have audited

The Group's consolidated financial statements comprise:

- the consolidated statement of financial position as at 31 December 2017;
- the consolidated income statement for the year then ended;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

Basis for qualified opinion

We refer to note 6 to the consolidated financial statements that provides details of the Group's investment properties. These include a property comprising of a plot of land and associated development costs (the property) with a carrying amount of AED 568 million (2016: AED 568 million). Management has not carried out a detailed impairment review to assess the recoverable amount of the property, which is calculated as the higher of its value-in-use and fair value less cost to sell in accordance with IAS 36, 'Impairment of assets'. Consequently, we were unable to satisfy ourselves as to the carrying amount of the property and determine whether any impairment in the carrying amount of the property should be recorded.

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report.

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

Independence

We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and the ethical requirements that are relevant to our audit of the consolidated financial statements in the United Arab Emirates. We have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

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Independent auditor's report to the shareholders of Arabtec Holding PJSC (continued)

Emphasis of matter

Dispute with a shareholder of a subsidiary

We draw attention to note 36 (c) to the consolidated financial statements, which provides details of a dispute and the claim filed by the shareholder of Arabtec Construction W.L.L. Qatar, the outcome of which cannot be determined with reasonable certainty as at the date of this report. Our opinion is not modified in respect of this matter.

Our audit approach

Overview

Key Audit Matters	• Contract revenue and profit or loss recognition • Recoverability of contract receivables

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the consolidated financial statements. In particular, we considered where management made subjective judgments; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the consolidated financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industry in which the Group operates.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

In addition to the matter described in the *Basis for qualified opinion* section, we have determined the matters described below to be the key audit matters to be communicated in our report.

Key audit matters (continued)

Key audit matter	How our audit addressed the key audit matter
Contract revenue and profit or loss recognition	
The Group enters into contracts, many of which are complex and long-term in nature and can span a number of reporting periods. The recognition of revenue and profit or loss is in accordance with IAS 11 – Construction Contracts. We focused in particular on this area because the timing of revenue recognition, estimates of costs to complete and the recognition of variations and claims on contracts have inherent complexities in the construction industry, are matters of significant estimate and judgment and often take time to resolve. The total amount of revenue and profit or loss to be recognised on a contract can be affected by changes in conditions and circumstances over time, such as: • variations to the original contract terms • cost overruns • scope changes that require further negotiation and agreement There can be some uncertainties in determining the amounts to be recovered as a result of changes in conditions and circumstances which lead to additional work to be performed (variations). In addition, with respect to claims, the determination of when negotiations have reached an advanced stage, probability of acceptance of the claim by the customer and valuation of the claim amount require significant exercise of judgment by the management. The timing of revenue recognition is subject to judgments surrounding the costs expected to be incurred in completing the work, as revenue on contracts is recognised on a percentage of completion basis.	We obtained from management an understanding of the internal controls over revenue recognition. We tested a sample of contracts based on value and the following risk-based criteria to identify contracts: • with significant revenue recognised in the year, or • with forecast losses, or • with significant unbilled work in progress balances, or • that had been identified by management as higher risk in our discussions with them; and • other contracts not meeting any of the above criteria. To assess whether revenue and profit or loss is accurately recorded, for the selected samples, we performed the following procedures: • Verified the project costs incurred during the year by tracing them to the underlying supporting documentation. • For estimated costs to complete we obtained an understanding from the Group's project teams and challenged the management's estimates by: – assessing the estimated costs against historical and current trends underpinning those estimates; – evaluating the out-turn of previous estimates; and – comparing the year end estimated costs-to-complete against the latest available information provided by the management. • Obtained documentary evidence for the approval of variations by the Group's customers included in total estimated contract revenue. • With respect to claims, evaluated management's judgment on how advanced the negotiations with customers were based on the facts and circumstances of particular contracts, documentary evidence and correspondence and the Group's relationship with the customer. Further, we have verified any subsequent approvals, certifications or cash receipts in relation to the claims recognised at the reporting date.

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Independent auditor's report to the shareholders of Arabtec Holding PJSC (continued)

Key audit matters (continued)

Key audit matter	How our audit addressed the key audit matter
Contract revenue and profit or loss recognition (continued) There can often be a high degree of subjectivity involved in determining cost to complete and the magnitude of variations which could have a consequential impact on calculation of contract margin or losses to be recognised. The risks are, therefore, that contract revenue and associated margins or foreseeable losses are not correctly recognised. *Refer to the note 2.24 to the consolidated financial statements for the accounting policy on revenue recognition, note 4.1 for significant estimates and judgments related to revenue recognition and note 22 for revenue recognised during the year ended 31 December 2017.*	• Recalculated the stage of completion for the projects. • Verified the total contract revenue to the underlying contracts and amendments (where applicable) • Reviewed and considered the implications of correspondence with customers (both upon the acceptance of work done and relating to disputes). • For contracts where it is probable that the total costs will exceed the total contract revenue; checked that the expected loss has been recognised as an expense immediately.
Recoverability of contract receivables We focused on this area because management exercises significant judgment regarding the recoverability of the contract receivables and therefore estimating the extent of any provision for impairment required in respect of such balances. Where the recoverability of such balances is contingent on the outcome of on-going arbitrations or litigations, management considers the probability of a favorable outcome having regard to the opinions of the Group's legal counsel and external lawyers. The magnitude of any resultant impairment against the outstanding amounts, could be material to the consolidated financial statements. Contract receivable balances subject to arbitration include an amount of AED 203 million. Please refer to note 36 (b) to the consolidated financial statements which describes the uncertainty relating to the outcome of the arbitration. *Refer to note 10 to the consolidated financial statements for details of contract receivables included within trade and other receivables.*	With respect to contract receivables, we have discussed and challenged the judgments applied by the management in relation to their assessment of the recoverability of individual balances and the bases for those judgments. We corroborated management's assessments by reference to other factors such as the status of the contract work and its certification, relationship with the customer, customer's financial ability to pay and where the Group has a legal claim against the customer, the Group's legal counsel and external lawyer's assessment of the likelihood of a favourable or unfavourable outcome. As part of this process, we also discussed the progress of the work on the contracts with the respective project teams. We tested the subsequent cash receipts to the source documents for the certified dues existing at the reporting date. For receivable balances with recoverability issues, we checked that an impairment provision had been created in accordance with the Group's policy and the specific circumstances attaching to each case. In respect of the contract receivables that are subject to arbitration, we evaluated the probability and timing of recovery of outstanding amounts by reference to the status of negotiations and arbitration proceedings along with other supporting documentation. We also made enquiries of management-appointed legal counsel in respect of the current status of proceedings. We also tested that appropriate disclosures have been made in the consolidated financial statements in compliance with International Financial Reporting Standards.

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Independent auditor's report to the shareholders of Arabtec Holding PJSC (continued)

Other information

The directors are responsible for the other information. The other information comprises the Directors' report (but does not include the consolidated financial statements and our auditor's report thereon), which we obtained prior to the date of this auditor's report and the Group's Annual Report, which is expected to be made available to us after that date.

Our opinion on the consolidated financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

When we read the Group's Annual Report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

Responsibilities of management and those charged with governance for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards and their preparation in compliance with the applicable provisions of the UAE Federal Law No. (2) of 2015, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

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Independent auditor's report to the shareholders of Arabtec Holding PJSC (continued)

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our qualified audit opinion.

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Independent auditor's report to the shareholders of Arabtec Holding PJSC (continued)

Auditor's responsibilities for the audit of the consolidated financial statements (continued)

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other legal and regulatory requirements

Further, as required by the UAE Federal Law No. (2) of 2015, we report that:

i) we have obtained all the information we considered necessary for the purposes of our audit;

ii) the consolidated financial statements have been prepared and comply, in all material respects, with the applicable provisions of the UAE Federal Law No. (2) of 2015;

iii) the Group has maintained proper books of account;

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

v) as disclosed in note 1 to the consolidated financial statements the Group has not purchased or invested in any shares during the year ended 31 December 2017;

vi) note 13 to the consolidated financial statements discloses material related party transactions and the terms under which they were conducted; and

vii) based on the information that has been made available to us, nothing has come to our attention which causes us to believe that the Group has contravened during the year ended 31 December 2017 any of the applicable provisions of the UAE Federal Law No. (2) of 2015 or, in respect of the Company, its Memorandum of Association which would materially affect its activities or its financial position as at 31 December 2017.

PricewaterhouseCoopers
14 March 2018

Douglas O'Mahony
Registered Auditor Number 834
Dubai, United Arab Emirates

Arabtec Holding PJSC and its subsidiaries

Consolidated statement of financial position

		Year ended 31 December	
		2017	2016
ASSETS	**Note**	**AED'000**	**AED'000**
Non-current assets			
Property, plant and equipment	5	754,393	847,586
Investment properties	6	595,647	595,974
Goodwill	7	248,741	248,741
Other intangible assets	7	17,000	21,552
Investments in associates	8	223,864	192,498
Deferred tax assets	9	3,823	3,737
Trade and other receivables	10	751,899	569,332
Other financial assets	11	17,282	17,282
Advances paid to suppliers and sub-contractors		290,898	332,474
		2,903,547	2,829,176
Current assets			
Inventories	12	116,946	115,340
Trade and other receivables	10	5,288,516	4,285,974
Advances paid to suppliers and sub-contractors		1,257,539	821,821
Due from related parties	13	714,409	306,222
Other financial assets	11	182,427	115,262
Other current assets	14	335,383	395,708
Cash and cash equivalents	15	1,144,144	1,054,000
		9,039,364	7,094,327
Total assets		11,942,911	9,923,503
EQUITY AND LIABILITIES			
EQUITY			
Share capital	16	1,500,000	4,615,065
Statutory reserve	17	130,279	148,159
Foreign currency translation reserve		33,498	36,661
Other reserves	17	(199,063)	(194,239)
Retained earnings/ (accumulated losses)		120,152	(4,645,248)
Equity attributable to owners of the Parent		1,584,866	(39,602)
Non-controlling interests		(244,368)	(211,091)
Total equity / (net deficit)		1,340,498	(250,693)
LIABILITIES			
Non-current liabilities			
Bank borrowings	18	790,338	140,000
Loan from a related party	13	-	177,724
Retentions payable	19	386,468	384,417
Provision for employees' end of service benefits	20	200,510	207,688
		1,377,316	909,829
Current liabilities			
Trade and other payables	21	4,825,102	4,905,115
Advances received from customers for contracts		2,010,184	1,833,784
Bank borrowings	18	1,843,433	2,141,678
Due to related parties	13	536,268	366,760
Income tax payable	9	10,110	17,030
		9,225,097	9,264,367
Total liabilities		10,602,413	10,174,196
Total equity and liabilities		11,942,911	9,923,503

The consolidated financial statements were approved for issue by the Board of Directors on 14 March 2018 and signed on its behalf by:

.....
Hamish Tyrwhitt
Chief Executive Officer

.....
Peter Pollard
Chief Financial Officer

Arabtec Holding PJSC and its subsidiaries

Consolidated income statement

	Note	Year ended 31 December 2017 AED'000	2016 AED'000
Revenue	22	9,141,137	8,185,816
Direct costs	23	(8,681,417)	(9,100,656)
Gross profit/(loss)		**459,720**	**(914,840)**
Investment income	24	9,933	11,307
General and administrative expenses	25	(319,314)	(472,209)
Impairment losses	26	(3,016)	(1,900,632)
Other income	27	23,453	78,267
Loss on de-consolidation of subsidiaries	34(a)	-	(196,693)
Operating profit/(loss)		**170,776**	**(3,394,800)**
Finance costs – net	28	(98,911)	(72,265)
Share of profit/(loss) of associates	8(a)	40,970	(29,962)
Pofit/(loss) before tax		**112,835**	**(3,497,027)**
Income tax expense	9	(15,914)	(14,200)
Profit/(loss) for the year		**96,921**	**(3,511,227)**
Attributable to:			
Owners of the Parent		123,053	(3,409,592)
Non-controlling interests		(26,132)	(101,635)
		96,921	**(3,511,227)**
Earnings/(loss) per share			
- Basic and diluted (AED)	29	0.10	(3.99)

Arabtec Holding PJSC and its subsidiaries

Consolidated statement of comprehensive income

	Note	Year ended 31 December 2017 AED'000	2016 AED'000
Profit/(loss) for the year		96,921	(3,511,227)
Other comprehensive income			
Items that will be reclassified to consolidated income statement in subsequent periods:			
Unrealised loss on revaluation of available-for-sale investments		-	(3,350)
Net change in foreign currency translation reserve		(4,235)	37,413
Items that will not be reclassified to consolidated income statement in subsequent periods:			
Actuarial gain/(loss) recognised	20	9,402	(10,060)
Other comprehensive income for the year		5,167	24,003
Total comprehensive income for the year - net of tax		**102,088**	**(3,487,224)**
Attributable to:			
Owners of the Parent		129,292	(3,397,743)
Non-controlling interests		(27,204)	(89,481)
		102,088	**(3,487,224)**

Arabtec Holding PJSC and its subsidiaries

Consolidated statement of changes in equity

	Attributable to owners of the Parent								
	Share capital AED'000	Statutory reserve AED'000	Fair value adjustment reserve AED'000	Foreign currency translation reserve AED'000	Other reserves AED'000	Retained earnings / (accumulated (losses) AED'000	Total AED'000	Non-controlling interests AED'000	Total equity AED'000
At 1 January 2017	4,615,065	148,159	-	36,661	(194,239)	(4,645,248)	(39,602)	(211,091)	(250,693)
Profit/(loss) for the year	-	-	-	-	-	123,053	123,053	(26,132)	96,921
Other comprehensive income for the year	-	-	-	(3,163)	-	9,402	6,239	(1,072)	5,167
Total comprehensive income for the year	-	-	-	(3,163)	-	132,455	129,292	(27,204)	102,088
Capital reduction (Note 16)	(4,615,065)	(30,185)	-	-	-	4,645,250	-	-	-
Share capital issued (Note 16)	1,500,000	-	-	-	-	-	1,500,000	-	1,500,000
Right issue cost	-	-	-	-	(4,824)	-	(4,824)	-	(4,824)
Transfer to statutory reserve (Note 17)	-	12,305	-	-	-	(12,305)	-	-	-
Disposal of a subsidiary	-	-	-	-	-	-	-	(1,666)	(1,666)
Dividend paid	-	-	-	-	-	-	-	(4,407)	(4,407)
At 31 December 2017	1,500,000	130,279	-	33,498	(199,063)	120,152	1,584,866	(244,368)	1,340,498

Arabtec Holding PJSC and its subsidiaries

Consolidated statement of changes in equity (continued)

	Attributable to owners of the Parent								
	Share capital AED'000	Statutory reserve AED'000	Fair value adjustment reserve AED'000	Foreign currency translation reserve AED'000	Other reserves AED'000	Retained earnings / (accumulated (losses) AED'000	Total AED'000	Non-controlling interests AED'000	Total equity AED'000
At 1 January 2016	4,615,065	1,152,593	2,942	11,810	(192,747)	(2,227,363)	3,362,300	(162,576)	3,199,724
Loss for the year	-	-	-	-	-	(3,409,592)	(3,409,592)	(101,635)	(3,511,227)
Other comprehensive income for the year	-	-	(2,942)	24,851	-	(10,060)	11,849	12,154	24,003
Total comprehensive income for the year	-	-	(2,942)	24,851	-	(3,419,652)	(3,397,743)	(89,481)	(3,487,224)
Acquisition of non-controlling interest (Note 1)	-	-	-	-	(1,492)	-	(1,492)	492	(1,000)
Offset of statutory reserve against accumulated losses (Note 17)	-	(1,004,434)	-	-	-	1,004,434	-	-	-
Disposal of a subsidiary (Note 34)	-	-	-	-	-	(2,667)	(2,667)	(889)	(3,556)
De-consolidation effect of subsidiaries (Note 34)	-	-	-	-	-	-	-	43,163	43,163
Dividend paid	-	-	-	-	-	-	-	(1,800)	(1,800)
At 31 December 2016	4,615,065	148,159	-	36,661	(194,239)	(4,645,248)	(39,602)	(211,091)	(250,693)

Arabtec Holding PJSC and its subsidiaries

Consolidated statement of cash flows

	Note	Year ended 31 December 2017 AED'000	2016 AED'000
Operating activities			
Profit/(loss) before tax		112,835	(3,497,027)
Adjustments for:			
Loss/(gain) on sale of property, plant and equipment	27	2,354	(2,858)
Gain on sale of investment properties	27	-	(1,278)
Investment income	24	(9,933)	(11,307)
Impairment losses	26	3,016	1,900,632
Impairment of loan to a related party		-	1,778
Net cost/(income) on non-current receivables and payables	28	5,696	(5,789)
Depreciation on investment properties	6	327	1,935
Depreciation on property, plant and equipment		174,872	250,821
Amortisation of intangible assets	7	4,552	5,776
Provision for employees' end of service benefits	20	61,399	46,845
Finance costs	28	93,215	78,054
Share of (gain)/loss from associates	8(a)	(40,970)	29,962
Reversal of provision for doubtful receivables	10	(31,430)	(18,869)
Reversal of provision for slow-moving inventories	12	(9,144)	(17,289)
Loss on de-consolidation of subsidiaries	34(a)	-	196,693
Gain on disposal of other financial assets		-	(2,943)
Loss on disposal of associate	8(b)	2,504	-
Operating cash flow before changes in working capital, employees' end of service benefits paid and income tax paid		369,293	(1,044,864)
Changes in working capital:			
Trade and other receivables		(1,157,387)	289,532
Advances paid to suppliers and sub-contractors		(394,142)	(46,230)
Due from related parties		(408,187)	(319,862)
Inventories		7,013	47,718
Other current assets		60,325	(49,658)
Trade and other payables		(80,013)	716,549
Advances received from customers for contract work		176,400	26,693
Due to related parties		169,508	423,060
Retentions payable		2,051	63,984
Cash (used in)/generated from operating activities		(1,255,139)	106,922
Employees' end of service benefits paid	20	(58,858)	(67,522)
Income tax paid		(22,920)	(15,941)
Net cash (used in)/generated from operating activities		(1,336,917)	23,459
Balance carried forward		(1,336,917)	23,459

Consolidated statement of cash flows (continued)

	Note	Year ended 31 December 2017 AED'000	2016 AED'000
Balance brought forward		(1,336,917)	23,459
Investing activities			
Purchase of property, plant and equipment	5	(114,774)	(178,142)
Purchase of investment properties	6	-	(7,513)
Proceeds from disposal of investment in associate	8(b)	3,367	-
Proceeds from disposal of property, plant and equipment		24,701	28,712
Proceeds from disposal of investment properties		-	42,479
Net movement in other financial assets		(67,165)	(24,066)
Movement in deposits maturing after 3 months	15	(40,000)	-
Investment income received		8,011	7,946
Dividends received from associates		3,733	-
Proceeds fom disposal of a subsidiary	34(b)	1,500	-
Net cash used in investing activities		(180,627)	(130,584)
Financing activities			
Proceeds from borrowings		259,290	462,823
Proceeds of loan from a related party		221,911	177,724
Proceeds from rights issue (net of settlement of loan from a related party)		1,100,365	-
Right issue costs paid		(4,824)	-
Dividends paid to non-controlling interests		(4,407)	(1,800)
Acquisition of additional interest in a subsidiary		-	(1,000)
Interest paid		(93,215)	(67,937)
Net cash generated from financing activities		1,479,120	569,810
Net (decrease)/increase in cash and cash equivalents		(38,424)	462,685
Cash and cash equivalents at the beginning of the year		543,408	(480,578)
Change in cash and cash equivalents due to de-consolidation of subsidiaries	34(a)	-	523,888
Net foreign currency translation difference		(4,235)	37,413
Cash and cash equivalents at the end of the year	15	500,749	543,408

Arabtec Holding PJSC and its subsidiaries

Notes to the consolidated financial statements for the year ended 31 December 2017

1 Legal status and activities

Arabtec Holding PJSC (the "Company") is a Public Joint Stock Company established under the laws of the United Arab Emirates (UAE) pursuant to the resolution of the Department of Economic Development, Dubai, number 71 dated 2 July 2004. The Company commenced operations on 20 September 2004. The Company's shares are listed on the Dubai Financial Market ("DFM"). The registered office of the Company is P.O. Box 3399, Dubai, UAE.

The Group's major shareholder is Aabar Investment PJS whose parent company is International Petroleum Investment Company ("IPIC"). IPIC is ultimately owned by the Government of the Emirate of Abu Dhabi.

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

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

The consolidated financial statements of the Group for the year ended 31 December 2017 were authorised for issue in accordance with a resolution of the Board of Directors on 14 March 2018.

Subsidiaries, associates and joint operations:

Name of subsidiary and domicile	% Holding (including indirect holding) 2017	2016	Principal activities
Arabtec Construction LLC – Dubai, UAE	100%	100%	Civil construction and related works
Arabtec Construction Syria LLC, Syrian Arab Republic	100%	100%	Civil construction and related works
Arabtec Pakistan (Pvt.) Limited, Pakistan	60%	60%	Civil construction and related works
Arabtec Egypt for Construction SAE, Arab Republic of Egypt	55%	55%	Civil construction and related works
Arabtec Construction LLC (Foreign Company), State of Palestine	100%	100%	Civil construction and related works
Arabtec - Musawa W.L.L., Kingdom of Bahrain	75%	75%	Civil construction and related works

1 Legal status and activities (continued)

Subsidiaries, associates and joint operations: (continued)

Name of subsidiary and domicile	% Holding (including indirect holding) 2017	2016	Principal activities
Arabtec Construction LLC (Jordan foreign working entity), Jordan	100%	100%	Civil construction and electrical, mechanical, plumbing contracting and related works
Arabtec International Company, Limited, Republic of Mauritius	100%	100%	Civil construction and related works
Arabtec Construction India (Pvt) Limited, India	63%	63%	Civil construction and related works
Arabtec Constructions LLC - Abu Dhabi, UAE	100%	100%	Civil construction and related works
Arabtec Precast LLC, UAE	100%	100%	Manufacturing of precast panels
Arabtec Minority Holding Limited, JAFZA, UAE	100%	100%	Investment holding company
Arabtec Building Equipment LLC, UAE	70%	70%	Trading and leasing of construction and building equipment
Arabtec Engineering Services LLC, UAE	80%	80%	Infrastructure construction works
Arabtec-Envirogreen Facility Management Services LLC, UAE**	100%	100%	Building maintenance and cleaning services, facilities management and security services
Arabtec Property Development LLC - Abu Dhabi, UAE	100%	100%	Real estate, investment, development and management
Arabtec Property Development LLC - Dubai, UAE	100%	100%	Real estate development

1 Legal status and activities (continued)

Subsidiaries, associates and joint operations: (continued)

Name of subsidiary and domicile	% Holding (including indirect holding) 2017	2016	Principal activities
Arabtec Property Management LLC -Dubai, UAE	100%	100%	Leasing and management of third party property
Arabtec Real Estate LLC - Abu Dhabi, UAE	100%	100%	Real estate leasing and management services
Arabtec Real Estate LLC - Dubai, UAE	100%	100%	Buying and selling of real estate
Arabtec Living For Construction LLC, UAE	100%	100%	Civil construction and related works
Arabtec Limited, JAFZA, UAE	100%	100%	General trading; commercial and real estate investments
Arabtec Trading Limited, JAFZA, UAE	100%	100%	General trading; commercial and real estate investments
Arabtec Consolidated Contractors Limited, JAFZA, UAE *	50%	50%	International business, general trading, and investments
Austrian Arabian Ready Mix Concrete Co. LLC - Dubai, UAE	100%	100%	Ready mixed concrete manufacturing
Emirates Falcon Electromechanical Co. (EFECO) LLC - Dubai, UAE	100%	100%	Electrical, mechanical and plumbing contracting
EFECO Qatar W.L.L, Qatar*	49%	49%	Electrical, mechanical and plumbing contracting
EFECO LLC, State of Palestine	100%	100%	Electrical, mechanical and plumbing contracting

1 Legal status and activities (continued)

Subsidiaries, associates and joint operations: (continued)

Name of subsidiary and domicile	% Holding (including indirect holding) 2017	2016	Principal activities
Emirates Falcon Electromechanical Co. (EFECO) LLC - Abu Dhabi, UAE	100%	100%	Electrical, mechanical and plumbing contracting
Gulf Steel Industries FZE, UAE	100%	100%	Fabrication of steel structure and profiles
GSI Steel Construction Contracting LLC, UAE	100%	100%	Fabrication of steel structure and profiles
House of Equipment Co. LLC, UAE***	-	67%	Trading and leasing of construction equipment
Idrotec Srl, Italy	96%	96%	Civil construction and related works
Nasser Bin Khaled Factory Ready Mix Concrete Co. LLC, Qatar*	49%	49%	Manufacturing and transportation of ready mix concrete products
Saudi Target Engineering Construction Company LLC, Kingdom of Saudi Arabia	65%	65%	Civil construction and related works
Target Engineering Construction Company LLC, UAE	100%	100%	Civil construction and related works
Target Steel Industries LLC, UAE	97%	97%	Fabrication of steel structure and profiles
Target Engineering Construction Company L.L.C, (Foreign Company) Jordan	100%	100%	Civil construction and related works

1 Legal status and activities (continued)

Subsidiaries, associates and joint operations: (continued)

Name of subsidiary and domicile	% Holding (including indirect holding) 2017	2016	Principal activities
Powercon Switchgear Factory, UAE****	-	-	Manufacturing of switch gears and power distribution panels
Arabtec Egypt for Property Development, Egypt	100%	100%	Real Estate, investment, development, and management
Arabtec Gulf for Property Investment LLC, UAE	100%	100%	Buying and selling of real estate as well as holding activities
Arabtec Construction W.L.L., Qatar*	49%	49%	Civil construction and related works
Arabtec Interests Limited, JAFZA, UAE	100%	100%	Investment holding company

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

** During the year ended 31 December 2016, the Group acquired the remaining 33% shareholding in Arabtec Envirogreen Facility Management Services LLC for AED 1 million, increasing its ownership interest to 100%. The difference of AED 1,492 thousand between the purchase price and the carrying value of the non-controlling interest acquired has been reflected in other reserves.

*** Disposal of a subsidiary during the year 2017 (Note 34 (b)).

**** Disposal of a subsidiary during the year 2016 (Note 34 (c)).

De-recognition of subsidiaries during the year 2016

During the year 2016, the Group lost control over the following subsidiaries. Refer to Note 34 for details.

Name of subsidiary and domicile	% Holding (including indirect holding) 2017	2016	Principal activities
Arabtec Saudi Arabia LLC, Kingdom of Saudi Arabia	45%	45%	Civil construction and related works
Arabtec Construction Machinery LLC, Kingdom of Saudi Arabia	18%	58%	Trading and leasing of construction equipment
EFECO Saudi LLC, Kingdom of Saudi Arabia	53%	53%	Electrical, mechanical and plumbing contracting
Saudi Austrian Arabian Ready Mix Co LLC, Kingdom of Saudi Arabia	62%	62%	Manufacturing and transportation of ready mix concrete products

1 Legal status and activities (continued)

Subsidiaries, associates and joint operations: (continued)

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

Name of associate and domicile	% Holding (including indirect holding) 2017	2016	Principal activities
Depa Limited, Dubai, UAE ("DEPA")	24%	24%	Luxury fit-out of five star hotels, yachts and facilities and related services
Polypod Middle East LLC, Abu Dhabi, UAE ("Polypod")	40%	40%	Assembly of bathroom pods and other types of pods on the same concept

During the year, Group has disposed of its investment in JWICO (Note 8(b))

The Company and its subsidiaries have the following branches:

- Arabtec Holding PJSC – Abu Dhabi branch
- Arabtec Construction LLC, St Petersburg, Russia
- Arabtec Construction LLC, Riyadh, Kingdom of Saudi Arabia
- Arabtec Construction LLC, Fujairah branch
- Arabtec Construction LLC, Bahrain branch
- Arabtec Construction LLC, Sharjah Branch
- House of Equipment LLC - Abu Dhabi
- Idrotec SRL - Abu Dhabi
- ACC Arabtec JV SAL - Syrian Arab Republic branch
- Target Engineering Construction Company – Dubai branch
- Target Engineering Construction Company – Sharjah branch
- Target Engineering Construction Company – Fujairah branch
- Target Engineering Construction Company WLL – Qatar branch
- Arabtec Construction LLC – branch, Abu Dhabi
- GSI Steel Construction Contracting LLC – Abu Dhabi branch
- Gulf Steel Industries FZE – Jordan branch
- Arabtec Construction LLC – Egypt branch
- Arabtec Consolidated Contractors Limited – Astana City Branch, Kazakhstan
- Arabtec Engineering Services LLC, Abu Dhabi branch
- Austrian Arabian Ready-Mix Co LLC – Abu Dhabi branch
- EFECO – Riyadh, Kingdom of Saudi Arabia

Joint operations in the Group are disclosed in Note 37.

The Group has not purchased or invested in any shares during the year ended 31 December 2017.

2 Summary of significant accounting policies

The significant accounting policies applied by the Group in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

2.1 Going concern

During the year, the Group completed its recapitalisation program through a rights offering of an amount of AED 1.5 billion, followed by a capital reduction through the cancellation of 4,615,065 thousand shares of AED 1 each on a pro-rata basis and extinguishing the accumulated losses (Note 16).

At 31 December 2017, the Group's current liabilities exceeded its current assets by AED 185,733 thousand.

These consolidated financial statements has been prepared on a going concern basis.

2.2 Basis of preparation

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs") and IFRS Interpretation Committee (IFRIC) interpretations applicable to companies reporting under IFRS. The financial statements comply with IFRSs as issued by the International Accounting Standards Board (IASB). These consolidated financial statements have been prepared under the historical cost convention, except for available-for-sale financial assets that are measured at fair value.

The preparation of the consolidated financial statements in conformity with IFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 4.

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

Certain new standards and amendments have been issued and are effective from period beginning 1 January 2017 and are relevant to the Group.

- Recognition of Deferred Tax Assets for Unrealised Losses – Amendments to IAS 12, and
- Disclosure initiative – amendments to IAS 7.

The adoption of these amendments did not have any impact on the amounts recognised in prior periods. Most of the amendments will also not affect the current or future periods.

2 Summary of significant accounting policies (continued)

2.2 Basis of preparation (continued)

(b) New and amended standards not yet adopted

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2017 reporting periods and have not been early adopted by the Group. The Group's preliminary assessment of the impact of these new standards and interpretations is set out below:

IFRS 9 Financial Instruments (effective 1 January 2018)

In July 2014, the IASB issued the final version of IFRS 9 – Financial Instruments ('IFRS 9'), which replaces IAS 39 – Financial Instruments: Recognition and Measurement and all previous versions of IFRS 9. The requirements of IFRS 9 will be adopted from 1 January 2018. IFRS 9 addresses the classification, measurement and derecognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets.

The group has reviewed its financial assets and liabilities and will apply the new requirements retrospectively from 1 January 2018, with comparatives for 2017 not restated. The Group is expecting the following impact from the adoption of the new standard on 1 January 2018:

Classification and measurement

Financial assets

The available-for-sale financial assets will satisfy the conditions for classification as at fair value through other comprehensive income (FVOCI) and hence there will be no change to the accounting for these financial assets.

The Group does not expect the new guidance to affect the classification and measurement of any other financial assets.

Financial liabilities

There will be no impact on the Group's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss and the Group does not have any such liabilities.

2 Summary of significant accounting policies (continued)

2.2 Basis of preparation (continued)

(b) New and amended standards not yet adopted (continued)

IFRS 9 Financial Instruments (effective 1 January 2018) (continued)

De-recognition

The de-recognition rules have been transferred from IAS 39 Financial Instruments: Recognition and Measurement and have not been changed.

Impairment of financial assets

The new impairment model requires the recognition of impairment provisions based on expected credit losses (ECL) rather than only incurred credit losses as is the case under IAS 39.

It applies to financial assets classified at amortised cost, debt instruments measured at FVOCI, contract assets under IFRS 15 – Revenue from Contracts with Customers ("IFRS 15"), lease receivables, loan commitments and certain financial guarantee contracts.

The Group will apply the general approach and accordingly 12 month expected losses or lifetime expected losses will be recorded respectively for its receivables. Due to the change in methodology, and based on the preliminary assessments undertaken to date, the Group expects an increase in the loss allowance for debtors by approximately 20% - 30%. The Group will record the impact in retained earnings on initial date of adoption of IFRS 9.

IFRS 15 Revenue from Contracts with Customers (effective 1 January 2018)

The IASB has issued a new standard for the recognition of revenue. This will replace IAS 18 which covers contracts for goods and services and IAS 11 which covers construction contracts.

The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer. The standard permits either a full retrospective or a modified retrospective approach for the adoption. The Group intends to adopt the standard using the modified retrospective approach which means that the cumulative impact of the adoption will be recognised in retained earnings as of 1 January 2018 and the comparatives will not be restated.

Management has assessed the effects of applying the new standard on the Group's financial statements and has identified the following areas that will be affected:

- Variation orders will have to be accounted for prospectively or as new contracts based on the nature and price of additional products and services requested through these variation orders;

2 Summary of significant accounting policies (continued)

2.2 Basis of preparation (continued)

(b) New and amended standards not yet adopted (continued)

IFRS 15 Revenue from Contracts with Customers (effective 1 January 2018) (continued)

- Incremental costs of obtaining a contract are costs that the Group would not have incurred if the contract had not been obtained and are recognised as an asset if they are expected to be recovered; and

- The Group will have to include variable consideration (including claims, re-measurable contract values and discounts) in the transaction price to which it expects to be entitled from the inception of the contract. The amount of variable consideration will have to be restricted to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur when the uncertainty associated with the variable consideration is subsequently resolved.

The application of IFRS 15 may further result in the identification of separate performance obligations in relation to certain contracts which could affect the timing of the recognition of revenue going forward.

The Group is currently assessing the quantitative impact of the above mentioned items on its revenue recognition and contract receivables at the transition date. However, management do not expect a significant impact upon transition.

IFRS 16, 'Leases' (effective 1 January 2019)

The new standard eliminates the classification of leases as either operating leases or finance leases for a lessee. Instead all leases are treated in a similar way to finance leases applying IAS 17. Leases are 'capitalised' by recognising the present value of the lease payments and showing them either as lease assets (right-of-use assets) or together with property, plant and equipment. The Group is in the process of assessing the potential impact of the application of IFRS 16 on the amounts reported and disclosures made in these consolidated financial statements.

There are no other IFRSs or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the Group's consolidated financial statements.

2 Summary of significant accounting policies (continued)

2.3 Basis of consolidation

(a) Subsidiaries

The consolidated financial statements comprise the financial statement of the Group and its subsidiaries (Note 1) as at 31 December 2017. Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all the relevant facts and circumstances in assessing whether it has power over an investee, including:

- The size of the Group's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- Potential voting rights held by the Group, other vote holders or other parties;
- Rights arising from other contractual agreements; and
- Any additional facts and circumstances that indicate that the Group has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The Group applies the acquisition method of accounting to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair value of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total of consideration transferred, non-controlling interest recognised and previously held interest measured is less than the fair value of the net assets of the investee acquired in the case of a bargain purchase, the difference is recognised directly within profit and loss in the consolidated statement of comprehensive income statement.

2 Summary of significant accounting policies (continued)

2.3 Basis of consolidation (continued)

(a) *Subsidiaries* (continued)

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date; any gains or losses arising from such re-measurement are recognised in profit or loss.

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with IAS 39 either in profit or loss or as a change to other comprehensive income. Contingent consideration that is classified as equity is not re-measured, and its subsequent settlement is accounted for within equity.

Inter-company transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated. When necessary amounts reported by subsidiaries have been adjusted to conform with the Group's accounting policies.

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions – that is, as transactions with the owners in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

Business combinations arising from transfers of interests in entities that are under the control of the owners of the Group are accounted using predecessor accounting. The assets and liabilities acquired are recognised at the carrying amounts on the date of acquisition and no adjustments are made to reflect the fair values. Any difference between the consideration given for the acquisition and carrying value of assets and liabilities acquired is recognised directly in equity. No goodwill is recognised as a result of the combination.

(b) Loss of control

If the Group loses control over a subsidiary, it:

- De-recognises the assets (including goodwill) and liabilities of the subsidiary;
- De-recognises the carrying amount of any non-controlling interests;
- De-recognises the cumulative translation differences, recorded in equity;
- Recognises the fair value of the consideration received;
- Recognises the fair value of any investment retained, with the change in the carrying amount recognised in consolidated income statement;
- Recognises any surplus or deficit in consolidated income statement; and

Reclassifies the parent's share of components previously recognised in other comprehensive income to consolidated income statement or retained earnings, as appropriate.

2 Summary of significant accounting policies (continued)

2.3 Basis of consolidation (continued)

(c) Joint arrangements

The Group applies IFRS 11 to all joint arrangements. Under IFRS 11 investments in joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations each investor. The Group has assessed the nature of its joint arrangements and determined them to be joint operations. Joint operations are consolidated on a proportional line by line basis.

(d) Associates

Associates are entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies. Investments in associates are accounted for using the equity method of accounting. Under the equity method, the investment is initially recognised at cost, and the carrying amount is increased or decreased to recognise the investor's share of the profit or loss of the investee after the date of acquisition. The Group's investment in associates includes goodwill identified on acquisition.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income is reclassified to profit or loss where appropriate.

The Group's share of post-acquisition profit or loss is recognised within profit and loss in the consolidated income statement, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income with a corresponding adjustment to the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.

The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount within impairment losses in the consolidated income statement.

Profits and losses resulting from upstream and downstream transactions between the Group and its associate are recognised in the Group's consolidated financial statements only to the extent of unrelated investor's interests in the associates. Unrealised losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

2 Summary of significant accounting policies (continued)

2.3 Basis of consolidation (continued)

(d) Associates (continued)

Dilution gains and losses arising in investments in associates are recognised within profit and loss in the consolidated income statement.

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

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

2.4 Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the respective entity operates ('the functional currency'). The consolidated financial statements are presented in United Arab Emirates Dirhams ("AED"), which is the Group's presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised within profit and loss in the consolidated income statement.

Foreign exchange gains and losses that relate to cash and cash equivalents are presented in the consolidated income statement within 'finance income or costs'. All other foreign exchange gains and losses are presented within 'other income' in the consolidated statement of comprehensive income.

Translation differences on non-monetary financial assets and liabilities such as equities held at fair value through profit or loss are recognised in consolidated income statement as part of the fair value gain or loss. Translation differences on non-monetary financial assets, such as equities classified as available-for-sale, are included in other comprehensive income.

2 Summary of significant accounting policies (continued)

2.4 Foreign currency translation (continued)

(c) Group entities

The results and financial position of all the Group entities (none of which has the currency of a hyper-inflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(i) assets and liabilities for each statement of financial position presented are translated at the closing rate at the reporting date;
(ii) income and expenses for each statement of income are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and
(iii) all resulting exchange differences are recognised in other comprehensive income.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate. Exchange differences arising are recognised in other comprehensive income.

2.5 Property, plant and equipment

Property, plant and equipment are stated at historical cost less accumulated depreciation and impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance costs are recognised in the consolidated income statement during the financial period in which they are incurred.

Land is not depreciated. Depreciation on other assets is calculated on the straight-line method, at rates calculated to allocate the cost of assets less their estimated residual value over their expected useful lives as follows:

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

Labour camps built in leasehold land are depreciated over the shorter of their estimated useful lives or the periods of the leases.

2 Summary of significant accounting policies (continued)

2.5 Property, plant and equipment (continued)

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

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

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2.8).

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within other income in the consolidated income statement.

Specific borrowing costs directly attributable to the construction of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. All other borrowing costs are recognised as expense in the consolidated income statement in the period in which they are incurred.

2.6 Investment properties

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

Subsequently, investment properties are measured at cost less any accumulated depreciation and accumulated impairment losses. Depreciation is charged on a straight-line basis over the estimated useful lives of 10 to 20 years. All subsequent additions are depreciated over the remaining useful lives of investment properties. Land is not depreciated.

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

2 Summary of significant accounting policies (continued)

2.6 Investment properties (continued)

If owner occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use.

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

2.7 Intangible assets

(a) Goodwill

Goodwill arises on business combinations and represents the excess of the consideration transferred over the Group's interest in net fair value of the net identifiable assets, liabilities and contingent liabilities of the acquiree and the fair value of the non-controlling interest in the acquiree.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the Cash Generating Units ("CGUs"), or Groups of CGUs, that is expected to benefit from the synergies of the combination. Each unit or Group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes.

Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs of disposal. Any impairment is recognised immediately as an expense and is not subsequently reversed.

(b) Intangibles assets (excluding goodwill)

Separately acquired intangibles assets are shown at historical cost less accumulated amortisation. The cost of intangible assets acquired in a business combination are recognised at fair value at the acquisition date. Intangible assets having a finite useful life and are carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method to allocate their cost to their estimated residual values over their estimated useful lives, as mentioned overleaf:

2 Summary of significant accounting policies (continued)

2.7 Intangible assets (continued)

(c) Intangibles assets (excluding goodwill) (continued)

	Years
Arabtec brand	30 years
Customer contracts	10 years
Other intangibles	5 – 10 years

Gains or losses arising from de-recognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised within the consolidated income statement when the asset is derecognised.

2.8 Impairment of non-financial assets

Assets that have an indefinite useful life – for example, goodwill or intangible assets not ready to use – are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation/depreciation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are largely independent cash inflows (cash-generating units). Prior impairments of non-financial assets (other than goodwill) are reviewed for possible reversal at each reporting date.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies or other available fair value indicators.

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

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

2 Summary of significant accounting policies (continued)

2.9 Financial assets

2.9.1 Classification

The Group classifies its financial assets in the following categories: loans and receivables and available-for-sale financial assets. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

(a) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets. The Group's loans and receivables comprise 'trade and other receivables', 'other financial assets', 'due from related parties', 'other current assets' and 'cash and cash equivalents' in the consolidated statement of financial position.

(b) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless the investment matures or management intends to dispose of it within 12 months of the end of the reporting period.

2.9.2 Recognition and measurement

Regular purchases and sales of financial assets are recognised on the trade-date – the date on which the Group commits to purchase or sell the asset. Financial assets are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value, and transaction costs are expensed in the consolidated income statement. Financial assets are derecognised when the rights to receive cash flows have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets are subsequently carried at fair value. Loans and receivables are subsequently carried at amortised cost using the effective interest method.

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

2 Summary of significant accounting policies (continued)

2.9 Financial assets (continued)

2.9.2 Recognition and measurement (continued)

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

Interest on available-for-sale securities calculated using the effective interest method is recognised in the consolidated statement of income as part of other income. Dividend on available-for-sale equity instruments are recognised in the consolidated statement of income as part of other income when the Group's right to receive payments is established.

2.10 Impairment of financial assets

(a) Assets carried at amortised cost

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation, and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

For loans and receivables category, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in the consolidated income statement. If a loan or held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Group may measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the consolidated income statement.

2 Summary of significant accounting policies (continued)

2.10 Impairment of financial assets (continued)

(b) Assets classified as available-for-sale

For debt securities, if any such evidence exists the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in consolidated income statement – is removed from equity and recognised in consolidated income statement. If, in a subsequent period, the fair value of a debt instrument classified as available-for-sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in consolidated income statement, the impairment loss is reversed through the consolidated income statement.

For equity investments, a significant or prolonged decline in the fair value of the security below its cost is also evidence that the assets are impaired. If any such evidence exists the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in consolidated income statement – is removed from equity and recognised in consolidated income statement. Impairment losses recognised in the consolidated income statement on equity instruments are not reversed through the consolidated statement of income.

2.11 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the consolidated statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the Group or the counterparty.

2.12 Non-current assets classified as held for sale

Assets are classified as assets held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable, the asset is available for immediate sale in its present condition and management expect to complete the sale within one year from the date of classification.

Assets classified as held for sale are measured at the lower of carrying amount and fair value less costs to sell.

2 Summary of significant accounting policies (continued)

2.13 Inventories

Inventories comprise raw materials, stores and spares and work in progress and are stated at the lower of cost and net realisable value. Cost comprises direct materials, direct labour and an appropriate proportion of variable and fixed overhead expenditure, the latter being allocated on the basis of normal operating capacity. Costs are assigned to individual items of inventory on the basis of weighted average costs. Costs of purchased inventory are determined after deducting rebates and discounts. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

2.14 Trade receivables

Trade receivables are amounts due from customers for services rendered in the ordinary course of business for construction contracts. If collection is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

A provision for impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in the consolidated income statement within impairment losses. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited to the consolidated income statement.

2.15 Cash and cash equivalents

In the consolidated statement of cash flows, cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less and bank overdrafts. In the consolidated statement of financial position, bank overdrafts are shown within bank borrowings in current liabilities.

2 Summary of significant accounting policies (continued)

2.16 Share capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new ordinary shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Where any Group company purchases the Company's equity share capital (treasury shares), the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to the Company's equity holders until the shares are cancelled or reissued.

Where such ordinary shares are subsequently reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the Company's equity holders.

2.17 Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

2.18 Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount can be made. Provisions are not recognised for future operating losses.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and risks specific to the obligation. The increase in provisions due to the passage of time are recognised as interest expense. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligation may be small.

2 Summary of significant accounting policies (continued)

2.19 Financial Liabilities

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

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

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

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

2.20 Bank borrowings

Bank borrowings are recognised initially at fair value, net of transaction costs incurred. Bank borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the consolidated income statement over the period of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

2.21 Borrowing costs

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in consolidated income statement in the period in which they are incurred.

2 Summary of significant accounting policies (continued)

2.22 Current and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in the consolidated income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the reporting date in the countries where the Company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements.

However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill; deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the reporting date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax liabilities are provided on taxable temporary differences arising from investments in subsidiaries, associates and joint arrangements, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future. Generally the Group is unable to control the reversal of the temporary difference for associates.

Only where there is an agreement in place that gives the Group the ability to control the reversal of the temporary difference not recognised.

Deferred income tax assets are recognised on deductible temporary differences arising from investments in subsidiaries, associates and joint arrangements only to the extent that it is probable the temporary difference will reverse in the future and there is sufficient taxable profit available against which the temporary difference can be utilised.

2 Summary of significant accounting policies (continued)

2.22 Current and deferred income tax (continued)

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

2.23 Employees' end of service benefits

A provision is made for the estimated liability for employees' entitlements to annual leave and related benefits as a result of services rendered by the employees up to the reporting date. Provision is also made, using actuarial techniques, for the end of service benefits due to employees in accordance with the Labour Laws applicable in the countries in which the Group operates, for their periods of service up to the reporting date.

The provision relating to annual leave and leave passage is disclosed as a current liability and included in trade and other payables, while that relating to end of service benefits is disclosed as a non-current liability.

Actuarial gains and losses arising from experience adjustments and changes in assumptions are charged or credited to equity in the other comprehensive income in the period in which they arise. Past-service costs are recognised immediately in consolidated statement of income.

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

2 Summary of significant accounting policies (continued)

2.24 Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured, regardless of when the payment is being made. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding discounts, rebates, customer returns and other sales taxes or duty. The following specific recognition criteria must also be met before revenue is recognised:

(i) Contract revenue

Contract revenue is recognised under the percentage-of-completion method. When the outcome of the contract can be reliably estimated, revenue is recognised by reference to the proportion that accumulated costs up to the year end bear to the estimated total costs of the contract. When the contract is at an early stage and its outcome cannot be reliably estimated, revenue is recognised to the extent of costs incurred up to the year end which are considered recoverable.

Revenue related to variation orders is recognised when it is probable that the customer will approve the variation and the amount of revenue arising from the variation can be reliably measured.

Claims and incentive payments are recognised as contract revenue when settled or when negotiations have reached an advanced stage such that it is probable that the customer will accept the claim and the amount can be measured reliably.

Losses on contracts are assessed on an individual contract basis and provision is made for the full amount of the anticipated losses, including any losses relating to future work on a contract, in the period in which the loss is first foreseen.

The aggregate of the costs incurred and the profit/loss recognised on each contract is compared against progress billings at the year end. Where the sum of the costs incurred and recognised profit or recognised loss exceeds the progress billings, the balance is shown under trade and other receivables as amounts ‘due from customers on contracts’. Where the progress billings exceed the sum of costs incurred and recognised profit or recognised loss, the balance is shown under trade and other payables as amounts ‘due to customers on contracts’.

In determining contract costs incurred up to the year end, any amounts incurred including advances paid to suppliers and advance billings received from subcontractors relating to future activity on a contract are excluded.

2 Summary of significant accounting policies (continued)

2.24 Revenue recognition (continued)

(ii) Sale of goods

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

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

(iii) Interest income

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

(iv) Dividend income

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

(v) Rental income

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

2.25 Contract costs

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

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

2 Summary of significant accounting policies (continued)

2.26 Leases

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

Group as a lessee

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

A leased asset is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

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

Group as a lessor

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

2.27 Rounding of amounts

All amounts disclosed in the financial statements and notes have been rounded off to the nearest thousand currency units unless otherwise stated.

2.28 Dividends

All amounts disclosed in the financial statements and notes have been rounded off to the nearest thousand currency units unless otherwise stated.

3 Financial risk management

3.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, cash flow and fair value interest rate risk and price risk), credit risk and liquidity risk. The Group's Board of directors and senior management oversee the management of these risks. The Board of Directors reviews and agrees policies for managing each of these risks which are summarised below.

(a) Market risk

(i) Foreign exchange risk

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

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

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

At 31 December 2017, if these had weakened/strengthened by 10% against the AED, the profit/(loss) for the year would have been lower/higher by AED 10,588 thousand (2016: AED 9,448 thousand).

(ii) Price risk

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

The Group is not exposed to significant price risks as it does not have significant price sensitive assets and liabilities.

3 Financial risk management (continued)

3.1 Financial risk factors (continued)

(a) Market risk (continued)

(iii) Cash flow and fair value interest rate risk

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

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

At 31 December 2017, if interest rates on borrowings had been 0.1% higher / lower with all other variables held constant, profit for the period would have been AED 2,634 thousand (2016: AED 2,281 thousand) lower / higher, mainly as a result of higher / lower interest expense.

(b) Credit risk

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

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

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

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

3 Financial risk management (continued)

3.1 Financial risk factors (continued)

(c) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and the availability of funding through an adequate amount of committed credit facilities. Due to the nature of the underlying business through the Group maintains adequate bank balances and credit facilities to fund its operations.

Management monitors the forecast of the Group's liquidity position on the basis of expected cash flow.

The Group is currently financed from shareholders' equity, loan from a shareholder and bank borrowings. The table below analyses the Group's non-derivative financial liabilities into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows:

	Less than 3 months	**3 to 12 months**	**1 to 5 years**	**>5 years**	**Total**
	AED' 000	AED' 000	AED' 000	AED' 000	AED' 000
As at 31 December 2017					
Trade and other payables (excluding advances)	1,689,385	2,831,077	-	-	4,520,462
Due to related parties	134,067	402,201	-	-	536,268
Retentions payable	76,117	228,523	392,385	-	697,025
Bank overdrafts, trust receipts and acceptances	290,182	890,768	-	-	1,180,950
Term loans	69,507	649,602	901,776	-	1,620,885
Total	2,259,258	5,002,171	1,294,161	-	8,555,590

3 Financial risk management (continued)

3.1 Financial risk factors (continued)

(c) Liquidity risk (continued)

	Less than 3 months AED' 000	3 to 12 months AED' 000	1 to 5 years AED' 000	>5 years AED' 000	Total AED' 000
As at 31 December 2016					
Trade and other payables (excluding advances)	1,856,245	2,782,856	-	-	4,639,101
Due to related parties	465,610	80,159	-	-	545,769
Retentions payable	106,405	159,609	384,417	-	650,431
Loan from related party	-	-	177,724	-	177,724
Bank overdrafts, trust receipts and acceptances	316,982	950,947	-	-	1,267,929
Term loans	90,147	783,602	140,000	-	1,013,749
Total	2,835,389	4,757,173	702,141	-	8,294,703

3.2 Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt. Consistent with others in the industry, the Group monitors capital on the basis of gearing ratio which is calculated as net debt divided by total 'equity' (as shown in the consolidated statement of financial position including non-controlling interests).

The gearing ratio of the Group at 31 December 2017 and 31 December 2016 were as follows:

	2017 AED'000	2016 AED'000
Bank borrowings	2,633,771	2,281,678
Cash and cash equivalents (Notes 15)	1,144,144	1,054,000
Net debt	1,489,627	1,227,678
Total equity	1,340,498	(250,693)
Net debt to equity ratio	111%	-

3 Financial risk management (continued)

3.3 Fair value estimation

Financial instruments comprise financial assets and financial liabilities.

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

The fair values of financial instruments are not materially different from their carrying values. The fair value of the financial assets and liabilities are considered at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values:

- Bank balances and cash, trade receivables, other financial assets, other current assets, due from related parties bank borrowings, trade and other payables and due to related parties approximate their carrying amounts, largely due to the short-term maturities of these instruments.

- Long term receivables and borrowings are evaluated by the Group based on parameters such as interest rates, specific country risk factors, individual credit worthiness of the customer and the risk characteristics of the financed project. Based on this evaluation, provisions are taken to account for the expected losses of these receivables. As at 31 December 2017, the carrying amounts of such receivables, net of provisions, are not materially different from their fair values.

- Fair value of bank borrowings and other financial liabilities as well as other non-current financial liabilities is estimated by discounting future cash flows using rates currently available for debts on similar items, credit risk and remaining maturities.

3 Financial risk management (continued)

3.2 Fair value estimation (continued)

Fair value hierarchy

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

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

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

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

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

4 Critical accounting estimates and judgements

The preparation of the Group's consolidated financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the reporting date. The judgements, estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant, including expectations of future events that are believed to be reasonable under the circumstances.

Estimates and underlying assumptions are reviewed on an on-going basis. Revision to accounting estimates are recognised in the period in which the estimates are revised and in any future period affected.

4.1 Critical accounting estimates and assumptions

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed overleaf:

4 Critical accounting estimates and judgements (continued)

4.1 Critical accounting estimates and assumptions (continued)

(a) Percentage-of-completion and cost to complete estimates of construction contracts

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

(b) Contract variations

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

(c) Contract claims

Contract claims are recognised as revenue only when management believes that an advanced stage of negotiation has been reached and the revenue can be estimated with reasonable certainty. The amount of claim recognised as part of the revenue for the year is AED 383 million(2016: AED 575 million). Management reviews the judgement related to these contract claims periodically and adjustments are made in the future periods, if assessments indicate that such adjustments are appropriate.

(d) Impairment of trade and contract receivable

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

4 Critical accounting estimates and judgements (continued)

4.1 Critical accounting estimates and assumptions (continued)

(d) Impairment of trade receivable (continued)

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

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

At the reporting date, gross trade, contract and other receivables and contract retentions amounted to AED 6,305,797 thousand (2016: AED 5,148,052 thousand), and the provision for doubtful debts was AED 265,382 thousand (2016: AED 298,478 thousand). Any difference between the amounts actually collected in a future period and the amounts expected, will be recognised in the consolidated income statement in that period.

(e) Impairment of non-financial assets

The Group assesses whether there are any indicators of impairment for all non-financial assets at each reporting date. If any such indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. Goodwill and other indefinite life intangibles are tested for impairment annually and at other times when such indicators exist.

Other non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows.

Please refer to Notes 6 and 7 for impairment assessment of investment properties and goodwill.

(f) Employees' end of service indemnity

The cost of the end of service benefits and the present value of these benefits obligation are determined using actuarial valuations. An actuarial valuation involves making various assumptions that may differ from actual developments in the future. These include the determination of the discount rate and future salary increases. Due to the complexities involved in the valuation and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed annually. Further details about the assumptions used and sensitivity analysis are given in Note 20.

4 Critical accounting estimates and judgements (continued)

4.2 Critical judgements

(a) Joint operations

The Group reports its interests in jointly controlled entities as joint operations when the Group has direct right to the assets, and obligations for the liabilities, relating to an arrangement. In this case it accounts for each of its assets, liabilities and transactions, including its share of those held or incurred jointly, in relation to the joint operation. Management has evaluated its interest in joint arrangements and has concluded them to be joint operations.

(b) Operating lease commitments - Group as lessor

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

(c) Assessment of control in subsidiaries in which the Group holds less than 50% shareholding

The Group has consolidated its subsidiaries in Qatar although the Group holds less than 50% in those entities. Management have assessed that the Group has the practical ability to direct the relevant activities of these entities and affect variable returns. Accordingly, these entities have been consolidated in these financial statements.

During 2016, the Group assessed that it lost control over its subsidiaries in Kingdom of Saudi Arabia (Note 1). Management's previous assessment of control over those entities was based on the Group's practical ability to direct relevant activities and affect variable returns of these entities. Management believed that due to discontinuation of major operations of these entities, there are no further relevant activities that the Group exercises control over. Accordingly, these subsidiaries were de-consolidated and classified as available-for-sale investments as at 31 December 2016.

5 Property, plant and equipment

	Land	Leasehold land	Plant, machinery and office equipment	Vehicles	Labour camps and buildings	Furniture	Scaffolding, cabins and tunnel forms	Properties under construction	Total
	AED '000	AED '000	AED '000	AED '000	AED '000	AED '000	AED '000	AED '000	AED '000
Cost									
At 1 January 2016	48,031	6,218	1,229,564	229,694	476,811	134,677	209,808	115,970	2,450,773
Additions	-	24	51,747	14,014	7,928	15,067	29,814	59,150	177,744
Transfers	-	-	-	-	916	-	-	(916)	-
Disposals	-	-	(117,923)	(18,682)	(8,046)	(9,870)	(24,693)	1,632	(177,582)
At 31 December 2016	48,031	6,242	1,163,388	225,026	477,609	139,874	214,929	175,836	2,450,935
Additions	-	-	50,987	6,607	5,907	10,564	31,753	8,956	114,774
Transfers	-	-	11,876	539	117,875	-	-	(130,290)	-
Disposals	-	-	(49,569)	(11,130)	(29,241)	(9,542)	(90,097)	(5,805)	(195,384)
Disposal of a subsidiary	-	-	(14,333)	(937)	-	-	-	-	(15,270)
At 31 December 2017	48,031	6,242	1,162,349	220,105	572,150	140,896	156,585	48,697	2,355,055

5 Property, plant and equipment (continued)

	Land AED '000	Leasehold land AED '000	Plant, machinery and office equipment AED '000	Vehicles AED '000	Labour camps and buildings AED '000	Furniture AED '000	Scaffolding, cabins and tunnel forms AED '000	Properties under construction AED '000	Total AED '000
Accumulated depreciation									
At 1 January 2016	-	1,727	844,022	175,690	278,529	91,489	182,606	-	1,574,063
Charge for the year	-	169	112,017	17,873	30,835	21,279	8,445	-	190,618
Relating to disposals	-	-	(97,524)	(20,365)	(8,186)	(3,242)	(32,015)	-	(161,332)
At 31 December 2016	-	1,896	858,515	173,198	301,178	109,526	159,036	-	1,603,349
Charge for the year	-	66	84,499	17,810	42,367	15,068	15,062	-	174,872
Relating to disposals	-	-	(33,495)	(8,143)	(29,241)	(7,540)	(89,910)	-	(168,329)
Disposal of a subsidiary	-	-	(8,608)	(622)	-	-	-	-	(9,230)
At 31 December 2017	-	1,962	900,911	182,243	314,304	117,054	84,188	-	1,600,662
Net carrying value									
At 31 December 2017	48,031	4,280	261,438	37,862	257,846	23,842	72,397	48,697	754,393
At 31 December 2016	48,031	4,346	304,873	51,828	176,431	30,348	55,893	175,836	847,586

5 Property, plant and equipment (continued)

The depreciation charge has been allocated in the consolidated income statement to direct costs and general and administrative expenses as follows:

	2017 AED'000	2016 AED'000
Direct costs	165,722	175,213
General and administrative expenses (Note 25)	9,150	15,405
	174,872	190,618

6 Investment properties

	2017 AED'000	2016 AED'000
Cost		
At 1 January	596,844	638,807
Additions during the year	-	7,513
Disposals during the year	-	(49,476)
At 31 December	596,844	596,844
Accumulated depreciation		
At 1 January	870	7,210
Charge for the year	327	1,935
Relating to disposal	-	(8,275)
At 31 December	1,197	870
Net book value	595,647	595,974

The Group's investment properties consist of the following:

- Land in Dubai, UAE, including development costs of AED 88 million already incurred amounting to AED 568 million (2016: AED 568 million). A fair valuation of the land alone excluding the development cost carried out by an independent valuer as of 31 December 2016 revealed a fair value of AED 375 million (Level 2 of fair value hierarchy). Management carried out an impairment assessment by calculating the recoverable amount of the land and the associated development costs using a value-in-use model, based on its plan to construct a mixed use development on the site. The value-in-use of the property was higher than its fair value less cost to sell and no impairment was recorded in accordance with IAS 36, 'Impairment of assets'.

  At 31 December 2017 , management is working various options with respect to the future development of the property based on the current market trends. Due to the absence of a committed development plan, management could not perform an assessment of the property's value-in-use. However, no impairment provision was recorded as management is confident that the recoverable amount of the property will be higher than its carrying amount based on its value-in-use. This land is pledged against the borrowing from Mashreq Bank amounting to AED 307.7 million (2016: AED 367.8 million).

6 Investment properties (continued)

- Villas in Abu Dhabi, UAE with a carrying value of AED 2 million (2016: AED 2.3 million), the fair value of these investment properties based on market prices approximates AED 2 million at 31 December 2017 (2016: AED 2.3 million). The villas are designated for rental activities and accordingly, classified as investment properties.

- Land in Al Ain, UAE amounting to AED 25.6 million (2016: AED 25.6 million), management has classified this land as investment property and is currently held for appreciation in the value. The fair value of the land is not expected to be materially different from the carrying value as at 31 December 2017.

- Certain villas in Abu Dhabi with a net book value of AED 41.2 million were disposed during the year 2016.

During the year, there is no rental income (2016: AED 638 thousand) related to investment properties and direct costs recognised in the consolidated income statement amounting to AED 327 thousand (2016: AED 1,980 thousand).

7 Intangible assets

Intangible assets comprise:

	2017 AED'000	2016 AED'000
Goodwill	248,741	248,741
Other intangible assets	17,000	21,552

(a) Goodwill arising on acquisition

	2017 AED'000	2016 AED'000
Arabtec Construction LLC	87,963	87,963
Emirates Falcon Electro Mechanical Co. (LLC)	9,086	9,086
Target Engineering Construction Company LLC	134,945	134,945
Gulf Steel Industries FZC	14,842	14,842
Idrotec Srl	1,905	1,905
	248,741	248,741

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

7 Intangible assets (continued)

(a) Goodwill arising on acquisition (continued)

Management has carried out an impairment test of goodwill at the year end using an external expert and has concluded that no impairment exists as of 31 December 2017 (2016: Nil). For this purpose, the recoverable amount of each CGU has been estimated, and is based on a value-in-use calculation using cash flow projections approved by senior management and covering a five year period. Cash flows beyond the five year period are extrapolated using a growth rate, which management believes approximates the long-term average growth rate for the industries in which the CGU's operate.

Management concurred to the expert's calculation of the value-in-use of CGUs at 31 December 2017 and concluded that no impairment loss exists for the financial year ended 31 December 2017 (2016: Nil).

(i) Key assumptions used for calculation of value-in-use

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

- Revenue growth rate
- Profit margins, and
- Discount rate

Revenue growth rate: Estimates are based on forecasted growth rates in the industry and historical performance of each CGU. Revenue growth rates ranging between 5% and 10% per annum (2016: 5% and 10% per annum) have been applied.

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

Discount rate: Discount rates used throughout the assessment period ranged between 12.15% and 15% per annum (2016: 12% and 16% per annum), reflecting the CGU's estimated weighted average cost of capital and specific market risk profile and cost of debt. Segment-specific risk is incorporated by applying individual beta factors. The beta factors are evaluated annually based on publicly available market data.

(ii) Sensitivity to changes in assumptions

With regard to the assessment of value-in-use, management believes that the following possible change in any of the key assumptions would cause the carrying value of the CGU, including goodwill, to materially exceed its recoverable amount:

	2017	2016
Revenue growth rate	10%-20%	10%-51%
Profit margin	10%-20%	1% -4.4%
Discount rate	17%-18%	2.1%-23%

7 Intangible assets (continued)

(b) Other intangible assets

	Arabtec brand AED '000	Customer contracts AED '000	Other intangibles AED '000	Total AED '000
Cost				
At 1 January 2016	110,000	195,056	16,119	321,175
Additions	-	-	33	33
Impairment	-	-	(7,153)	(7,153)
At 31 December 2016	110,000	195,056	8,999	314,055
At 31 December 2017	110,000	195,056	8,999	314,055
Accumulated amortisation				
At 1 January 2016	91,000	187,630	8,097	286,727
Charge for the year (Note 25)	1,000	3,874	902	5,776
At 31 December 2016	92,000	191,504	8,999	292,503
Charge for the year (Note 25)	1,000	3,552	-	4,552
At 31 December 2017	93,000	195,056	8,999	297,055
Net carrying value				
At 31 December 2017	17,000	-	-	17,000
At 31 December 2016	18,000	3,552	-	21,552

7 Intangible assets (continued)

(a) The intangible asset arising on business combinations relating to Arabtec brand has a useful life of 30 years, over which the asset is amortised.

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

(c) Other intangibles are amortised over the estimated useful lives of 5 to 10 years and represent software licence and technological expertise. The technological expertise, trade name and the special historic and beneficial working relationship between the companies, that together form a set of complementary assets described as 'technological expertise' and which has been valued based on the price and quality differential for electro-mechanical services available to the Group.

8 Investments in associates

At 31 December, the Group's investments in associates comprise:

	2017 AED'000	2016 AED'000
DEPA Limited	223,864	186,627
Jordan Wood Industries PSC	-	5,871
	223,864	192,498

(a) DEPA Limited

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

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

8 Investments in associates (continued)

(a) DEPA Limited (continued)

Management has recognised the Group's share of profit in this associate amounting to AED 40,970 thousand (2016: loss of AED 29,962 thousand) using the published financial information for the year ended 31 December 2017. This profit includes a profit of AED 3,893 thousand relating to the year ended 31 December 2016 based in the audited financial statements of DEPA published subsequent to authorisation of the Group's consolidated financial statements for the year ended 31 December 2016.

The fair market value of the investment in DEPA as of 31 December 2017, based on listed bid prices, was approximately AED 171 million (2016: AED 192 million).

DEPA is listed in the Dubai International Financial Center (DIFC) on the NASDAQ Dubai. Summarised financial information of DEPA as of 31 December is as follows:

	31 December 2017 AED million	31 December 2016 AED million
Current assets	1,838	1,864
Non-current assets	782	761
Current liabilities	1,113	1,276
Non-current liabilities	111	128

	31 December 2017 AED million	31 December 2016 AED million
Revenue	1,800	1,730
Profit for the year	154	52
Group share of profit for the year	37	13
Other comprehensive income	41	3
Total comprehensive income for the year	195	55
Contingent liabilities - associates		
Share of contingent liabilities incurred jointly with other investors of the associate	196	219

8 Investments in associates (continued)

(b) Jordan Wood Industries PSC

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

During the year ended 31 December 2017, the Group has disposed of its investment in JWICO for AED 3,367 thousand incurring a loss on disposal of AED 2,504 thousand.

9 Income tax

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

(a) Income tax recognised in the consolidated income statement

	2017 AED'000	2016 AED'000
Tax expense comprises		
Current tax expense	16,000	14,531
Deferred tax income relating to the origination and reversal of temporary differences	(86)	(331)
Total income tax expense	15,914	14,200

Tax reconciliation is as follows:

	2017 AED'000	2016 AED'000
Profit/(loss) before tax	112,835	(3,497,027)
Income tax expense	15,914	14,200

The income tax expense in the income statement is at the applicable tax rate of the respective subsidiaries in the consolidated financial statements.

9 Income tax (continued)

(b) Deferred tax balances

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

	2017 AED'000	2016 AED'000
Opening balance	3,737	3,406
Impact on the consolidated statement of comprehensive income	86	331
Closing balance	3,823	3,737

Deferred tax assets and liabilities are considered non-current.

	2017 AED'000	2016 AED'000
Current tax liability		
Current tax liability included in the consolidated statement of financial position	10,110	17,030

10 Trade and other receivables

	Current		Non-current	
	2017 AED'000	2016 AED'000	2017 AED'000	2016 AED'000
Trade receivables	56,785	77,405	-	-
Contract receivables	1,875,975	1,798,252	-	5,732
Amounts due from customers on contracts	2,981,193	2,170,885	-	-
	4,913,953	4,046,542	-	5,732
Provision for doubtful debts	(265,382)	(296,742)	-	(1,736)
	4,648,571	3,749,800	-	3,996
Retentions receivable	639,945	536,174	751,899	565,336
Total	5,288,516	4,285,974	751,899	569,332

10 Trade and other receivables (continued)

The maximum exposure to credit risk at the reporting date is represented by the amounts of each class of receivables mentioned above.

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

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

The balance of contract receivables includes two customers' balances totalling AED 346 million (2016: AED 192 million) individually representing more than 5% of the total balance of contract receivables. The group does not expect any losses from these receivables due to history of payments from these customers.

A provision has been made for the estimated impairment amounts of trade and other receivables of AED 265.3 million (2016: AED 298.4 million). This provision has been determined based on collection history and past experience of management and on management's assessment of current economic conditions, project completion, negotiations underway, future recoverability of these balances and potential offsetting arrangements with customers and subcontractors.

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

	2017 AED'000	2016 AED'000
At 1 January	298,478	113,706
Write off of trade receivables	(1,175)	(11,055)
Reversal of provision during the year	(31,430)	(18,869)
Provision made during the year (Note 26)	2,491	214,696
Relating to disposal of a subsidiary	(2,982)	-
At 31 December	265,382	298,478

Amounts due from customers for contract work are presented net of impairment provision of AED 39,209 thousand (2016: AED 39,209 thousand).

Contract and trade receivables

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

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

10 Trade and other receivables (continued)

Contract and trade receivables (continued)

At 31 December 2017, contract receivables of AED 514,468 thousand (2016: AED 616,297 thousand) were fully performing.

Included in the Group's contract receivables balance are debtors with a carrying amount of AED 1,096.1 million (2016: AED 883 million) which are past due at the reporting date for which the Group has not recorded any provision as there has not been a significant change in credit quality and the amounts are still considered recoverable. The Group does not hold any collateral over these balances.

Ageing of past due but not impaired balances:

	2017 AED'000	2016 AED'000
Past due for less than 3 months	555,169	121,299
Past due for more than 3 months	540,956	762,178
	1,096,125	883,477

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

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

	2017 AED'000	2016 AED'000
Past due for more than one year	265,382	298,478

10 Trade and other receivables (continued)

10.1 Amounts due from customers on contracts

	2017 AED'000	2016 AED'000
Amounts due from customers on contracts included in trade and other receivables	2,981,193	2,170,885
Amounts due to customers on contracts included in trade and other payables (Note 21)	(171,921)	(290,778)
	2,809,272	1,880,107
Contract costs incurred plus recognised profit less recognised losses to date on projects in progress	36,615,929	36,972,029
Less: Progress billings	(33,806,657)	(35,091,922)
At 31 December	2,809,272	1,880,107

11 Other financial assets

	Current		Non-current	
	2017 AED'000	2016 AED'000	2017 AED'000	2016 AED'000
Financial assets at fair value				
Available-for-sale investments				
Quoted equity shares	-	-	-	-
Financial assets at cost				
Available-for-sale investments				
Unquoted equity shares	-	-	17,282	17,282
Total available-for-sale investments	-	-	17,282	17,282
Financial assets at amortised cost				
Fixed deposits under lien	63,459	50,995	-	-
Margin deposits	118,968	64,267	-	-
	182,427	115,262	-	-
Total other financial assets	182,427	115,262	17,282	17,282

11 Other financial assets (continued)

Unquoted equity shares include:

(i) An investment in Al Waab City project, Qatar. As the fair value of this investment cannot be reliably determined, it is carried at cost less provision for impairment of AED 1,110 thousand (2016: AED 1,110 thousand). The Group intends to hold this investment for future growth or until an appropriate exit is available.

(ii) The interest of Group post de-recognition of subsidiaries in Kingdom of Saudi Arabia being classified as available-for-sale investments and carried at nil amount (2016: nil).

Fixed deposits under lien and margin deposits include the deposits held against bank facilities and labour visas.

12 Inventories

	2017 AED'000	2016 AED'000
Steel inventories required for specific projects	13,550	10,692
Trading goods	-	10,895
Other construction materials	80,541	90,463
Work in progress	22,217	10,543
Ready mix concrete and other related materials	6,258	9,291
	122,566	131,884
Less: provision for impairment in inventories	(5,620)	(16,544)
	116,946	115,340

Movement in provision for impairment in inventories:

	2017 AED'000	2016 AED'000
At 1 January	16,544	32,510
Provision recognised during the year (Note 26)	525	4,584
Write-off	-	(3,261)
Reversal of provision during the year (Note 27)	(9,144)	(17,289)
Disposal of a subsidiary	(2,305)	-
At 31 December	5,620	16,544

13 Related party transactions and balances

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

(a) Due from related parties

	2017 AED'000	2016 AED'000
Joint operations		
Amounts due from joint operations' partners	634,713	274,954
Shareholders	73,788	26,811
Other related parties		
Entities with common ownership and management		
Al Waab City W.L.L., Doha, Qatar	2,552	2,552
Others	3,356	1,905
	5,908	4,457
	714,409	306,222

(b) Due to related parties

	2017 AED'000	2016 AED'000
Joint operations		
Amounts due to joint operations' partners	458,796	259,346
Associate		
Depa Interiors LLC, Dubai, UAE	39,304	55,757
Other related parties		
Entities with common ownership and management		
Nasser Bin Khaled Al-Thani and Sons Group and its related parties, Qatar	33,227	36,242
Others	4,941	15,415
	38,168	51,657
	536,268	366,760

13 Related party transactions and balances (continued)

(c) Loan from a related party

On 13 July 2016, the Group entered into a loan note agreement with Aabar Investments PJS (a shareholder) for a term loan facility of AED 400 million, to support the projects' execution. As at 22 June 2017, the drawn-down balance of the loan amounting to AED 399,635 thousand (31 December 2016: AED 177,724 thousand), was settled from the proceeds of the rights issue.

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

	2017 AED'000	2016 AED'000
Joint operations		
Manpower and other charges to joint operations	47,315	28,134
Shareholders		
Contract and other revenue	39,961	88,504
Other related parties		
Contract and other revenue	148,015	165,112
Subcontracting costs	19,236	123,459
Equipment hire	125	553
Wages and salaries	117	851

Certain contracting customers of the Group are entities controlled by the Government of the Emirate of Abu Dhabi, The Group enters into transactions with such entities in the normal course of business (providing construction services). The significant transactions lead to a revenue of AED 4,204,192 thousand (2016: 2,095,503 thousand), a receivable balance of AED 478,639 thousand (2016: AED 407,882 thousand) and advance received balance of AED 979,277 thousand (2016: AED 939,859 thousand). Below here is list of all balances relating to such projects:

	Revenue AED' 000	**Amounts due on construction works AED' 000**	**Accounts receivable AED' 000**	**Retentions receivable AED' 000**	**Advances received AED' 000**
Year ended 31 December 2017	4,204,192	1,233,162	478,639	407,804	979,277
Year ended 31 December 2016	2,095,503	746,408	407,882	94,290	939,859

13 Related party transactions and balances (continued)

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

	2017 AED'000	2016 AED'000
Short term benefits	10,469	5,410
End of service indemnity	1,094	646

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

(f) Included in amounts due from customers for contract work is an amount of AED nil (2016: AED 21 million) due from a shareholder.

The Group, in the ordinary course of business, enters into various transactions including borrowings and bank deposits with financial institutions which may be majority-owned by the Government of the Emirate of Abu Dhabi. The effect of these transactions is included in the consolidated financial statements. These transactions are made at terms equivalent to those that prevail in arm's length transactions.

Cash and cash equivalents and borrowings include AED 144,476 thousand (2016: AED 134,030 thousand) and AED 648,937 thousand (2016: AED 319,473 thousand) respectively, with/from entities in which the Government of the Emirate of Abu Dhabi has an equity stake. Finance cost include AED 21,050 thousand (2016: AED 14,696 thousand) relating to balances with these entities.

14 Other current assets

	2017 AED'000	2016 AED'000
Prepaid expenses	153,240	138,109
Other receivables	163,628	249,409
Due from employees	18,515	8,190
	335,383	395,708

15 Cash and cash equivalents

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

	2017 AED'000	2016 AED'000
Cash and bank balances	892,177	620,082
Short term bank deposits	251,967	433,918
Bank balance and cash	1,144,144	1,054,000
Deposits maturing after 3 months	(40,000)	-
Bank overdrafts (Note 18)	(603,395)	(510,592)
Cash and cash equivalents for the purposes of consolidated statement of cash flows	500,749	543,408

16 Share capital

	2017 AED'000	2016 AED'000
Authorised, issued and fully paid up: 1,500,000 thousand shares of AED 1 each (31 December 2016: 4,615,065 thousand shares of AED 1 each)	1,500,000	4,615,065

During the year, the Group completed its recapitalisation program. The share capital of the Company was increased by AED 1.5 billion through the issuance of new shares at an offer price of AED 1 per share and reduced through the cancellation of 4,615,065 thousand shares of AED 1 each in the Company on a pro rata basis to extinguish the accumulated losses after obtaining the necessary regulatory approvals. Based on the resolution of the Board of Directors, the Group's statutory reserve was used to offset the Group's losses of AED 30,185 thousand decreasing statutory reserve to AED 117,974 thousand.

17 Reserves

(a) Statutory reserve

In accordance with the UAE Federal Law No. 2 of 2015 and the Company's Articles of Association, the Company is required to establish a statutory reserve by appropriation of a minimum of 10% of net profit for each year until the reserve equals a minimum of 50% of the share capital. This reserve is not available for distribution except in the circumstances stipulated by the Law.

In line with the Board of Directors' recommendation under UAE Federal Law No. 2 of 2015, a resolution was passed by the shareholders during the General Assembly convened on 2 June 2016 to reduce the accumulated losses by using the statutory reserve. Accordingly, statutory reserve amounting to AED 1,004,434 thousand was offset against the accumulated losses at the date of approval. During the year 2017, an amount of AED 12,305 (2016: AED nil) has been transferred to the statutory reserves.

As of 31 December 2017, the statutory reserve amounted to AED 130,279 thousand representing 8.7% of the issued capital (2016: AED 148,159 thousand representing 3.2% of the issued share capital).

(b) Other reserves

These represent reserves created on acquisition of additional interests in certain subsidiaries.

18 Bank borrowings

	Current		Non-current	
	2017 AED'000	2016 AED'000	2017 AED'000	2016 AED'000
Bank overdrafts (Note 15)	603,395	510,592	-	-
Acceptances	166,441	152,933	-	-
Project payment certificate discounting	86,093	86,826	-	-
Trust receipts	291,321	405,542	-	-
Term loans	696,183	985,785	790,338	140,000
Total	1,843,433	2,141,678	790,338	140,000

Bank overdrafts

Bank overdrafts have been obtained from commercial banks and subject to EIBOR, KCB and QCB rates + margins of 1.5% to 5% per annum (2016: EIBOR and QCB rates + margins of 1.5% to 3.5% per annum).

Acceptances and trust receipts

Acceptances are subject to commission charges. Trust receipts are obtained from commercial banks, repayable in 180 days and subject to EIBOR, KCB and QCB rates + margins of 2.5% to 3.5% per annum (2016: margins of 2.75% to 3.95% per annum).

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

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

18 Bank borrowings (continued)

Term loans

The term loans are repayable as follows:

	2017 AED'000	2016 AED'000
On demand or within one year	696,183	985,785
In the second year	213,305	51,000
Third year onwards	577,033	89,000
	1,486,521	1,125,785
Less: Amount due for settlement within 12 months (shown under current liabilities)	(696,183)	(985,785)
	790,338	140,000

Details of term loans are as follows:

Term Loan	Purpose	Pricing	2017 AED'000	2016 AED'000
Term Loans 1	Property, Plant and equipment	EIBOR + 3.25% - 3.95% per annum	17,500	21,000
Term Loans 2	Working capital	EIBOR + 3% - 4% per annum	1,469,021	1,104,785
			1,486,521	1,125,785

Above term loans are taken from commercial banks in the UAE and KSA and are repayable in monthly, quarterly and semi-annually equal instalments of various amounts. During the year, overdrafts converted to term loans and is included in Term Loans 2 in the table above.

Included in term loan are borrowings of AED 278,515 thousand relating to the Group's subsidiaries in Kingdom of Saudi Arabia that were de-consolidated during the year 2016. The balances represent the Group's share of the liability under the corporate guarantees issued by the Group on behalf of the de-consolidation subsidiaries (Note 34).

19 Retentions payable

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

	2017 AED'000	2016 AED'000
Total retentions payable	691,108	650,431
Less: Retentions payable - current portion (Note 21)	(304,640)	(266,014)
Retentions payable - non-current portion	386,468	384,417

20 Provision for employees' end of service benefits

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

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

	2017 AED'000	2016 AED'000
Net benefit expense		
Current service cost	52,127	36,614
Interest cost	9,272	10,117
Net expense recognised in the consolidated income statement	61,399	46,731
Net actuarial (gain)/loss recognised in other comprehensive income	(9,402)	10,060

20 Provision for employees' end of service benefits (continued)

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

	2017 AED'000	2016 AED'000
At 1 January	207,688	187,765
Current service cost	52,127	36,614
Interest cost	9,272	10,117
Benefits paid during the year	(58,858)	(36,868)
Actuarial (gain)/loss recognised in other comprehensive income	(9,402)	10,060
Disposal of a subsidiary	(317)	-
At 31 December	200,510	207,688

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

	2017	2016
Discount rate per annum	6%	6%
Salary increase rate per annum		
Staff	5%	5%
Workers	3.25%	3.25%

Following shows the sensitivity analysis on liability due to change in the actuarial assumptions:

	2017 AED'000	2016 AED'000
Increase in discount rate by 0.5%	(6,528,646)	(6,400,735)
Decrease in discount rate by 0.5%	6,982,911	6,824,362
Increase in salary inflation by 1%	12,031,239	14,198,851
Decrease in salary inflation by 1%	(11,624,507)	(12,718,273)

21 Trade and other payables

	2017 AED'000	2016 AED'000
Trade payables	1,005,665	733,855
Amounts due to subcontractors	2,093,221	2,503,794
Retentions payable - current portion (Note 19)	304,640	266,014
Amounts due to customers for contract work (Note 10.1)	171,921	290,778
Other accruals and payables	1,249,655	1,110,674
	4,825,102	4,905,115

22 Revenue

	2017 AED'000	2016 AED'000
Contract revenue	8,516,735	7,682,144
Sale of ready mix concrete / precast	231,001	207,814
Drainage division revenue	151,161	86,348
Sale and hire of equipment	4,879	59,809
Plant division revenue	50,274	34,916
Other revenues	187,087	114,785
	9,141,137	8,185,816

23 Direct costs

	2017 AED'000	2016 AED'000
Contract costs	8,164,736	8,598,083
Cost of sales of ready mix concrete / precast	188,889	194,243
Drainage division costs	137,466	74,371
Cost of sales and hire of equipment	7,982	67,147
Plant division costs	41,349	31,147
Other costs	140,995	135,665
	8,681,417	9,100,656

24 Investment income

	2017 AED'000	2016 AED'000
Interest income	8,011	4,595
Profit on available-for-sale investments	-	1,650
Gain on sale of investment in associate	-	4,628
Gain on disposal of a subsidiary (Note 34(b))	1,922	
Others	-	434
	9,933	11,307

25 General and administrative expenses

	2017 AED'000	2016 AED'000
Employees' salaries and other benefits	202,044	255,811
Consultancy fees	1,187	37,514
Tender expenses	17,742	20,102
Depreciation (apportioned) (Note 5)	9,150	15,405
Travelling expenses	6,631	8,944
Office rent - operating leases	12,928	7,440
Selling expenses	2,248	7,773
IT, communication and utilities	3,908	6,005
Amortisation of intangible assets (Note 7)	4,552	5,776
Legal expenses	5,301	3,659
Others	53,623	103,780
	319,314	472,209

26 Impairment losses

	2017 AED'000	2016 AED'000
Impairment loss on amounts due from related parties	-	1,177,682
Write-off of trade and other receivables	-	447,379
Provision for impairment of trade receivables (Note 10)	2,491	214,696
Impairment loss on development properties	-	20,000
Write off/ impairment loss on amounts due from customers for contract work	-	7,554
Impairment losses on slow-moving inventories (Note12)	525	4,584
Others	-	28,737
	3,016	1,900,632

27 Other income

	2017 AED'000	2016 AED'000
(Loss)/gain on sale of property, plant and equipment	(2,354)	2,858
Gain on sale of investment properties	-	1,278
Scrap sales	1,020	1,813
Rental income	3,333	4,685
Write back of liabilities	3,392	6,525
Reversal of inventory provision during the year (Note 12)	9,144	17,289
Others	8,918	43,819
	23,453	78,267

28 Finance cost

	2017 AED'000	2016 AED'000
Interest cost on borrowings	93,215	78,054
Interest income on non-current trade receivables	(312)	(1,035)
Interest cost/(income) on non-current retentions receivable	11,753	(3,630)
Interest income on non-current retentions payable	(5,745)	(1,124)
	98,911	72,265

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

29 Basic and diluted earnings per share

Basic earnings per share is calculated by dividing the profit for the year attributable to the shareholders of the Company of AED 123,053 thousand (2016: loss for the year of AED 3,409,592 thousand) by the weighted average number of shares outstanding during the period of 1,183,058 thousand (2016: 853,652 thousand (restated)).

30 Contingencies and commitments

	2017 AED'000	2016 AED'000
Commitments		
Development properties	1,047,123	1,047,123
Commitments for the acquisition of property, plant and equipment	9,447	6,101
Contingent liabilities		
Performance and bid bonds	4,443,986	4,354,062
Advance payment bonds	2,498,012	2,157,464
Retention bonds	719,371	457,137
Letters of credit	496,135	367,620
Financial guarantees	162,188	196,694
Labour guarantees	41,722	38,473

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

31 Operating lease commitments

The Group as lessee:

	2017 AED'000	2016 AED'000
Minimum lease payments under operating leases recognised as expense in the consolidated income statement for the year	251,763	214,148

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

	2017 AED'000	2016 AED'000
Within one year	242,691	198,568
Two to five years	572,270	470,570
More than five years	235,993	385,217
	1,050,954	1,054,355

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

32 Segment reporting

Primary segment information

The management of the Group has assessed the business and reorganised the Group into four operating segments based on type of construction services: Construction; MEP; Oil & Gas, Infrastructure and Power and Other.
The Construction segment primarily engages in the construction of high-rise towers, buildings and residential villas. The MEP segment is involved in the execution of drainage, electrical and mechanical works. The Oil & Gas, Infrastructure and Power segment is involved in all works related to, intended to be used for, and/or for clients in the industries of Oil & Gas, Infrastructure and Power. The Other segment is involved in all other work that does not fall into the previous three segments in addition to the headquarters.
The above segments are the basis on which the Group reports its segment information. Transactions between segments are conducted at estimated market rates on an arm's length basis and eliminated on consolidation.

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The Group CEO is identified as a chief operating decision maker for the Group.

Segment wise statement of income information for the year ended 31 December 2017 is presented below:

	Construction AED '000	Mechanical, Electrical and Plumbing AED '000	Oil & Gas, Infrastructure and Power AED '000	Others AED '000	Eliminations AED '000	Total AED '000
Year ended 31 December 2017						
Revenues (from external customer)	5,794,237	290,352	2,831,406	225,142	-	9,141,137
Revenues (intersegment revenue)	89,132	512,922	57,008	129,850	(788,912)	-
Contract costs	(5,592,125)	(756,433)	(2,782,258)	(339,513)	788,912	(8,681,417)
Gross profit	291,244	46,841	106,156	15,479	-	459,720
Other income and other expenses	13,732	1,093	4,267	62,003	(6,739)	74,356
General and administrative expenses	(159,115)	(21,954)	(74,877)	(69,988)	6,620	(319,314)
Impairment losses	(3,016)	-	-	-	-	(3,016)
Finance costs	(45,493)	(1,705)	(27,179)	(28,216)	3,682	(98,911)
Income tax expense	(8,550)	(4,885)	(2,479)	-	-	(15,914)
Net segment results	88,802	19,390	5,888	(20,722)	3,563	96,921

32 Segment reporting (continued)

Segment wise statement of income information for the year ended 31 December 2016 is presented below:

	Construction AED'000	Mechanical, electrical and plumbing AED'000	Oil & Gas, infrastructure and power AED'000	Other AED'000	Elimination AED'000	Total AED'000
Year ended 31 December 2016						
Revenues (from external customer)	5,365,131	592,634	1,856,779	371,272	-	8,185,816
Revenues (intersegment revenue)	88,898	338,915	-	11,043	(438,856)	-
Contract costs	(6,080,251)	(1,067,921)	(1,930,225)	(423,957)	401,698	(9,100,656)
Gross loss	(626,222)	(136,372)	(73,446)	(41,642)	(37,158)	(914,840)
Other income and other expenses	(215,334)	86,246	21,860	(28,365)	(1,488)	(137,081)
General and administrative expenses	(330,152)	(29,415)	(35,997)	(78,832)	2,187	(472,209)
Impairment losses	(600,269)	(94,301)	-	(1,206,062)	-	(1,900,632)
Finance costs	(29,191)	(7,377)	(15,484)	(20,213)	-	(72,265)
Income tax expense	(7,156)	-	-	(7,044)	-	(14,200)
Net segment results	(1,808,324)	(181,219)	(103,067)	(1,382,158)	(36,459)	(3,511,227)

32 Segment reporting (continued)

The following table presents segment assets, segment liabilities and other information of the Group's operating segments as at 31 December 2017 and 2016.

	Construction	Mechanical, Electrical and Plumbing	Oil & Gas, Infrastructure and Power	Others	Eliminations	Total
	AED '000	AED '000	AED '000	AED '000	AED '000	AED '000
At 31 December 2017						
Segment assets	6,992,978	859,456	2,929,892	2,843,669	(1,683,084)	11,942,911
Segment liabilities	(7,552,242)	(628,070)	(2,822,774)	(1,289,017)	1,689,690	(10,602,413)
At 31 December 2016						
Segment assets	6,749,616	738,717	2,163,224	1,685,679	(1,413,733)	9,923,503
Segment liabilities	(8,442,424)	(526,749)	(1,829,797)	(1,550,544)	2,175,318	(10,174,196)

33 Acquisition of non-controlling interests and business combination

During the year ended 31 December 2016, the Group acquired remaining minority interest of Arabtec Envirogreen Facility Management Services of 33% for AED 1 million, increasing its ownership interest to 100%.

34 Disposal of subsidiaries

(a) Loss of control over KSA business

As detailed in Note 1, at 31 December 2016, the Group assessed that it had lost control over its subsidiaries in Kingdom of Saudi Arabia (KSA). Management's previous assessment of control over these entities was based on the Group's practical ability to direct relevant activities and affect variable returns of these entities. Management believes that due to discontinuation of major operations of the subsidiaries in KSA, there are no further relevant activities that the Group exercises control or significant influence over. Accordingly, these subsidiaries were de-consolidated and classified as available-for-sale investments under IAS 39 Financial Instruments: Recognition and Measurement at 31 December 2016 (Note 11).

The carrying amounts of the assets and liabilities of these subsidiaries at the date of de-consolidation were as follows:

	2016 AED'000
ASSETS	
Property, plant and equipment	94,826
Inventories	55,745
Due from related parties	271,741
Other current assets	9,208
Trade and other receivables	1,087,315
Cash and cash equivalents	14,214
	1,533,049
LIABILITIES	
Provision for employees' end of service benefits	5,876
Bank borrowings	538,102
Due to related parties	337,754
Trade and other payables	497,787
	1,379,519
Net assets de-recognised	153,530
Non-controlling interests de-recognised	43,163
Loss on de-consolidation of subsidiaries recognised in the consolidated income statement	196,693

The Group retained a portion of the bank borrowings of the de-consolidated subsidiaries representing the Group's share of the liability under the corporate guarantees issued by the Group on behalf of the de-consolidated subsidiaries (Note 18).

(b) Disposal of a subsidiary – House of Equipments LLC

Effective 19 October 2017, the Group disposed of its investment in House of Equipment LLC, UAE for a consideration of AED 1.5 million. The net liabilities of the subsidiary on the date of disposal amounted to AED 0.4 million. Gain on disposal amounted to AED 1.9 million has been recorded in the consolidated income statement. The subsidiary was not acquired for the purpose of resale.

34 Disposal of subsidiaries (continued)

(c) Disposal of a subsidiary – Powercon Switchgear Factory, UAE

Effective 16 December 2016, the Group disposed of its investment in Powercon Switchgear Factory, UAE for a consideration of AED 1. The net assets of the subsidiary on the date of disposal amounted to AED 3,556 thousand.

35 Material partly-owned subsidiary

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

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

	2017 AED'000	2016 AED'000
EFECO Qatar W.L.L.	51%	51%
Arabtec Construction W.L.L., Qatar	51%	51%

(b) Accumulated balances of material non-controlling interest

	2017 AED'000	2016 AED'000
EFECO Qatar W.L.L.	(91,685)	(94,970)
Arabtec Construction W.L.L., Qatar	(182,128)	(149,213)

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

	2017 AED'000	2016 AED'000
EFECO Qatar W.L.L.	3,266	(10,790)
Arabtec Construction W.L.L., Qatar	(32,916)	(46,181)

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

35 Material partly-owned subsidiary (continued)

(d) Summarised statement of comprehensive income

For the year ended 31 December 2017

	EFECO Qatar W.L.L. AED'000	Arabtec Construction W.L.L. AED'000
Revenue	86,767	142,295
Gross profit/(loss)	12,432	(59,169)
Other income	-	934
Profit/(loss) before tax	6,403	(64,541)
Profit/(loss) after tax	6,403	(64,541)

For the year ended 31 December 2016

	EFECO Qatar W.L.L. AED'000	Arabtec Construction W.L.L. AED'000
Revenue	75,142	379,768
Gross loss	(10,298)	(84,492)
Other income	-	1,147
Loss before tax	(21,157)	(90,406)
Loss after tax	(22,167)	(90,551)

(e) Summarised statement of financial position

At 31 December 2017

	EFECO Qatar W.L.L. AED'000	Arabtec Construction W.L.L. AED'000
Current assets	41,002	386,195
Current liabilities	(218,645)	(735,605)
Non-current assets	284	84,632
Non-current liabilities	(2,391)	(75,493)
	(179,750)	(340,271)

35 Material partly-owned subsidiary (continued)

(e) Summarised statement of financial position (continued)

At 31 December 2016

	EFECO Qatar W.L.L. AED'000	Arabtec Construction W.L.L. AED'000
Current assets	63,324	356,579
Current liabilities	(248,281)	(613,711)
Non-current assets	677	80,622
Non-current liabilities	(1,937)	(99,221)
	(186,217)	(275,731)

(f) Summarised statement of cash flows

For the year ended 31 December 2017

	EFECO Qatar W.L.L. AED'000	Arabtec Construction W.L.L. AED'000
Operating	2,411	77,999
Investing	(36)	3,430
Financing	-	(91,198)
Net decrease in cash and cash equivalents	2,375	(9,769)

For the year ended 31 December 2016

	EFECO Qatar W.L.L. AED'000	Arabtec Construction W.L.L. AED'000
Operating	(2,220)	(31,071)
Investing	(699)	5,130
Financing	-	(58,690)
Net decrease in cash and cash equivalents	(2,919)	(84,631)

36 Contract Disputes

(a) The Group has a total exposure of AED 428 million as at 31 December 2017 (2016: AED 465 million) relating to receivables against a previous project in Dubai, UAE. As the client disputed the payment of receivables, the Board of Directors of the Group resolved to initiate arbitration proceedings against the customer.

(b) The Group has a total exposure of AED 203 million as at December 2017 (2016: AED 203 million) relating to receivables against two projects in Dubai, UAE, for the same client. During the last quarter of 2017, the Group received a court judgment in its favour in respect of one project, which the Group is taking steps to enforce. The other project is in arbitration and the Group remains optimistic that the Arbitration tribunal will award in its favour.

(c) During 2016, the non-controlling shareholder of the Group's subsidiary in Qatar issued a letter indicating their non-approval or non-authorisation to issue the financial statements of the subsidiary, on the grounds that they accepted no responsibility for the financial position and performance and management of the subsidiary. The Group has obtained legal advice and strongly believes that the non-controlling shareholder is responsible for their share of the subsidiary's operations based on the Qatari Commercial Companies Law, and that both shareholders of the entity are jointly liable for the liabilities of the subsidiary. During the year ended 31 December 2017, the shareholder filed a claim against the Group related to the above mentioned matter.

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

37 Joint operations

The Group has the following significant interests in joint operations:

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

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

38 Financial instruments by category

	Loans and receivables AED'000	Financial assets at amortised cost AED'000	Available -for- sale financial assets AED'000	Total AED'000
Assets as per consolidated statement of financial position				
At 31 December 2017				
Trade and other receivables (excluding advances)	6,040,415	-	-	6,040,415
Due from related parties	714,409	-	-	714,409
Other financial assets	-	182,427	17,282	199,709
Other current assets (excluding prepaid expenses)	182,143	-	-	182,143
Cash and bank balances	1,144,144	-	-	1,144,144
Total	8,081,111	182,427	17,282	8,280,820

	Loans and receivables AED'000	Financial assets at amortised cost AED'000	Available -for- sale financial assets AED'000	Total AED'000
Assets as per consolidated statement of financial position				
At 31 December 2016				
Trade and other receivables (excluding advances)	4,855,306	-	-	4,855,306
Due from related parties	485,231	-	-	485,231
Other financial assets	-	115,262	17,282	132,544
Other current assets (excluding prepaid expenses)	257,599	-	-	257,599
Cash and bank balances	1,054,000	-	-	1,054,000
Total	6,652,136	115,262	17,282	6,784,680

38 Financial instruments by category (continued)

Other financial liabilities at amortised cost	AED'000
At 31 December 2017	
Bank borrowings	2,633,771
Trade payables and accruals (excluding advances from customers)	4,520,462
Due to related parties	536,268
Retentions payable	691,108
	8,381,609

Other financial liabilities at amortised cost	
At 31 December 2016	
Bank borrowings	2,281,678
Trade payables and accruals (excluding advances from customers)	4,639,101
Due to related parties	366,760
Retentions payable	650,431
Loan from a related party	177,724
	8,115,694

39 Corresponding figures

Certain corresponding figures have been reclassified where appropriate to conform with current year's presentation.