Arabtec Holding PJSC and its subsidiaries
Condensed consolidated interim financial information
for the three-month period ended 31 March 2018 (Unaudited)

Arabtec Holding PJSC and its subsidiaries

Condensed consolidated interim financial information for the three-month period ended 31 March 2018

	Pages
Report on review of condensed consolidated interim financial information	1-2
Condensed consolidated interim statement of financial position	3
Condensed consolidated interim income statement	4
Condensed consolidated interim statement of comprehensive income	5
Condensed consolidated interim statement of changes in equity	6
Condensed consolidated interim statement of cash flows	7-8
Notes to the condensed consolidated interim financial information	9-37

pwc

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

Introduction

We have reviewed the accompanying condensed consolidated interim statement of financial position of Arabtec Holding PJSC (the "Company") and its subsidiaries (collectively referred to as the "Group") as at 31 March 2018 and the related condensed consolidated interim statement of income, comprehensive income, changes in equity and cash flows for the three-month period then ended and other explanatory notes. Management is responsible for the preparation and presentation of this condensed consolidated interim financial information in accordance with International Accounting Standard 34, 'Interim Financial Reporting'. Our responsibility is to express a conclusion on this condensed consolidated interim financial information based on our review.

Scope of review

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

Basis for qualified conclusion

The Group's investment properties includes a property comprising of a plot of land and associated development costs (the property) with a carrying amount of AED 568 million (31 December 2017: 568 million). As discussed in note 8 to the condensed consolidated interim financial information, management has not carried out a detailed impairment review to assess the recoverable amount of the property, which is calculated on the higher of its value-in-use and fair value less cost to sell in accordance with International Accounting Standard 36, 'Impairment of assets'. Consequently, we were unable to perform the review procedures we considered necessary to satisfy ourselves as to the carrying amount of the property and determine whether any impairment should have been recorded.

Qualified conclusion

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

PricewaterhouseCoopers (Dubai Branch), License no. 102451
Emaar Square, Building 4, Level 8, P O Box 11987, Dubai - United Arab Emirates
T: +971 (0)4 304 3100, F: +971 (0)4 346 9150, www.pwc.com/me

Douglas O'Mahony, Paul Suddaby, Jacques Fakhoury and Mohamed ElBorno are registered as practising auditors with the UAE Ministry of Economy

pwc

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

Emphasis of matter

Dispute with a shareholder of a subsidiary

We draw attention to Note 15 (c) to the condensed consolidated interim financial information, which provides details of a dispute and 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 conclusion is not modified in respect of this matter.

PricewaterhouseCoopers
9 May 2018

Mohamed ElBorno
Registered Auditor Number 946
Dubai, United Arab Emirates

Arabtec Holding PJSC and its subsidiaries

Condensed consolidated interim statement of financial position

	Note	As at 31 March 2018 Unaudited AED'000	As at 31 December 2017 Audited AED'000
ASSETS			
Non-current assets			
Property, plant and equipment	7	727,396	754,393
Investment properties	8	595,566	595,647
Goodwill		248,741	248,741
Other intangible assets	9	16,750	17,000
Investment in associates	22	225,616	223,864
Deferred tax asset		4,614	3,823
Trade and other receivables		750,809	751,899
Advances paid to suppliers and sub-contractors		290,898	290,898
Other financial assets	21	17,282	17,282
		2,877,672	2,903,547
Current assets			
Inventories		122,815	116,946
Trade and other receivables		5,445,977	5,288,516
Advances paid to suppliers and sub-contractors		1,283,982	1,257,539
Due from related parties	10	718,572	714,409
Other financial assets	21	208,263	182,427
Other current assets		332,614	335,383
Cash and cash equivalents	11	633,023	1,144,144
		8,745,246	9,039,364
Total assets		11,622,918	11,942,911
EQUITY AND LIABILITIES			
EQUITY			
Share capital	13	1,500,000	1,500,000
Statutory reserve		130,279	130,279
Foreign currency translation reserve		30,026	33,498
Other reserves		(199,063)	(199,063)
Retained earnings		82,391	120,152
Equity attributable to owners of the Parent		1,543,633	1,584,866
Non-controlling interests		(254,512)	(244,368)
Total equity		1,289,121	1,340,498
LIABILITIES			
Non-current liabilities			
Bank borrowings	18	740,701	790,338
Retention payable		389,322	386,468
Provision for employees' end of service benefits		196,188	200,510
		1,326,211	1,377,316
Current liabilities			
Trade and other payables		4,828,048	4,815,302
Advances received from customers for contract work		1,948,107	2,010,184
Bank borrowings	18	1,652,039	1,843,433
Due to related parties	10	562,203	536,268
Income tax payable		17,189	19,910
		9,007,586	9,225,097
Total liabilities		10,333,797	10,602,413
Total equity and liabilities		11,622,918	11,942,911

The condensed consolidated interim financial information was approved by the Board of Directors on 9 May 2018 and signed on its behalf by:

.....
Hamish Tyrwhitt
Chief Executive Officer

.....
Peter Pollard
Chief Financial Officer

The notes on pages 9 to 37 form an integral part of this condensed consolidated interim financial information

Arabtec Holding PJSC and its subsidiaries

Condensed consolidated interim income statement

	Note	Three-month period ended 31 March 2018 Unaudited AED'000	2017 Unaudited AED'000
Revenue		2,420,357	2,185,197
Direct costs		(2,256,340)	(2,080,079)
Gross profit		164,017	105,118
Investment income		2,437	1,175
General and administrative expenses		(81,855)	(92,418)
Other income		9,236	8,836
Finance costs - net		(26,000)	(24,758)
Share of profit from investment in associate	22	1,752	3,727
Profit before tax		69,587	1,680
Income tax expense	12	(3,740)	(608)
Profit after tax for the period		65,847	1,072
Attributable to:			
Owners of the Parent		63,636	17,622
Non-controlling interests		2,211	(16,550)
		65,847	1,072
Earnings per share			(restated)
Basic and diluted (AED)	14	0.04	0.02

Arabtec Holding PJSC and its subsidiaries

Condensed consolidated interim statement of comprehensive income

	Note	Three-month period ended 31 March 2018 Unaudited AED'000	2017 Unaudited AED'000
Profit for the period		65,847	1,072
Other comprehensive (loss) / income			
Items that will be reclassified subsequently to profit or loss			
Net change in foreign currency translation reserve		(4,545)	694
Other comprehensive income for the period		(4,545)	694
Total comprehensive income for the period		61,302	1,766
Attributable to:			
Owners of the Parent		60,164	18,007
Non-controlling interests		1,138	(16,241)
		61,302	1,766

Arabtec Holding PJSC and its subsidiaries

Condensed consolidated interim statement of changes in equity

	Attributable to owners of the Parent							
	Share capital AED'000	Statutory reserve AED'000	Foreign currency translation reserve AED'000	Other reserves AED'000	Retained earnings AED'000	Total AED'000	Non-controlling interests AED'000	Total equity AED'000
Balance at 31 December 2017 (Audited)	1,500,000	130,279	33,498	(199,063)	120,152	1,584,866	(244,368)	1,340,498
Impact of changes in accounting policies (Note 16)	-	-	-	-	(101,397)	(101,397)	(11,282)	(112,679)
Balance at 1 January 2018 (Unaudited)	1,500,000	130,279	33,498	(199,063)	18,755	1,483,469	(255,650)	1,227,819
Profit for the period	-	-	-	-	63,636	63,636	2,211	65,847
Other comprehensive income for the period	-	-	(3,472)	-	-	(3,472)	(1,073)	(4,545)
Total comprehensive income for the period	-	-	(3,472)	-	63,636	60,164	1,138	61,302
Balance at 31 March 2018 (Unaudited)	1,500,000	130,279	30,026	(199,063)	82,391	1,543,633	(254,512)	1,289,121

	Attributable to owners of the Parent							
	Share capital AED'000	Statutory reserve AED'000	Foreign currency translation reserve AED'000	Other reserves AED'000	Accumulated losses AED'000	Total AED'000	Non-controlling interests AED'000	Total Equity AED'000
Balance at 1 January 2017 (Audited)	4,615,065	148,159	36,661	(194,239)	(4,645,248)	(39,602)	(211,091)	(250,693)
Profit / (loss) for the period	-	-	-	-	17,622	17,622	(16,550)	1,072
Other comprehensive income for the period	-	-	385	-	-	385	309	694
Total comprehensive income for the period	-	-	385	-	17,622	18,007	(16,241)	1,766
Balance at 31 March 2017 (Unaudited)	4,615,065	148,159	37,046	(194,239)	(4,627,626)	(21,595)	(227,332)	(248,927)

The notes on pages 9 to 37 form an integral part of this condensed consolidated interim financial information

Arabtec Holding PJSC and its subsidiaries

Condensed consolidated interim statement of cash flows

	Note	Three-month period ended 31 March 2018 Unaudited AED'000	2017 Unaudited AED'000
Operating activities			
Profit before tax		69,587	1,680
Adjustments for:			
(Gain) / loss on sale of property, plant and equipment		(209)	1,012
Investment income		(2,437)	(1,175)
Depreciation on property, plant and equipment	7	45,879	44,065
Depreciation on investment properties		81	82
Write-back of provision for doubtful debts		-	(644)
Amortisation of intangible assets	9	250	1,139
Provision for employees' end of service benefits		20,729	12,760
Interest expense		25,512	23,889
Net interest expense on non-current receivables and payables		488	869
Share of profit from investment in associate		(1,752)	(3,727)
Operating cash flow before changes in working capital and payment of, employees' end of service benefits paid and income tax		158,128	79,950
Changes in working capital:			
Trade and other receivables		(269,538)	(556,603)
Advances paid to suppliers and sub-contractors		(26,443)	-
Due from related parties		(4,163)	(53,594)
Inventories		(5,869)	(2,955)
Other current assets		2,769	(27,284)
Trade and other payables		12,746	216,227
Advances received from customers for contract work		(62,077)	-
Due to related parties		25,935	25,560
Retentions payables		2,854	40,139
Cash used in operating activities		(165,658)	(278,560)
Employees' end of service benefits paid		(25,050)	(10,473)
Income tax paid		(7,252)	(10,217)
Net cash used in operating activities		(197,960)	(299,250)
Balance carried forward		(197,960)	(299,250)

Condensed consolidated interim statement of cash flows (continued)

	Note	Three-month period ended 31 March 2018 Unaudited AED'000	2017 Unaudited AED'000
Balance brought forward		(197,960)	(299,250)
Investing activities			
Investment income received		2,437	1,175
Purchase of property, plant and equipment	7	(24,897)	(27,719)
Proceeds from disposal of property, plant and equipment		6,224	15,359
Net movement in other financial assets		(25,836)	(31,185)
Net cash used in investing activities		(42,072)	(42,370)
Financing activities			
(Repayments) / proceeds from of borrowings, net		(116,836)	104,639
Interest paid		(25,512)	(23,889)
Loan from a related party		-	51,323
Net cash (used in) / generated from financing activities		(142,348)	132,073
Net decrease in cash and cash equivalents		(382,380)	(209,547)
Cash and cash equivalents at the beginning of the period		500,749	543,408
Net foreign currency translation difference		(4,545)	694
Cash and cash equivalents at the end of the period	11	113,824	334,555

1 General information

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 part of the Mubadala Investment Company PJSC – group wholly 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 condensed consolidated interim financial information of the Group for the three-month period ended 31 March 2018 was authorised for issue in accordance with a resolution of the Board of Directors on 9 May 2018**.**

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

Subsidiaries, associates and joint operations:

	% Holding (including indirect holding)		
Name of subsidiary and domicile	**31 March 2018**	**31 December 2017**	**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
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

1 General information (continued)

Subsidiaries, associates and joint operations (continued):

Name of subsidiary and domicile	% Holding (including indirect holding) 31 March 2018	31 December 2017	Principal activities
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 Holdings Limited, JAFZA, UAE	100%	100%	Investment holding company
Arabtec Building Equipment LLC, UAE	70%	70%	Trading and leasing of construction and building equipment
Arabtec 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
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

1 General information (continued)

Subsidiaries, associates and joint operations (continued):

Name of subsidiary and domicile	% Holding (including indirect holding) 31 march 2018	31 December 2017	Principal activities
Austrian Arabian Ready Mix Concrete Co. LLC - Dubai, UAE	100%	100%	Ready mixed concrete manufacturing
Emirates Falcon Electromechanical Co. (EFECO) LLC - Dubai, UAE	100%	100%	Electrical, mechanical and plumbing contracting
EFECO Qatar W.L.L, Qatar*	49%	49%	Electrical, mechanical and plumbing contracting
EFECO LLC, State of Palestine	100%	100%	Electrical, mechanical and plumbing contracting
Emirates Falcon Electromechanical Co. (EFECO) LLC - Abu Dhabi, UAE	100%	100%	Electrical, mechanical 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
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
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.

1 General information (continued)

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

Name of associate and domicile	% Holding (including indirect holding) 31 March 2018	31 December 2017	Principal activities
Depa Limited, Dubai, UAE ("DEPA")	24%	24%	Luxury fit-out of five star hotels, yachts and facilities and related services

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
- 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 of the Group are disclosed in Note 17.

2 Basis of preparation and accounting policies

2.1 Going concern

During the year ended 31 December 2017, 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 13).

At 31 March 2018, the Group's current liabilities exceeded its current assets by AED 262,340 thousand (31 December 2017: 185,733 thousand).

This condensed consolidated interim financial information has been prepared on a going concern basis.

2.2 Basis of preparation

This condensed consolidated interim financial information for the period ended 31 March 2018 has been prepared in accordance with IAS 34, 'Interim Financial Reporting'.

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

The condensed consolidated interim financial information should be read in conjunction with the annual consolidated financial statements for the year ended 31 December 2017, which have been prepared in accordance with International Financial Reporting Standards.

2.2 Significant accounting policies

The accounting policies applied in the preparation of the condensed consolidated interim financial information are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2017 except as stated in Note 2.3.1.

2.3.1 Changes in accounting policies

a) New and amended standards adopted by the Group

The following new standards became applicable for the current reporting period and the Group had to change its accounting policies and make appropriate adjustments as a result of adopting these standards:

- IFRS 9 "Financial Instruments", and
- IFRS 15 "Revenue from Contracts with Customers".

The impact of the adoption of these standards and the new accounting policies are disclosed in note 16.

2 Basis of preparation and accounting policies (continued)

2.3.1 Changes in accounting policies (continued)

b) New standards and amendments not early adopted by the Group

Certain new standards and amendments to existing standards have been published and are mandatory for the Group's accounting periods beginning after 1 January 2019 or later periods, but have not been early adopted by the Group:

- IFRS 16, 'Leases' (effective from 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 this condensed consolidated interim financial information.

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 condensed consolidated interim financial information.

2.4 Basis of consolidation

The condensed consolidated interim financial information as at, and for the period ended 31 March 2018 comprises results of the Company and its subsidiaries. The condensed consolidated interim financial information of the subsidiaries is prepared for the same reporting period as that of the Company, using consistent accounting policies. All inter-company transactions, profits and balances are eliminated on consolidation.

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

3 Critical accounting estimates and judgements

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

In preparing this condensed consolidated interim financial information, the significant judgements made by the management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied in the consolidated financial statements for the year ended 31 December 2017.

3.1 Critical accounting estimates and assumptions

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

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

(a) Cost-to-cost (input method) to measure progress of construction contracts

The Group uses the cost-to-cost (input method) in accounting for its construction contracts. At each reporting date, the Group is required to estimate the stage of completion and costs to complete on its construction contracts. This requires the Group to make estimates of future costs to be incurred, based on work to be performed beyond the reporting date. These estimates also include the cost of potential claims by subcontractors and the cost of meeting other contractual obligations to the customers. Effects of any revision to these estimates are reflected in the period in which the estimates are revised. When the expected contract costs exceeds the total anticipated contract revenue, the total expected loss is recognised immediately, as soon as foreseen, whether or not work has commenced on these contracts. The Group uses its commercial team to estimate the costs to complete of construction contracts. Factors such as delays in expected completion date, changes in the scope of work, changes in material prices, labour costs and other costs are included in the construction cost estimates based on best estimates updated on a regular basis.

(b) Contract variations and claims

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.

The Group includes 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.

(c) Impairment of financial assets

The loss allowances for financial assets are based on assumptions about risk of default and expected loss rates. The Group uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Group's past history, existing market conditions as well as forward looking estimates at the end of each reporting period.

3 Critical accounting estimates and judgements (continued)

3.1 Critical accounting estimates and assumptions (continued)

(d) 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.

(e) Employees' end of service benefits

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.

4 Financial risk management and financial instruments

4.1 Financial risk factors

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

The condensed consolidated interim financial information does not include all financial risk management information and disclosures required in the annual consolidated financial statements; therefore, it should be read in conjunction with the Group's annual consolidated financial statements as of 31 December 2017. The Group's financial risk management objectives and policies are consistent with those disclosed in the annual consolidated financial statements as of and for the year ended 31 December 2017.

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

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

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

Compared to year ended 31 December 2017, there was no material change in the contractual undiscounted cash out flows for financial liabilities.

Financial instruments comprise financial assets and financial liabilities.

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

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

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

- Long term receivables are evaluated by the Group based on parameters such as interest rates, specific country risk factors, and 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 March 2018, the carrying amounts of such receivables, net of provisions, are not materially different from their fair values.

4 Financial risk management and financial instruments (continued)

4.2 Fair value estimation

The Group classifies its valuations of financial instruments carried at fair value and investment properties for which fair value is disclosed in the following levels of fair value hierarchy:

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

5 Seasonality of operations

The results for the period ended 31 March 2018 reflect the results of the Group's continuing projects and new projects commenced during the period and are not significantly affected by any seasonal or cyclical operations.

Management has concluded that this does not constitute “highly seasonal” as considered by IAS 34 Interim Financial Reporting. Notwithstanding, the results for the three-month period ended 31 March 2018 are not necessarily indicative of the results that might be expected for the year ending 31 December 2018.

6 Segment reporting

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

In the prior year, the Group was operating as four distinct business segments; Construction, Mechanical, Electrical and Plumbing (MEP); Oil & Gas, Infrastructure and Power and Other. However, during the current year, the Group has been reorganised into four key business units; Building, Economic and Social Infrastructure, Industrial and Other. These businesses are the basis on which the Group reports its primary segment information to the chief operating decision maker for the purpose of resource allocation and assessment of segment performance. The prior year numbers have been re-arranged to conform to the current year presentation.

The building segment primarily engages in the construction of high-rise towers, commercial and residential buildings and residential villas including execution of drainage, electrical and mechanical works. The Economic and Social Infrastructure segment is related to construction of airports, hospitals, museums and other activities which contributes to the social and economic development and industrial segment is involved in the all works related to, intended to be used for, and/or for clients in the industries of oil and gas. The Other segment is involved in all other wok that does not fall into the previous three segments in addition to the headquarters.

The above segments are the basis on which the Group reports its segment information. Transactions between segments are conducted at estimated market rates on an arm's length basis and eliminated on consolidation.

6 Segment reporting (continued)

	Building AED '000	Economic and Social Infrastructure AED '000	Industrial AED '000	Others AED '000	Eliminations AED '000	Total AED '000
Three months period ended 31 March 2018 (Unaudited)						
Revenue	1,726,065	511,863	306,417	96,272	(220,260)	2,420,357
Direct costs	(1,637,437)	(489,923)	(282,422)	(66,818)	220,260	(2,256,340)
Gross loss	88,628	21,940	23,995	29,454	-	164,017
Other income and other expenses, net	1,097	126	202	12,000	-	13,425
General and administrative expenses	(37,907)	(14,864)	(6,084)	(23,000)	-	(81,855)
Finance costs	(12,746)	(4,274)	(2,815)	(6,165)	-	(26,000)
Income tax expense	(2,799)	(941)	-	-	-	(3,740)
Net segment results	36,273	1,987	15,298	12,289	-	65,847
Three months period ended 31 March 2017 (Unaudited)						
Revenue	1,593,776	276,123	391,903	82,298	(158,903)	2,185,197
Direct costs	(1,517,993)	(267,402)	(366,200)	(87,387)	158,903	(2,080,079)
Gross loss	75,783	8,721	25,703	(5,089)	-	105,118
Other income and other expenses, net	3,299	147	268	10,804	(780)	13,738
General and administrative expenses	(50,102)	(10,529)	(8,972)	(23,595)	780	(92,418)
Finance costs	(13,978)	(2,791)	(3,449)	(4,540)	-	(24,758)
Income tax expense	(194)	-	(414)	-	-	(608)
Net segment results	14,808	(4,452)	13,136	(22,420)	-	1,072

6 Segment reporting (continued)

	Building	Economic and Social Infrastructure	Industrial	Others	Eliminations	Total
	AED '000	AED '000	AED '000	AED '000	AED '000	AED '000
As at 31 March 2018 (Unaudited)						
Segment assets	7,406,587	2,162,605	1,051,808	2,811,657	(1,809,739)	11,622,918
Segment liabilities	(7,875,324)	(2,110,135)	(892,925)	(1,271,323)	1,815,910	(10,333,797)
As at 31 December 2017 (Audited)						
Segment assets	7,852,434	1,703,993	1,225,899	2,843,669	(1,683,084)	11,942,911
Segment liabilities	(8,180,312)	(1,784,097)	(1,038,677)	(1,289,017)	1,689,690	(10,602,413)

7 Property, plant and equipment

During the three-month period ended 31 March 2018, the Group acquired various types of property, plant and equipment with a cost of AED 24,897 thousand (period ended 31 March 2017: AED 27,719 thousand). Assets with a net book value of AED 6,015 thousand were disposed off by the Group during the period (period ended 31 March 2017: AED 16,372 thousand). Depreciation expense for the period was AED 45,879 thousand (period ended 31 March 2017: AED 44,065 thousand).

8 Investment properties

Investment properties includes land in Dubai, UAE, which includes development costs of AED 88 million already incurred amounting to AED 568 million (2017: 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 March 2018, management is working on 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 291 million (2017: AED 307.7 million).

9 Other intangible assets

During the period, the amortisation of other intangible assets amounts to AED 250 thousand (period ended 31 March 2017: AED 1,139 thousand). There were no additions during the period (period ended 31 March 2017: Nil).

10 Related parties

The following table provides details of the total amount of transactions that have been entered into with related parties during three-month period ended 31 March 2018 and 2017, as well as balances with related parties as of 31 March 2018 and 31 December 2017:

	Three months ended 31 March 2018 (Unaudited)		As at 31 March 2018 (Unaudited)	
	Revenue AED'000	Other expenses and sub-contract costs AED'000	Amount due to AED'000	Amount due from AED'000
Joint operations	32,685	-	472,229	654,892
Shareholder	5,038	-	-	54,111
Associate	-	4,317	46,230	-
Other related parties	3,768	-	43,744	9,569
	41,491	4,317	562,203	718,572

10 Related parties (continued)

	Three months ended 31 March 2017 (Unaudited)		As at 31 December 2017 (Audited)	
	Revenue AED'000	Other Expenses and sub-contract costs AED'000	Amount due to AED'000	Amount due from AED'000
Joint operations	14,049	-	458,796	634,713
Shareholder	9,076	-		73,788
Associate	-	4,353	39,304	
Other related parties	6,364	243	38,168	5,908
	29,489	4,596	536,268	714,409

Compensation of key management personnel

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

	Three months ended 31 March	
	2018 Unaudited AED'000	2017 Unaudited AED'000
Short term benefits	3,685	1,114
Employees' benefits	315	78
Bonus	9,218	-
	13,218	1,192

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 condensed consolidated interim financial information. These transactions are made at terms equivalent to those that prevail in arm's length transactions.

Cash and cash equivalents and borrowings include AED 224,121 thousand (2017: AED 144,476 thousand) and AED 461,211 thousand (2017: AED 648,937 thousand) respectively, with/from entities in which the Government of the Emirate of Abu Dhabi has an equity stake. Finance cost include AED 5,188 thousand (2017: AED 21,050 thousand) relating to balances with these entities.

10 Related parties (continued)

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 1,172,051 thousand (31 March 2017: AED 882,198 thousand), receivable balances of AED 493,627 thousand (31 December 2017: AED 478,639 thousand) and advances of AED 1,085,354 thousand (31 December 2017: AED 979,277 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
Period ended 31 March 2018	1,172,051	1,667,021	493,627	395,488	1,085,354
Period ended 31 March 2017 / Year ended 31 December 2017	882,198	1,233,162	478,639	407,804	979,277

11 Cash and cash equivalents

	31 March 2018 Unaudited AED'000	31 December 2017 Audited AED'000
Cash and bank balances	400,120	892,177
Short term bank deposits	232,903	251,967
Cash and bank balances	633,023	1,144,144

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

	31 March 2018 Unaudited AED'000	31 March 2017 Unaudited AED'000
Cash and bank balances	633,023	982,740
Less: Deposits with maturity of more than 3 months	(40,000)	-
Less: Bank overdraft	(479,199)	(648,185)
Cash and cash equivalents for the purpose of statement of cash flows	113,824	334,555

12 Income tax expense

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%.

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

	Three months ended 31 March	
	2018 Unaudited AED'000	2017 Unaudited AED'000
Income taxes		
Current tax expense	4,531	661
Deferred tax income relating to the origination of temporary differences	(791)	(53)
Total income tax expense	3,740	608

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

	Three months ended 31 March	
	2018 Unaudited AED'000	2017 Unaudited AED'000
Income before tax	69,587	1,680
Income tax expense	(3,740)	(608)

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

13 Share capital

	31 March 2018 Unaudited AED'000	31 December 2017 Audited AED'000
Authorised, issued and fully paid up:		
1,500,000 thousand shares of AED 1 each (31 December 2017: AED 1,500,000 thousand shares of AED 1 each)	1,500,000	1,500,000

During the year ended 31 December 2017, 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.

14 Earnings per share

Earnings per share is calculated by dividing the profit attributable to the owners of the Parent for the three month period ended 31 March 2018, amounting to AED 63,636 thousand (three-month period ended 31 March 2017: profit of AED 17,622 thousand) by the weighted average number of shares outstanding during the period of 1,500,000 thousand (2017: 853,652 thousand).

	Three months ended 31 March	
	2018 Unaudited AED'000	2017 Unaudited AED'000 (Restated)
Basic and diluted earnings per share	0.04	0.02

15 Other matters

(a) The Group has a total exposure of AED 428 million as at 31 March 2018 (31 December 2017: AED 428 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 Company 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 of the project. During the period, the Group received arbitral award for the second project in its favour and the Group is taking steps to enforce its rights.

(c) During 2016, the non-controlling shareholder of the Group's subsidiary (Arabtec Construction W.L.L 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 condensed consolidated interim results of the Group as a whole or on its total equity.

16 Changes in accounting policies

This note explains the impact of the adoption of IFRS 9 "Financial Instruments" and IFRS 15 "Revenue from Contracts with Customers" on the Group's consolidated financial statements and also discloses the new accounting policies that have been applied from 1 January 2018, where they are different to those applied in prior periods.

As a result of the changes in the Group's accounting policies, opening retained earnings in the condensed consolidated interim financial information has been adjusted. IFRS 9 and IFRS 15 was adopted without restating comparative information. The reclassifications and the adjustments arising from the new standards are therefore not reflected in the restated condensed consolidated interim statement of financial position sheet as at 31 December 2017, but are recognised in the opening retained earnings on 1 January 2018. The adjustments are explained in more detail below:

16.1 IFRS 15 Revenue from Contracts with Customers

16.1.1 Impact of adoption

The IASB has issued a new standard for the recognition of revenue. IFRS 15 'Revenue from contracts with customers' outlines a single comprehensive model of accounting for revenue arising from contracts with customers and supersedes IAS 11 which covers construction contracts and IAS 18 which covers contracts for goods. 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 has adopted IFRS 15 from 1 January 2018 and applied the modified retrospective approach permitted by IFRS 15 upon adoption. Following practical expedients available under the modified retrospective approach of IFRS 15 have been opted by the Group:

16 Changes in accounting policies (continued)

16.1 IFRS 15 Revenue from Contracts with Customers (continued)

16.1.1 Impact of adoption (continued)

- The requirements of the new standard have been applied to contracts that are not completed as at the date of initial application (1 January 2018); and
- The Group has not restated the contracts in accordance with the revenue standard for contract modifications which took place before the date of initial application.

The Group has assessed the impact of applying the new standard on the Group's condensed consolidated interim financial information and has identified following areas that were 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;
- 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.

During the impact assessment exercise of IFRS 15, the Group has identified contracts which meet the above criteria. However, the impact of the above on the condensed consolidated interim financial information is not material.

16.1.2 IFRS 15 Accounting policies

The application of the new standard required the Group to apply the following new accounting policies:

The Group recognises revenue from contracts with customers based on a five step model as set out in IFRS 15:

1. Identify the contract(s) with a customer: A contract is defined as an agreement between two or more parties that creates enforceable rights and obligations and sets out the criteria for every contract that must be met.
2. Identify the performance obligations in the contract: A performance obligation is a promise in a contract with a customer to transfer a good or service to the customer.
3. Determine the transaction price: The transaction price is the amount of consideration to which the Group expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties.
4. Allocate the transaction price to the performance obligations in the contract: For a contract that has more than one performance obligation, the Group will allocate the transaction price to each performance obligation in an amount that depicts the amount of consideration to which the Group expects to be entitled in exchange for satisfying each performance obligation.
5. Recognise revenue when (or as) the entity satisfies a performance obligation at a point in time or over time.

16 Changes in accounting policies (continued)

16.1 IFRS 15 Revenue from Contracts with Customers (continued)

16.1.2 IFRS 15 Accounting policies (continued)

The Group satisfies a performance obligation and recognises revenue over time, if one of the following criteria is met:

- The customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs; or
- The Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or
- The Group's performance does not create an asset with an alternative use to the Group and the entity has an enforceable right to payment for performance completed to date.

For performance obligations where one of the above conditions are not met, revenue is recognised at the point in time at which the performance obligation is satisfied. The Group is required to assess each of its contracts with customers to determine whether performance obligations are satisfied over time or at a point in time in order to determine the appropriate method of recognising revenue. As part of the impact assessment exercise, Group has concluded that for majority of its arrangements, it is either creating or enhancing an asset controlled by the customer or it is creating an asset with no alternative use and has an enforceable right to payment for work completed. Therefore, it meets the criteria to recognise revenue overtime and measure progress of its projects through the cost to complete method (input method) as it best depicts the transfer of control of products and services under each performance obligation.

When the Group satisfies a performance obligation by delivering the promised goods or services it creates a contract asset based on the amount of consideration earned by the performance. Where the amount of consideration received from a customer exceeds the amount of revenue recognised this gives rise to a contract liability.

Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes and duty. The Group assesses its revenue arrangements against specific criteria to determine if it is acting as principal or agent. The Group has concluded that it is acting as a principal in all of its revenue arrangements.

Variations which are in the nature of extension of existing scope of work are accounted for using cumulative catch up adjustments to the cost to complete method of revenue recognition. Variation orders which require addition of distinct goods and services to the scope at discounted prices are accounted for prospectively and variation orders which require addition of distinct goods and services to the scope at standalone selling prices are accounted for as new contracts with the customers.

Claims are accounted for as variable consideration. They are included in contract revenue using the expected value or most likely amount approach (whichever is more predictive of the amount the entity expects to be entitled to receive) and it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur when the uncertainty associated with the claim is subsequently resolved.

16 Changes in accounting policies (continued)

16.1 IFRS 15 Revenue from Contracts with Customers (continued)

16.1.2 IFRS 15 Accounting policies (continued)

A loss is recognised in the statement of comprehensive income when the expected contract costs exceed the total anticipated contract revenue.

The Group combines two or more contracts entered into at or near the same time with the same customer and accounts for the contracts as a single contract if one or more of the following criteria are met:

- The two or more contracts entered into at or near the same time with the same customer are negotiated as a package, with a single commercial objective;
- The amount of consideration to be paid in one contract depends on the price or performance of the other contract; or
- The goods or services promised in the contracts (or some goods or services promised in each of the contracts) are a single performance obligation.

If the above criteria is met, the arrangements are combined and accounted for as a single arrangement for revenue recognition.

Pre-contract cost of obtaining a contract with a customer is recognised as an asset if those costs are expected to be recovered.

Revenue is recognised in the statement of comprehensive income to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur and the revenue and costs, if applicable, can be measured reliably.

16.2 IFRS 9 Financial Instruments

16.2.1 Impact of adoption

IFRS 9 replaces the provisions of IAS 39 that relate to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting.

The adoption of IFRS 9 Financial Instruments from 1 January 2018 resulted in changes in accounting policies and adjustments to the amounts recognised in the consolidated financial statements for the year ended 31 December 2017. The new accounting policies are set out in note 16.2.2 below. In accordance with the transitional provisions in IFRS 9, comparative figures have not been restated.

16 Changes in accounting policies (continued)

16.2 IFRS 9 Financial Instruments (continued)

16.2.1 Impact of adoption (continued)

The following table shows the adjustments for each individual line item of the consolidated statement of financial position. Line items that were not affected by the changes have not been included. As a result, the subtotals and totals disclosed cannot be recalculated from the numbers provided.

Consolidated statement of financial position (extract)	31 December 2017 AED'000	IFRS 9 AED'000	1 January 2018 AED'000
Non-current assets			
Other financial assets*	17,282	-	17,282
Current assets			
Trade and other receivables	5,288,516	(112,679)	5,175,837
Equity			
Retained earnings	120,152	(101,397)	18,755
Non-controlling interests	(244,368)	(11,282)	(255,650)

*The Group elected to present in OCI changes in the fair value of all its equity investments previously classified as available-for-sale, because these investments are held as long-term strategic investments that are not expected to be sold in the short to medium term. As a result, assets with a fair value of AED 17,282 thousand were reclassified from available-for-sale financial assets to financial assets at FVOCI. No gain or loss was recognised on such transfer.

(i) Classification and measurement

On 1 January 2018 (the date of initial application of IFRS 9), the Group's management has assessed which business models apply to the financial assets held by the Group and has classified its financial instruments into the appropriate IFRS 9 categories. Management has concluded that there are no material reclassifications of financial assets other than disclosed above.

(ii) Impairment of financial assets

The Group has the following types of financial assets that are subject to IFRS 9's new expected credit loss model:

- trade and other receivables; and
- contract assets (i.e. retentions and amounts due from construction contract customers).

The Group was required to revise its impairment methodology under IFRS 9 for each of these classes of assets. The impact of the change in impairment methodology on the Group's retained earnings and equity is disclosed above.

While cash and cash equivalents are also subject to the impairment requirements of IFRS 9, the identified impairment loss was immaterial.

16 Changes in accounting policies (continued)

16.2 IFRS 9 Financial Instruments (continued)

16.2.1 Impact of adoption (continued)

Trade receivables and contract assets

For trade receivables, the Group has applied a combination of the simplified and general approach permitted by IFRS 9. Under general approach, the Group measures the loss allowance for a financial asset at an amount equal to the lifetime expected credit losses if the credit risk on that financial instrument has increased significantly since initial recognition. However simplified approach requires expected lifetime losses to be recognised from initial recognition of the receivables.

To measure the expected credit losses, trade receivables and contract assets have been grouped based on credit risk characteristics and past due delays. The contract assets relate to unbilled work in progress and have substantially the same risk characteristics as the trade receivables for the same type of contracts. The Group has therefore concluded that the expected loss rates for trade receivables are a reasonable approximation of the loss rates for the contract assets.

The loss allowances for trade receivables and contract assets as at 31 December 2017 reconcile to the opening loss allowances on 1 January 2018 as follows:

	AED'000
At 31 December 2017 – calculated under IAS 39	265,382
Amounts adjusted	112,679
Opening loss allowance as at 1 January 2018 – calculated under IFRS 9	378,061

Trade receivables and contract assets are written off when there is no reasonable expectation of recovery.

16 Changes in accounting policies (continued)

16.2 IFRS 9 Financial Instruments (continued)

16.2.2 IFRS 9 Accounting policies

The application of the new standard required the management to apply the following new accounting policies:

Classification
From 1 January 2018, the Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through OCI, or through profit or loss), and
- those to be measured at amortised cost.

The classification depends on the Group's business model for managing the financial assets that whether the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows and the contractual terms of the cash flows that whether contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. Management determines the classification of its investment at initial recognition.

Recognition and measurement

Regular purchases and sales of financial assets are recognised on trade-date, the date on which the Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

Financial assets at fair value through other comprehensive income (FVOCI) are carried at fair value. After initial measurement, the Group present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to condensed consolidated income statement following the derecognition of the investment. Dividends from such investments continue to be recognised in profit or loss as other income when the Group's right to receive payments is established.

Impairment of financial assets

For trade receivables, the Group has applied a combination of the simplified and general approach permitted by IFRS 9. Simplified approach is applied to a portfolio of trade receivables that are homogeneous in nature and carry similar credit risk. Under general approach, the Group measures the loss allowance for a financial asset at an amount equal to the lifetime expected credit losses if the credit risk on that financial instrument has increased significantly since initial recognition. However simplified approach requires expected lifetime losses to be recognised from initial recognition of the receivables.

17 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/ Constructor 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.

18 Bank borrowings

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

	Current		Non-current	
	30 March 2018 Unaudited AED'000	31 December 2017 Audited AED'000	31 March 2018 Unaudited AED'000	31 December 2017 Audited AED'000
Bank overdrafts	479,199	603,395	-	-
Acceptances	277,421	166,441	-	-
Project payment certificate discounting	136,124	86,093	-	-
Trust receipts	175,039	291,321	-	-
Term loans	584,256	696,183	740,701	790,338
Total borrowings	1,652,039	1,843,433	740,701	790,338

At 31 March 2018, the Group was not in breach of financial covenants in relation to the above borrowings.

Acceptances and trust receipts

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 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.

19 Operating lease arrangements

	Three months ended 31 March	
	2018 Unaudited AED'000	2017 Unaudited AED'000
Minimum lease payments under operating leases recognised as expense during the period	45,918	68,812

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

	31 March 2018 Unaudited AED'000	31 December 2017 Audited AED'000
Within one year	229,764	231,114
Two to five years	557,353	557,635
More than five years	229,707	343,317
Total operating lease expenditure contracted for at the reporting date	1,016,824	1,132,066

20 Contingencies and commitments

At 31 March 2018, the Group had contingent liabilities in respect of performance and bid bonds, advance payment bonds, financial guarantees, retention bonds, labour guarantees and letters of credit amounting to AED 8,026 million (31 December 2017: AED 8,361 million).

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

At 31 March 2018, the Group had commitments for capital expenditure amounting to AED 1,057 million (31 December 2017: AED 1,057 million).

21 Other financial assets

	Current		Non-current	
	31 March 2018 Unaudited AED'000	31 December 2017 Audited AED'000	31 March 2018 Unaudited AED'000	31 December 2017 Audited AED'000
Financial assets at cost				
Unquoted equity shares	-	-	17,282	17,282
Total investments at fair value through OCI	-	-	17,282	17,282
Financial assets at amortised cost				
Fixed deposits under lien	90,466	63,459	-	-
Margin deposits	117,797	118,968	-	-
	208,263	182,427	-	-
Total other financial assets	208,263	182,427	17,282	17,282

22 Investment in associates

	31 March 2018 Unaudited AED'000	31 December 2017 Audited AED'000
DEPA Limited	225,616	223,864

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. The company operates in the Middle East, North Africa, Europe and Asia regions.

DEPA is listed in the Dubai International Financial Center (DIFC) on the NASDAQ Dubai.

During the period, share of net profit of associate – DEPA Limited amounts to AED 1,752 thousand (31 March 2017: 3,727) recognised in condensed consolidated interim income statement.

23 Corresponding figures

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

24 Subsequent Events

The Board of Directors proposed a final ordinary dividend of AED 0.0205 per share on 14 March 2018. The proposed final ordinary dividend was approved by shareholders at the annual general meeting held on 16 April 2018. The total estimated payable amount in respect of the final ordinary dividend is AED 30,750 thousand.