Arabtec Holding PJSC and its subsidiaries

Condensed consolidated interim financial information
for the nine-month period ended 30 September 2019 (Unaudited)

Arabtec Holding PJSC and its subsidiaries

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REPORT ON REVIEW OF CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

The Board of Directors
Arabtec Holding PJSC and its subsidiaries
Dubai
United Arab Emirates

Introduction

We have reviewed the accompanying condensed consolidated interim statement of financial position of **Arabtec Holding PJSC** (the "Company") **and its subsidiaries** (collectively referred to as the "Group") as at 30 September 2019 and the related condensed consolidated interim statements of profit or loss, comprehensive income, changes in equity and cash flows for the nine-month period then ended, including a summary of significant accounting policies and other explanatory information. Management is responsible for the preparation and presentation of this condensed consolidated interim financial information in accordance with International Accounting Standard (IAS) 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 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

a) Based on information provided to us by management, the Group's investment properties include investment properties with a carrying amount of AED 568 million (31 December 2018: AED 568 million), for which there are indicators of impairment. Management has not determined if the recoverable amount of these investment properties exceed their carrying amount, which we believe should be done to conform with International Financial Reporting Standards. We were unable to determine the adjustments necessary to this amount.

Cont'd...

Akbar Ahmad (1141), Anis Sadek (521), Cynthia Corby (995), Georges Najem (809), Mohammad Jallad (1164), Mohammad Khamees Al Tah (717), Musa Ramahi (872), Mutasem M. Dajani (726), Obada Alkowatly (1056), Rama Padmanabha Acharya (701) and Samir Madbak (386) are registered practicing auditors with the UAE Ministry of Economy.

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REPORT ON REVIEW OF CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (continued)

Basis for Qualified Conclusion (continued)

b) Based on information provided to us by management, the Group has included variable consideration in the determination of "due from customers on construction contracts" in the interim condensed consolidated statement of financial position which we believe should be excluded to conform with IFRS. IFRS requires that variable consideration be included in the transaction price only 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. This information indicates that, had management constrained the inclusion of these claims in the transaction price to the extent that it meets the above criteria, due from customers from construction contracts, provision for further losses, and opening retained earnings would have been decreased by AED 293.4 million, AED 17.2 million, and AED 123.1 million; respectively, as at 30 September 2019. Accordingly, contract revenue, contract cost would have been decreased by AED 170.3 million, AED 17.2 million, respectively, and losses for the period would increase by AED 153.1 million and losses per share would have been increased by AED 0.10 per share for the nine-month period ended 30 September 2019.

c) Based on information provided to us by management, the Group has excluded certain costs and included the recovery against certain subcontractors in its estimates of costs to be incurred to complete projects when determining the forecast contract profit or loss, which we believe should be included to conform with International Financial Reporting Standards. This information indicates that, had these costs been included in the estimates of forecast costs, provisions for further losses would be increased by AED 73.4 million, due from customers from construction contracts would decrease by AED 596.9 million, as at 30 September 2019. This results in a corresponding decrease on contract revenue of AED 596.9 million, an increase in contract cost of AED 73.4 million, an increase in losses by AED 670.3 million and losses per share would be increased by AED 0.45 per share for the nine-month period then ended.

d) Based on information provided to us by management, the Group has certain receivables from customers amounting to AED 112.2 million for which AED 13.5 million of allowance for expected credit losses has been recorded. Management is of the opinion that these contract receivables will be recovered in due course. We believe that, based on the stage of negotiations, that an additional allowance amounting to AED 33.7 million should be recorded. Had management stated the contract receivables to their recoverable amounts, profit would be decreased by AED 33.7 million and losses per share would be increased by AED 0.02 per share for the nine-month period then ended.

Qualified Conclusion

Based on our review, with the exception of the matters described in the preceding paragraph, nothing has come to our attention that causes us to believe that the accompanying condensed consolidated interim financial information does not present fairly, in all material respects, the financial position of the Group as at 30 September 2019 and of its financial performance and cash flows for the nine-month period then ended in accordance with IAS 34 *Interim Financial Reporting*.

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REPORT ON REVIEW OF CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (continued)

Material uncertainty relating to going concern

We draw attention to Note 3 to the interim financial information concerning the Group's ability to continue as a going concern.

The Group's ability to continue to operate is dependent on it realising its forecast financing and being awarded tenders, which are not wholly within management's control. As stated in Note 3, these events or conditions, along with other matters as set forth in Note 3, Note 24 (Contractual disputes) and the matters set out in the Basis for Qualified Conclusion paragraph, indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our conclusion is not modified in respect of this matter.

Emphasis of Matters

We draw attention to:

a) Note 24 to the condensed consolidated interim financial information, which describes that various contractual disputes relating to projects are currently subject to legal and / or dispute resolution proceedings and where applicable, amicable settlement negotiations, with the respective employers. The probable outcome of these contractual disputes cannot be determined with reasonable certainty, as these legal/dispute resolution proceedings and where applicable, amicable settlement negotiations, are ongoing.

b) Note 25 to the condensed consolidated interim financial information, which describes that the outcome of the dispute and claim filed by a non-controlling shareholder of Arabtec Construction W.L.L. Qatar, a subsidiary of the Group, cannot be determined with reasonable certainty as at the date of this report.

Our conclusion is not modified in respect of these matters.

Other Matters

The interim financial information of the Group for the period ended 31 March 2019, was reviewed by another auditor who expressed a modified conclusion on interim financial information on 14 May 2019. The consolidated financial statements of the Group for the year ended 31 December 2018, were audited by another auditor who expressed a modified opinion on those consolidated financial statements on 12 February 2019.

The reasons for modification of the review conclusion and audit opinion were as follows:

a) The Group's investment properties include a property comprising of a plot of land and associated development costs (the property) with a carrying amount of AED 568 million (31 December 2018: AED 568 million). 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 IAS 36 *Impairment of assets*. The predecessor auditor was unable to perform the review procedures they considered necessary to satisfy themselves as to the carrying amount of the property as at 31 March 2019 and 31 December 2018 and was not able to determine whether any impairment should have been recorded.

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REPORT ON REVIEW OF CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (continued)

Other Matters (continued)

b) The balance of trade and other receivables include net exposures of AED 153 million at 31 March 2019 (31 December 2018: AED 153 million) relating to amounts due from customers that have not been certified by the customers and which are subject to negotiations and discussions. The predecessor auditor was unable to perform the review procedures they considered necessary to satisfy themselves as to the extent and timing of the recoverability of these amounts and was not able to determine whether any impairment adjustments relating to these amounts was necessary.

Deloitte & Touche (M.E.)



Cynthia Corby
Registration No. 995
14 November 2019
Dubai
United Arab Emirates

Condensed consolidated interim statement of financial position as at 30 September 2019

	Notes	30 September 2019 AED'000 *(Unaudited)*	31 December 2018 AED'000 *(Audited)*
ASSETS			
Non-current assets			
Property, plant and equipment	6	**527,837**	638,874
Right-of-use asset	2	**123,803**	-
Investment properties	7	**593,581**	595,320
Goodwill		**248,741**	248,741
Other intangible assets	8	**15,420**	16,000
Investment in an associate	9	**153,694**	209,328
Deferred tax asset		**3,128**	5,282
Trade and other receivables		**248,379**	537,018
Advances paid to suppliers and sub-contractors		**311,026**	280,223
Other financial assets	13	**17,282**	17,282
Total non-current assets		**2,242,891**	2,548,068
Current assets			
Inventories	14	**133,573**	130,590
Trade and other receivables		**2,306,497**	2,395,825
Due from customers on construction contracts	10	**2,758,785**	2,641,928
Advances paid to suppliers and sub-contractors		**1,303,206**	977,947
Due from related parties	11	**543,619**	576,160
Other financial assets	13	**109,995**	205,713
Other current assets		**611,890**	289,301
Cash and bank balances	12	**802,136**	1,269,575
Total current assets		**8,569,701**	8,487,039
Total Assets		**10,812,592**	11,035,107
EQUITY AND LIABILITIES			
EQUITY			
Share capital	17	**1,500,000**	1,500,000
Statutory reserve		**155,909**	155,909
Foreign currency translation reserve		**18,118**	27,603
Other reserves		**(212,648)**	(212,648)
(Accumulated losses)/retained earnings		**(274,320)**	189,793
Equity attributable to owners of the Parent		**1,187,059**	1,660,657
Non-controlling interests		**(331,532)**	(258,399)
Total equity		**855,527**	1,402,258
Non-current liabilities			
Bank borrowings	16	**552,349**	559,911
Lease liabilities	2	**79,638**	-
Retention payables		**441,053**	361,234
Provision for employees' end of service benefits		**225,574**	216,045
Total non-current liabilities		**1,298,614**	1,137,190
Current liabilities			
Trade and other payables		**4,865,765**	4,674,891
Due to customers on construction contracts	10	**634,922**	66,455
Advances received from customers		**1,541,397**	1,757,322
Bank borrowings	16	**1,163,315**	1,497,096
Lease liabilities	2	**12,383**	-
Due to related parties	11	**431,369**	487,029
Income tax payable		**9,300**	12,866
Total current liabilities		**8,658,451**	8,495,659
Total Liabilities		**9,957,065**	9,632,849
Total Equity and Liabilities		**10,812,592**	11,035,107

Peter Pollard
Chief Executive Officer

Adel Al Wahedi
Chief Financial Officer

The accompanying notes form an integral part of these condensed consolidated interim financial information.

Condensed consolidated interim statement of profit or loss (Unaudited) for the nine-month period ended 30 September 2019

	Notes	Three-month period ended 30 September		Nine-month period ended 30 September	
		2019	2018	**2019**	2018
		AED'000	AED'000	**AED'000**	AED'000
Revenue	18	**1,616,730**	2,340,449	**5,829,857**	7,152,300
Direct costs		**(1,990,443)**	(2,178,462)	**(5,937,488)**	(6,665,994)
Gross (loss)/profit		**(373,713)**	161,987	**(107,631)**	486,306
Investment income		**735**	1,952	**3,805**	3,397
General and administrative expenses		**(56,411)**	(72,020)	**(262,505)**	(232,719)
Other income - net		**14,782**	865	**63,109**	6,940
Finance costs - net		**(27,972)**	(25,408)	**(81,923)**	(84,982)
Share of (loss)/profit of an associate		**(47,831)**	-	**(55,634)**	7,497
(Loss)/profit before tax		**(490,410)**	67,376	**(440,779)**	186,439
Income tax expense	15	**(270)**	(5)	**(949)**	(3,856)
(Loss)/profit after tax for the period		**(490,680)**	67,371	**(441,728)**	182,583
Attributable to:					
Owners of the Parent		**(437,423)**	67,464	**(379,551)**	180,509
Non-controlling interests		**(53,257)**	(93)	**(62,177)**	2,074
		(490,680)	67,371	**(441,728)**	182,583
(Loss)/earnings per share					
Basic and diluted (AED)	19	**(0.29)**	0.04	**(0.25)**	0.12

The accompanying notes form an integral part of these condensed consolidated interim financial information.

Condensed consolidated interim statement of comprehensive income (Unaudited) for the nine-month period ended 30 September 2019

	Three-month period ended 30 September		Nine-month period ended 30 September	
	2019 AED'000	2018 AED'000	**2019 AED'000**	2018 AED'000
(Loss)/profit after tax for the period	**(490,680)**	67,371	**(441,728)**	182,583
Other comprehensive loss:				
Items that may be reclassified subsequently to profit or loss				
Net change in foreign currency translation reserve	**(1,200)**	(1,679)	**(14,941)**	(7,669)
Total comprehensive (loss)/ income for the period	**(491,880)**	65,692	**(456,669)**	174,914
Attributable to:				
Owners of the Parent	**(438,121)**	66,541	**(389,036)**	175,426
Non-controlling interests	**(53,759)**	(849)	**(67,633)**	(512)
	(491,880)	65,692	**(456,669)**	174,914

The accompanying notes form an integral part of these condensed consolidated interim financial information.

Condensed consolidated interim statement of changes in equity for the nine-month period ended 30 September 2019

	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)/ retained earnings AED'000	Total AED'000	Non-controlling interests AED'000	Total equity AED'000
Balance at 31 December 2018 (Audited)	1,500,000	155,909	27,603	(212,648)	189,793	1,660,657	(258,399)	1,402,258
Loss for the period	-	-	-	-	(379,551)	(379,551)	(62,177)	(441,728)
Other comprehensive loss for the period	-	-	(9,485)	-	-	(9,485)	(5,456)	(14,941)
Total comprehensive loss for the period	-	-	(9,485)	-	(379,551)	(389,036)	(67,633)	(456,669)
Dividends declared and paid to shareholders (Note 27)	-	-	-	-	(75,000)	(75,000)	-	(75,000)
Dividends declared and paid to non-controlling interest	-	-	-	-	-	-	(5,500)	(5,500)
Remuneration to directors	-	-	-	-	(9,562)	(9,562)	-	(9,562)
Balance at 30 September 2019 (Unaudited)	**1,500,000**	**155,909**	**18,118**	**(212,648)**	**(274,320)**	**1,187,059**	**(331,532)**	**855,527**
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	-	-	-	-	(101,397)	(101,397)	(11,282)	(112,679)
Balance at 1 January 2018 - restated	1,500,000	130,279	33,498	(199,063)	18,755	1,483,469	(255,650)	1,227,819
Profit for the period	-	-	-	-	180,509	180,509	2,074	182,583
Other comprehensive loss for the period	-	-	(5,083)	-	-	(5,083)	(2,586)	(7,669)
Total comprehensive (loss)/income for the period	-	-	(5,083)	-	180,509	175,426	(512)	174,914
Dividends declared and paid to shareholders (Note 27)	-	-	-	-	(30,750)	(30,750)	-	(30,750)
Dividends declared and paid to non-controlling interest	-	-	-	-	-	-	(6,013)	(6,013)
Remuneration to directors	-	-	-	-	(9,200)	(9,200)	-	(9,200)
Balance at 30 September 2018 (Unaudited)	1,500,000	130,279	28,415	(199,063)	159,314	1,618,945	(262,175)	1,356,770

The accompanying notes form an integral part of these condensed consolidated interim financial information.

Condensed consolidated interim statement of cash flows (Unaudited) for the nine-month period ended 30 September 2019

	Nine-month period ended 30 September	
	2019	2018
	AED'000	AED'000
Cash flows from operating activities		
(Loss)/profit before tax	**(440,779)**	186,439
Adjustments for:		
Depreciation on property, plant and equipment	**107,935**	125,420
Share in loss/(profit) of an associate	**55,634**	(7,497)
Finance costs - net	**78,027**	84,982
Gain on sale of property, plant and equipment	**(54,680)**	(294)
Provision for employees' end of service benefits	**40,675**	29,478
Amortisation of right-of-use of asset	**9,219**	-
Net fair value change in non-current receivables and payables	**(4,005)**	-
Finance costs related to lease liabilities	**3,896**	-
Investment income	**(3,805)**	(3,397)
Amortisation of intangible assets	**794**	750
Depreciation on investment properties	**27**	190
Gain on disposal of investment property	**(409)**	-
Operating cash flows before changes in operating assets and liabilities	**(207,471)**	416,074
Decrease/(increase) in trade and other receivables, including due from customers on construction contracts	**262,391**	(34,464)
(Increase)/decrease in advances paid to suppliers and sub-contractors	**(356,062)**	202,322
Decrease in due from related parties	**32,541**	32,161
Increase in inventories	**(2,983)**	(17,065)
Increase in other current assets	**(357,535)**	(59,020)
Increase/(decrease) in trade and other payables, including due to customers on construction contracts	**841,884**	(212,240)
Decrease in advances received from customers	**(215,925)**	(174,831)
(Decrease)/increase in due to related parties	**(55,660)**	81,499
Increase in retention payables	**-**	11,754
Cash generated from operating activities	**(58,820)**	246,187
Employees' end of service benefits paid	**(31,146)**	(32,824)
Income tax paid	**(2,361)**	(12,366)
Net cash generated from operating activities	**(92,327)**	200,997

The accompanying notes form an integral part of these condensed consolidated interim financial information.

Condensed consolidated interim statement of cash flows (Unaudited) for the nine-month period ended 30 September 2019 (continued)

	Nine-month period ended 30 September	
	2019	2018
	AED'000	AED'000
Cash flows from investing activities		
Proceeds from disposal of property, plant and equipment	**81,714**	10,685
Purchase of property, plant and equipment	**(23,932)**	(49,150)
Investment income received	**3,805**	3,397
Purchase of other intangible assets	**(214)**	-
Decrease in other financial assets	**95,718**	(20,211)
Dividend received from an associate	**-**	19,442
Proceeds from disposal of investment properties	**2,121**	-
Net cash generated from/(used in) investing activities	**159,212**	(35,837)
Cash flows from financing activities		
Repayment of borrowings, net	**(457,424)**	(343,416)
Repayment of lease liabilities	**(9,951)**	-
Interest paid	**(78,027)**	(78,042)
Dividends paid to shareholders	**(75,000)**	(36,763)
Dividends paid to non-controlling interests	**(5,500)**	-
Remuneration paid to directors	**(9,562)**	(9,200)
Net cash used in financing activities	**(635,464)**	(467,421)
Net decrease in cash and cash equivalents	**(568,579)**	(302,261)
Cash and cash equivalents at the beginning of the period/year	**874,898**	500,749
Net foreign currency translation difference	**(14,941)**	(7,669)
Cash and cash equivalents at the end of the period/year (Note 12)	**291,378**	190,819
Non-cash transaction:		
IFRS 9 and 15 opening adjustments	**-**	112,679

The accompanying notes form an integral part of these condensed consolidated interim financial information.

Notes to the condensed consolidated interim financial information for the nine-month period ended 30 September 2019

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 is reviewed, not audited.

Subsidiaries, associates and joint operations:

	% Holding (including indirect holding)		
Name of subsidiary and domicile	**30 September 2019**	**31 December 2018**	**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	100%	100%	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
Arabtec Construction India (Pvt) Limited, India	63%	63%	Civil construction and related works
Arabtec Constructions LLC - Abu Dhabi, UAE	60%	60%	Civil construction and related works

Notes to the condensed consolidated interim financial information for the nine-month period ended 30 September 2019 (continued)

1. General information (continued)

Subsidiaries, associates and joint operations: (continued)

Name of subsidiary and domicile	% Holding (including indirect holding) 30 September 2019	31 December 2018	Principal activities
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
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
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

Notes to the condensed consolidated interim financial information for the nine-month period ended 30 September 2019 (continued)

1. General information (continued)

Subsidiaries, associates and joint operations: (continued)

Name of subsidiary and domicile	% Holding (including indirect holding) 30 September 2019	31 December 2018	Principal activities
Saudi Target Engineering Construction Company LLC, Kingdom of Saudi Arabia	65%	65%	Civil construction and related works
Target Engineering Construction Company LLC, UAE	100%	100%	Civil construction and related works
Target Steel Industries LLC, UAE	97%	97%	Fabrication of steel structure and profiles
Target Engineering Construction Company L.L.C, (Foreign Company) Jordan	100%	100%	Civil construction and related works
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

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

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 19.

Notes to the condensed consolidated interim financial information for the nine-month period ended 30 September 2019 (continued)

1. General information (continued)

Subsidiaries, associates and joint operations (continued):

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

Name of associate and domicile	% Holding (including indirect holding) 30 September 2019	31 December 2018	Principal activities
Depa Plc, Dubai, UAE ("DEPA") (formerly Depa Limited)	24.329%	24.329%	Luxury fit-out of five star hotels, yachts and facilities and related services

2. Basis of preparation and accounting policies

2.1 Basis of preparation

This condensed consolidated interim financial information for the period ended 30 September 2019 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 currency of the Company and presentation currency of the Group. All numbers are rounded off to the nearest thousand except otherwise stated.

The condensed consolidated interim financial information does not include all information and disclosures required in the annual financial statements and should be read in conjunction with the Group's annual financial statements for the year ended 31 December 2018.

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 2018 and the notes attached thereto except as stated in Note 2.3.

2.3 Changes in accounting policies

(i) New and amended standards adopted by the Group

The following new standard 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 the standard:

The Group adopted IFRS 16 *Leases* the standard replaces the existing guidance on leases, including IAS 17 *Leases*, IFRIC 4 *Determining whether an Arrangement contains a Lease*, SIC 15 *Operating Leases – Incentives* and SIC 27 *Evaluating the Substance of Transactions in the Legal Form of a Lease*.

Notes to the condensed consolidated interim financial information for the nine-month period ended 30 September 2019 (continued)

2. Basis of preparation and accounting policies (continued)

2.3 Changes in accounting policies (continued)

(i) New and amended standards adopted by the Group (continued)

IFRS 16 was issued in January 2016 and is effective for annual periods commencing on or after 1 January 2019. IFRS 16 stipulates that all leases and the associated contractual rights and obligations should generally be recognize in the Group's financial Position, unless the term is 12 months or less or the lease for low value asset. Thus, the classification required under IAS 17 *Leases* into operating or finance leases is eliminated for Lessees. For each lease, the lessee recognizes a liability for the lease obligations incurred in the future. Correspondingly, a right to use the leased asset is capitalized, which is generally equivalent to the present value of the future lease payments plus directly attributable costs and which is amortized over the useful life.

The Group has opted for the modified retrospective application permitted by IFRS 16 upon adoption of the new standard. During the first time application of IFRS 16 to operating leases, the right to use the leased assets was generally measured at the amount of lease liability, using the interest rate at the time of first time application. IFRS 16 transition disclosures also requires the Group to present the reconciliation. The off-balance sheet lease obligations as of 31 December 2018 are reconciled as follows to the recognized the lease liabilities as of 1 January 2019.

	AED'000 *(Unaudited)*
Operating lease commitments disclosed as of 31 December 2018	**528,988**
Less: Short term leases recognised on a straight line basis as expense	**(149,137)**
Net adjustments due to discounting and different treatments of extension and termination options	**(266,758)**
Net present value of lease liabilities	**113,093**
Less: Prepayments as at the date of initial application	**(34,946)**
Lease liabilities recognised as at 1 January 2019 – as restated	**78,147**
Of which are:	
- Current lease liabilities	**6,800**
- Non-current lease liabilities	**71,347**
	78,147

The right-of use assets were measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the consolidated statement of financial position as at 31 December 2018. There were no onerous lease contracts that would have required an adjustment to the right-of-use assets at the date of initial application.

The change in accounting policy affected the following items in the consolidated statement of financial position of the Group as at 1 January 2019 (as restated):

- prepayment - decrease by AED 34.9 million
- right-of-use assets - increase by AED 113.1 million
- lease liabilities - increase by AED 78.1 million

There is no impact on retained earnings on 1 January 2019.

Notes to the condensed consolidated interim financial information for the nine-month period ended 30 September 2019 (continued)

2. Basis of preparation and accounting policies (continued)

2.3 Changes in accounting policies (continued)

(i) New and amended standards adopted by the Group (continued)

The recognised right-of-use assets relate to the following types of assets:

	30 September 2019 AED'000 (Unaudited)	1 January 2019 AED'000 (As restated)
Land	**97,860**	102,298
Buildings	**6,999**	9,396
Labor camps	**18,944**	1,399
	123,803	113,093

The additions during the period for right-of-use assets amounted to AED 19.9 million.

Lease liabilities recognized and maturity analysis:

	30 September 2019 AED'000 (Unaudited)	1 January 2019 AED'000 (As restated)
Amount due for settlement within 12 months		
Not later than 1 year (shown under current liabilities)	**12,383**	6,800
Amount due for settlement after 12 months		
Later than 1 year and not later than 5 years	**51,242**	41,215
Later than 5 years	**28,396**	30,132
	92,021	78,147

Impact on segment disclosures and earnings per share

The change in accounting policy increased segment assets and liabilities as at 30 September 2019 and reduced net results for the period then ended. Lease liabilities are now included in segment liabilities, whereas finance lease liabilities were previously excluded from segment liabilities.

The following segments were affected by the change in policy:

	Net results AED'000	Segment assets AED'000	Segment liabilities AED'000
Building	**(4,727)**	**57,145**	**26,530**
Economic and social infrastructure	**(3,641)**	**35,847**	**35,006**
Industrial	**(4,747)**	**30,811**	**30,485**
	(13,115)	**123,803**	**92,021**

Notes to the condensed consolidated interim financial information for the nine-month period ended 30 September 2019 (continued)

2. Basis of preparation and accounting policies (continued)

2.3 Changes in accounting policies (continued)

(i) New and amended standards adopted by the Group (continued)

The Group's leasing activities and how these are accounted for:

The Group leases various properties, equipment and cars. Rental contracts are typically made for fixed periods of 1 to 50 years but may have extension options. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes.

From 1 January 2019, Leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payment that are based on an index or a rate;
- amounts expected to be payable by the lessee under residual value guarantees;
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option; and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined, the lessee's incremental borrowing rate is used, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability
- any lease payments made at or before the commencement date less any lease incentives received
- any initial direct costs, and
- restoration costs.

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise IT-equipment and small items of office furniture.

Practical expedient

In applying IFRS 16 for the first time, the Group has used the following practical expedients permitted by the standard:

- the use of a single discount rate to a portfolio of leases with reasonably similar characteristics;
- reliance on previous assessments on whether leases are onerous;
- the accounting for operating leases with a remaining lease term of less than 12 months as at 1 January 2019 as short-term leases;

Notes to the condensed consolidated interim financial information for the nine-month period ended 30 September 2019 (continued)

2. Basis of preparation and accounting policies (continued)

2.3 Changes in accounting policies (continued)

(i) New and amended standards adopted by the Group (continued)

Practical expedient (continued)

- the exclusion of initial direct costs for the measurement of the right-of-use asset at the date of initial application, and
- the use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

The Group has also elected not to reassess whether a contract is, or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date the Group relied on its assessment made applying IAS 17 and IFRIC 4 *Determining whether an Arrangement contains a Lease*.

(ii) Revised standards

Effective for annual periods beginning on or after 1 January 2019:

- Amendments to IFRS 9 *Prepayment Features with Negative Compensation and Modification of financial liabilities*
- Amendments to IAS 28 *Investment in Associates and Joint Ventures*: Relating to long-term interests in associates and joint ventures.
- Annual Improvements to IFRSs 2015 - 2017 *Cycle Amendments to* IFRS 3 *Business Combinations,* IFRS 11 *Joint Arrangements*, IAS 12 *Income Taxes and* IAS 23 *Borrowing Costs*
- Amendments to IAS 19 *Employee Benefits Plan Amendment, Curtailment or Settlement*
- IFRIC 23 *Uncertainty over Income Tax Treatments*

(iii) New and revised standards and interpretations but not yet effective

Effective for annual periods beginning after 1 January 2020:

- Amendments regarding the definition of material
- Amendments to clarify the definition of a business
- IFRS 17: *Insurance Contracts*
- Amendments to IFRS 10 *Consolidated Financial Statements* and IAS 28 *Investments in Associates and Joint Ventures* (2011) relating to the treatment of the sale or contribution of assets from and investor to its associate or joint venture.
- Amendments to IFRS 2, IFRS 3, IFRS 6, IFRS 14, IAS 1, IAS 8, IAS 34, IAS 37, IAS 38, IFRIC 12, IFRIC 19, IFRIC 20, IFRIC 22, and SIC-32 to update those pronouncements with regard to references to and quotes from the framework or to indicate where they refer to a different version of the Conceptual Framework.

2.4 Basis of consolidation

The condensed consolidated interim financial information as at, and for the period ended 30 September 2019 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.

Notes to the condensed consolidated interim financial information for the nine-month period ended 30 September 2019 (continued)

3. Going concern

The condensed consolidated interim financial information has been prepared on a going concern basis notwithstanding the fact that the Group has incurred a loss for the period ended 30 September 2019 of AED 442 million, has accumulated losses of AED 274 million and net current liabilities of AED 89 million as at 30 September 2019.

In performing their assessment of going concern, the Directors have considered forecast cash flows for the 15 months period to 31 December 2020. The key assumptions included in the forecast cash flows over this period are:

- the operational and commercial closeout of several projects in line with forecast;
- cost mitigation measures for the reduction of overheads;
- securing tenders contributing to a net cash inflow in the period of AED 368 million; and
- securing funding for the short and medium term of at least AED 600 million, which is expected to comprise term loans to support the business in the 4th quarter of 2019, which is highly probable based on advanced negotiation with lenders.

The Directors remain confident that the timing and realisation of these assumptions are reasonable and reflect their assessment of the most likely outcome. However, the timing and realisation of these matters is not wholly within management's control.

The Directors have concluded that, in aggregate, such matters beyond management's control represent a material uncertainty that may cast significant doubt on the group's ability to continue as a going concern. Significant disruption to the timing or realisation of the anticipated cash flows could result in the business being unable to realise its assets and discharge its liabilities in the normal course of business.

On this basis, the directors are confident that, notwithstanding the material uncertainty discussed above, the Group will have adequate resources to continue in operational existence for the foreseeable future and therefore the going concern basis of accounting remains appropriate.

4. Critical judgments and key sources of estimation uncertainty

Changes in judgments and estimation uncertainty

The critical judgements and estimates used in the preparation of these condensed consolidated interim financial information are consistent with those used in the preparation of the Group's consolidated financial statements for the year ended 31 December 2018 except as follows:

Determining the lease term

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated).

4. Critical judgments and key sources of estimation uncertainty (continued)

***Changes in judgments and estimation uncertainty* (continued)**

Discounting of lease payments

The lease payments are discounted using the Group's incremental borrowing rate ("IBR"), which ranges from 6.24% to 6.5%, due to the absence of implicit rates in the lease contracts.

Management has applied judgments and estimates to determine the IBR at the commencement of lease, using borrowing rates that certain financial institutions would charge the Group against financing the different types of assets it leases over different terms and different ranges of values. Majority of the leases are present in the UAE and accordingly no adjustment for the economic environment was deemed required.

Recoverable amount of Investment in Depa PLC

The Group maintains its significant influence over Depa PLC's operating and financial policies. As a result, management continues to account for its investment in Depa PLC as at 30 September 2019 under the equity method. Since the investee has not declared its results at the date of approval of this condensed consolidated interim financial information, management has assessed the recoverable amount of the investment using the fair value less costs of disposal calculation, using the net assets of DEPAs most recently published financial information as a basis. At 30 September 2019 management calculated the fair value using DEPAs net assets as at 30 June 2019 per the published interim financial results, and making an estimate of the profit or loss to 30 September 2019 based on DEPAs adjusted trading performance for the period ending 30 June 2019.

Management considers that for the recoverable amount to fall below the carrying value, there would have to be unreasonable changes to the trading performance of DEPA since 30 June 2019. Management considers the likelihood of these changes occurring as unlikely.

Contract claims

A claim is an amount that the contractor seeks to collect from the customer or another party as reimbursements for costs not included in the contract price. A claim may arise from, for example, customer caused delays, prolongation cost, cost of acceleration of project, program errors in specifications or design, and disputed variations in contract work. The measurement of the amounts of revenue arising from claims is subject to a high level of uncertainty and often depends on the outcome of negotiations. Therefore, claims are only included in contract revenue when the amount has been accepted by the customer or the customer's representative and or negotiations have reached a stage that it is highly probable that a significant reversal of revenue will not occur.

Contract cost estimates

At the end of each reporting period, the Group is required to estimate costs to complete contracts. Estimating costs to complete on such contracts requires the Group to make estimates of future costs to be incurred, based on work to be performed at the end of the reporting period. The Group uses internal quantity surveyors together with project managers to estimate the costs to complete for construction contracts. Factors such as labour costs, changes in material prices, defects liability costs and other costs are included in the contract cost estimates based on best estimates of the contract progress and remaining works at the end of the reporting period. These estimates also include the cost of potential claims by subcontractors and the cost of meeting other contractual obligations to the employers. The Group currently has several projects in the final phases of completion based on their respective project programs, which are being prioritized for hand-over. The Group continuously assesses the sufficiency of the contract cost to complete based on the revised forecast completion dates at each reporting period.

4. Critical judgments and key sources of estimation uncertainty (continued)

Changes in judgments and estimation uncertainty **(continued)**

Provision for warranty

The Group generally offers a one year warranty for defects on work carried out during the contractual defects liability period and does not provide extended warranties or maintenance services in its contracts with customers. Management estimates the related provision for the costs associated with rectifying defects based on historical information, as well as recent trends that might suggest that past cost information may differ from future defects costs. These costs are included in estimated contract costs. As such, the Group expects that such defects costs will be assurance-type warranties which will continue to be accounted for under IAS 37 *Provisions, Contingent Liabilities and Contingent Assets* consistent with its current practice.

Impairment assessment of Goodwill

The Group determines at the end of the reporting period whether there are indicators of impairment in the carrying amount of its property, plant and equipment, intangible assets and other financial assets. Where indicators exist, an impairment test is undertaken which requires management to estimate the recoverable amount of its assets which is initially based on its value in use. When necessary, fair value less costs of disposal is estimated. Management performs the review at the cash generating unit ("CGU") relating to an operating segment's assets based on groups of legal entities by activity.

An indicator of impairment exists in that the market downturn and instability in the construction market continues to affect revenues and profit margins in the sector. This has had an impact on our backlog and utilisation of our assets attributable to the Arabtec Construction CGU, albeit an increase in awards and pipeline compared to the prior year. The estimate of future cash flows for the CGU has been affected by the current assumptions relating to market outlook, contract awards and margins.

Determining an estimation of value in use of the CGU requires the estimation of future cash flows expected to arise from the CGU and a suitable discount rate to calculate the present value of expected future cash flows. These calculations use pre-tax cash flow projections based on financial budgets approved by the Board covering a five-year period.

Revenue for the five-year period and the revenue growth rate beyond that period is determined based upon past performance and management expectations of future market development which includes various assumptions relating to market outlook, contract awards and contract margins. As at 30 September 2019, the Group's pipeline of opportunities amounts to AED 13.5 billion.

The bid pipeline comprises a mixture of opportunities in the infrastructure, industrial and residential market sectors and management have made various assumptions relating to the timing, expected values and the probable outcome of these prospective awards. These assumptions are based on medium-term forecasts for the construction industry, macro-economic factors, opportunities and market insights obtained from bidding activities. A change in management assumptions relating to the bid pipeline and outlook could result in the goodwill, property, plant and equipment and/or intangible assets being impaired.

Notes to the condensed consolidated interim financial information for the nine-month period ended 30 September 2019 (continued)

4. Critical judgments and key sources of estimation uncertainty (continued)

Changes in judgments and estimation uncertainty **(continued)**

Impairment assessment of Goodwill (continued)

A discount rate of 11.32% is used to discount the pre-tax cash flow projections to the present value. In determining the appropriate discount rate, the Group considers the weighted average cost of capital employed, which takes into consideration the risk free rate of government bonds with a long-term maturity period, the UAE inflation rate, the equity risk premium on the entities operating from the UAE, the Group's beta and the cost of Group's debt. The following are the key assumptions:

- Discount rate – 11.32%
- Gross profit margin – 5.5%
- Terminal value growth rate – 3%

In determining the terminal value growth rate, the Group considers the long-term average CPI growth rate for the UAE which is estimated to be c3.00% by the Economist Intelligence Unit ("EIU").

A change in the assumptions used by management, in particular the discount rate and growth rate assumptions used in the cash flow projections, could significantly affect the Group's impairment evaluation.

5. 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.

The management of the Group assessed the Group 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 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 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 work that does not fall into the previous three segments in addition to the Company.

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.

Notes to the condensed consolidated interim financial information for the nine-month period ended 30 September 2019 (continued)

5. Segment reporting (continued)

	Building AED'000	Economic and social infrastructure AED'000	Industrial AED'000	Others AED'000	Eliminations AED'000	Total AED'000
Nine-month period ended 30 September 2019 (Unaudited)						
Revenue	**4,305,892**	**1,194,230**	**617,715**	**187,154**	**(475,134)**	**5,829,857**
Direct costs	**(4,665,194)**	**(1,120,339)**	**(563,016)**	**(64,073)**	**475,134**	**(5,937,488)**
Gross (loss)/profit	**(359,302)**	**73,891**	**54,699**	**123,081**	**-**	**(107,631)**
Other income and other expenses, net	**(27,462)**	**4,316**	**1,708**	**49,051**	**(16,333)**	**11,280**
General and administrative expenses	**(199,602)**	**(6,675)**	**(12,949)**	**(45,402)**	**2,123**	**(262,505)**
Finance costs - net	**(59,059)**	**(38)**	**(5,831)**	**(16,995)**	**-**	**(81,923)**
Income tax expense	**(949)**	**-**	**-**	**-**	**-**	**(949)**
Net segment results	**(646,374)**	**71,494**	**37,627**	**109,735**	**(14,210)**	**(441,728)**
Three-month period ended 30 September 2019 (Unaudited)						
Revenue	**1,044,690**	**403,112**	**288,557**	**52,086**	**(171,715)**	**1,616,730**
Direct costs	**(1,587,792)**	**(362,658)**	**(255,282)**	**43,574**	**171,715**	**(1,990,443)**
Gross (loss)/profit	**(543,102)**	**40,454**	**33,275**	**95,660**	**-**	**(373,713)**
Other income and other expenses, net	**(81,590)**	**3,810**	**427**	**51,372**	**(6,333)**	**(32,314)**
General and administrative expenses	**(34,144)**	**(1,780)**	**(5,891)**	**(14,719)**	**123**	**(56,411)**
Finance costs - net	**(19,760)**	**(5)**	**(2,667)**	**(5,540)**	**-**	**(27,972)**
Income tax expense	**(270)**	**-**	**-**	**-**	**-**	**(270)**
Net segment results	**(678,866)**	**42,479**	**25,144**	**126,773**	**(6,210)**	**(490,680)**

Notes to the condensed consolidated interim financial information for the nine-month period ended 30 September 2019 (continued)

5. Segment reporting (continued)

	Building AED'000	Economic and social infrastructure AED'000	Industrial AED'000	Others AED'000	Eliminations AED'000	Total AED'000
Nine-month period ended 30 September 2018 (Unaudited)						
Revenue	5,106,888	1,680,653	736,187	196,257	(567,685)	7,152,300
Direct costs	(4,784,128)	(1,616,014)	(672,797)	(160,740)	567,685	(6,665,994)
Gross profit	322,760	64,639	63,390	35,517	-	486,306
Other income and other expenses, net	860	2,037	283	11,257	-	14,437
General and administrative expenses	(119,574)	(48,937)	(15,473)	(48,735)	-	(232,719)
Finance costs - net	(42,358)	(15,593)	(5,601)	(18,033)	-	(81,585)
Income tax expense	(2,806)	(1,050)	-	-	-	(3,856)
Net segment results	158,882	1,096	42,599	(19,994)	-	182,583
Three-month period ended 30 September 2018 (Unaudited)						
Revenue	1,602,056	586,918	257,491	49,019	(155,035)	2,340,449
Direct costs	(1,483,492)	(566,904)	(230,753)	(52,348)	155,035	(2,178,462)
Gross profit	118,564	20,014	26,738	(3,329)	-	161,987
Other income and other expenses, net	1,078	1,105	(188)	(1,130)	-	865
General and administrative expenses	(38,469)	(16,672)	(4,794)	(12,085)	-	(72,020)
Finance costs - net	(11,785)	(4,881)	(1,333)	(5,457)	-	(23,456)
Income tax expense	36	(41)	-	-	-	(5)
Net segment results	69,424	(475)	20,423	(22,001)	-	67,371

Notes to the condensed consolidated interim financial information for the nine-month period ended 30 September 2019 (continued)

5. Segment reporting (continued)

	Building AED'000	Economic and social infrastructure AED'000	Industrial AED'000	Others AED'000	Eliminations AED'000	Total AED'000
As at 30 September 2019 (Unaudited)						
Segment assets	**6,999,063**	**2,122,435**	**855,456**	**2,638,603**	**(1,802,965)**	**10,812,592**
Segment liabilities	**(7,690,367)**	**(2,214,544)**	**(600,365)**	**(1,254,857)**	**1,803,068**	**(9,957,065)**
As at 31 December 2018 (Audited)						
Segment assets	6,511,383	2,743,526	846,816	2,902,369	(1,968,987)	11,035,107
Segment liabilities	(6,795,731)	(2,544,399)	(758,473)	(1,470,667)	1,936,421	(9,632,849)

Notes to the condensed consolidated interim financial information for the nine-month period ended 30 September 2019 (continued)

6. Property, plant and equipment

	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
At 31 December 2018 (Audited)									
Cost or fair value	53,427	6,302	1,118,467	186,047	602,544	147,351	165,636	11,937	2,291,711
Accumulated depreciation	-	(2,205)	(900,661)	(155,982)	(364,704)	(128,590)	(100,695)	-	(1,652,837)
Net book value	53,427	4,097	217,806	30,065	237,840	18,761	64,941	11,937	638,874
Nine-month period ended 30 September 2019 (Unaudited)									
Opening net book value	53,427	4,097	217,806	30,065	237,840	18,761	64,941	11,937	638,874
Depreciation charge	-	(117)	(63,283)	(10,573)	(13,662)	(9,377)	(10,923)	-	(107,935)
Additions	-	592	15,502	1,085	1,205	1,448	294	3,806	23,932
Disposals	-	-	(217)	(3,617)	(22,967)	(155)	(55)	(23)	(27,034)
Transfers	-	(84)	184	26	-	23	516	(665)	-
Closing net book value	**53,427**	**4,488**	**169,992**	**16,986**	**202,416**	**10,700**	**54,773**	**15,055**	**527,837**
At 30 September 2019 (Unaudited)									
Cost or fair value	**53,427**	**6,810**	**1,120,325**	**178,217**	**579,892**	**146,403**	**165,952**	**15,055**	**2,266,081**
Accumulated depreciation	-	**(2,322)**	**(950,333)**	**(161,231)**	**(377,476)**	**(135,703)**	**(111,179)**	-	**(1,738,244)**
Net book value	**53,427**	**4,488**	**169,992**	**16,986**	**202,416**	**10,700**	**54,773**	**15,055**	**527,837**

Notes to the condensed consolidated interim financial information for the nine-month period ended 30 September 2019 (continued)

7. Investment properties

	30 September 2019 AED'000 *(Unaudited)*	31 December 2018 AED'000 *(Audited)*
Net book value at the beginning of the period/year	**595,320**	595,647
Disposal during the period/year	**(1,712)**	-
Depreciation for the period/year	**(27)**	(327)
Net book value at the end of the period/year	**593,581**	595,320

a) Investment properties include a plot of land in Dubai, UAE amounting to AED 568 million (31 December 2018: AED 568 million). The carrying value of the land includes development costs incurred of AED 88 million.

At 30 September 2019, management is working with an external party on the development plan of the property. 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 a financial institution amounting to AED 242 million as at 30 September 2019 (31 December 2018: AED 250 million).

b) Land in Al Ain, UAE amounting to AED 25 million (31 December 2018: AED 25 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 30 September 2019.

During the current period, there is no rental income (period ended 30 September 2018: Nil) related to investment properties and the depreciation charge in the condensed consolidated interim statement of profit or loss amounted to AED 0.03 million (period ended 30 September 2018: AED 0.19 million).

8. Other intangible assets

	30 September 2019 AED'000 *(Unaudited)*	31 December 2018 AED'000 *(Audited)*
Net book value at the beginning of the period/year	**16,000**	17,000
Additions during the period/year	**214**	-
Amortisation for the period/year	**(794)**	(1,000)
Net book value at the end of the period/year	**15,420**	16,000

The net book value of other intangible assets comprise the "Arabtec brand name".

Notes to the condensed consolidated interim financial information for the nine-month period ended 30 September 2019 (continued)

9. Investment in an associate

a) Details of the Group's associate at 30 September 2019 and 31 December 2018 is as follows:

Name of the Associate	Place of incorporation and operation	Proportion of ownership interest	Proportion of voting power held	Principal activity
Depa PLC	Dubai, U.A.E.	24.329%	24.329%	Construction activities

b) The above investment has been accounted for under the equity method as follows:

	30 September 2019 AED'000 *(Unaudited)*	31 December 2018 AED'000 *(Audited)*
At the beginning of the period/year	**209,328**	205,248
Share of (loss)/profit for the period/year	**(55,634)**	4,080
At the end of the period/year	**153,694**	209,328

On 21 November 2012, the Group acquired shares in Depa PLC ("DEPA") for AED 241.7 million representing a 24.329% interest in 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. DEPA is listed in the Dubai International Financial Center (DIFC) on NASDAQ Dubai.

Summarised financial information of DEPA as of 30 September 2019 is not available as DEPA has not declared its results at the date of approval of this condensed consolidated interim financial information.

Subsequent to the date of issuance of the consolidated financial statements of the Group for the year ended 31 December 2018, DEPA published its financial statements for the same period that showed an additional share of loss attributable to the Group of AED 7.8 million excluding losses amounting to AED 129.6 million from impairment of goodwill in the books of DEPA relating to acquisition made by DEPA, prior to it becoming an associate of the Group. The loss has been recognised by the Group during the nine-month period ended 30 September 2019.

Subsequent to the date of issuance of the condensed consolidated interim financial information of the Group for the six-month period ended 30 June 2019, DEPA published its financial statements for the same period that showed an additional share of loss attributable to the Group of AED 47.8 million. The loss has been recognised by the Group during the nine-month period ended 30 September 2019.

Furthermore, the Group's share in the results of DEPA for the nine-month period ended 30 September 2019 has not been accounted for due to the fact that the financial information of DEPA as of 30 September 2019 has not been published as of date.

Notes to the condensed consolidated interim financial information for the nine-month period ended 30 September 2019 (continued)

10. Due from/(to) customers on construction contracts

	30 September 2019 AED'000 *(Unaudited)*	31 December 2018 AED'000 *(Audited)*
Contract costs incurred plus recognised profits less recognised losses on contracts in progress	**43,039,673**	41,344,875
Less: progress billings	**(41,022,104)**	(38,769,402)
	2,017,569	2,575,473

	30 September 2019 AED'000 *(Unaudited)*	31 December 2018 AED'000 *(Audited)*	Variance AED'000
Gross amounts of due from customers on construction contracts	**2,758,785**	2,641,928	116,857
Gross amounts of due to customers on construction contracts	**(634,922)**	(66,455)	(568,467)
	2,123,863	2,575,473	(451,610)

	30 September 2019 AED'000 *(Unaudited)*
Conversion to certified receivables	**(6,175,173)**
Revenue recognition	**5,723,563**
	(451,610)

11. Related party transactions

The following table provides details of the total amount of transactions that have been entered into with related parties, as defined in International Accounting Standard 24 *Related Party Disclosures*, during the nine-month periods ended 30 September 2019 and 2018, as well as balances with related parties as of 30 September 2019 and 31 December 2018:

Notes to the condensed consolidated interim financial information for the nine-month period ended 30 September 2019 (continued)

11. Related party transactions (continued)

	Nine-month period ended 30 September 2019		As at 30 September 2019	
	Revenue AED'000 *(Unaudited)*	**Other expenses and sub-contract costs AED'000** *(Unaudited)*	**Amount due to AED'000** *(Unaudited)*	**Amount due from AED'000** *(Unaudited)*
Joint operations	**28,884**	**-**	**355,146**	**521,455**
Shareholders	**27,175**	**-**	**4,206**	**-**
Associate	**-**	**-**	**35,060**	**2,953**
Other related parties	**24,577**	**-**	**36,957**	**19,211**
	80,636	**-**	**431,369**	**543,619**

	Nine-month period ended 30 September 2018		As at 31 December 2018	
	Revenue AED'000 *(Unaudited)*	**Other expenses and sub-contract costs AED'000** *(Unaudited)*	**Amount due to AED'000** *(Audited)*	**Amount due from AED'000** *(Audited)*
Joint operations	108,521	-	390,369	561,231
Shareholders	26,038	-	7,048	-
Associate	-	-	50,855	-
Other related parties	13,510	19,479	38,757	14,929
	148,069	19,479	487,029	576,160

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-month period ended 30 September		Nine-month period ended 30 September	
	2019 AED'000 *(Unaudited)*	2018 AED'000 *(Unaudited)*	**2019 AED'000** *(Unaudited)*	2018 AED'000 *(Unaudited)*
Short term benefits	**2,813**	3,285	**9,077**	10,167
Employees' benefits	**209**	131	**476**	567
Bonus	**-**	-	**9,135**	9,218
Remuneration to board of directors	**9,562**	-	**9,562**	9,200

Notes to the condensed consolidated interim financial information for the nine-month period ended 30 September 2019 (continued)

11. Related party transactions (continued)

Compensation of key management personnel (continued)

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.

As at 30 September 2019, cash and cash equivalents and borrowings include AED 261.1 million (31 December 2018: AED 224.1 million) and AED 335.9 million (31 December 2018: AED 461.2 million) respectively, with/from entities in which the Government of the Emirate of Abu Dhabi has an equity stake. Finance costs include AED 15.1 million for the nine-month period ended 30 September 2019 (for the nine-month period ended 30 September 2018: AED 22.6 million) relating to balances with these entities.

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 impact of these transactions have been summarized as follows:

	Due from customers on construction contracts AED'000	**Certified receivables AED'000**	**Retention receivables AED'000**	**Advances received AED'000**	**Revenue AED'000**
As at 30 September 2019 and for the period then ended (Unaudited)	**676,267**	**210,621**	**305,465**	**504,838**	**1,692,929**
As at 31 December 2018 (Audited)/for the period ended 30 September 2018 (Unaudited)	991,466	403,944	382,918	523,185	3,433,667

12. Cash and bank balances

	30 September 2019 AED'000 *(Unaudited)*	31 December 2018 AED'000 *(Audited)*
Cash in bank	**536,273**	898,728
Short term bank deposits	**265,863**	370,847
Cash and bank balances	**802,136**	1,269,575

Notes to the condensed consolidated interim financial information for the nine-month period ended 30 September 2019 (continued)

12. Cash and bank balances (continued)

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

	30 September 2019 AED'000 *(Unaudited)*	30 September 2018 AED'000 *(Unaudited)*
Cash and bank balances	**802,136**	666,575
Less: Deposits with maturity of more than 3 months	**(40,912)**	(40,450)
Less: Bank overdrafts	**(469,846)**	(435,306)
Cash and cash equivalents for the purpose of statement of cash flows	**291,378**	190,819

13. Other financial assets

	Current		**Non-current**	
	30 September 2019 AED'000 *(Unaudited)*	31 December 2018 AED'000 *(Audited)*	**30 September 2019 AED'000 *(Unaudited)***	31 December 2018 AED'000 *(Audited)*
Financial assets at fair value through other comprehensive income (OCI)				
Unquoted equity shares	**-**	-	**17,282**	17,282
	-	-	**17,282**	17,282
Financial assets at amortised cost				
Fixed deposits under lien	**6,028**	80,843	**-**	-
Margin deposits	**103,967**	124,870	**-**	-
	109,995	205,713	**-**	-
	109,995	205,713	**17,282**	17,282

14. Inventories

	30 September 2019 AED'000 (Unaudited)	31 December 2018 AED'000 (Audited)
Steel inventories required for specific projects	**8,894**	9,344
General steel inventories	**611**	-
Other construction materials	**80,917**	75,027
Work in progress	**39,778**	42,738
Ready mix concrete and other related materials	**6,214**	6,172
	136,414	133,281
Less: Allowance for obsolete and slow moving items	**(2,841)**	(2,691)
	133,573	130,590

Notes to the condensed consolidated interim financial information for the nine-month period ended 30 September 2019 (continued)

14. Inventories (continued)

Movement in the allowance for obsolete and slow moving items:

	30 September 2019 AED'000 (Unaudited)	31 December 2018 AED'000 (Audited)
Balance at beginning of the period/year	**2,691**	5,620
Increase in allowance recognised during the period/year	**150**	50
Amounts written off during the period/year	**-**	(2,979)
Balance at end of the period/year	**2,841**	2,691

15. 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 statement of profit or loss are:

	Nine-month period ended 30 September	
	2019 AED'000 *(Unaudited)*	2018 AED'000 (Unaudited)
Income taxes		
Current tax expense	**1,048**	4,077
Deferred tax income relating to the origination of temporary differences	**(99)**	(221)
Total income tax expense	**949**	3,856

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

	Nine-month period ended 30 September	
	2019 AED'000 *(Unaudited)*	2018 AED'000 *(Unaudited)*
(Loss)/income before tax	**(440,779)**	186,439
Income tax expense	**(949)**	(3,856)

The income tax expense in the condensed consolidated interim statement of profit or loss is at the applicable tax rate of the respective subsidiaries in the condensed consolidated interim financial information.

Notes to the condensed consolidated interim financial information for the nine-month period ended 30 September 2019 (continued)

16. Bank borrowings

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

	Current		Non-current	
	30 September 2019 AED'000 *(Unaudited)*	31 December 2018 AED'000 *(Audited)*	**30 September 2019 AED'000** *(Unaudited)*	31 December 2018 AED'000 *(Audited)*
Bank overdrafts	**429,846**	353,765	-	-
Acceptances	**101,326**	305,755	-	-
Project payment certificate discounting	**10,982**	20,097	-	-
Trust receipts	**105,742**	97,546	-	-
Term loans	**515,419**	719,933	**552,349**	559,911
Total borrowings	**1,163,315**	1,497,096	**552,349**	559,911

During the period ended 30 September 2019, the Group has arranged for an additional term loan amounting to AED 70 million from a financial institution.

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.

At 30 September 2019, the Group was not in breach of financial covenants in relation to the above borrowings.

17. Share capital

	30 September 2019 AED'000 *(Unaudited)*	31 December 2018 AED'000 *(Audited)*
Authorised, issued and fully paid up: 1,500,000,000 shares of AED 1 each	**1,500,000**	1,500,000

Notes to the condensed consolidated interim financial information for the nine-month period ended 30 September 2019 (continued)

18. Revenue

The Group derives its revenue from contracts with customers for the transfer of goods and services over time and at a point in time in the following major product lines.

	Nine-month period ended 30 September	
	2019	2018
	AED'000	AED'000
	(Unaudited)	*(Unaudited)*
Construction revenue - over time	**5,743,935**	7,024,827
Sale of ready mix - at a point in time	**85,922**	127,473
Total revenue	**5,829,857**	7,152,300

The transaction price allocated to (partially) unsatisfied performance obligations at 30 September 2019 are as set out below.

	AED'000
	(Unaudited)
Transaction price allocated to (partially) unsatisfied performance obligations	**13,548,522**

19. (Losses)/earnings per share

(Losses)/earnings per share is calculated by dividing the (loss)/profit attributable to the owners of the Parent for the nine-month and three-month period ended 30 September 2019, amounting to loss of AED 379.5 million and loss of AED 437.4 million; respectively (nine-month and three-month period ended 30 September 2018: profit of AED 180.5 million and profit of AED 67.5 million; respectively) by the weighted average number of shares outstanding during the period of 1,500,000,000 (2018: 1,500,000,000).

	Three-month period ended 30 September		Nine-month period ended 30 September	
	2019	2018	**2019**	2018
	AED	AED	**AED**	AED
	(Unaudited)	*(Unaudited)*	***(Unaudited)***	*(Unaudited)*
Basic and diluted (loss)/gain per share	**(0.29)**	0.04	**(0.25)**	0.12

Notes to the condensed consolidated interim financial information for the nine-month period ended 30 September 2019 (continued)

20. 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 the liabilities and expenses.

21. Operating lease arrangements

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

	30 September 2019 AED'000 *(Unaudited)*	31 December 2018 AED'000 *(Audited)*
Short term leases payable within one year	**136,621**	149,137

Notes to the condensed consolidated interim financial information for the nine-month period ended 30 September 2019 (continued)

22. Contingencies and commitments

a) At 30 September 2019, 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 8.9 billion (31 December 2018: AED 8.7 billion).

b) 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.

c) During the year 2018, a third party has filed a claim before the courts of Dubai against the Group and its JV partner, along with other defendants, in respect of a previously completed project. The proceedings are still in early stages and the court has yet to provide the defendants with a full Claimant's exhibits. Consequently, management and the Group's legal counsel are not in a position to provide an evaluation on the likely outcome and range of potential losses, if any, at this stage [Note 25 (e)].

23. Financial Instruments

	30 September 2019 AED'000 *(Unaudited)*	31 December 2018 AED'000 *(Audited)*
Financial assets		
At fair value through other comprehensive income:		
Other financial assets	**17,282**	17,282
At amortised cost:		
Trade and other receivables	**2,554,876**	2,932,843
Due from related parties	**543,619**	576,160
Other financial assets	**109,995**	205,713
Cash and bank balances	**802,136**	1,269,575
	4,010,626	4,984,291
	4,027,908	5,001,573
Financial liabilities		
At amortised cost:		
Bank borrowings	**1,715,664**	2,057,007
Trade, retention and other payables	**5,306,818**	5,036,125
Due to related parties	**431,369**	487,029
Lease liabilities	**92,021**	-
	7,545,872	7,580,161

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and challenging conditions, without incurring unacceptable losses or risking damage to the Group's reputation. The Group monitors is cash flows on a 13 week rolling forecast.

The Group has committed credit facilities in place at 30 September 2019 comprising various bilateral existing loan facilities of AED 1.0 billion, which are fully utilized. The group has working capital facilities which includes funded limits on revolving basis, of which AED 580 million were utilized as at 30 September 2019. The Group expects to continue to service its interest and debt repayment obligations and meet its financial obligations as they fall due for at least 12 months from the issuance of this condensed consolidated interim financial information through ongoing monitoring by the Executive Management of the Group's working capital requirements.

Notes to the condensed consolidated interim financial information for the nine-month period ended 30 September 2019 (continued)

24. Seasonality of operations

The results for the period ended 30 September 2019 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 nine-month period ended 30 September 2019 are not necessarily indicative of the results that might be expected for the year ending 31 December 2019.

25. Contractual disputes

a. In 2016, a subsidiary of the Group received a letter from an employer claiming significant progress delays on the programme of works. Consequently, the employer instructed the main contractor to (i) resolve the payment issue causing delay or (ii) descope certain works from the main contract and appoint other contractors to carry out remaining works on the descoped areas. The subsidiary has completed its reduced scope of works.

   Management believes that they are not in default in progressing the works and the delays were caused by action or inaction by the main contractor and the subsidiary has contractual entitlement to an Extension of Time claim for the delay period.

   In April 2019, the employer attempted to encash the subsidiary's performance bond due to further delays on the project. The employer was unsuccessful due to legal action taken by the subsidiary in obtaining a precautionary attachment order.

   As at 30 September 2019, the Group has a net receivable of AED 122 million, which Management believes is recoverable from the main contractor as the Group has contractual entitlement over the completed works and the quantum of the descoping has been validated by a third-party expert.

   In accordance with the contract, legal proceedings are ongoing in the Abu Dhabi Courts to resolve the dispute regarding the quantum of the descoping and other matters in dispute.

b. In 2018, a subsidiary of the Group took legal action to ratify an arbitral award in its favour of AED 286 million plus interest. The court proceedings are ongoing and include seeking attachment orders over certain assets and bank accounts of the employer.

   As at 30 September 2019, the Group has a net receivable of AED 200.3 million, which Management believes is recoverable from the employer as the amount reflects actual work done and the arbitration award is for a higher amount.

c. In 2011, a subsidiary of the Group took legal action against an employer for non-payment. In 2012, the subsidiary obtained an order from the Pakistan Courts of AED 65 million in respect of which the employer has filed an appeal in 2016. The appeal proceedings are ongoing in the Pakistan Courts.

   Further, in 2016 the subsidiary obtained an injunction order preventing the employer from encumbering the plot where the aborted project is located.

   As at 30 September 2019, the Group has a net receivable of AED 22.7 million, which Management believes is recoverable from the employer based on the value of work done and the injunction order.

d. In 2018, a subsidiary of the Group filed for arbitration in the Dubai International Arbitration Centre against an employer to recover monies due from the employer for, among other things, wrongful termination of a main contract in respect of which the subsidiary's 50/50 JV partner has secured an arbitral award of AED 1.117 billion.

   As at 30 September 2019, the Group has a net receivable of AED 250.6 million which Management believes is recoverable from the employer.

Notes to the condensed consolidated interim financial information for the nine-month period ended 30 September 2019 (continued)

25. Contractual disputes (continued)

e. In 2015, a subsidiary of the Group, together with several other third-parties, was notified by an insurer of a claim for AED 1.2 billion relating to a fire that occurred at a building in respect of which the subsidiary was the main contractor in a joint venture with a third-party.

Under the contract, the Dubai Courts have jurisdiction. Given the complexity of the issues, the subsidiary, together with the majority of the other respondents, is seeking to move the case into arbitration or DIFC Courts. The subsidiary has engaged external experts to assess the claim. The proceedings are at an early stage. Due to the early stage, Management are unable to evaluate the likely outcome of this matter.

26. Other matter

During 2016, a non-controlling shareholder of the Group's subsidiary in Qatar (Arabtec Construction W.L.L.) issued a letter indicating its non-approval or non-authorisation to issue the financial statements of the subsidiary on the grounds that it accepted no responsibility for the financial position, performance and management of the subsidiary.

The Group has obtained legal advice that confirms the non-controlling shareholder is responsible at law for its 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 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.

27. Dividends declared and paid

On 23 April 2019, the shareholders approved the final ordinary dividend proposed by the Board of Directors of AED 0.05 per share, amounting to AED 75 million (30 September 2018: On 16 April 2018, the shareholders approved the final ordinary dividend proposed by the Board of Directors of AED 0.0205 per share, amounting to AED 30.75 million).

28. Approval of condensed consolidated interim financial information

These condensed consolidated interim financial information were approved by the Board of Directors and authorised for issue on 14 November 2019.