Arabtec Holding PJSC and its subsidiaries

Condensed consolidated interim financial information
for the six-month period ended 30 June 2020 (Unaudited)

Arabtec Holding PJSC and its subsidiaries

	Pages
Report on review of condensed consolidated interim financial information	**1 - 4**
Condensed consolidated interim statement of financial position	**5 - 6**
Condensed consolidated interim statement of profit or loss	**7**
Condensed consolidated interim statement of comprehensive income	**8**
Condensed consolidated interim statement of changes in equity	**9**
Condensed consolidated interim statement of cash flows	**10 - 11**
Notes to the condensed consolidated interim financial information	**12 - 44**

Deloitte & Touche (M.E.)
Building 3, Level 6
Emaar Square
Downtown Dubai
P.O. Box 4254
Dubai
United Arab Emirates

Tel: +971 (0) 4 376 8888
Fax:+971 (0) 4 376 8899
www.deloitte.com

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 June 2020 and the related condensed consolidated interim statements of profit or loss, comprehensive income, changes in equity and cash flows for the six-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 (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 Adverse Conclusion

1. As disclosed in Note 2, the interim financial information has been prepared on a going concern basis, which we believe does not conform with International Financial Reporting Standards (IFRS) due to the matters described in the paragraphs below, which indicate that the Group is not a going concern as at 30 June 2020. Therefore the Group may be unable to realise its assets and discharge its liabilities in the normal course of business. We were unable to determine the adjustments necessary to this interim financial information as a result of this matter.

The Group incurred a loss during the six-month period ended 30 June 2020 of AED 794 million, had net cash used in operating activities of AED 197.9 million and net current liabilities of AED 1,740 million as at 30 June 2020. As at 30 June 2020, the Group's losses exceed 50% of its issued share capital and as such article 302 of the Federal Law No (2) of 2015, requires the Company to call a General Meeting for the Shareholders to vote on either dissolving the Company or to continue its activity with an appropriate restructuring plan within 30 days of the issue of the condensed consolidated interim financial information.

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.

Deloitte.

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

Basis for Adverse Conclusion (continued)

The Group has a number of secured financing facilities amounting to AED 1,395 million, which, inter alia, contain covenants requiring the Group to maintain specified financial ratios at specified reporting dates. These covenants were breached as at and 31 December 2019, which had the effect of the Group's bank borrowings being repayable on demand. The Group has been unable to refinance these facilities nor obtain waivers for the covenant breaches to date.

In performing their assessment of going concern, the Board of Directors have considered forecast cash flows for a period of 12 months from the date of issuance of the condensed consolidated interim financial information. The timing and realisation of a number of key assumptions within the forecasts are not wholly within management's control and require securing additional financing to fund its operations for the next 12 months, restructuring and obtaining covenant waivers on its existing financing facilities, the settlement and outcome of ongoing contractual and legal disputes as disclosed in Notes 25 and 26 and the conclusion of the shareholders' vote at the General Meeting supporting the continuance of the Group with an appropriate restructuring plan. Moreover, uncertainties resulting from the anticipated negative impact of COVID-19 on the sector in which the group operates may materially affect these assumptions, particularly securing new awards. Due to the significance of the matters above, management have been unable to conclude on the appropriateness of the going concern basis of preparation of this interim financial information.

2. Based on information provided to us by management, there are investment properties with a carrying amount of AED 568 million (31 December 2019: AED 568 million) which exhibit indicators of impairment. Management has not determined if the recoverable amount of the aforementioned investment properties exceed their carrying amount, which we believe does not conform with International Financial Reporting Standards (IFRSs). We were unable to determine the adjustments necessary to this amount.

Our audit opinion in the prior year was also modified in respect of this matter.

3. Based on information provided to us by management, the Group has measured revenue by including variable consideration in the transaction price of certain construction contracts, to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognized will occur when the uncertainty associated with the variable consideration is subsequently resolved. Management has also excluded certain forecast contract costs and included the recovery of unapproved back charges and discounts with certain subcontractors in their estimates of forecast costs to complete when determining the forecast contract profit or loss. This treatment is not in line with the revenue recognition measurement criteria and we believe that this does not conform with IFRSs. This information indicates that, had management constrained its estimates of variable consideration in the transaction price to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognized will not occur when the uncertainty associated with the variable consideration is subsequently resolved and had all forecast contract costs been included and all unapproved back charges and discounts been excluded in the estimates of forecast costs, the impact would be as follows:

- revenue would have been increased by AED 82 million for the six month period ended 30 June 2020 (for the year ended 31 December 2019: decreased by AED 710 million), direct costs would have increased by AED 4 million for the six month period ended 30 June 2020 (for the year ended 31 December 2019: increased by AED 404 million);
- the loss for the six-month period ended 30 June 2020 would have been decreased by AED 78 million (for the year ended 31 December 2019: increased by AED 1,114 million);

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

Basis for Adverse Conclusion (continued)

- the loss per share would have been decreased by AED 0.06 per share for the six month period ended 30 June 2020 (for the year ended 31 December 2019: increased by AED 0.74 per share);
- amounts due from customers from construction contracts would have been reduced by AED 469 million (31 December 2019: AED 436 million);
- trade and other receivables would have been reduced by AED 14 million (31 December 2019: AED Nil);
- other current assets would have been reduced by AED 264 million (31 December 2019: AED 250 million);
- amounts due to customers from construction contracts would have been increased by AED 162 million (31 December 2019: AED 404 million);
- trade and other payables would have been increased by AED 257 million (31 December 2019: AED 145 million); and
- total equity would have been reduced by AED 1,166 million (31 December 2019: AED 1,235 million).

We were unable to quantify the impact of the above on the condensed consolidated interim statement of profit or loss for the six month period ended 30 June 2019. Our audit opinion in the prior year was also modified in respect of this matter.

4. Based on information provided to us by management, the Group has contract receivables and amounts due from customers on construction contracts with a total carrying amount of AED 318 million (31 December 2019: AED 302 million) and a provision for contract losses of AED 42 million (31 December 2019: AED 76 million) for which management has not taken into consideration the status of negotiations with customers at the reporting date which would increase the allowance for expected credit losses, which we believe does not conform with IFRSs. Had management taken into consideration the status of negotiations with customers at the reporting date, a total amount of AED 244 million (31 December 2019: AED 226 million) would have been required to reduce contract receivables, amounts due from customers on construction contracts and decrease the provision for contract losses, included in trade and other payables.

Accordingly, general and administrative expenses, the loss for the six-month period ended 30 June 2020 would have been increased by AED 2 million (for the year ended 31 December 2019: AED 226 million), the loss per share would have been increased AED 0.001 per share (for the year ended 31 December 2019: AED 0.15 per share) and total equity as at 30 June 2020 would have been decreased by AED 244 million (31 December 2019: AED 226 million). We were unable to quantify the impact on the condensed consolidated interim statement of profit or loss for the six month period ended 30 June 2019. Our audit opinion in the prior year was also modified in respect of this matter.

5. Based on information provided to us by management, the Group's goodwill and other intangible assets, include goodwill and intangible assets relating to the Arabtec Construction LLC cash generating unit of AED 88 million and AED 15 million, respectively, which exhibit indicators of impairment. Management has not updated their impairment assessment taking into account the revised cash flow forecasts and actual losses for the period ended 30 June 2020, which we believe does not conform with IFRS. This information indicates that if these updated cash flows had been considered in the impairment assessment, the aforementioned goodwill and intangible assets would be decreased by AED 102 million, general and administrative expenses and the loss for the six-month period ended 30 June 2020 would have increased by AED 102 million and the loss per share would have increased by AED 0.07 per share.

Deloitte.

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

Adverse Conclusion

Our review indicates that, due to the matters described in the basis for adverse conclusion section of our review report, the accompanying condensed consolidated interim financial information is not prepared, in all material respects, in accordance with IAS 34 *Interim Financial Reporting*.

Emphasis of Matters

We draw attention to:

a) Note 25 of the condensed consolidated interim financial information, which describes various contractual disputes relating to projects which are currently subject to legal and / or a dispute resolution process 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 26 of 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 review conclusion is not modified in respect of these matters.

Other Matter

In accordance with the communication to listed companies by the Securities and Commodities Authority dated 7 April 2020 on disclosure of interim financial statements, the Group opted for the exemption of not issuing the condensed consolidated interim financial information for the three month period ended 31 March 2020.

Deloitte & Touche (M.E.)



Cynthia Corby
Registration No. 995
15 August 2020
Dubai
United Arab Emirates

Condensed consolidated interim statement of financial position as at 30 June 2020

	Notes	30 June 2020 AED'000 *(Unaudited)*	31 December 2019 AED'000 *(Audited)*
ASSETS			
Non-current assets			
Property, plant and equipment	7	**488,299**	512,196
Right-of-use asset		**113,472**	120,158
Investment properties	8	**593,581**	593,581
Goodwill	9	**248,741**	248,741
Other intangible assets	9	**14,500**	15,000
Investment in an associate	10	**89,945**	99,945
Other non-current assets		**151,638**	211,027
Deferred tax asset		**720**	720
Trade and other receivables - non-current	11	**689,176**	560,544
Other financial assets - non-current	15	**17,282**	17,282
Total non-current assets		**2,407,354**	2,379,194
Current assets			
Inventories		**90,547**	68,083
Trade and other receivables	11	**1,950,763**	2,239,106
Due from customers on construction contracts	12	**2,482,337**	2,338,320
Advances paid to suppliers and sub-contractors		**1,006,085**	1,254,018
Due from related parties	13	**578,872**	547,789
Other financial assets	15	**193,657**	174,979
Other current assets		**574,498**	433,220
Cash and bank balances	14	**503,093**	816,903
Total current assets		**7,379,852**	7,872,418
Total Assets		**9,787,206**	10,251,612

Condensed consolidated interim statement of financial position (continued) as at 30 June 2020

	Notes	30 June 2020 AED'000 *(Unaudited)*	31 December 2019 AED'000 *(Audited)*
EQUITY AND LIABILITIES			
EQUITY			
Share capital	18	**1,500,000**	1,500,000
Statutory reserve		**155,909**	155,909
Foreign currency translation reserve		**16,509**	16,766
Other reserves		**(212,648)**	(212,648)
Accumulated losses		**(1,459,635)**	(671,251)
Equity attributable to owners of the Parent		**135**	788,776
Non-controlling interests		**(350,916)**	(344,858)
Total equity/(deficit)		**(350,781)**	443,918
Non-current liabilities			
Bank borrowings - non-current	17	**198,056**	197,826
Lease liabilities - non-current		**75,549**	79,284
Retentions payable - non-current		**527,313**	428,912
Provision for employees' end of service benefits		**216,972**	224,559
Total non-current liabilities		**1,017,890**	930,581
Current liabilities			
Trade and other payables		**5,341,360**	5,008,150
Due to customers on construction contracts	12	**338,087**	233,702
Advances received from customers		**1,345,093**	1,553,111
Bank borrowings	17	**1,608,290**	1,611,617
Lease liabilities		**7,908**	9,052
Due to related parties	13	**469,005**	450,945
Income tax payable		**10,354**	10,536
Total current liabilities		**9,120,097**	8,877,113
Total Liabilities		**10,137,987**	9,807,694
Total Equity and Liabilities		**9,787,206**	10,251,612

To the best of our knowledge, and in accordance with the applicable reporting principles for interim financial reporting, the condensed consolidated interim financial information present fairly in all material respects the financial position, financial performance and cash flows of the Group.

Waleed Al Muhairi
Chairman of the Board of Directors

Condensed consolidated interim statement of profit or loss for the six-month period ended 30 June 2020

	Notes	Six-month period ended 30 June	
		2020	2019
		AED'000	AED'000
		(Unaudited)	*(Audited)*
Revenue	19	**3,025,511**	4,213,127
Direct costs		**(3,640,754)**	(3,947,045)
Gross (loss)/profit		**(615,243)**	266,082
Investment income		**4,558**	3,070
General and administrative expenses		**(125,971)**	(206,094)
Other income		**1,654**	48,327
Finance costs - net		**(48,364)**	(53,951)
Share of loss of an associate		**(10,000)**	(7,803)
(Loss)/profit before tax		**(793,366)**	49,631
Income tax expense	16	**(247)**	(679)
(Loss)/profit after tax for the period		**(793,613)**	48,952
Attributable to			
Owners of the Parent		**(788,384)**	57,872
Non-controlling interests		**(5,229)**	(8,920)
		(793,613)	48,952
Earnings per share			
Basic and diluted (AED)	20	**(0.53)**	0.04

Condensed consolidated interim statement of comprehensive income for the six-month period ended 30 June 2020

	Notes	Six-month period ended 30 June	
		2020	2019
		AED'000	AED'000
		(Unaudited)	*(Audited)*
(Loss)/profit for the period		**(793,613)**	48,952
Other comprehensive loss			
Items that may be reclassified subsequently to profit or loss:			
Net change in foreign currency translation reserve		**(1,086)**	(13,741)
Total comprehensive (loss)/income for the period		**(794,699)**	35,211
Attributable to:			
Owners of the Parent		**(788,641)**	49,085
Non-controlling interests		**(6,058)**	(13,874)
		(794,699)	35,211

Condensed consolidated interim statement of changes in equity for the six-month period ended 30 June 2020

	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 / (accumulated losses) AED'000**	**Total AED'000**	**Non-controlling interests AED'000**	**Total equity AED'000**
Balance at 31 December 2019 *(Audited)*	1,500,000	155,909	16,766	(212,648)	(671,251)	788,776	(344,858)	443,918
Loss for the period	-	-	-	-	(788,384)	(788,384)	(5,229)	(793,613)
Other comprehensive loss for the period	-	-	(257)	-	-	(257)	(829)	(1,086)
Total comprehensive loss for the period	-	-	(257)	-	(788,384)	(788,641)	(6,058)	(794,699)
Balance at 30 June 2020 *(Unaudited)*	**1,500,000**	**155,909**	**16,509**	**(212,648)**	**(1,459,635)**	**135**	**(350,916)**	**(350,781)**
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
Profit/(loss) for the period	-	-	-	-	57,872	57,872	(8,920)	48,952
Other comprehensive loss for the period	-	-	(8,787)	-	-	(8,787)	(4,954)	(13,741)
Total comprehensive income/(loss) for the period	-	-	(8,787)	-	57,872	49,085	(13,874)	35,211
Dividends declared and paid to shareholders	-	-	-	-	(75,000)	(75,000)	-	(75,000)
Dividends declared and paid to non-controlling interest	-	-	-	-	-	-	(2,000)	(2,000)
Balance at 30 June 2019 *(Unaudited)*	**1,500,000**	**155,909**	**18,816**	**(212,648)**	**172,665**	**1,634,742**	**(274,273)**	**1,360,469**

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

Condensed consolidated interim statement of cash flows for the six-month period ended 30 June 2020

	Six-month period ended 30 June	
	2020	2019
	AED'000	AED'000
	(Unaudited)	*(Unaudited)*
Cash flows from operating activities		
(Loss)/profit before tax	**(793,366)**	49,631
Adjustments for:		
Depreciation on property, plant and equipment	**71,001**	73,866
Finance costs - net	**43,228**	53,951
Provision for employees' end of service benefits	**23,077**	27,255
Impairment losses on financial assets	**12,325**	-
Share of loss from associate	**10,000**	7,803
Depreciation of right-of-use assets	**6,686**	5,550
Investment income	**(4,558)**	(3,070)
Finance costs related to lease liabilities	**2,621**	2,469
Net fair value change in non-current receivables and payables	**2,515**	(1,737)
Amortisation of intangible assets	**500**	522
Gain on sale of property, plant and equipment	**(216)**	(54,586)
Reversal of deferred tax asset	**58**	-
Loss on disposal of an investment property	**-**	408
Depreciation on investment properties	**-**	27
Operating cash flows before changes in operating assets and liabilities	**(626,129)**	162,089
Increase in inventories	**(22,464)**	(7,851)
Decrease/(increase) in trade and other receivables, including retentions receivables	**144,334**	(164,581)
(Increase)/decrease in due from customers on construction contracts	**(144,017)**	176,549
Decrease in advances paid to suppliers and sub-contractors	**247,933**	201,521
(Increase)/decrease in due from related parties	**(31,083)**	2,669
Increase in other current assets	**(141,278)**	(36,342)
Decrease in other non-current assets	**59,389**	-
Increase in trade and other payables, including retentions payable	**432,148**	75,125
Increase/(decrease) in due to customers on construction contracts	**104,385**	(16,539)
Decrease in advances received from customers	**(208,018)**	(322,973)
Increase in due to related parties	**18,060**	10,884
Cash (used in)/generated from operating activities	**(166,740)**	80,551
Employees' end of service benefits paid	**(30,664)**	(19,673)
Income tax paid	**(487)**	(2,274)
Net cash (used in)/generated from operating activities	**(197,891)**	58,604

Condensed consolidated interim statement of cash flows for the six-month period ended 30 June 2020 (continued)

	Six-month period ended 30 June	
	2020	2019
	AED'000	AED'000
	(Unaudited)	*(Unaudited)*
Cash flows from investing activities		
Movement in margin deposits maturing after 3 months	**124,502**	-
Purchase of property, plant and equipment	**(49,344)**	(21,268)
(Increase)/decrease in other financial assets	**(18,678)**	49,742
Investment income received	**4,558**	3,070
Proceeds from disposal of property, plant and equipment	**2,456**	81,780
Purchase of other intangible assets	**-**	(44)
Proceeds from disposal of investment properties	**-**	1,304
Net cash generated from investing activities	**63,494**	114,584
Cash flows from financing activities		
Proceeds from additional/(repayment of) borrowings, net	**68,549**	(229,247)
Payments for the principal portion of the lease liabilities	**(4,879)**	(6,736)
Interest paid	**(45,849)**	(53,951)
Dividends paid to shareholders	**-**	(75,000)
Dividends paid to non-controlling interests	**-**	(2,000)
Net cash generated from/(used in) financing activities	**17,821**	(366,934)
Net decrease in cash and cash equivalents	**(116,576)**	(193,746)
Cash and cash equivalents at the beginning of the period	**302,415**	874,898
Net foreign currency translation difference	**(1,086)**	(13,741)
Cash and cash equivalents at the end of the period (Note 14)	**184,753**	667,411

Notes to the condensed consolidated interim financial information for the six-month period ended 30 June 2020

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 Mubadala Investment Company, which is ultimately owned by the Government of the Emirate of Abu Dhabi.

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

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

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

The condensed consolidated interim financial information include the results of operations and financial position of the Company and its subsidiaries (together referred to as the "Group"). The principal activity, country of incorporation and ownership interest of the Company in the subsidiaries are set out below:

Subsidiaries, associates and joint operations:

	% Holding (including indirect holding)		
Name of subsidiary and domicile	**30 June 2020**	**31 December 2019**	**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 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

Notes to the condensed consolidated interim financial information for the six-month period ended 30 June 2020 (continued)

1. General information (continued)

Subsidiaries, associates and joint operations: (continued)

Name of subsidiary and domicile	% Holding (including indirect holding) 30 June 2020	31 December 2019	Principal activities
Arabtec Constructions LLC - Abu Dhabi, UAE	100%	100%	Civil construction and related works
Arabtec Precast LLC, UAE	100%	100%	Manufacturing of precast panels
Arabtec Minority Holding Limited, JAFZA, UAE	100%	100%	Investment holding company
Arabtec Building Equipment LLC, UAE	70%	70%	Trading and leasing of construction and building equipment
Arabtec Engineering Services LLC, UAE	80%	80%	Infrastructure construction works
Arabtec-Envirogreen Facility Management Services LLC, UAE	100%	100%	Building maintenance and cleaning services, facilities management and security services
Arabtec Property Development LLC - Abu Dhabi, UAE	100%	100%	Real estate, investment, development and management
Arabtec Property Development LLC - Dubai, UAE	100%	100%	Real estate development
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

Notes to the condensed consolidated interim financial information for the six-month period ended 30 June 2020 (continued)

1. General information (continued)

Subsidiaries, associates and joint operations (continued):

Name of subsidiary and domicile	% Holding (including indirect holding) 30 June 2020	31 December 2019	Principal activities
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

* In entities listed above where the Company owns less than 50% of the equity shares, the Company has the power over these entities, is exposed to or has rights to variable returns from its involvement with these entities and has the ability to use its power over these entities to affect its returns and therefore, exercises effective control. Consequently, these entities are considered as subsidiaries and sub-subsidiaries of the Company and are consolidated in these consolidated financial statements.

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

Notes to the condensed consolidated interim financial information for the six-month period ended 30 June 2020 (continued)

1. General information (continued)

Subsidiaries, associates and joint operations (continued):

The Company and its subsidiaries have the following branches (continued):

- 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 21.

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

	% Holding (including indirect holding)		
Name of associate and domicile	**30 June 2020**	**31 December 2019**	**Principal activities**
Depa Plc, Dubai, UAE ("DEPA")	24.329%	24.329%	Luxury fit-out of five star hotels, yachts and facilities and related services

2. 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 six-month period ended 30 June 2020 of AED 793.6 million and had net cash used in operating activities of AED 197.9 million and as at 30 June 2020 had net current liabilities of AED 1,740.2 million.

As at 30 June 2020, the Group's losses exceed 50% of its issued share capital and as such Article 302 of the UAE Federal Law No (2) of 2015, requires the Company to call a General Assembly to vote on either dissolving the Company or to continue its activity with an appropriate restructuring plan within 30 days of the issue of these condensed consolidated interim financial information. Management are in the process of appointing restructuring specialists.

At 30 June 2020, the Group had cash and bank balances of AED 503.1 million (31 December 2019: AED 816.9 million). At 30 June 2020, unencumbered cash was AED 370 million (31 December 2019: AED 481 million). The Group has incurred increased project costs due to the ongoing challenges facing the construction industry in addition to dealing with social distancing on construction sites, which is impacting labour and staff productivity.

Notes to the condensed consolidated interim financial information for the six-month period ended 30 June 2020 (continued)

2. Going concern (continued)

In performing their assessment of going concern, the Board of Directors have considered forecast cash flows for the 14 months period from 1 July 2020 to 31 August 2021. The key assumptions included in the forecast cash flows over this period are:

- A stakeholder had previously committed to make available adequate financial support so as to ensure the business continuity of the Group as a going concern for a period of 12 months from the signing of the consolidated financial statements for the year ended 31 December 2019 until 11 June 2021;
- Given the losses of the Group have increased and now exceeds 50% of share capital as at 30 June 2020, in accordance with Article 302 of the Federal Law No (2) of 2015, the Company is required to call a General Assembly for the Shareholders to vote on either dissolving the Company or to continue its activity with an appropriate restructuring plan within 30 days of the release of the results for the reporting period.
- The Group has a number of secured financing facilities that contain covenants requiring the Group to maintain specified financial ratios and comply with certain other financial covenants. The Group is currently not in compliance with its financial covenants (see note 17). Securing waivers for covenant breaches as at 31 December 2019 and re-profiling debt repayments has been assumed based on discussions with lenders to date and would be part of the restructuring plan;
- The operational and commercial closeout of ongoing and completed projects resulting in significantly increased cash outflows which is forecasted at double the amount estimated at 31 December 2019;
- Securing tenders contributing to a net cash inflow in the period of less than AED 500 million due to the estimated timing of awards and commencement of the projects;
- Continuing to implement cost mitigation measures for the reduction of overheads in line with the Board of Director's approved plan; and
- Managing working capital commitments to achieve cash flows to mitigate timing differences between forecast cash receipts from completed and ongoing projects and the associated payments to subcontractors and supply chain.

Consistent with conditions being experienced across the industry, the continued uncertainty due to turmoil in the oil and gas market further worsened by the ongoing impact of COVID-19 may materially affect these assumptions, particularly the timing of financing, new contract awards and our ability to meet project milestones. At the date of approval of these condensed consolidated interim financial information, our projects continue to operate and have been affected by lockdown and social distancing measures in the UAE. Notwithstanding the measures implemented by the Group to prevent and/or detect the virus, the variety of possible outcomes related to the course of the pandemic and its adverse impact on the regional and global economy represents a material uncertainty.

The timing and realisation of these matters are not within management's control. The additional uncertainty in the reporting period of the shareholders' intentions in the General meeting as required by Article 302 of the Federal Law No (2) of 2015, to decide on whether to vote on either dissolving the Company or to continue its activity with an appropriate restructuring plan, have resulted in management being unable to conclude on the going concern basis of preparation of this condensed consolidated interim financial information.

Notes to the condensed consolidated interim financial information for the six-month period ended 30 June 2020 (continued)

2. Going concern (continued)

The Directors have concluded that, in aggregate, due to the significance of these matters, which are beyond their control, this 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 unable to determine, notwithstanding the financial support committed by a stakeholder for 12 months from the date of signing the audit report, 12 June 2020, for the year ended 31 December 2019, if the Group will have adequate resources to continue in operational existence for the foreseeable future and the uncertainty presented by the requirement for the shareholders to vote for the Company to continue its activity and therefore if the going concern basis of accounting remains appropriate as at 30 June 2020.

3. Application of new and revised International Financial Reporting Standards ("IFRS")

3.1 New and revised IFRS applied with no material effect on the condensed consolidated interim financial information

The following new and revised IFRS, which became effective for annual periods beginning on or after 1 January 2020, have been adopted in the condensed consolidated interim financial information. The application of these revised IFRS has not had any material impact on the amounts reported for the current and prior years but may affect the accounting for future transactions or arrangements.

- Amendment to IFRS 3 *Business Combinations* relating to definition of a business.
- Amendments to IAS 1 *Presentation of Financial Statements* and IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors* relating to definition of material.
- Amendments to IFRS 9 *Financial Instruments*, IAS 39 *Financial Instruments: Recognition and Measurement* and IFRS 7 *Financial Instruments: Disclosures* relating to interest rate benchmark reforms.
- Amendments to References to the Conceptual Framework in IFRS Standards

3.2 New and revised IFRSs in issue but not yet effective

The Group has not early adopted the following new and revised standards that have been issued but are not yet effective. The management is in the process of assessing the impact of the new requirements.

New and revised IFRS	**Effective for annual periods beginning on or after**
IFRS 17 *Insurance Contract*	1 January 2023
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	Effective date deferred indefinitely. Adoption is still permitted.

Management anticipates that these new standards, interpretations and amendments will be adopted in the Group's condensed consolidated interim financial information for the period of initial application and adoption of these new standards, interpretations and amendments are unlikely to have material impact on the financial information of the Group in the period of initial application.

Notes to the condensed consolidated interim financial information for the six-month period ended 30 June 2020 (continued)

4. Basis of preparation and accounting policies

4.1 Basis of preparation

This condensed consolidated interim financial information for the period ended 30 June 2020 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 2019.

4.2 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 2019 and the notes attached thereto except as stated in Note 4.3.

4.3 Basis of consolidation

The condensed consolidated interim financial information as at, and for the period ended 30 June 2020 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.

5. Critical judgments and key sources of estimation uncertainty

The preparation of the condensed consolidated interim financial information in compliance with IFRS requires the management to make estimates and assumptions that affect the reported amounts of assets, liabilities, income and expenses and disclosure of contingent assets and contingent liabilities. Future events may occur which will cause the assumptions used in arriving at the estimates to change. The effects of any change in estimates are reflected in the consolidated financial statements as they become reasonably determinable.

Judgments and estimates are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

5.1 Critical judgments

In the process of applying the Group's accounting policies, management has made the following judgments, apart from those involving estimations, which have the most significant effect on the amounts recognized in the condensed consolidated interim financial information:

Notes to the condensed consolidated interim financial information for the six-month period ended 30 June 2020 (continued)

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

5.1 Critical judgments (continued)

(a) Revenue recognition

Management considers recognizing revenue over time, if one of the following criteria is met, otherwise revenue will be recognized at a point in time:

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

(b) Judgements in determining the timing of satisfaction of performance obligations

The Group generally recognise revenue over time as it performs continuous transfer of control of good/services to the customers. Because customers simultaneously receives and consumes the benefits provided and the control transfer takes place over time, revenue is also recognised based on the extent of transfer/completion of transfer of each performance obligation. In determining the method for measuring progress for these POs, we have considered the nature of these goods and services as well as the nature of its performance.

(c) Contract variations

Contract variations are recognised as revenue only to the extent that it is probable that they will not result in a significant reversal of revenue in subsequent periods. Management constrains revenue from variations based on prior experience, application of contract terms and the relationship with the customers when making their judgement.

At the reporting date, management has recorded unapproved variations to the extent they will not result in significant reversal of revenue in subsequent period. This assessment is done based on the past history of agreeing variations and the probability of expected outcome from current on-going discussions with the employers, as well as the fact that unapproved variations are supported by the client appointed engineer's instructions.

(d) 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, there is a clear contractual entitlement, and or negotiations have reached a stage that it is highly probably that a significant reversal of revenue will not occur.

As at 30 June 2020, the balance of due from customers on construction contracts includes AED 620 million (31 December 2019: AED 682 million) that pertains to unapproved contract claims (Note 12).

Notes to the condensed consolidated interim financial information for the six-month period ended 30 June 2020 (continued)

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

5.1 Critical judgments (continued)

(e) Impairment of financial assets and due from customers on construction contracts

The loss allowances for financial assets and due from customers on construction contracts are based on assumptions about risk of default, time value of money 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.

At the reporting date, gross trade, contract and other receivables, contract retentions and gross amounts due from customer on construction contracts amounted to AED 5,608 million (31 December 2019: AED 5,615 million), and the expected credit loss allowance was AED 486 million (31 December 2019: AED 478 million) as set out in Note 11. Any difference between the amounts actually collected in a future period and the amounts expected, will be recognised in the consolidated income statement in that period.

(f) Recording of contra charges

A contra charge is where the amount of a claim is deducted from another liability. Being a main contractor, the Group incurs costs on behalf of its subcontractors such as direct payments to suppliers of subcontractor and/or provision of Group’s resources to assist with work completion. These contra charges are deducted by the Group on the payment certificates of its subcontractors. The right to set off the claim against the liability arises only by agreement of both parties involved. Furthermore, the measurement of the amounts arising from claim is subject to a high level of uncertainty and often depends on the outcome of negotiations. Therefore, the claims are recorded and offset against liabilities only when the amount has been accepted by the subcontractor and / or negotiations have reached at an advanced stage such that the contra charge that would be agreed by the subcontractor can be measured reliably.

(g) Liquidated damages

The Group provides for liquidated damages where there have been significant delays against defined contractual delivery dates or contractual milestones and it is considered probable that the customer will successfully pursue these penalties. This requires management to estimate the amount of liquidated damages payable under the contract based on a combination of an assessment of the contractual terms, the reasons for any delays and evidence of cause of the delays to assess who is liable under the contract for the delays and consequently whether the Group is liable for the liquidated damages or not. Furthermore, there is an assessment by management of any liquidated damages, which can be recovered against subcontractors or the supply chain due to late delivery against contractual delivery dates, or milestones which are the direct cause of the delays under the contract with the customer and which the supply chain is liable for. In making this judgement, management considered the following:

- The outcome of ongoing constructive discussions with the customer regarding certain key delivery dates and how the delays to the progress of works can be mitigated without impacting any related contractors or any other project activity which minimises the risk of these related contractors pursuing contract claims against the customer, which the customer would in turn seek to recover; and
- The outcome of the discussions to date with the customers due to which management believes the risk of liquidated damages being levied has been mitigated.

Notes to the condensed consolidated interim financial information for the six-month period ended 30 June 2020 (continued)

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

5.1 Critical judgments (continued)

(h) Impairment of non-financial assets

The Group assesses goodwill and intangibles with indefinite useful life for impairment annually and other assets or groups of assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. If any such indication of impairment exists, the group makes an estimate of the asset's recoverable amount. Individual assets are grouped for impairment assessment purposes at the lowest level at which there are identifiable cash flows that are largely independent of the cash flows of other groups of assets ('cash generating unit' or 'CGU'). An asset group's recoverable amount is the higher of its fair value less costs of disposal and its value in use. Where the carrying amount of an asset group exceeds its recoverable amount, the asset group is considered impaired and is written down to its recoverable amount.

The Group records all assets and liabilities acquired in purchase acquisitions, including goodwill, at fair value. Goodwill is not amortised but is subject, at a minimum, to annual tests for impairment. The initial goodwill recorded and subsequent impairment analysis require management to make subjective judgements concerning the recoverable amount of cash-generating units, specifically in relation to cash flows, profit margins on revenues and discount rate. At 30 June 2020, the carrying value of goodwill amounted to AED 249 million (31 December 2019: AED 249 million).

The group assesses that the CGUs with a material amount of allocated goodwill, and therefore containing significant judgment and estimation uncertainty, are Target Engineering Construction Company LLC ('Target') and Arabtec Construction LLC ('Arabtec').

Fair value less costs of disposal is the price that would be received to sell the asset in an orderly transaction between market participants and does not reflect the effects of factors that may be specific to the entity and not applicable to entities in general. The Group has not calculated the fair value of the CGUs as part of the goodwill impairment assessment.

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 which is the primary source of information for the determination of the value in use.

The assessment performed as at 31 December 2019 remains unchanged and accordingly management concluded that no impairment exists as of 30 June 2020.

(i) Employees' end of service indemnity

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

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

5.1 Critical judgments (continued)

(j) 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).

5.2 Key sources of estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next financial year, are discussed as below:

(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) Project cost to complete 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 beyond 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 changes in material prices, labour costs, 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 year-end. These estimates also include the cost of potential claims by contractors and the cost of meeting other contractual obligations to the customers.

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

5.2 Key sources of estimation uncertainty (continued)

(c) Calculation of loss allowance

When measuring ECL, the Group uses reasonable and supportable forward looking information, which is based on assumptions for the future movement of different economic drivers and how these drivers will affect each other.

Loss given default is an estimate of the loss arising on default. It is based on the difference between the contractual cash flows due and those that the Group would expect to receive.

Probability of default constitutes a key input in measuring ECL. Probability of default is an estimate of the likelihood of default over a given time horizon, the calculation of which includes historical data, assumptions and expectations of future conditions.

(d) Discounting of lease payments

The lease payments are discounted using the Group's incremental borrowing rate ("IBR"), 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 leased 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.

(e) Defects liability period and provision for maintenance

The Group provides a one-year defects liability commitment to customers from the date of handover of the project. These are assurance-type warranties and not sold separately. Management's estimates of the related provision to record for future cost of rectifying any defects is based on historical experience of costs incurred in providing maintenance services as well as recent trends that might suggest that past cost may not be an accurate measure of potential future costs.

(f) Joint operations

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

Notes to the condensed consolidated interim financial information for the six-month period ended 30 June 2020 (continued)

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.

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 six-month period ended 30 June 2020 (continued)

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
Six-month period ended 30 June 2020 (Unaudited)						
Revenue	**2,198,804**	**378,773**	**599,615**	**68,923**	**(220,604)**	**3,025,511**
Direct costs	**(2,849,016)**	**(383,109)**	**(565,129)**	**(64,104)**	**220,604**	**(3,640,754)**
Gross profit/(loss)	**(650,212)**	**(4,336)**	**34,486**	**4,819**	**-**	**(615,243)**
Other income and other expenses, net	**4,584**	**347**	**911**	**(7,630)**	**(2,000)**	**(3,788)**
General and administrative expenses	**(79,548)**	**(3,624)**	**(12,426)**	**(34,994)**	**4,621**	**(125,971)**
Finance costs - net	**(31,423)**	**-**	**(4,857)**	**(9,463)**	**(2,621)**	**(48,364)**
Income tax expense	**(247)**	**-**	**-**	**-**	**-**	**(247)**
Net segment results	**(756,846)**	**(7,613)**	**18,114**	**(47,268)**	**-**	**(793,613)**
Six-month period ended 30 June 2019 (Unaudited)						
Revenue	3,261,202	791,118	329,158	135,068	(303,419)	4,213,127
Direct costs	(3,077,402)	(757,681)	(307,734)	(107,647)	303,419	(3,947,045)
Gross profit	183,800	33,437	21,424	27,421	-	266,082
Other income and other expenses, net	54,129	506	1,281	(2,321)	(10,000)	43,595
General and administrative expenses	(165,458)	(4,895)	(7,058)	(30,683)	2,000	(206,094)
Finance costs - net	(39,300)	(33)	(3,164)	(11,455)	-	(53,952)
Income tax expense	(679)	-	-	-	-	(679)
Net segment results	32,492	29,015	12,483	(17,038)	(8,000)	48,952

Notes to the condensed consolidated interim financial information for the six-month period ended 30 June 2020 (continued)

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
As at 30 June 2020 (Unaudited)						
Segment assets	**5,841,947**	**1,918,697**	**1,293,017**	**2,499,124**	**(1,765,580)**	**9,787,206**
Segment liabilities	**(7,653,534)**	**(1,931,867)**	**(1,010,232)**	**(1,247,945)**	**1,705,590**	**(10,137,988)**
As at 31 December 2019 (Audited)						
Segment assets	6,580,208	1,925,403	898,603	2,596,400	(1,749,002)	10,251,612
Segment liabilities	(7,557,189)	(1,936,161)	(707,175)	(1,296,883)	1,689,714	(9,807,694)

7. 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 2019 (Audited)									
Cost or fair value	53,427	6,302	1,134,482	175,639	580,515	147,336	168,809	11,933	2,278,443
Accumulated depreciation	-	(2,322)	(965,889)	(159,984)	(385,611)	(138,407)	(114,034)	-	(1,766,247)
Net book value	53,427	3,980	168,593	15,655	194,904	8,929	54,775	11,933	512,196
Six-month period ended 30 June 2020 (Unaudited)									
Opening net book value	53,427	3,980	168,593	15,655	194,904	8,929	54,775	11,933	512,196
Depreciation charge	-	(58)	(41,361)	(5,688)	(14,230)	(4,283)	(5,381)	-	(71,001)
Additions	-	-	33,753	11,127	-	2,418	557	1,489	49,344
Disposals	-	-	-	(204)	(1,340)	(660)	(36)	-	(2,240)
Transfers	-	-	67	159	-	-	-	(226)	-
Closing net book value	**53,427**	**3,922**	**161,052**	**21,049**	**179,334**	**6,404**	**49,915**	**13,196**	**488,299**
At 30 June 2020 (Unaudited)									
Cost or fair value	**53,427**	**6,218**	**1,154,746**	**183,114**	**575,845**	**146,481**	**163,345**	**13,196**	**2,296,372**
Accumulated depreciation	**-**	**2,296**	**993,694**	**162,065**	**396,511**	**140,077**	**113,430**	**-**	**1,808,073**
Net book value	**53,427**	**3,922**	**161,052**	**21,049**	**179,334**	**6,404**	**49,915**	**13,196**	**488,299**

Notes to the condensed consolidated interim financial information for the six-month period ended 30 June 2020 (continued)

8. Investment properties

	30 June 2020 AED'000 *(Unaudited)*	31 December 2019 AED'000 *(Audited)*
Net book value at the beginning of the period/year	**593,581**	595,320
Disposal during the period/year	**-**	(1,712)
Depreciation for the period/year	**-**	(27)
Net book value at the end of the period/year	**593,581**	593,581

The Group's investment properties consist of the following:

- Land in Dubai, UAE amounting to AED 568 million (31 December 2019: AED 568 million). The carrying value of the land includes incurred development costs of AED 88 million.

  At 30 June 2020, 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 Mashreq Bank amounting to AED 353 million (31 December 2019: AED 353 million).

- Land in Al Ain, UAE amounting to AED 25 million (31 December 2019: 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 June 2020.

9. Intangible assets

Intangible assets comprise:

	30 June 2020 AED'000 *(Unaudited)*	31 December 2019 AED'000 *(Audited)*
Goodwill	**248,741**	248,741
Other intangible assets	**14,500**	15,000
	263,241	263,741

Notes to the condensed consolidated interim financial information for the six-month period ended 30 June 2020 (continued)

9. Intangible assets (continued)

The other intangible assets represents the Arabtec brand. The Arabtec brand value is amortised over the expected period of 30 years, following which continuing brand value will be deemed to have been internally generated and not recognisable as an asset under IFRS.

	30 June 2020 AED'000 *(Unaudited)*	31 December 2019 AED'000 *(Audited)*
Net book value at the beginning of the period/year	**15,000**	16,000
Amortisation for the period/year	**(500)**	(1,000)
Net book value at the end of the period/year	**14,500**	15,000

Goodwill acquired through business combinations has been allocated for impairment testing purposes to five cash-generating units ("CGUs"), as per the table below, which are also operating segments. These represent the lowest level within the Group at which goodwill is monitored for internal management purposes. The goodwill allocated to Emirates Falcon Electro Mechanical Co. (LLC), Gulf Steel Industries FZC and Idrotec Srl is not considered to be material to the Group individually or in aggregate and therefore disclosures have only been included for the Arabtec Construction LLC ('Arabtec') and Target Engineering Construction Company LLC ('Target') CGUs in this note.

(a) Goodwill arising on acquisition

	30 June 2020 AED'000 *(Unaudited)*	31 December 2019 AED'000 *(Audited)*
Arabtec Construction LLC	**87,963**	87,963
Emirates Falcon Electro Mechanical Co. (LLC)	**9,086**	9,086
Target Engineering Construction Company LLC	**134,945**	134,945
Gulf Steel Industries FZC	**14,842**	14,842
Idrotec Srl	**1,905**	1,905
	248,741	248,741

Management has carried out an impairment test of goodwill at the year-end using an external expert and has concluded that no impairment exists as of 31 December 2019. For this purpose, the recoverable amount of each CGU has been estimated, and is based on a value-in-use calculation using cash flow projections approved by the board and covering a five year period. Cash flows beyond the five year period are extrapolated using a growth rate, which management believes approximates the long-term average growth rate for the industries in which the CGU's operate.

The assessment performed as at 31 December 2019 remains unchanged and accordingly management concluded that no impairment exists as of 30 June 2020.

Notes to the condensed consolidated interim financial information for the six-month period ended 30 June 2020 (continued)

10. Investment in an associate

a) Details of the Group's associate at 30 June 2020 and 31 December 2019 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 June 2020 AED'000 *(Unaudited)*	31 December 2019 AED'000 *(Audited)*
At the beginning of the period/year	**99,945**	209,328
Share of loss for the period/year	**(10,000)**	(106,724)
Share of other comprehensive loss for the period/year	**-**	(2,659)
At the end of the period/year	**89,945**	99,945

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 June 2020 is not available as DEPA has not declared its results at the date of approval of this condensed consolidated interim financial information.

Furthermore, the Group have estimated the share in the results of DEPA for the six-month period ended 30 June 2020 amounting to AED 10 million.

Notes to the condensed consolidated interim financial information for the six-month period ended 30 June 2020 (continued)

11. Trade and other receivables

	Current		Non-current	
	30 June 2020 AED'000 ***(Unaudited)***	31 December 2019 AED'000 *(Audited)*	**30 June 2020 AED'000** ***(Unaudited)***	31 December 2019 AED'000 *(Audited)*
Trade receivables	**47,828**	54,810	**-**	-
Contract receivables	**1,691,554**	1,810,358	**-**	-
	1,739,382	1,865,168	**-**	-
Retentions receivable	**694,017**	848,559	**692,422**	563,790
Expected credit loss allowance	**(482,636)**	(474,621)	**(3,246)**	(3,246)
	1,950,763	2,239,106	**689,176**	560,544

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

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

The balance of contract receivables includes two customers' balances totalling AED 137 million (31 December 2019: AED 211 million) individually representing more than 5% of the total balance of contract receivables.

A provision has been made for the estimated impairment amounts of trade, contract and retention receivables of AED 486 million (31 December 2019: AED 478 million). This provision has been determined 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.

Movement in the expected credit loss allowance against trade and other receivables is as follows:

	30 June 2020 AED'000 ***(Unaudited)***	31 December 2019 AED'000 *(Audited)*
At the beginning of the period/year	**477,867**	336,257
Provision made during the period/year	**12,325**	145,300
Write-off during the period/year	**(4,282)**	(3,690)
Reversal of provision during the period/year	**(28)**	-
At the end of the period/year	**485,882**	477,867

Notes to the condensed consolidated interim financial information for the six-month period ended 30 June 2020 (continued)

11. Trade and other receivables (continued)

Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. They are generally due for settlement within 90 days and therefore are all classified as current. Trade receivables are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognised at fair value. The Group holds the trade receivables with the objective to collect the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method.

At 30 June 2020, trade and contract receivables of AED 360 million (31 December 2019: AED 478 million) were fully performing.

Ageing of past due but not impaired balances:

	30 June 2020 AED'000 *(Unaudited)*	31 December 2019 AED'000 *(Audited)*
Past due for less than 3 months	**458,936**	425,667
Past due for more than 3 months	**437,582**	487,283
	896,518	912,950

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

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

	30 June 2020 AED'000 *(Unaudited)*	31 December 2019 AED'000 *(Audited)*
Due from customers on construction contracts	**2,482,337**	2,338,320
Due to customers on construction contracts	**(338,087)**	(233,702)
	2,144,250	2,104,618
Contract costs incurred plus recognised profits less recognised losses on contracts in progress	**46,868,292**	37,123,319
Less: Progress billings	**(44,724,042)**	(35,018,701)
	2,144,250	2,104,618

Notes to the condensed consolidated interim financial information for the six-month period ended 30 June 2020 (continued)

12. Due from/(to) customers on construction contracts (continued)

Significant changes in the gross amounts due from customers and gross amounts due to customers on construction contracts balances during the year are as follows:

	30 June 2020 AED'000 ***(Unaudited)***	31 December 2019 AED'000 *(Audited)*	**Variance AED'000**
Due from customers on construction contracts	**2,482,337**	2,338,320	**144,017**
Due to customers on construction contracts	**(338,087)**	(233,702)	**(104,385)**
	2,144,250	2,104,618	**39,632**

Significant changes are as follows:

	30 June 2020 AED'000 ***(Unaudited)***
Conversion to certified receivables	**(2,918,089)**
Revenue recognition	**2,957,721**
	39,632

13. Related party transactions

The Group enters into a variety of transactions with companies and entities that fall within the definition of related parties as contained in International Accounting Standard 24 *Related Party Disclosures* on mutually agreed terms. Related parties comprise the Group's shareholders who control or exercise significant influence, directors and entities related to them, companies under common ownership and/or common management and control, their partners and key management personnel. Joint operations partners and non-controlling interests are considered by the Group as related parties. Management decides on the terms and conditions of the transactions and services received/rendered from/to related parties as well as on other charges.

Notes to the condensed consolidated interim financial information for the six-month period ended 30 June 2020 (continued)

13. Related party transactions

The following table provides details of the total amount of transactions that have been entered into with related parties during the six-month periods ended 30 June 2020 and 2019, as well as balances with related parties as at 30 June 2020 and 31 December 2019:

	Six-month period ended 30 June 2020	**As at 30 June 2020**	
	Revenue AED'000 *(Unaudited)*	**Due to related parties AED'000** *(Unaudited)*	**Due from related parties AED'000** *(Unaudited)*
Joint operations	**5,458**	**406,432**	**548,389**
Shareholders	**8,326**	**-**	**2,160**
Associate	**-**	**31,762**	**-**
Other related parties	**7,907**	**30,811**	**28,323**
	21,691	**469,005**	**578,872**

	Six-month period ended 30 June 2019	As at 31 December 2019	
	Revenue AED'000 *(Unaudited)*	Due to related parties AED'000 *(Audited)*	Due from related parties AED'000 *(Audited)*
Joint operations	21,212	390,823	515,976
Shareholders	11,204	-	557
Associate	-	29,086	-
Other related parties	16,892	31,036	31,256
	49,308	450,945	547,789

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 June 2020, cash and cash equivalents and borrowings include AED 67 million (31 December 2019: AED 127 million) and AED 461 million (31 December 2019: AED 556 million) respectively, with/from entities in which the Government of the Emirate of Abu Dhabi has an equity stake. Finance costs include AED 13 million for the six-month period ended 30 June 2020 (for the six-month period ended 30 June 2019: AED 14 million) relating to balances with these entities.

Notes to the condensed consolidated interim financial information for the six-month period ended 30 June 2020 (continued)

13. Related party transactions (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 impact of these transactions have been summarized as follows:

	Due from customers on construction contracts AED'000	**Contract receivables AED'000**	**Retention receivables AED'000**	**Advances received AED'000**	**Revenue AED'000**
As at 30 June 2020 and for the period then ended *(Unaudited)*	**1,292,465**	**277,976**	**279,159**	**721,885**	**863,576**
As at 31 December 2019 *(Audited)*/for the period ended 30 June 2019 *(Unaudited)*	600,914	341,737	287,325	456,880	1,435,524

Compensation of key management personnel

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

	Six-month period ended 30 June	
	2020 AED'000 *(Unaudited)*	2019 AED'000 *(Unaudited)*
Short term benefits	**5,144**	6,264
Employees' benefits	**78**	267
Bonus	**-**	9,135

14. Cash and bank balances

	30 June 2020 AED'000 *(Unaudited)*	31 December 2019 AED'000 *(Audited)*
Cash in bank	**308,167**	531,153
Short term bank deposits	**194,926**	285,750
Cash and bank balances	**503,093**	816,903

Notes to the condensed consolidated interim financial information for the six-month period ended 30 June 2020 (continued)

14. Cash and bank balances (continued)

For the purposes of the condensed consolidated interim statement of cash flows, cash and cash equivalents comprise bank balances and cash net of bank overdrafts. The details are as follows:

The details are as follows:

	30 June 2020 AED'000 *(Unaudited)*	30 June 2019 AED'000 *(Unaudited)*
Cash and bank balances	**503,093**	918,598
Less: Deposits with maturity of more than 3 months	**-**	(40,912)
Less: Bank overdrafts	**(318,340)**	(210,275)
Cash and cash equivalents for the purpose of statement of cash flows	**184,753**	667,411

15. Other financial assets

	Current		**Non-current**	
	30 June 2020 AED'000 *(Unaudited)*	31 December 2019 AED'000 *(Audited)*	**30 June 2020 AED'000 *(Unaudited)***	31 December 2019 AED'000 *(Audited)*
Financial assets at fair value through other comprehensive income (OCI)				
Unquoted equity shares	**-**	-	**17,282**	17,282
Financial assets at amortised cost				
Fixed deposits under lien	**81,048**	64,997		-
Margin deposits	**112,609**	109,982	**-**	-
	193,657	174,979	**-**	-
	193,657	174,979	**17,282**	17,282

Notes to the condensed consolidated interim financial information for the six-month period ended 30 June 2020 (continued)

16. 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:

	Six-month period ended 30 June	
	2020	2019
	AED'000	AED'000
	(Unaudited)	*(Unaudited)*
Income taxes		
Current tax expense	**305**	2,808
Deferred tax income relating to the origination of temporary differences	**(58)**	(2,129)
Total income tax expense	**247**	679

	Six-month period ended 30 June	
	2020	2019
	AED'000	AED'000
	(Unaudited)	*(Unaudited)*
(Loss)/income before tax	**(285)**	49,631
Income tax expense	**(247)**	(679)

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.

17. 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 June 2020	31 December 2019	**30 June 2020**	31 December 2019
	AED'000	AED'000	**AED'000**	AED'000
	(Unaudited)	*(Audited)*	***(Unaudited)***	*(Audited)*
Bank overdrafts	**318,460**	389,986	**-**	-
Acceptances	**189,094**	242,607	**-**	-
Project payment certificate discounting	**56,387**	23,722	**-**	-
Trust receipts	**165,997**	54,880	**-**	-
Term loans	**878,352**	900,422	**198,056**	197,826
Total borrowings	**1,608,290**	1,611,617	**198,056**	197,826

Notes to the condensed consolidated interim financial information for the six-month period ended 30 June 2020 (continued)

17. Bank borrowings (continued)

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 June 2020, non-current portion of some of the term loans amounting to AED 629 million (31 December 2019: AED 657 million) have been reclassified to current as a result of the Group breaching the debt covenants of the respective loans which results in each of them becoming repayable on demand in line with the loan agreement.

18. Share capital

	30 June 2020 AED'000 ***(Unaudited)***	31 December 2019 AED'000 *(Audited)*
Authorised, issued and fully paid up:		
1,500,000,000 shares of AED 1 each	**1,500,000**	1,500,000

19. 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.

	Six-month period ended 30 June	
	2020 AED'000 ***(Unaudited)***	2019 AED'000 *(Unaudited)*
Construction revenue - over time	**2,986,714**	4,189,413
Sale of ready mix - at a point in time	**38,797**	23,714
Total revenue	**3,025,511**	4,213,127

Notes to the condensed consolidated interim financial information for the six-month period ended 30 June 2020 (continued)

19. Revenue (continued)

The transaction price allocated to (partially) unsatisfied performance obligations at 30 June 2020 are as set out below.

	Six-month period ended 30 June	
	2020	2019
	AED'000	AED'000
	(Unaudited)	*(Unaudited)*
Construction revenue - over time	**9,486,718**	13,959,081

20. (Losses)/earnings per share

(Losses)/earnings per share is calculated by dividing the (loss)/profit attributable to the owners of the Parent for the six-month ended 30 June 2020, amounting to loss of AED 788 million (six-month ended 30 June 2019: profit of AED 58 million) by the weighted average number of shares outstanding as 30 June 2020 of 1,500,000,000 (30 June 2019: 1,500,000,000).

	Six-month period ended 30 June	
	2020	2019
	AED	AED
	(Unaudited)	*(Unaudited)*
Basic and diluted (loss)/gain per share	**(0.53)**	0.04

21. 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%

Notes to the condensed consolidated interim financial information for the six-month period ended 30 June 2020 (continued)

21. Joint operations (continued)

		Share in joint operations
(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.

22. Contingencies and commitments

	30 June 2020 AED'000 *(Unaudited)*	31 December 2019 AED'000 *(Audited)*
Contingent liabilities		
Performance and bid bonds	**5,128,649**	5,062,604
Advance payment bonds	**1,763,713**	1,837,427
Retention bonds	**1,436,062**	1,316,630
Letters of credit	**291,564**	357,020
Financial guarantees	**43,245**	57,985
Labour guarantees	**30,145**	42,745

Other contingent liabilities

The Group is a defendant in a number of lawsuits in its ordinary course of business. The Group's management believes that it is only possible, but not probable, that the claimants will succeed. Accordingly, the Group's management has assessed that the provision currently booked is adequate to cover any liability arising for such cases. Please refer to Note 26 for details.

Notes to the condensed consolidated interim financial information for the six-month period ended 30 June 2020 (continued)

23. Financial instruments

	Financial assets at amortised cost AED'000	Financial assets at fair value through profit or loss AED'000	Total AED'000
At 30 June 2020			
Cash and bank balances (Note 14)	**503,093**	**-**	**503,093**
Trade and other receivables (Note 11)	**2,639,939**	**-**	**2,639,939**
Due from related parties (Note 13)	**578,872**	**-**	**578,872**
Other financial assets (Note 15)	**193,657**	**17,282**	**210,939**
Other current assets (excluding prepaid expenses and due from employees)	**525,672**	**-**	**525,672**
Other non-current assets	**151,638**	**-**	**151,638**
	4,592,871	**17,282**	**4,610,153**
At 31 December 2019			
Cash and bank balances (Note 14)	816,903	-	816,903
Trade and other receivables (Note 11)	2,799,650	-	2,799,650
Due from related parties (Note 13)	547,789	-	547,789
Other financial assets (Note 15)	174,979	17,282	192,261
Other current assets (excluding prepaid expenses and due from employees)	368,660	-	368,660
Other non-current assets	211,027	-	211,027
	4,919,008	17,282	4,936,290

	Other financial liabilities at amortised cost AED'000
At 30 June 2020	
Bank borrowings (Note 17)	**1,806,346**
Trade and other payables, excluding retentions payable	**4,964,497**
Due to related parties (Note 13)	**469,005**
Retentions payable	**904,176**
Lease liabilities	**83,457**
	8,227,481

Notes to the condensed consolidated interim financial information for the six-month period ended 30 June 2020 (continued)

23. Financial instruments (continued)

	Other financial liabilities at amortised cost AED'000
At 31 December 2019	
Bank borrowings (Note 17)	**1,809,443**
Trade and other payables, excluding retentions payable	**4,575,943**
Due to related parties (Note 13)	**450,945**
Retentions payable	**861,119**
Lease liabilities	**88,336**
	7,785,786

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 June 2020 comprising various bilateral existing loan facilities of AED 1.0 billion (31 December 2019: AED 1.0 billion), which are fully utilized. The group has working capital facilities which includes funded limits on revolving basis, of which AED 770 million were utilized as at 30 June 2020 (31 December 2019: AED 580 million). 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.

24. Seasonality of operations

The results for the period ended 30 June 2020 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 six-month period ended 30 June 2020 are not necessarily indicative of the results that might be expected for the year ending 31 December 2020.

25. Contractual and legal 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.

Notes to the condensed consolidated interim financial information for the six-month period ended 30 June 2020 (continued)

25. Contractual and legal disputes (continued)

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.

In December 2019, the court removed the precautionary attachment, and the employer encashed bonds amounting to AED 97 million.

As at 30 June 2020, the Group has a net receivable of AED 219 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 June 2020, 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 June 2020, 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. A tribunal was formed and the Respondent (employer) then launched a jurisdiction challenge. The Respondent succeeded with its challenge and a Final Award has been published subsequent to the report date. The subsidiary's claims will then have to be prosecuted in the Dubai Court, i.e. the Special Judicial Committee (with Court of Appeal jurisdiction), which has been set up by the Government of Dubai to deal with claims against the employer. According to the Group's external legal counsel, it is not possible to predict the outcome of this dispute at this stage.

   As at 30 June 2020, the Group has a net receivable of AED 250.6 million which Management still believes to be recoverable from the employer.

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.

Notes to the condensed consolidated interim financial information for the six-month period ended 30 June 2020 (continued)

26. Other matters

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 in 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. 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 15 August 2020.