

**Arabtec Holding PJSC and its
Subsidiaries**

**INTERIM CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS**

31 MARCH 2014 (UNAUDITED)



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REPORT ON REVIEW OF INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS TO THE SHAREHOLDERS OF ARABTEC HOLDING PJSC

Introduction

We have reviewed the accompanying interim condensed consolidated financial statements of Arabtec Holding PJSC and its subsidiaries (the "Group") as at 31 March 2014, comprising the interim consolidated statement of financial position as at 31 March 2014 and the related interim consolidated statements of comprehensive income, cash flows and changes in equity for the three-month period then ended and explanatory information. Management is responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance with International Financial Reporting Standard IAS 34 *Interim Financial Reporting* ("IAS 34"). Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review.

Scope of review

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial statements are not prepared, in all material respects, in accordance with IAS 34.

Emphasis of matter

We draw attention to notes 16 and 21 to the interim condensed consolidated financial statements which provide details on negotiations relating to contractual arrangements with clients, the probable outcome of which cannot be determined with reasonable certainty at the date of this report.

Our conclusion is not qualified in respect of the above matters.

Signed by
Ashraf Abu-Sharkh
Partner
Registration No. 690

7 May 2014

Dubai, United Arab Emirates

Arabtec Holding PJSC and its Subsidiaries

INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Period ended 31 March 2014 (Unaudited)

	Note	<i>“three-month” period ended 31 March</i>	
		<i>2014 AED’000</i>	<i>2013 AED’000</i>
Revenues		2,152,498	1,545,366
Direct costs		(1,822,095)	(1,354,593)
GROSS PROFIT		330,403	190,773
Other operating income		4,261	4,757
General and administrative expenses		(159,497)	(129,005)
Other income		32,262	40,232
Interest income on non-current receivables and payables		2,391	4,206
Net investment income		1,894	287
Finance costs		(12,002)	(9,411)
Share of loss of associates	9	(46,415)	(1,583)
PROFIT BEFORE TAX		153,297	100,256
Income tax expense	6	(1,463)	(585)
PROFIT FOR THE PERIOD		151,834	99,671
<i>Profit for the period attributable to:</i>			
Owners of the Parent		137,887	62,475
Non-controlling interests		13,947	37,196
		151,834	99,671
Basic and diluted earnings per share (AED)	15	0.03	0.02
Other comprehensive income			
<i>Other comprehensive income that would be reclassified to profit or loss in subsequent periods:</i>			
Unrealised (loss) / gain on revaluation of available-for-sale investments		(233)	2,133
Net change in foreign currency translation reserve		4,963	(1,000)
Total other comprehensive income for the period		4,730	1,133
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX		156,564	100,804
<i>Total comprehensive income for the period attributable to:</i>			
Owners of the Parent		141,095	63,559
Non-controlling interests		15,469	37,245
		156,564	100,804


The attached notes 1 to 22 form part of these interim condensed consolidated financial statements

Arabtec Holding PJSC and its Subsidiaries

INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 March 2014

	Notes	31 March 2014 AED'000 (Unaudited)	31 December 2013 AED'000 (Audited)
ASSETS			
Non-current assets			
Property, plant and equipment	7	1,172,348	1,159,033
Investment properties		644,907	619,106
Investments in associates	9	253,049	299,464
Goodwill		248,741	248,741
Other intangible assets	8	38,877	40,320
Trade and other receivables - non-current portion		316,260	325,345
Other financial assets	10	35,241	35,490
Other non-current assets		406	339
		<u>2,709,829</u>	<u>2,727,838</u>
Current assets			
Trade and other receivables		7,037,790	6,324,872
Other financial assets	10	125,067	131,873
Inventories		213,294	220,904
Other current assets		393,931	348,137
Due from related parties	11	645,446	593,725
Bank balances and cash	12	1,647,312	2,452,981
		<u>10,062,840</u>	<u>10,072,492</u>
TOTAL ASSETS		<u><u>12,772,669</u></u>	<u><u>12,800,330</u></u>
EQUITY AND LIABILITIES			
Equity			
Share capital	13	3,139,500	3,139,500
Statutory reserve		1,144,927	1,131,138
Fair value adjustment reserve		9,452	9,465
Foreign currency translation reserve		9,115	5,894
Other reserves		(185,065)	(185,065)
Retained earnings		1,537,734	1,413,636
Equity attributable to equity holders of the Parent		<u>5,655,663</u>	<u>5,514,568</u>
Non-controlling interests		264,927	249,458
Total equity		<u>5,920,590</u>	<u>5,764,026</u>
Non-current liabilities			
Bank borrowings		84,803	57,894
Provision for employees' end of service indemnity		190,731	182,530
Retentions payable - non-current portion		115,023	98,765
Deferred tax liabilities		4,103	3,773
		<u>394,660</u>	<u>342,962</u>
Current liabilities			
Bank borrowings		1,057,836	862,537
Trade and other payables		4,963,816	5,286,381
Due to related parties	11	430,959	540,757
Income tax payable		4,808	3,667
Total current liabilities		<u>6,457,419</u>	<u>6,693,342</u>
Total liabilities		<u>6,852,079</u>	<u>7,036,304</u>
TOTAL EQUITY AND LIABILITIES		<u><u>12,772,669</u></u>	<u><u>12,800,330</u></u>


 Hasan Abdulla Ismaik
 Managing Director and CEO
 7 May 2014

The attached notes 1 to 22 form part of these interim condensed consolidated financial statements

Arabtec Holding PJSC and its Subsidiaries

INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Period ended 31 March 2014 (Unaudited)

	<i>Attributable to the equity holders of the Parent</i>								
	<i>Share capital AED'000</i>	<i>Statutory reserve AED'000</i>	<i>Fair value adjustment reserve AED'000</i>	<i>Foreign currency translation reserve AED'000</i>	<i>Other reserves AED'000</i>	<i>Retained earnings AED'000</i>	<i>Total AED'000</i>	<i>Non-controlling interests AED'000</i>	<i>Total equity AED'000</i>
Balance at 1 January 2014 (audited)	3,139,500	1,131,138	9,465	5,894	(185,065)	1,413,636	5,514,568	249,458	5,764,026
Profit for the period	-	-	-	-	-	137,887	137,887	13,947	151,834
Other comprehensive income for the period	-	-	(13)	3,221	-	-	3,208	1,522	4,730
Total comprehensive income for the period	-	-	(13)	3,221	-	137,887	141,095	15,469	156,564
Transfer to statutory reserve	-	13,789	-	-	-	(13,789)	-	-	-
Balance at 31 March 2014	3,139,500	1,144,927	9,452	9,115	(185,065)	1,537,734	5,655,663	264,927	5,920,590

The attached notes 1 to 22 form part of these interim condensed consolidated financial statements

Arabtec Holding PJSC and its Subsidiaries

INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Period ended 31 March 2014 (Unaudited)

Attributable to owners of the Parent company

	<i>Share capital AED'000</i>	<i>Statutory reserve AED'000</i>	<i>Fair value adjustment reserve AED'000</i>	<i>Foreign currency translation reserve AED'000</i>	<i>Other reserves AED'000</i>	<i>Retained earnings AED'000</i>	<i>Total AED'000</i>	<i>Non- controlling interests AED'000</i>	<i>Total equity AED'000</i>
Balance at 1 January 2013 (audited)	1,569,750	308,486	300	2,315	(2,201)	1,067,903	2,946,553	398,792	3,345,345
Profit for the period	-	-	-	-	-	62,475	62,475	37,196	99,671
Other comprehensive income for the period	-	-	1,826	(742)	-	-	1,084	49	1,133
Total comprehensive income for the period	-	-	1,826	(742)	-	62,475	63,559	37,245	100,804
Transfer to statutory reserve	-	6,248	-	-	-	(6,248)	-	-	-
Balance at 31 March 2013	1,569,750	314,734	2,126	1,573	(2,201)	1,124,130	3,010,112	436,037	3,446,149

The attached notes 1 to 22 form part of these interim condensed consolidated financial statements

Arabtec Holding PJSC and its Subsidiaries
CONSOLIDATED STATEMENT OF CASH FLOWS
Period ended 31 March 2014 (Unaudited)

	<i>Three months ended 31 March</i>	
	2014	2013
	AED'000	AED'000
OPERATING ACTIVITIES		
Profit before tax	153,297	100,256
Adjustments for:		
Depreciation of property, plant and equipment	58,229	60,673
Depreciation of investment properties	984	984
Amortisation of intangible assets	1,443	4,020
Provision for employees' end of service indemnity	15,260	15,120
Write back of provision for bonus	(25,989)	-
Gain on sale of property, plant and equipment	(1,997)	-
Share of loss of associates	46,415	1,583
Finance costs	12,002	9,411
	259,644	192,047
Working capital changes		
Trade and other receivables	(703,833)	(67,171)
Due from related parties	(51,721)	97,374
Inventories	7,610	13,615
Other current assets	(45,794)	(42,970)
Trade and other payables	(296,576)	222,106
Due to related parties	(109,798)	(113,125)
Retentions payable – non current portion	16,258	41,885
Cash (used in) from operating activities	(924,210)	343,761
Employees' end of service indemnity paid	(7,059)	(5,905)
Interest paid	(12,002)	(9,411)
Income tax paid	8	(796)
Net cash flows (used in) from operating activities	(943,263)	327,649
INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(77,876)	(65,100)
Purchase of investment properties	(26,785)	-
Proceeds from disposal of property, plant and equipment	8,329	4,300
Net movement in other financial assets	6,755	(28,766)
Deposit maturing after three months	800,000	-
Net cash flows from (used in) investing activities	710,423	(89,566)
FINANCING ACTIVITIES		
Repayments of borrowings (net)	(3,173)	(3,714)
Net cash flows used in financing activities	(3,173)	(3,714)
NET (DECREASE) / INCREASE IN CASH AND CASH EQUIVALENTS	(236,013)	234,369
Cash and cash equivalents at 1 January	1,013,911	345,186
Net foreign exchange difference	4,963	(742)
CASH AND CASH EQUIVALENTS AT 31 MARCH	782,861	578,813

The attached notes 1 to 22 form part of these interim condensed consolidated financial statements

Arabtec Holding PJSC and its Subsidiaries

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 31 March 2014 (Unaudited)

1 ACTIVITIES

Arabtec Holding PJSC (the “Company”) is a Public Joint Stock Company established under the laws of the United Arab Emirates 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 72122, Dubai, UAE.

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 interim condensed consolidated financial statements of the Group for the three months period ended 31 March 2014 were authorised for issue in accordance with a resolution of the Board of Directors on 7 May 2014.

2 SUBSIDIARIES, ASSOCIATES AND JOINT OPERATIONS

<i>Name of subsidiary and domicile</i>	<i>% Holding (including indirect holding)</i>		<i>Principal activities</i>
	<i>31 March 2014</i>	<i>31 December 2013</i>	
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 Saudi Arabia LLC, Kingdom of Saudi Arabia *	45%	45%	Civil construction and related works
Arabtec Egypt for Construction SAE, Arab Republic of Egypt	100%	100%	Civil construction and related works
Arabtec Construction LLC (Foreign Company), State of Palestine	100%	100%	Civil construction and related works
Arabtec - Musawa W.L.L., Kingdom of Bahrain	75%	75%	Civil construction and related works
Arabtec Construction W.L.L., Qatar*	49%	49%	Civil construction and related works
Arabtec Construction LLC, State of Kuwait (under formation)	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 Holding PJSC and its Subsidiaries

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 31 March 2014 (Unaudited)

2 SUBSIDIARIES, ASSOCIATES AND JOINT OPERATIONS (continued)

<i>Name of subsidiary and domicile</i>	<i>% Holding (including indirect holding)</i>		<i>Principal activities</i>
	<i>31 March 2014</i>	<i>31 December 2013</i>	
Arabtec Construction India (Pvt) Limited, India	63%	63%	Civil construction and related works
Arabtec Construction LLC - Abu Dhabi, UAE	100%	100%	Civil construction and related works
Arabtec Precast LLC, UAE	100%	100%	Manufacturing of precast panels
Arabtec Investments Holding Limited, UAE	100%	100%	Investment holding company
Arabtec Building Equipment LLC, UAE	70%	70%	Trading and leasing of construction and building equipment
Arabtec Electromechanical LLC, UAE	100%	100%	Electrical mechanical and plumbing contracting
Arabtec Construction Machinery LLC Kingdom of Saudi Arabia	58%	58%	Trading and leasing of construction Equipment
Arabtec Engineering Services LLC, UAE	80%	80%	Infrastructure construction works
Arabtec-Envirogreen Facility Management Services LLC, UAE	66%	66%	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 For General Maintenance LLC, UAE	100%	100%	Building general maintenance, electrical fittings, sewerage and water fittings maintenance, caravans maintenance
Arabtec Property Management LLC - Abu Dhabi, UAE	100%	100%	Management services
Arabtec Property Management LLC - Dubai, UAE	100%	100%	Leasing and management of third party property
Arabtec Facility Management LLC, UAE	100%	100%	Facilities management
Arabtec International Constructions Company LLC, UAE	100%	100%	Civil construction and related works

Arabtec Holding PJSC and its Subsidiaries

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 31 March 2014 (Unaudited)

2 SUBSIDIARIES, ASSOCIATES AND JOINT OPERATIONS (continued)

<i>Name of subsidiary and domicile</i>	<i>% Holding</i>		<i>Principal activities</i>
	<i>(including indirect holding)</i>		
	<i>31 March 2014</i>	<i>31 December 2013</i>	
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 Construction Group LLC, UAE	100%	100%	Civil construction and related works, oil and gas facilities, and airports contracting
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
Austrian Arabian Readymix Co LLC – Abu Dhabi, UAE	100%	100%	Manufacturing and transportation of ready mix concrete products
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 & plumbing contracting
EFECO Saudi LLC, Kingdom of Saudi Arabia	53%	53%	Electrical, mechanical and plumbing contracting
Gulf Steel Industries FZC, UAE	100%	100%	Fabrication of steel structure and profiles
Gulf Steel Industries FZE, Jordan	100%	100%	Fabrication of steel structure and profiles, steel storage tanks and road tankers, steel and structural buildings
GSI Steel Construction Contracting LLC, UAE	100%	100%	Fabrication of steel structure and profiles

Arabtec Holding PJSC and its Subsidiaries

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 31 March 2014 (Unaudited)

2 SUBSIDIARIES, ASSOCIATES AND JOINT OPERATIONS (continued)

<i>Name of subsidiary and domicile</i>	<i>% Holding</i>		<i>Principal activities</i>
	<i>(including indirect holding)</i>		
	<i>31 March 2014</i>	<i>31 December 2013</i>	
House of Equipment Co. LLC, UAE	67%	67%	Trading and leasing of construction Equipment
Idrotec Srl, Italy	96%	96%	Civil construction and related works
Lotus Limited, JAFZA, UAE	100%	100%	General trading; commercial and real estate investments
Magnolia Limited, JAFZA, UAE	100%	100%	General trading; commercial and real estate investments
Mars Limited, JAFZA, UAE	100%	100%	General trading; commercial and real estate investments
Nasser Bin Khaled Factory Ready Mix Concrete Co. LLC, Qatar*	49%	49%	Manufacturing and transportation of ready mix concrete products
Neptune Limited, JAFZA, UAE	100%	100%	General trading; commercial and real estate investments
Powercon Switchgear Factory, UAE	75%	75%	Manufacturing of switch gears and power distribution panels
Stone Oil and Gas Inc, Canada	70%	70%	Consultancy and engineering
Saudi Austrian Arabian Ready Mix Co LLC Kingdom of Saudi Arabia	62%	62%	Manufacturing and transportation of ready mix concrete products
Saudi Target Engineering Construction Company LLC, Kingdom of Saudi Arabia	64%	64%	Civil construction and related works
Target Engineering Construction Company LLC, UAE	98%	98%	Civil construction and related works
Target Steel Industries LLC, UAE	97%	97%	Fabrication of steel structure and profiles
Target Engineering Construction Company W.L.L., Qatar	59%	59%	Civil construction and related works
Venus Limited, JAFZA, UAE	100%	100%	General trading; commercial and real estate investments

* Those represent indirect holdings of the Group. Although the Group holds less than 50%, it exercises control over these subsidiaries.

Arabtec Holding PJSC and its Subsidiaries

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 31 March 2014 (Unaudited)

2 SUBSIDIARIES, ASSOCIATES AND JOINT OPERATIONS (continued)

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

<i>Name of associate and domicile</i>	<i>% Holding (including indirect holding)</i>		<i>Principal activities</i>
	<i>31 March 2014</i>	<i>31 December 2013</i>	
Depa Limited, Dubai, UAE (“DEPA”)	24%	24%	Luxury fit-out of five star hotels, yachts and facilities and related services
Envirecon, Kingdom of Saudi Arabia	30%	30%	Manufacture of concrete and mixture, additives and other construction chemicals
Gulf Capital PJSC – Salboukh project, Kingdom of Saudi Arabia	24%	24%	Development of Salboukh residential compound
Polypod Middle East LLC, Abu Dhabi, UAE (“Polypod”)	40%	40%	Assembly of bathroom pods and other types of pods on the same concept
Jordan Wood Industries PSC	14%	14%	Production and distribution of furniture and fixtures

The Company has the following branches:

- Arabtec Holding PJSC – Abu Dhabi branch
- Arabtec Construction LLC, St Petersburg and Kazan, Russia
- Arabtec Construction LLC, Riyadh, Kingdom of Saudi Arabia
- Arabtec Saudi Arabia LLC, Riyadh, Kingdom of Saudi Arabia
- House of Equipment LLC - Abu Dhabi
- Idrotec SRL - Abu Dhabi
- ACC Arabtec JV SAL - Syrian Arab Republic branch
- Target Engineering Construction Company – Dubai branch
- Arabtec Constructions LLC – branch, Abu Dhabi
- GSI Steel Construction Contracting LLC – Abu Dhabi branch
- Arabtec Construction LLC – Egypt branch

Joint operations of the Group are disclosed in Note 17.

3 ACCOUNTING POLICIES

3.1 Basis of preparation

The interim condensed consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards (“IFRS”) specifically International Accounting Standard 34, *Interim Financial Reporting*.

The interim condensed consolidated financial statements have been presented in United Arab Emirates Dirhams (“AED”) being the functional and reporting currency of the Group.

The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual consolidated financial statements, and should be read in conjunction with the Group’s annual consolidated financial statements as at 31 December 2013.

Although the Group owns less than 50% of the equity shares of Arabtec Construction WLL, Qatar; Nasser Bin Khaled Factory Ready Mix Concrete Co. LLC, Qatar; Arabtec Saudi Arabia LLC, Kingdom of Saudi Arabia and EFECO Qatar W.L.L., the Group is exposed, or has rights, to variable returns from its involvement with these entities and has the ability to affect those returns through its power to direct their strategic, operating and financial decisions and, therefore, recognises them as subsidiaries.

Arabtec Holding PJSC and its Subsidiaries

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 31 March 2014 (Unaudited)

3 ACCOUNTING POLICIES (continued)

3.2 Changes in accounting policies

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2013, except for the adoption of new standards and interpretations effective as of 1 January 2014.

The nature and impact of each new standard or amendment is described below:

Investment Entities (Amendments to IFRS 10, IFRS 12 and IAS 27)

These amendments provide an exception to the consolidation requirement for entities that meet the definition of an investment entity under IFRS 10 Consolidated Financial Statements. The exception to consolidation requires investment entities to account for subsidiaries, associates and joint operations at fair value through profit or loss. These amendments have no impact on the Group, since none of the entities in the Group qualifies to be an investment entity under IFRS 10.

IAS 32 Offsetting Financial Assets and Financial Liabilities - Amendments to IAS 32

These amendments clarify the meaning of "currently has a legally enforceable right to set-off" and the criteria for non-simultaneous settlement mechanisms of clearing houses to qualify for offsetting. These amendments have no impact on the Group's financial position or performance.

IAS 39 Novation of Derivatives and Continuation of Hedge Accounting – Amendments to IAS 39

These amendments provide relief from discontinuing hedge accounting when novation of a derivative designated as a hedging instrument meets certain criteria. The amendments have no impact on the Group as the Group has no derivatives during the current period.

IFRIC Interpretation 21 – Levies (IFRIC 21)

IFRIC 21 clarifies that an entity recognises a liability for a levy when the activity that triggers payment, as identified by the relevant legislation, occurs. For a levy that is triggered upon reaching a minimum threshold, the interpretation clarifies that no liability should be anticipated before the specified minimum threshold is reached. The amendments have no impact on the Group.

Recoverable amounts disclosure for Non Financial Assets – IAS 36

These amendments remove the unintended consequences of IFRS 13 Fair Value Measurement on the disclosures required under IAS 36 Impairment of Assets. In addition, these amendments require disclosures of the recoverable amounts for the assets or cash-generating units (CGUs) for which an impairment loss has been recognised or reversed during the period. The amendments have no impact on the Group.

4 SEASONALITY OF OPERATIONS

The Group has four operating segments: Construction; Mechanical, Electrical and Plumbing ("MEP"); Oil & Gas, Infrastructure and Power; and Other.

The results for the three-month period ended 31 March 2014 reflect the results of the Group's continuing projects and new projects commenced during the period and are not significantly affected by any seasonal or cyclical operations.

Management has concluded that this does not constitute "highly seasonal" as considered by IAS 34 *Interim Financial Reporting*. Notwithstanding, the results for the "three-month" period ended 31 March 2014 are not necessarily indicative of the results that might be expected for the year ending 31 December 2014.

Arabtec Holding PJSC and its Subsidiaries

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 31 March 2014 (Unaudited)

5 SEGMENT INFORMATION

Primary segment information

The management of the Group assessed the Group into four operating segments: Construction; MEP; Oil & Gas, Infrastructure and Power; and Other.

The Construction segment primarily engages in the construction of high-rise towers, buildings and residential villas. The MEP segment is involved in the execution of drainage, electrical and mechanical works. The Oil & Gas, Infrastructure and Power segment is involved in all works related to, intended to be used for, and/or for clients in the industries of Oil & Gas, Infrastructure and Power. The Other segment is involved in all other work that does not fall into the previous three segments in addition to the headquarters.

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

Segment wise statement of income information for the three months ended 31 March 2014 and three months ended 31 March 2013 is presented below:

<i>Three months ended 31 March 2014</i>	<i>Construction AED'000</i>	<i>Mechanical, electrical and plumbing AED'000</i>	<i>Oil & Gas, infrastructure and power AED'000</i>	<i>Other AED'000</i>	<i>Elimination AED'000</i>	<i>Total AED'000</i>
Revenues	1,472,844	184,117	584,295	120,229	(208,987)	2,152,498
Contract costs	(1,269,703)	(161,506)	(494,559)	(105,314)	208,987	(1,822,095)
Gross profit	203,141	22,611	89,736	14,915	-	330,403
Other income and other expenses	10,814	163	3,320	(18,059)	(1,845)	(5,607)
General and administrative expenses	(54,689)	(13,123)	(34,091)	(59,439)	1,845	(159,497)
Finance costs	(1,773)	(4,835)	(3,452)	(1,942)	-	(12,002)
Income tax expense	(659)	(25)	(736)	(43)	-	(1,463)
Net segment results	156,834	4,791	54,777	(64,568)	-	151,834

Arabtec Holding PJSC and its Subsidiaries

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 31 March 2014 (Unaudited)

5 SEGMENT INFORMATION (continued)

<i>Three months ended 31 March 2013</i>	<i>Construction AED '000</i>	<i>Mechanical, electrical and plumbing AED '000</i>	<i>Oil & Gas, infrastructure and power AED '000</i>	<i>Other AED '000</i>	<i>Elimination AED '000</i>	<i>Total AED '000</i>
Revenues	846,589	147,492	569,543	171,096	(189,354)	1,545,366
Contract costs	(765,110)	(127,112)	(514,383)	(137,342)	189,354	(1,354,593)
Gross profit	<u>81,479</u>	<u>20,380</u>	<u>55,160</u>	<u>33,754</u>	<u>-</u>	<u>190,773</u>
Other income and other expenses	29,735	10,895	9,942	1,366	(4,039)	47,899
General and administrative expenses	(55,634)	(12,568)	(35,344)	(29,498)	4,039	(129,005)
Finance costs	(685)	(2,317)	(4,188)	(2,221)	-	(9,411)
Income tax expense	(455)	-	(130)	-	-	(585)
Net segment results	<u><u>54,440</u></u>	<u><u>16,390</u></u>	<u><u>25,440</u></u>	<u><u>3,401</u></u>	<u><u>-</u></u>	<u><u>99,671</u></u>

Arabtec Holding PJSC and its Subsidiaries

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 31 March 2014 (Unaudited)

5 SEGMENT INFORMATION (continued)

The following table presents segment assets, segment liabilities and other information of the Group's operating segments as at 31 March 2014 and 31 December 2013.

	<i>Construction AED'000</i>	<i>Mechanical, electrical and plumbing AED'000</i>	<i>Oil & Gas, infrastructure and power AED'000</i>	<i>Other AED'000</i>	<i>Elimination AED'000</i>	<i>Total AED'000</i>
31 March 2014						
Segment assets	<u>7,672,448</u>	<u>726,224</u>	<u>3,312,178</u>	<u>3,270,404</u>	<u>(2,208,585)</u>	<u>12,772,669</u>
Segment liabilities	<u>(4,988,417)</u>	<u>(563,941)</u>	<u>(2,011,242)</u>	<u>(1,497,064)</u>	<u>2,208,585</u>	<u>(6,852,079)</u>
31 December 2013						
Segment assets	<u>7,107,116</u>	<u>738,662</u>	<u>3,595,982</u>	<u>3,589,962</u>	<u>(2,231,392)</u>	<u>12,800,330</u>
Segment liabilities	<u>(6,008,106)</u>	<u>(593,179)</u>	<u>(2,273,588)</u>	<u>(392,823)</u>	<u>2,231,392</u>	<u>(7,036,304)</u>

Arabtec Holding PJSC and its Subsidiaries

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 31 March 2014 (Unaudited)

5 SEGMENT INFORMATION (continued)

Geographical information

The following table presents revenue and total assets information regarding geographic segments for the period:

	<i>“three-month” period ended</i>		<i>31 March</i>	<i>31 December</i>
	<i>31 March</i>	<i>31 March</i>	<i>2014</i>	<i>2013</i>
	<i>2014</i>	<i>2013</i>	<i>Total</i>	<i>Total</i>
	<i>Revenue</i>	<i>Revenue</i>	<i>assets</i>	<i>assets</i>
	<i>AED’000</i>	<i>AED’000</i>	<i>AED’000</i>	<i>AED’000</i>
				<i>(Audited)</i>
GCC Countries	2,097,310	1,457,609	12,485,139	12,532,669
Others	55,188	87,757	287,530	267,661
	2,152,498	1,545,366	12,772,669	12,800,330

6 INCOME TAX

The Group calculates the period income tax expense using the tax rate that would be applicable to expected total annual earnings, i.e., the estimated average annual effective income tax rate applied to the pre-tax income of the interim period.

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

	<i>“three-month” period ended</i>	
	<i>31 March</i>	
	<i>2014</i>	<i>2013</i>
	<i>AED’000</i>	<i>AED’000</i>
Income taxes		
Current income tax expense	1,133	846
Deferred tax expense (income) relating to the origination and (reversal) of temporary differences	330	(261)
	1,463	585

The Group is subject to taxation on its operations except in the United Arab Emirates and Bahrain. Income in these countries is subject to tax at rates ranging between 10% and 35%.

7 PROPERTY, PLANT AND EQUIPMENT

During the period, the depreciation of property, plant and equipment amounted to AED 58.2 million (“three-month” period ended 31 March 2013: AED 60.7 million).

During the “three-month” period ended 31 March 2014, the Group acquired assets with a cost of AED 77.9 million (“three-month” period ended 31 March 2013: AED 65.1 million) of various types of property, plant and equipment. Assets with a net book value of AED 6.3 million were disposed off by the Group during the “three-month” period ended 31 March 2014 (“three-month” period ended 31 March 2013: AED 4.3 million).

8 OTHER INTANGIBLE ASSETS

During the period, the amortisation of other intangible assets amounted to AED 1.4 million (“three-month” period ended 31 March 2013: AED 4 million). There were no additions to intangible assets during the period.

Arabtec Holding PJSC and its Subsidiaries

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 31 March 2014 (Unaudited)

9 INVESTMENTS IN ASSOCIATES

DEPA Limited

On 21 November 2012, the Group acquired shares in Depa Limited (“DEPA”) for AED 241,706 thousand representing a 24.329% interest in the Company’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 the company.

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

During 2012, an indirect related party to one of DEPA’s customers publicly announced its intention to file a claim against DEPA and its JV partner for compensation of USD 600 million in connection with a contract cancelled by the customer. Based on legal advice, the Group and its associate are confident that such a possible claim will have no grounds for jurisdiction as the third party was not a direct party to the contract. No legal proceedings have been initiated by the third party as of the date of issue of these financial statements.

Summarised financial information of DEPA as of 31 March 2014 is not available as DEPA has not declared its results at the date of approval of these financial statements. DEPA is listed in the Dubai International Financial Center (DIFC) on the NASDAQ Dubai.

Management has assessed the Group’s share of profit in this associate using projections and estimations based on the previously published financial statements and analysts’ reports. The share of loss of the Group for the “three-month” period ended 31 March 2014 is AED 45.8 million (“three-month” period ended 31 March 2013: loss of AED 1,583 thousand). Management believes that the actual financial information, once released, would not be materially different from the projections used.

The fair market value of the investment in DEPA as of 31 March 2014, based on listed bid prices, was approximately AED 370 million (31 December 2013: AED 373 million) which is higher than its carrying value of AED 213.5 million (2013: AED 259 million).

Jordan Wood Industries PSC

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

The Group’s share of loss in this associate for the “three-month” period ended 31 March 2014 is AED 615 thousand.

The fair market value of the investment in JWICO as of 31 March 2014, based on listed bid prices, was approximately AED 9.5 million (31 December 2013 AED 9.6 million) which is not materially different from its carrying value of AED 10.5 million. Management is of the opinion that the investment in associate is not impaired.

Polypod Middle East LLC

On 6 May 2009, Polypod Middle East LLC (“Polypod”), Abu Dhabi was incorporated with the Company holding a 40% interest in Polypod at cost of AED 3.2 million, being equivalent to the Company’s share of the issued share capital. On 7 March 2012, the Board of Directors approved to write off the investment in Polypod, as of 31 December 2011, due to continuous losses incurred. Management is in the process of restructuring this business with a view to allowing the business to positively trade out of its existing deficits.

Salboukh Project

During 2012, the Group entered into an investment arrangement with Gulf Capital PJSC, Kingdom of Saudi Arabia to acquire a 24% interest in the Salboukh project. The Group advanced an amount of AED 29,057 thousand and expects to have a significant influence on the special purpose entity being formed to hold the project. The legal formalities and the final ownership agreement are yet to be completed and agreed.

Arabtec Holding PJSC and its Subsidiaries

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 31 March 2014 (Unaudited)

10 OTHER FINANCIAL ASSETS

	<i>Current</i>		<i>Non-current</i>	
	<i>31 March 2014 AED'000</i>	<i>31 December 2013 AED'000</i>	<i>31 March 2014 AED'000</i>	<i>31 December 2013 AED'000</i>
Financial assets at fair value				
<i>Available-for-sale investments</i>				
Quoted equity shares (a)	-	-	16,197	16,430
	<u>-</u>	<u>-</u>	<u>16,197</u>	<u>16,430</u>
Financial assets at cost				
<i>Available-for-sale investments</i>				
Unquoted equity shares (b)	-	-	17,282	17,282
	<u>-</u>	<u>-</u>	<u>17,282</u>	<u>17,282</u>
Total available-for-sale investments	<u>-</u>	<u>-</u>	<u>33,479</u>	<u>33,712</u>
Financial assets at amortised cost				
Fixed deposits under lien	76,468	78,694	-	-
Margin deposits	48,599	53,179	-	-
Loans to related parties	-	-	1,762	1,778
	<u>125,067</u>	<u>131,873</u>	<u>1,762</u>	<u>1,778</u>
Total other financial assets	<u>125,067</u>	<u>131,873</u>	<u>35,241</u>	<u>35,490</u>

- a) Quoted equity securities represent investments in listed equity securities and non-listed shares that offer the Group the opportunity for return through dividend income and fair value gains. They have no fixed maturity or coupon rate. The fair value of these securities is based on the quoted market prices where available.
- b) Unquoted equity shares represent an investment in Al Waab City project, Qatar. As the fair value of this investment cannot be reliably determined, it is carried at cost less provision for impairment of AED 1,110 thousand. The Group intends to hold this investment for future growth or until an appropriate exit is found.

Impairment on quoted available-for-sale financial investments

For available-for-sale financial investments, the Group assesses at each reporting date whether there is objective evidence that an investment or a group of investments is impaired. In the case of equity investments classified as available-for-sale, objective evidence would include a significant or prolonged decline in the fair value of the investment below its cost. The determination of what is 'significant' or 'prolonged' requires judgment. In making this judgment, the Group evaluates, among other factors, the duration or extent to which the fair value of an investment is less than its cost. Based on these criteria, the Group did not identify any impairment (2013: AED Nil) on available-for-sale investments in quoted shares.

Arabtec Holding PJSC and its Subsidiaries

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 31 March 2014 (Unaudited)

11 RELATED PARTY TRANSACTIONS

The following table provides the total amount of transactions that have been entered into with related parties during the “three-month” periods ended 31 March 2014 and 31 March 2013, as well as balances with related parties as of 31 March 2014 and 31 December 2013:

	<i>“three-month” period ended 31 March 2014</i>				<i>At 31 March 2014</i>	
	<i>Revenues AED’000</i>	<i>Purchases AED’000</i>	<i>Purchase of fixed assets AED’000</i>	<i>Other expenses AED’000</i>	<i>Amount due to AED’000</i>	<i>Amount due from AED’000</i>
Joint operations	24,750	-	-	-	307,084	396,103
Shareholder	226,249	-	-	-	-	42,364
Other related parties	304,997	117,230	-	266	123,875	206,979
	555,996	117,230	-	266	430,959	645,446

	<i>“three-month” period ended 31 March 2013</i>				<i>At 31 December 2013 (Audited)</i>	
	<i>Revenues AED’000</i>	<i>Purchases AED’000</i>	<i>Purchase of fixed assets AED’000</i>	<i>Other expenses AED’000</i>	<i>Amount due to AED’000</i>	<i>Amount due from AED’000</i>
Joint operations	2,719	-	-	-	263,240	359,348
Shareholder	62,563	-	-	-	-	94,696
Other related parties	429,044	666	7,965	6,879	277,517	139,681
	494,326	666	7,965	6,879	540,757	593,725

Compensation of key management personnel

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

	<i>“three-month” period ended 31 March</i>	
	<i>2014 AED’000</i>	<i>2013 AED’000</i>
Attendance fees to directors	280	228
Short term benefits	1,101	9,813
Employees’ end of service benefits	91	222
Discretionary bonus accrued	-	238
	1,638	10,501

Arabtec Holding PJSC and its Subsidiaries

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 31 March 2014 (Unaudited)

12 CASH AND CASH EQUIVALENTS

For the purpose of the interim consolidated statement of cash flows, cash and cash equivalents comprise the following:

	<i>31 March 2014 AED'000</i>	<i>31 December 2013 AED'000 (Audited)</i>
Cash and bank balances	794,414	1,284,815
Short term bank deposits	852,898	1,168,166
Bank balances and cash	1,647,312	2,452,981
Short term deposit with maturity over three months	-	(800,000)
Bank overdrafts	(864,451)	(639,070)
Cash and cash equivalents	782,861	1,013,911

13 SHARE CAPITAL

	<i>31 March 2014 AED'000</i>	<i>31 December 2013 AED'000 (Audited)</i>
<i>Authorised issued and fully paid up:</i>		
3,139,500 thousand shares of AED 1 each	3,139,500	3,139,500

14 DIVIDENDS

At the Board of Directors meeting held on 18 March 2014, a dividend was proposed of AED 0.4 per share to be distributed a bonus share dividends at 30% of share capital (1 bonus share for each 3.3 shares held totalling 941,850 thousand shares) and the distribution of cash dividends at AED 0.1 per share, or 10% cash dividends, totalling AED 313,950 thousand. This was subject to approval at the forthcoming Annual General Meeting of the Company.

At the Annual General Meeting held on 30 April 2014, the shareholders approved bonus share dividends of 40% of share capital (1 bonus share for each 2.5 shares held totaling 1,255,800 thousand shares) and to distribute remuneration to the members of the Board of Directors amounting to AED 18 million.

15 EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the profit for the period attributable to the shareholders of the Parent company of AED 137.9 million ("three-month" period ended 31 March 2013: AED 62.5 million) by the weighted average number of shares outstanding during the period of 4,395,300 thousand (2013: 2,825,550 thousand).

The earnings per share of AED 0.02 as reported for the "three-month" period ended 31 March 2013 (previously reported as AED 0.04) has been adjusted for the effect of the shares to be issued in 2014 as a result of the stock dividend approved by shareholders as per Note 14.

The weighted average number of shares includes the impact of bonus share dividends approved subsequent to the date of the statement of financial position (Note 14). The Company has not issued any instruments which would have a dilutive impact on earnings per share.

	<i>Three month period ended 31 March</i>	
	<i>2014 AED</i>	<i>2013 AED</i>
Earnings per share	0.03	0.02

Arabtec Holding PJSC and its Subsidiaries

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 31 March 2014 (Unaudited)

16 AMICABLE DISCUSSION ON CONTRACTUAL ARRANGEMENT

On 25 December 2008, Arabtec Construction LLC WCT Engineering Berhad (Dubai Branch) Joint Venture (the "Joint Arrangement") for the construction of the Nad Al Sheba race course in Dubai, in which the Group has a 50% share, received notice from the customer, Meydan LLC ("Meydan") purporting to terminate the contract on 9 January 2009 for reasons which management considers did not justify such termination. Subsequently, by way of its notice dated 10 January 2009, the Joint Arrangement purported to terminate the contract on 24 January 2009 on a number of grounds including failure to pay certified amounts, the Joint Arrangement's exclusion from the site and Meydan's wrongful calls on the Performance Security and Advance Payment Guarantee.

Notice of the call of the Performance Security amounting to AED 461.3 million (Group's share: AED 230.7 million) and the Advance Payment Guarantee amounting to AED 77.3 million (Group's share: AED 38.6 million) was received by the Joint Arrangement on 29 December 2008. Both securities were payable on demand and, on payment by the banks concerned, management has recorded a receivable for the net amount due from Meydan, pending resolution of the dispute. The corresponding liability recorded at the 31 December 2008 year end has since been converted into a loan taken from a bank in 2009 on which Arabtec Construction LLC is paying interest, which is being expensed.

On 11 January 2009, the Joint Arrangement served its request for arbitration after which the arbitration proceedings commenced. The amount claimed by the Joint Arrangement was approximately AED 2.7 billion (Group's share: AED 1.4 billion). In June 2012, Meydan has further lodged a claim before Dubai Court contesting the validity of the arbitration tribunal and claiming a sum of AED 3.5 billion plus interest.

During the first quarter of 2013, the arbitration process was suspended in order to allow for the civil and penal cases in connection with the parties to proceed. Subsequently, in February 2013 the Board of Directors of the Company (the "Board") approved the withdrawal of the arbitration proceedings. Following the Board of Directors' approval in February 2013, the tribunal of DIAC CASE 2/ 2009 issued a partial order terminating the proceedings between Meydan and the Company, without prejudice to the parties' respective rights and obligations. The purpose of withdrawing the proceedings is to engage in and progress amicable settlement discussions. Management is in the process of engaging in these settlement discussions.

17 JOINT OPERATIONS

The Group has the following significant interests in joint operations:

	<i>Share in JV</i>
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/Al Saad joint operation project, KSA	66.66%
o) Arabtec/Al Mukawilon joint operation project, Palestine	60%
p) Arabtec/Combined Group Contracting Company Joint operation, Kuwait	60%
q) TAV/CCC/Arabtec Joint operation, UAE	33%
r) Oger Abu Dhabi LLC/Constructora San Jose SA/Arabtec Joint operation, UAE	33%
s) CCC/Arabtec Joint operation, Kazakhstan	50%
t) ATC/CCC/DSC Joint Venture Limited, Jordan	33%

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

Arabtec Holding PJSC and its Subsidiaries

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 31 March 2014 (Unaudited)

18 LEASE AND FIXED ASSETS COMMITMENTS

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

	31 March 2014 AED'000	31 December 2013 AED'000 (Audited)
Future minimum lease payments:		
Within one year	41,725	26,569
In the second to fifth years inclusive	20,153	18,155
Later than 5 years	10,709	9,461
	<hr/>	<hr/>
Total operating lease expenditure contracted for at the reporting date	72,587	54,185
	<hr/> <hr/>	<hr/> <hr/>
	<i>“three-month” period ended 31 March</i>	
	<hr/>	<hr/>
	2014 AED'000	2013 AED'000
Minimum lease payments under operating leases recognized as expense during the period	27,052	21,185
	<hr/> <hr/>	<hr/> <hr/>

At 31 March 2014, the Group had commitments for the acquisition of property, plant and equipment amounting to AED 49,143 thousand (31 December 2013: AED 49,143 thousand (Audited)).

19 CONTINGENCIES

At 31 March 2014, the Group had contingent liabilities in respect of performance and bid bonds, advance payment bonds, financial guarantees, retention bonds, labour guarantees and letters of credit amounting to AED 6,425,150 thousand (31 December 2013: AED 6,530,342 thousand (Audited)).

The Group is a defendant in a number of lawsuits relating to 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.

20 GOODWILL

Goodwill is tested for impairment annually or when circumstances indicate the carrying value may be impaired. The Group's impairment test for goodwill and intangible assets with indefinite lives is based on value-in-use calculations that use a discounted cash flow model. The key assumptions used to determine the recoverable amount for the different cash generating units were disclosed in the annual financial statements for the year ended 31 December 2013.

21 POLITICAL UNREST IN SYRIA

The Group has a project in Syria that has been suspended as a result of the current political events and civil unrest in the country. The Group management has taken proactive measures by entering into negotiations with its Syrian client in order to realise its assets and ensure that any exposure on its financial statements is covered.

While it is difficult to quantify the effect of these events on the future financial statements, the significance of this impact will depend on the extent to which these events and their effect will last. In management's opinion, the events in Syria will not materially affect the Group's financial position or performance.

Arabtec Holding PJSC and its Subsidiaries

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 31 March 2014 (Unaudited)

22 FAIR VALUES

Financial instruments comprise financial assets and financial liabilities.

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

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

- Bank balances and cash, trade receivables, other financial assets, other current assets, due from related parties bank borrowings, trade and other payables, due to related parties and income tax payable approximate their carrying amounts, largely due to the short-term maturities of these instruments.
- Long term receivables and borrowings are evaluated by the Group based on parameters such as interest rates, specific country risk factors, individual credit worthiness of the customer and the risk characteristics of the financed project. Based on this evaluation, provisions are taken to account for the expected losses of these receivables. As at 31 March 2014, the carrying amounts of such receivables, net of provisions, are not materially different from their fair values.
- Fair value of bank borrowings and other financial liabilities as well as other non-current financial liabilities is estimated by discounting future cash flows using rates currently available for debts on similar items, credit risk and remaining maturities.
- The fair value of the investment properties is determined by a qualified and independent property consultant, which is done on annual basis. The property consultant is a specialist in valuing these types of investment properties. The fair value stated in the consultant reports is determined using transactions observable in the market.

Fair value hierarchy

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

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

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

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

The Group held the following financial instrument measured at fair value:

<i>At 31 March 2014</i>	<i>Level 1 AED'000</i>	<i>Level 2 AED'000</i>	<i>Level 3 AED'000</i>	<i>Total AED'000</i>
Available-for-sale investments	16,197	-	-	16,197
Investment properties	-	-	616,001	616,001
	<u>16,197</u>	<u>-</u>	<u>616,001</u>	<u>632,198</u>
<i>At 31 December 2013</i>	<i>Level 1 AED'000</i>	<i>Level 2 AED'000</i>	<i>Level 3 AED'000</i>	<i>Total AED'000</i>
Available-for-sale investments	16,430	-	-	16,430
Investment properties	-	-	590,200	590,200
	<u>16,430</u>	<u>-</u>	<u>590,200</u>	<u>606,630</u>