BUILDING OUR FUTURE

ARABTEC HOLDING

2016

arabtec holding

ARABTEC HOLDING IS A LEADING CONTRACTOR FOR SOCIAL AND ECONOMIC INFRASTRUCTURE

Abu Dhabi skyline

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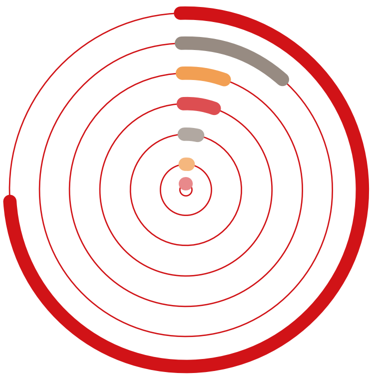
ARABTEC HOLDING ONLINE
www.arabtecholding.com

FINANCIAL REVIEW

BACKLOG BY GEOGRAPHY
FY 2016

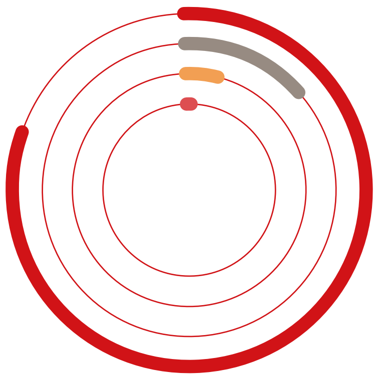


UAE	67%
Bahrain	12%
KSA	6%
Kazakhstan	6%
Jordan	4%
Qatar	2%
Other	3%

BACKLOG BY SECTOR
FY 2016

Commercial	70%
Infrastructure	13%
Industrial	13%
MEP	4%

BACKLOG BY SUBSIDIARY
FY 2016



Arabtec Construction	81%
Target Engineering Construction Co.	14%
Emirates Falcon Electromechanical Co.	4%
Others	1%

INCOME STATEMENT SUMMARY

	FY 16	FY 15	Change %
Revenue	8,157,682	7,616,240	7.1
Gross profit (loss)	(942,974)	(1,858,035)	-49.2
General and administrative expenses	(472,209)	(665,536)	-29.0
Impairments	(1,900,632)	(238,521)	696.8
Attributed to Parent's equity holders	(3,409,592)	(2,346,701)	45.3
Backlog	17,973.5	19,326.0	-7.0

CHAIRMAN'S STATEMENT

I AM HONOURED TO CHAIR THE BOARD OF DIRECTORS OF ARABTEC HOLDING AS WE STEER THE COMPANY FROM CHALLENGING TIMES TOWARDS BUILDING A SUCCESSFUL AND SUSTAINABLE FUTURE FOR THE GROUP

In 2016, macroeconomic headwinds proved demanding to navigate across multiple fronts. Primarily, the low oil price environment, in a region dominated by net oil exporters, compounded by national economic reforms and a weaker real estate sector cascaded over to the construction industry. Arabtec was not immune from the ensuing challenges and the Group's financial performance is a reflection of the adverse market conditions, which are having a negative impact on the construction industry throughout the GCC.

“The Recapitalisation Programme strengthens the Group’s financial position and is for the benefit of all stakeholders. It is supported by our largest shareholder, Aabar Investments PJS, representing a huge vote of confidence in the Board and in the continuing strength of our business.”

FACT

Arabtec was established in 1975 as Arab Technical Construction Company

The Conrad Hotel, Dubai

YEAR-ON-YEAR REVENUE GROWTH

7.1%

During 2016, the Board commissioned an extensive strategic review and detailed studies of the Group’s operational and financial position. The review highlighted the need for Arabtec to raise capital to meet the Group’s ongoing and future funding requirements. As a result, the Board is taking confident, sensible steps to underpin the Company’s capital structure.

In February 2017, the Company released details of the Recapitalisation Programme, offering a positive conclusion to the steps taken by the Board in 2016 to put the Group on the right trajectory to profitability. The Recapitalisation Programme strengthens the Group’s financial position and is for the benefit of all stakeholders. It is supported by our largest shareholder, Aabar Investments PJS, representing a huge vote of confidence in the Board and in the continuing strength of our business.

The Board’s action builds on the appointment, in late 2016, of a new management team brought in to restructure the Company as it looks ahead to a strong, committed growth pipeline. Looking forward, we are well positioned to capitalise on the positive long-term outlook for the construction and engineering sector in our key geographies. This is reflected by our 7.1% year-on-year revenue growth, an AED 18.0 billion project backlog and new business pipeline highlighting the continuing strength of the Group’s operating divisions.

Arabtec has been entrusted for more than four decades to deliver large-scale and technically complex projects, ranging from the iconic Burj Khalifa to the Abu Dhabi landmark, the Emirates Palace Hotel, to the prestigious Emirates Hills community in Dubai. Soon, we will add the Louvre Abu Dhabi, one of the most complex projects of its kind ever undertaken in the UAE, to our track record.

I would like to thank my colleagues on our Board of Directors, our executive management and all our employees for their hard work and focus at a challenging time. Most of all, we thank you, our shareholders, for your continued support.

H.E. MOHAMED THANI MURSHED AL RUMAITHI
CHAIRMAN ARABTEC HOLDING

ABOUT ARABTEC

ARABTEC IS A LEADING CONTRACTOR FOR SOCIAL AND ECONOMIC INFRASTRUCTURE

Arabtec's impressive list of completed projects includes many of the UAE's iconic buildings, as well as other technically challenging projects on airports and related infrastructure.

In 2005, Arabtec was the first construction firm to list on the Dubai Financial Market. Today, the Group consists of three operating entities and nine investment companies, with specialisations spanning all segments of the construction cycle. Delivering on integrated capabilities is a material competitive advantage and core focus area for the Group, ensuring maximum value add for clients, partners and shareholders.

Arabtec Holding currently has a project backlog of AED 18.0 billion, and is building many of the GCC's major landmarks including the Louvre Abu Dhabi, the Midfield Airport Terminal Building in Abu Dhabi, Al Ain Hospital, The Bahrain Airport Modernisation Programme in Manama, Msheireb Downtown in Doha, and Kuwait University. Outside the GCC, the Company is developing a number of major projects including the Saraya Aqaba in Jordan, and the Abu Dhabi Plaza in Kazakhstan.

With operations in nine countries, Arabtec Holding is well positioned to continue the development of the social and economic infrastructure of the region and ensure a successful and sustainable future for the communities it serves.

FOCUS ON BURJ KHALIFA

The Burj Khalifa is the world's tallest building and a global icon that pushes the frontiers in design, architecture, and construction.

NUMBER OF FLOORS

200+

storeys

FACT

Total built-up area of 527,000 m^2.

FULL HEIGHT

828 m

tallest freestanding structure in the world

FACT

Burj Khalifa features 172,000 m^2 of residential space and more than 28,000 m^2 of prime office space.

FACT

160 habitable levels, more than any other building in the world.

ELEVATOR SPEED

600m

per minute

OBSERVATION DECK HEIGHT

555m

world's highest outdoor observation deck

NUMBER OF WORKERS

12,000

at the peak of construction

EXECUTIVE MANAGEMENT TEAM

THE COMPANY IS MANAGED BY A HIGHLY EXPERIENCED TEAM WITH THE RELEVANT KNOWLEDGE AND SKILLS

MR. HAMISH G. TYRWHITT
GROUP CHIEF EXECUTIVE OFFICER

Hamish Tyrwhitt was appointed in November 2016 as Group Chief Executive Officer of the Arabtec Group. Since April 2016, he has also held the position of Group Chief Executive Officer of Depa Limited, one of the world's leading providers of interior solutions. He is also a Non-Executive Director of Design Studio, Singapore's leading premier furniture manufacturer, interior fit-out and product specialist, a position he has held since June 2016.

Mr. Tyrwhitt has three decades of senior leadership experience in the global engineering and construction sectors. Most recently, he was CEO of Asia Resource Minerals Plc, a coal mining company listed in London. Prior to this, he was CEO of Australian Securities Exchange-listed Leighton Group (now known as CIMIC Group) with annual revenues of around USD20 billion and operations in more than 20 international markets. In his previous roles, Mr. Tyrwhitt supervised the delivery of numerous multi-billion dollar projects and, as Managing Director for Leighton Asia, he ran the business across Asia, based out of their headquarters in Hong Kong.

Bachelor of Engineering (Civil), University of Western Australia

FIE Aust, CPEng., MemIEHK, FTSE

MR. RAVI MURTHY
ACTING GROUP CHIEF FINANCIAL OFFICER

Ravi Murthy was appointed acting Group Chief Financial Officer in July 2015. He is also Chief Financial Officer of Arabtec Construction, Arabtec Holding's largest operating subsidiary.

Mr. Murthy joined Arabtec in 1996 and was a key team member involved in the strategic planning for the transition of Arabtec Pvt. Ltd to a public listed company on the DFM – the first privately held company and the first construction company to list in the UAE.

With more than 35 years' experience in the service, manufacturing and contracting industry, Mr. Murthy has also held various finance roles in well-known companies such as Drake & Scull International, Al Ghurair Trading Group, SAF YEAST Group, among others.

Master Financial Controller – American Academy of Financial Management

Certified Financial Consultant – Institute of Financial Consultants, USA & Canada

Master of Commerce – Lucknow University, India

Chartered Accountant – Institute of Chartered Accountants of India

BOARD OF DIRECTORS

BOARD MEMBERS OF ARABTEC HOLDING SERVING IN 2016

H.E. MOHAMED THANI MURSHED AL RUMAITHI
CHAIRMAN ARABTEC HOLDING PJSC
Appointed as a Board Member and Chairman of the Board 30/04/2015

H.E. Mohamed Thani Murshed Al Rumaithi is Chairman of the Abu Dhabi Chamber of Commerce & Industry, as well as the Federation of UAE Chambers of Commerce & Industry, National Marine Dredging Co. and Thani Murshed Unilever. He is a Board Member of the Al Etihad Credit Bureau, and Abu Dhabi Council for Economic Development. In addition to being a Member of the UAE-UK Business Council, he is Vice-President of the UAE Football Association and the US-UAE Business Council and the President of the Pro League Committee in the UAE.

FACT

Arabtec has more than 52,000 employees

MR. MOHAMED HAMAD GHANEM HAMAD AL MEHAIRI

VICE-CHAIRMAN AND CHAIRMAN OF THE NOMINATION AND REMUNERATION COMMITTEE

Appointed 30/04/2012

Mr. Mohamed Hamad Al Mehairi is Chief Executive Officer of Aabar Investments PJS, and has been a Board Member since February 2009. He is also Director of the Investment Department at the International Petroleum Investment Company (IPIC). He holds a Bachelor's Degree in Business Administration and Finance from the University of Suffolk in Boston, USA.

MR. SAEED MOHAMED SAEED FARAJ AL MEHAIRBI

BOARD MEMBER

Appointed 30/04/2015

Mr. Saeed Mohamed Al Mehairbi is a Board Member of several companies including CEPSA (Compañía Española de Petróleos, S.A.U.), Emirates LNG, Duqm Refinery, SUMED Egypt and Depa Ltd. He was acting CEO of Arabtec Holding PJSC from November 2015 to November 2016 and is Director of the Projects Directorate at International Petroleum Investment Company (IPIC). Al Mehairbi is also Senior Project Coordinator at the Abu Dhabi National Oil Company (ADNOC) and Senior Engineer for the Abu Dhabi Company for Onshore Operations (ADCO).

MR. KHALIFA ABDULLA KHAMIS AL ROMAITHI

BOARD MEMBER AND AUDIT COMMITTEE MEMBER

Appointed 30/04/2015

Mr. Khalifa Abdulla Al Romaithi is a Board and Investment Committee member of Aabar Investments PJS, Falah Growth Fund (GP) Limited, Qatar and the Abu Dhabi Investment Company Q.S.C. He is the Chairman of the Audit Committee of the Abu Dhabi National Takaful Co. PSC and Gulf Energy Maritime PJSC, and he is a Director of Downstream & Diversified Investments at the International Petroleum Investment Company (IPIC). He holds a Bachelor's Degree in Business Administration (Finance concentration) from the University of Portland and a Bachelor's Degree in Engineering Management from the Abu Dhabi Men's College.

MR. TARIQ AHMED MOHAMED AL MASAOOD AL MEHAIRBI

BOARD MEMBER AND NOMINATION AND REMUNERATION COMMITTEE MEMBER

Appointed 01/06/2016

Mr. Tareq Ahmed Al Masaood Al Mehairbi is a Board Member of Al Jazeera Football Club. He is also the Managing Director and Partner of Al Masaood Automobiles, Director and Partner of Al Masaood Group, Al Masaood Developments and Al Maha Holdings, and Partner at Osbourne Engineering in UK and Turbo Power Services in UK. He holds a Bachelor's Degree in Business Administration from the Higher College of Technology, Abu Dhabi, UAE.

MR. GHANNAM BUTTI KHALEEFA KHALAF AL MAZROUEI

BOARD MEMBER AND CHAIRMAN OF THE AUDIT COMMITTEE

Appointed 01/06/2016

Mr. Ghannam Butti Al Mazrouei is Acting Director Human Capital & Administration of Abu Dhabi National Oil Co. (ADNOC). He was Senior Vice President Support Service Function of Abu Dhabi Company for Onshore Petroleum Operations Ltd. (ADCO). He is Board Member of Abu Dhabi Securities Exchange (ADX) and Board Member of National Qualification Authority. He holds a Master of Science in Financial Economics from Boston University, MA, USA. and a Bachelor of Science in Business Administration/ Finance from Suffolk University, MA, USA.

MR. JAMAL SAEED SALEH MOHAMMED ALNUAIMI

BOARD MEMBER AND NOMINATION AND REMUNERATION COMMITTEE MEMBER

Appointed 13/06/2016

Mr. Jamal Saeed Saleh Al Nuaimi is a Board Member of the Abu Dhabi Chamber of Commerce & Industry and has been the General Manager at Etisalat since 2008. He holds a Bachelor's Degree in Aviation Management from the Metropolitan State College in Denver, Colorado, USA and a Master of Business Administration Degree from a UAE University.

GROUP CEO'S REVIEW

I AM ENERGISED TO LEAD ARABTEC HOLDING

BACKLOG OF EXISTING AND COMMITTED FUTURE PROJECTS (AED)

18.0b

equivalent to roughly two years of revenue

The Group is wholly committed to developing the social and economic infrastructure of the region so as to improve the lives of its people. This is in line with our overarching vision of 'building our future'.

This past year was financially disappointing. The Group recorded a net loss to shareholders of AED 3.4 billion for FY 2016, compared to a net loss of AED 2.34 billion in FY 2015. The Group's net loss resulted from a combination of impairment charges on high-risk items, which amounted to AED 1.9 billion, as well as recurring, non-recurring and operational expenses.

Arabtec conducted an extensive strategic review and commissioned detailed studies of the Group's position throughout FY 2016. Given the continuing adverse market conditions and no improvement in the recoverability of claims, FACT

Arabtec's operations span the GCC, Kazakhstan, Jordan, India and Egypt.

impairments amounting to AED 1.9 billion were recognised on high-risk items. It was deemed important to address these risks in the financial statements so that investors could have confidence about the future. At the same time, the Group will continue to pursue its rights to recover payments it is entitled to. We are aware the process will take time. Our decision to apply impairments to these items reflects our prudent approach to financial management, as we are working to ensure that the valuations of our assets are accurate, transparent and reflect the conditions of the market.

Despite these challenges, the underlying strength of the business enabled our revenue to grow while measures were being introduced to contain costs. The Group achieved revenue of AED 8.1 billion for FY 2016, an increase of 7.1% from AED 7.6 billion in FY 2015. The Group also achieved a backlog of existing and committed future projects amounting to AED 18.0 billion, equivalent to more than two years of revenue.

In conjunction with the Recapitalisation Programme mentioned earlier, Arabtec has developed a phased three-year strategic roadmap to reposition the Group to deliver profitable and sustainable growth for its shareholders.

Phase 1 will see us stabilise the business in FY 2017 with the implementation of our Recapitalisation Programme, the establishment of Arabtec Holding as a strategic management company and the continued adoption of our Group-wide Risk Management Plan. Phase 2 will prepare the business to grow, securing an annual backlog of projects of at least AED 8 to 9 billion at Group level while maintaining a lean organisation and on-time and on-budget delivery of projects in 2018. Phase 3 seeks consistent growth in net profit and improved cash flow generation, as we continue to improve project gross margins and ensure on-time delivery of our projects.

As a strategic management company, Arabtec Holding will ensure alignment of all of the Group's activities with its vision, mission, and values. We will refocus the Group on its core competencies and key geographies, and develop stronger cooperation across our operating entities.

Looking ahead, I am confident the combination of the Recapitalisation Programme and the strategic repositioning of the business will enable Arabtec Holding to capitalise on the positive long-term outlook for the construction and engineering sector in our key geographic markets. I would like to take this opportunity to thank the Board, the employees, the shareholders and the broader Arabtec network for their effort and support throughout 2016. We look forward to rejuvenating the business and taking steps in 2017 to capitalise on our strong growth potential.

HAMISH TYRWHITT
GROUP CEO ARABTEC HOLDING

Burj Al Arab, Dubai

"Arabtec Holding will ensure alignment of all of the Group's activities with its vision, mission, and values."

Emirates Palace Hotel, Abu Dhabi

VISION, MISSION AND VALUES

ARABTEC'S VISION, MISSION AND VALUES ARE DEMONSTRATED IN ALL THAT WE DO AS A GROUP

OUR VISION

"Building our future."

Our Company plays a key role in developing the future of the region. We develop the infrastructure where people live, work and learn – a major contribution to the social and economic development of the region.

OUR MISSION

"To develop social and economic infrastructure efficiently and sustainably, as the result of long-term relationships with our clients and partners."

This demonstrates our commitment to creating a sustainable future for the region through long-term partnerships built around trust, respect and accountability to our clients.

OUR VALUES

We are guided by our core values:

COMMITMENT

We are committed to improving the quality of life and standard of living for people in the communities we develop. We do not rest on our accomplishments, but rather build on them to be the best we can.

INTEGRITY

We do the right thing in a reliable way, creating value both for our business and for our communities. We demonstrate honest, ethical behaviour in everything we do.

TEAM SPIRIT

We work together, across boundaries, to meet the needs of our customers, clients, shareholders and associates to help the Company win. We create a "can do" spirit.

PROFESSIONALISM

We demonstrate respect, moderation, objectivity, productivity and effectiveness in all that we do.

ACCOUNTABILITY

We are personally responsible for delivering on our commitments as teams and as individuals.

GROUP STRUCTURE

ARABTEC HOLDING IS A STRATEGIC MANAGEMENT COMPANY

Arabtec Holding is comprised of three operating entities and nine investment companies, with specialisations spanning all segments of the construction cycle with a vision of "building our future."

arabtec holding

OPERATING ENTITIES

INVESTMENTS

Arabtec Construction

100%

Depa

24%

Jordan Wood Industries Co.

14%

Target Engineering Construction Co.

100%

Arabtec Engineering Services

80%

Gulf Steel Industries

100%

Emirates Falcon Electromechanical Co.

100%

Arabtec Precast

100%

Austrian Arabian Ready Mix

100%

OTHER INVESTMENTS

NBK READY MIX

HOE

ENVIROGREEN

DIRECTORS' REPORT

THE BOARD OF DIRECTORS OF ARABTEC HOLDING PJSC (THE "COMPANY") IS PRESENTING THE CONSOLIDATED FINANCIAL STATEMENT OF THE COMPANY AND ITS SUBSIDIARIES (THE "GROUP") AS AT 31 DECEMBER 2016.

PRINCIPAL ACTIVITIES

Arabtec is a leading contractor for social and economic infrastructure including hospitality, commercial, EPCM, residential, economic infrastructure and social infrastructure, in addition to the execution of construction related services such as drainage, electrical and mechanical works and the provision of ready mix concrete through Arabtec Construction and other subsidiaries.

FINANCIAL RESULTS

The Group has reported a net loss of AED 3,511 million for FY 2016, compared to a net loss of AED 2,779 million for FY 2015. The Group's net loss resulted from a combination of impairment charges on high-risk items, which amounted to AED 1,901 million in total, as well as recurring, non-recurring and operational expenses.

The financial results of the Group are presented on page 24.

STRATEGY

Our primary focus is on stabilising the Group and preparing for sustainable future growth and profitability. The plan is based on three distinct phases:

- **Phase 1 (2017) Stabilise:** Implementation of recapitalisation program, establish Arabtec Holding as a strategic holding company, stabilise the Group organisational structure and roles.
- **Phase 2 (2018) Prepare:** Establish robust processes for capital allocation, financial discipline and accountability.
- **Phase 3 (2019+) Growth:** Consistent top and bottom line growth and return to profitability with a focus on providing value to shareholders through dividends and share price appreciation.

The Address, Downtown Dubai

DIRECTORS

The members of the Board of Directors as of 31 December 2016 are:

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

INDEPENDENT AUDITOR'S REPORT

REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

OUR OPINION

In our opinion, the consolidated financial statements present fairly, in all material respects the consolidated financial position of Arabtec Holding PJSC (the "Company") and its subsidiaries (together the "Group") as at 31 December 2016, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

WHAT WE HAVE AUDITED

The Group's consolidated financial statements comprise:

- the consolidated statement of financial position as at 31 December 2016;
- the consolidated income statement for the year then ended;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

BASIS FOR OPINION

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

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

INDEPENDENCE

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

EMPHASES OF MATTER

(a) Material uncertainty relating to going concern

We draw attention to Note 2.1 in the consolidated financial statements, which indicates that the Group has incurred losses of AED 3,511,227 thousand during the year ended 31 December 2016 and, as of that date, the Group's current liabilities exceeded its current assets by AED 2,170,040 thousand. Further, the Group had negative equity of AED 250,693 thousand as at 31 December 2016. As stated in Note 2.1, these conditions along with other matters set out in Note 2.1, indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern.

(b) Dispute with non-controlling shareholder of a subsidiary

We draw attention to Note 38 (c) which provides details of a dispute with the non-controlling shareholder of Arabtec Construction W.L.L. Qatar, the outcome of which cannot be determined with reasonable certainty as at the date of this report.

Our opinion is not modified in respect of the above matters.

OUR AUDIT APPROACH

OVERVIEW

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the consolidated financial statements. In particular, we considered where management made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. The areas, in our professional judgment, that were of most significance in our audit ('Key audit matters') and where we focussed most audit efforts identified during the year were:

Contract revenue and profit recognition

Recoverability of contract and related party receivables

Assessment of loss of control over the businesses in Kingdom of Saudi Arabia (KSA)

We have set out below our explanation of each item and a summary of the audit approach.

As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

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

INDEPENDENT AUDITOR'S REPORT
CONTINUED

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance to the audit of the consolidated financial statements of the current year. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the emphases of matter section referring to material uncertainty relating to going concern, we determined the matters below to be the key audit matters to be communicated in our report.

Key audit matter	How our audit addressed the key audit matter
Contract revenue and profit recognition	
We focused in particular on this area because the timing of revenue recognition, estimates of costs to complete and the recognition of variations and claims on contracts have inherent complexities in the construction industry, are matters of significant estimate and judgement and often take time to resolve. The Group enters into contracts, many of which are complex and long-term in nature and can span a number of reporting periods. The total amount of revenue and profit or loss to be recognised on a contract can be affected by changes in conditions and circumstances over time, such as: – variations to the original contract terms – cost overruns – scope changes that require further negotiation and agreement. There can be some uncertainties in determining the amounts to be recovered as a result of changes in conditions and circumstances which lead to additional work to be performed (variations). In addition, with respect to claims, the determination of when negotiations have reached an advanced stage, probability of acceptance of the claim by the customer and valuation of the claim amount require significant exercise of judgement by management. The timing of revenue recognition is subject to judgements surrounding the costs expected to be incurred in completing the work, as revenue on contracts is recognised on a percentage of completion basis. There can often be a degree of subjectivity involved in determining cost to complete and the magnitude of variations which could have a consequential impact on calculation of contract margin or losses to be recognised. The risks are, therefore, that contract revenue and associated margins or foreseeable losses are not correctly recognised. Refer to the Notes 2.25 of the consolidated financial statements for the accounting policy on revenue recognition, Note 4.1(a) for significant estimates and judgments related to revenue recognition and Note 22 for revenue recognised during the year ended 31 December 2016.	We obtained an understanding of the internal controls over revenue recognition. We then tested a sample of contracts based on value and risk based criteria: – with significant revenue recognised in the year, or – with forecast losses, or – with significant unbilled work in progress balances, or – that had been identified by management as higher risk in our discussions with them; and – other contracts not falling in the above criteria. To assess whether revenue and profit/loss is accurately recorded, we tested the estimated costs to complete on a sample of contracts by obtaining an understanding from the Group's project teams as to how they had estimated these costs, challenging their assumptions, for example by assessing estimated costs against historical and current trends underpinning those estimates, evaluating the outturn of previous estimates and comparing the estimates against the latest estimates made by management after the end of the reporting period. We also recalculated the stage of completion and obtained documentary evidence of approval of variations included in total estimated revenue on the contracts. With respect to claims, we evaluated management's judgement on the advanced stage of negotiation with customers based on the facts and circumstances of particular contracts, documentary evidence and correspondence and the Group's relationship with the customer. We also read and considered the implications of correspondence with customers (both upon the acceptance of work done and relating to disputes).

Key audit matter	How our audit addressed the key audit matter
Recoverability of contract and related party receivables	
We focused on this area because management exercises significant judgement regarding the recoverability of the balances and therefore estimating the extent of any provision for impairment required in respect of such balances. Where the recoverability of such balances is contingent on the outcome of on-going arbitrations or litigations, management considers the probability of a favorable outcome having regard to the opinions of the Group's legal counsel and external lawyers. The magnitude of any resultant impairment against the outstanding amounts, both in respect of contract and related party receivables, could be material to the consolidated financial statements. Refer to Note 10 of the consolidated financial statements for details of contract receivables included within trade and other receivables and Note 13 for related party balances.	With respect to contract receivables, we discussed with management their assessment of the recoverability of individual balances and the basis thereof. We corroborated management's assessment with other factors such as status of the contract work and its certification, relationship with the customer, customer's financial ability to pay, the customer's past payment performance and, where the Group has a legal claim against the customer, the Group's legal counsel's and external lawyer's assessments of the likelihood of a favourable or unfavourable outcome. As part of this process, we also discussed the progress of the work on the contract with the respective project teams. With respect to related party balances, we considered the agreed repayment terms and whether the related parties had the ability to repay in accordance with those terms, as well as the related party's past payment history.
Assessment of loss control over the businesses in the Kingdom of Saudi Arabia (KSA)	
We focused on this area because management concluded during the year that the Group has lost control over the businesses in KSA. The assessment of loss of control over these subsidiaries involved exercise of judgement by management. In making their assessment, management considered the legal structure of the KSA business, rights and obligations under other agreements with shareholders and lenders, current relevant activities of the KSA business and the Group's ability to affect returns through its power over those activities. The assessment of control has a material impact on the accounting for the subsidiaries and the presentation of the consolidated financial statements. Refer to Note 4.2(c) of the consolidated financial statements for details of management's judgement regarding assessment of control and Note 35(a) for subsidiaries in KSA that were de-consolidated and classified as available-for-sale investments during the year.	We evaluated management's assessment of loss of control in the light of IFRS 10, Consolidated Financial Statements, which defines control as power over the investee, exposure or rights to variable returns from involvement with the investee and the ability to affect those returns through power over the investee. We considered the requirements of IFRS 10 that require an investor to reassess whether they control an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Given the current situation of the business of the subsidiaries, there are no relevant activities that the Group exercises control over. We reviewed the relevant documentary evidence to support management's assessment. We also reviewed the adjustments made by the Group in the books to reflect the loss of control and the assumption of additional liabilities relating to the KSA business. In addition, we also considered the appropriateness of the presentation of the de-consolidation in the Group financial statements.

INDEPENDENT AUDITOR'S REPORT
CONTINUED

OTHER INFORMATION

Management is responsible for the other information. The other information comprises the Directors' report, which we obtained prior to the date of this auditor's report but does not include the consolidated financial statements and our auditor's report thereon.

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

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

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

RESPONSIBILITIES OF MANAGEMENT AND THOSE CHARGED WITH GOVERNANCE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit.

We also:

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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

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

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

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

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

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

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

iii) the Group has maintained proper books of account;

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

v) note 34 to the consolidated financial statements discloses the investment in shares during the year ended 31 December 2016;

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

vii) as detailed in Note 2.1, as the accumulated losses of the Group as at 31 December 2016 exceeded half of the issued share capital, the Board of Directors of the Company intend to call the General Assembly to convene in April 2017 in which the shareholders will vote on a resolution for the continuation of the Company. Based on the information that has been made available to us, nothing has come to our attention which causes us to believe that the Group has contravened during the year ended 31 December 2016 any of the applicable provisions of the UAE Federal Law No. (2) of 2015 or in respect of the Company its Memorandum of Association which would materially affect its activities or its financial position as at 31 December 2016.

PricewaterhouseCoopers
21 March 2017

MOHAMED E ELBORNO
REGISTERED AUDITOR NUMBER 946
ABU DHABI, UNITED ARAB EMIRATES

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	As at 31 December	
	2016 AED'000	2015 AED'000
Assets		
Non-current assets		
Property, plant and equipment	847,586	876,710
Investment properties	595,974	631,597
Development properties	–	20,000
Goodwill	248,741	248,741
Other intangible assets	21,552	27,328
Investments in associates	192,498	222,460
Deferred tax assets	3,737	3,406
Trade and other receivables	901,806	894,698
Other financial assets	17,282	28,194
	2,829,176	2,953,134
Current assets		
Inventories	115,340	169,988
Trade and other receivables	5,107,795	5,995,737
Due from related parties	306,222	1,260,834
Other financial assets	115,262	83,763
Other current assets	395,708	333,144
Cash and cash equivalents	1,054,000	735,385
	7,094,327	8,578,851
Assets of disposal group classified as held for sale	–	1,399,662
Total assets	9,923,503	12,931,647
Equity and liabilities		
Equity		
Equity attributable to owners of the Parent		
Share capital	4,615,065	4,615,065
Statutory reserve	148,159	1,152,593
Fair value adjustment reserve	–	2,942
Foreign currency translation reserve	36,661	11,810
Other reserves	(194,239)	(192,747)
Accumulated losses	(4,645,248)	(2,227,363)
	(39,602)	3,362,300
Non-controlling interests	(211,091)	(162,576)
Total equity	(250,693)	3,199,724

CONSOLIDATED STATEMENT OF FINANCIAL POSITION CONTINUED

	As at 31 December	
	2016 AED'000	2015 AED'000
Liabilities		
Non-current liabilities		
Bank borrowings	140,000	258,637
Loan from a related party	177,724	–
Retentions payable	384,417	321,557
Provision for employees' end of service benefits	207,688	187,765
	909,829	767,959
Current liabilities		
Trade and other payables	6,738,899	5,936,142
Bank borrowings	2,141,678	1,490,711
Due to related parties	366,760	433,113
Income tax payable	17,030	14,974
	9,264,367	7,874,940
Liabilities of disposal group classified as held for sale	–	1,089,024
Total liabilities	10,174,196	9,731,923
Total equity and liabilities	9,923,503	12,931,647

The consolidated financial statements were approved for issue by the Board of Directors on 21 March 2017 and signed on its behalf by:

GHANNAM BUTTI AL MAZROUEI
MEMBER – BOARD OF DIRECTORS

RAVI MURTHY
ACTING CHIEF FINANCIAL OFFICER

CONSOLIDATED INCOME STATEMENT

	As at 31 December	
	2016 AED'000	2015* AED'000
Revenue	8,157,682	7,616,240
Direct costs	(9,100,656)	(9,474,275)
Gross loss	(942,974)	(1,858,035)
Other operating income	28,134	19,155
Investment income	11,307	1,118
General and administrative expenses	(472,209)	(665,536)
Impairment losses	(1,900,632)	(238,521)
Other income	78,267	45,076
Loss on de-consolidation of subsidiaries	(196,693)	–
Operating loss	(3,394,800)	(2,696,743)
Finance costs	(72,265)	(62,780)
Share of loss of associates	(29,962)	(11,786)
Loss before tax	(3,497,027)	(2,771,309)
Income tax expense	(14,200)	(7,651)
Loss for the year	(3,511,227)	(2,778,960)
Attributable to:		
Equity holders of the Parent	(3,409,592)	(2,346,701)
Non-controlling interests	(101,635)	(432,259)
	(3,511,227)	(2,778,960)
Loss per share		
– Basic and diluted (AED)	(0.74)	(0.51)

* Figures for the year 2015 have been re-presented on reclassification of the results of discontinued operations as continuing operations (Note 36).

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	As at 31 December 2016 AED'000	2015* AED'000
Loss for the year	(3,511,227)	(2,778,960)
Other comprehensive income		
Other comprehensive income that would be reclassified to profit or loss in subsequent periods:		
Unrealised (loss)/gain on revaluation of available-for-sale investments	(3,350)	43
Net change in foreign currency translation reserve	37,413	3,201
Other comprehensive income that would not be reclassified to profit or loss in subsequent periods:	34,063	3,244
Actuarial (loss)/gain recognised	(10,060)	18,616
Other comprehensive income for the year	24,003	21,860
Total comprehensive loss for the year, net of tax	(3,487,224)	(2,757,100)
Attributable to:		
Equity holders of the Parent	(3,397,743)	(2,330,440)
Non-controlling interests	(89,481)	(426,660)
	(3,487,224)	(2,757,100)

* Figures for the year 2015 have been re-presented on reclassification of the results of discontinued operations as continuing operations (Note 36).

CONSOLIDATED STATEMENT OF CASH FLOWS

	As at 31 December	
	2016 AED'000	2015* AED'000
Operating activities		
Loss before tax	(3,497,027)	(2,771,309)
Adjustments for:		
Gain on sale of property, plant and equipment	(2,858)	(15,174)
(Gain)/loss on sale of investment properties	(1,278)	9,502
Investment income	(11,307)	(1,118)
Impairment losses	1,900,632	238,521
Impairment of loan to a related party	1,778	–
Net (income)/interest expense on non-current receivables and payables	(5,789)	8,051
Depreciation of investment properties	1,935	11,023
Depreciation of property, plant and equipment	250,821	275,789
Amortisation of intangible assets	5,776	5,773
Provision for employees' end of service benefits	46,845	54,857
Finance costs	78,054	54,729
Share of loss from associates	29,962	11,786
Loss on de-consolidation of subsidiaries	196,693	–
Gain on sale of available-for-sale investments	(2,943)	–
Operating cash flow before changes in working capital, employees' end of service benefits paid and income tax	(1,008,706)	(2,117,570)
Changes in working capital:		
Trade and other receivables	224,433	382,341
Due from related parties	(319,862)	124,126
Inventories	30,429	1,284
Other current assets	(49,658)	15,486
Trade and other payables	743,242	630,239
Due to related parties	423,060	(45,994)
Retentions payable	63,984	138,072
Cash generated from / (used in) operating activities	106,922	(872,016)
Employees' end of service benefits paid	(67,522)	(43,127)
Income tax paid	(15,941)	(11,656)
Net generated from / (cash used) in operating activities	23,459	(926,799)

* Figures for the year 2015 have been re-presented on reclassification of the results of discontinued operations as continuing operations (Note 36).

CONSOLIDATED STATEMENT OF CASH FLOWS CONTINUED

	As at 31 December	
	2016 AED'000	2015* AED'000
Investing activities		
Purchase of property, plant and equipment	(178,142)	(213,288)
Additions in investment properties	(7,513)	(11,829)
Purchase of intangible assets	–	(33)
Proceeds from disposal of investment in associate	–	3,282
Dividend received from associate	–	377
Proceeds from disposal of property, plant and equipment	28,712	53,991
Proceeds from disposal of investment properties	42,479	101,488
Net movement in other financial assets	(24,066)	3,149
Investment income received	7,946	1,118
Net cash used in investing activities	(130,584)	(61,745)
Financing activities		
Proceeds from borrowings	56,234	372,846
Loan from a related party	177,724	–
Dividends paid to non-controlling interests	(1,800)	(4,920)
Acquisition of additional interest in a subsidiary	(1,000)	–
Interest paid	(67,937)	(54,729)
Net cash generated from financing activities	163,221	313,197
Net increase/(decrease) in cash and cash equivalents	56,096	(675,347)
Cash and cash equivalents at the beginning of the year	(480,578)	191,568
Change in cash and cash equivalents due to de-consolidation of subsidiaries	523,888	–
Net foreign exchange difference	37,413	3,201
Cash and cash equivalents at the end of the year	136,819	(480,578)

* Figures for the year 2015 have been re-presented on reclassification of the results of discontinued operations as continuing operations (Note 36).