

Arabtec Holding PJSC and its subsidiaries
Condensed consolidated interim financial information
for the nine-month period ended 30 September 2017 (Unaudited)

Arabtec Holding PJSC and its subsidiaries

Condensed consolidated interim financial information for the nine-month period ended 30 September 2017

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

Introduction

We have reviewed the accompanying condensed consolidated interim statement of financial position of Arabtec Holding PJSC (the "Company") and its subsidiaries (collectively referred to as the "Group") as at 30 September 2017 and the related condensed consolidated interim statements of income and comprehensive income for the three-month and nine-month periods then ended, and the condensed interim consolidated statements of changes in equity and cash flows for the nine-month period then ended and notes, comprising a summary of significant accounting policies and other explanatory notes. Management is responsible for the preparation and presentation of this condensed consolidated interim financial information in accordance with International Accounting Standard 34, 'Interim Financial Reporting'. Our responsibility is to express a conclusion on this condensed consolidated interim financial information based on our review.

Scope of review

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed consolidated interim financial information is not prepared, in all material respects, in accordance with International Accounting Standard 34, 'Interim Financial Reporting'.

Emphasis of matter

Dispute with non-controlling shareholder of a subsidiary

We draw attention to Note 14 (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 conclusion is not modified in respect of the above matter.

PricewaterhouseCoopers
7 November 2017

Jacques Fakhoury
Registered Auditor Number 379
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Arabtec Holding PJSC and its subsidiaries

Condensed consolidated interim statement of financial position

		As at 30 September 2017 Unaudited AED'000	As at 31 December 2016 Audited AED'000
ASSETS	Note		
Non-current assets			
Property, plant and equipment	7	783,428	847,586
Investment properties		595,729	595,974
Goodwill		248,741	248,741
Other intangible assets	8	18,138	21,552
Investment in associates	20	218,157	192,498
Deferred tax asset		3,872	3,737
Trade and other receivables		706,411	569,332
Advances paid to suppliers and sub-contractors		301,613	332,474
Other financial assets	19	17,282	17,282
		<u>2,893,371</u>	<u>2,829,176</u>
Current assets			
Inventories		147,178	115,340
Trade and other receivables		5,109,955	4,285,974
Advances paid to suppliers and sub-contractors		1,350,741	821,821
Due from related parties	9	613,701	306,222
Other financial assets	19	117,690	115,262
Other current assets		370,998	395,708
Cash and cash equivalents	10	976,863	1,054,000
		<u>8,687,126</u>	<u>7,094,327</u>
Total assets		<u>11,580,497</u>	<u>9,923,503</u>
EQUITY AND LIABILITIES			
EQUITY			
Share capital	12	1,500,000	4,615,065
Statutory reserve		117,974	148,159
Foreign currency translation reserve		34,659	36,661
Other reserves		(199,063)	(194,239)
Retained earnings/(accumulated losses)		75,267	(4,645,248)
Equity attributable to owners of the Parent		<u>1,528,837</u>	<u>(39,602)</u>
Non-controlling interests		(239,367)	(211,091)
Net equity/deficit		<u>1,289,470</u>	<u>(250,693)</u>
LIABILITIES			
Non-current liabilities			
Bank borrowings	16	605,069	140,000
Loan from a related party		-	177,724
Retention payable		382,862	384,417
Provision for employees' end of service benefits		228,983	207,688
		<u>1,216,914</u>	<u>909,829</u>
Current liabilities			
Trade and other payables		4,588,830	4,905,115
Advances received from customers for contract work		2,077,644	1,833,784
Bank borrowings	16	1,907,360	2,141,678
Due to related parties	9	483,280	366,760
Income tax payable		16,999	17,030
		<u>9,074,113</u>	<u>9,264,367</u>
Total liabilities		<u>10,291,027</u>	<u>10,174,196</u>
Total equity and liabilities		<u>11,580,497</u>	<u>9,923,503</u>

The condensed consolidated interim financial information was approved by the Board of Directors on 7 November 2017 and signed on its behalf by:

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 Hamish Tyrwhitt
 Chief Executive Officer

.....

 Peter Pollard
 Chief Financial Officer

Arabtec Holding PJSC and its subsidiaries

Condensed consolidated interim income statement

	Note	Three months period ended 30 September		Nine months period ended 30 September	
		2017	2016*	2017	2016*
		Unaudited AED'000	Unaudited AED'000	Unaudited AED'000	Unaudited AED'000
Revenue		2,099,959	1,987,441	6,345,537	6,147,950
Direct costs		(1,985,181)	(2,150,822)	(6,020,802)	(6,259,084)
Gross profit/(loss)		<u>114,778</u>	<u>(163,381)</u>	<u>324,735</u>	<u>(111,134)</u>
Investment income		2,180	5,207	4,409	5,887
General and administrative expenses		(80,695)	(111,012)	(246,725)	(355,279)
Other income		(926)	8,430	14,362	49,146
Finance costs - net		(25,982)	(16,505)	(70,953)	(51,289)
Impairment of development properties		-	-	-	(20,000)
Share of profit/(loss) from investment in associates		6,110	1,770	32,759	(33,058)
Profit/(loss) before tax		<u>15,465</u>	<u>(275,491)</u>	<u>58,587</u>	<u>(515,727)</u>
Income tax expense	11	<u>(5,151)</u>	<u>(5,639)</u>	<u>(6,405)</u>	<u>(8,202)</u>
Profit/(loss) after tax for the period		<u><u>10,314</u></u>	<u><u>(281,130)</u></u>	<u><u>52,182</u></u>	<u><u>(523,929)</u></u>
Attributable to:					
Owners of the Parent		17,844	(225,545)	75,265	(458,347)
Non-controlling interests		<u>(7,530)</u>	<u>(55,585)</u>	<u>(23,083)</u>	<u>(65,582)</u>
		<u><u>10,314</u></u>	<u><u>(281,130)</u></u>	<u><u>52,182</u></u>	<u><u>(523,929)</u></u>
Earnings/(loss) per share					
Basic and diluted (AED)	13	<u>0.01</u>	<u>(0.05)</u>	<u>0.05</u>	<u>(0.10)</u>

* Figures for the three-month and nine-month periods ended 30 September 2016 have been re-presented on reclassification of the results of discontinued operations as continuing operations.

Arabtec Holding PJSC and its subsidiaries

Condensed consolidated interim statement of comprehensive income

Note	Three months period ended 30 September		Nine months period ended 30 September	
	2017 Unaudited AED'000	2016* Unaudited AED'000	2017 Unaudited AED'000	2016* Unaudited AED'000
Profit/(loss) for the period	10,314	(281,130)	52,182	(523,929)
Other comprehensive income				
<i>Items that will be reclassified subsequently to profit or loss</i>				
Reclassification of reserve on disposal of available-for-sale investments	-	-	-	(2,128)
Net change in foreign currency translation reserve	(3,211)	(276)	(2,788)	15,122
Other comprehensive (loss)/ income for the period	(3,211)	(276)	(2,788)	12,994
Total comprehensive income/ (loss) for the period	<u>7,103</u>	<u>(281,406)</u>	<u>49,394</u>	<u>(510,935)</u>
Attributable to:				
Owners of the Parent	15,667	(225,333)	73,263	(447,385)
Non-controlling interests	(8,564)	(56,073)	(23,869)	(63,550)
	<u>7,103</u>	<u>(281,406)</u>	<u>49,394</u>	<u>(510,935)</u>

* Figures for the three-month and nine-month periods ended 30 September 2016 have been re-presented on reclassification of the results of discontinued operations as continuing operations.

Arabtec Holding PJSC and its subsidiaries

Condensed consolidated interim statement of changes in equity

	Attributable to owners of the Parent						Total AED'000	Non- controlling interests AED'000	Total equity AED'000
	Share capital AED'000	Statutory reserve AED'000	Fair value adjustment reserve AED'000	Foreign currency translation reserve AED'000	Other reserves AED'000	Retained earnings / (Accumulated losses) AED'000			
Balance at 1 January 2017 (Audited)	4,615,065	148,159	-	36,661	(194,239)	(4,645,248)	(39,602)	(211,091)	(250,693)
Profit for the period	-	-	-	-	-	75,265	75,265	(23,083)	52,182
Other comprehensive loss for the period	-	-	-	(2,002)	-	-	(2,002)	(786)	(2,788)
Total comprehensive income / (loss) for the period	-	-	-	(2,002)	-	75,265	73,263	(23,869)	49,394
Capital reduction (Note 12)	(4,615,065)	(30,185)	-	-	-	4,645,250	-	-	-
Share capital issued (Noted 12)	1,500,000	-	-	-	-	-	1,500,000	-	1,500,000
Right issue cost	-	-	-	-	(4,824)	-	(4,824)	-	(4,824)
Dividend paid	-	-	-	-	-	-	-	(4,407)	(4,407)
Balance at 30 September 2017 (Unaudited)	<u>1,500,000</u>	<u>117,974</u>	<u>-</u>	<u>34,659</u>	<u>(199,063)</u>	<u>75,267</u>	<u>1,528,837</u>	<u>(239,367)</u>	<u>1,289,470</u>
	Attributable to owners of the Parent								
	Share capital AED'000	Statutory reserve AED'000	Fair value adjustment reserve AED'000	Foreign currency translation reserve AED'000	Other reserves AED'000	Retained earnings / (Accumulated losses) AED'000	Total AED'000	Non- controlling interests AED'000	Total equity AED'000
Balance at 1 January 2016 (Audited)	4,615,065	1,152,593	2,942	11,810	(192,747)	(2,227,363)	3,362,300	(162,576)	3,199,724
Loss for the period	-	-	-	-	-	(458,347)	(458,347)	(65,582)	(523,929)
Other comprehensive income for the period	-	-	(2,128)	13,090	-	-	10,962	2,032	12,994
Total comprehensive loss for the period	-	-	(2,128)	13,090	-	(458,347)	(447,385)	(63,550)	(510,935)
Acquisition of non-controlling interest	-	-	-	-	(1,493)	-	(1,493)	493	(1,000)
Offset of statutory reserve against accumulated losses	-	(1,004,434)	-	-	-	1,004,434	-	-	-
Dividend paid	-	-	-	-	-	-	-	(1,800)	(1,800)
Balance at 30 September 2016 (Unaudited)	<u>4,615,065</u>	<u>148,159</u>	<u>814</u>	<u>24,900</u>	<u>(194,240)</u>	<u>(1,681,276)</u>	<u>2,913,422</u>	<u>(227,433)</u>	<u>2,685,989</u>

The notes on pages 8 to 29 form an integral part of this condensed consolidated interim financial information

Arabtec Holding PJSC and its subsidiaries

Condensed consolidated interim statement of cash flows

	Note	Nine months period ended 30 September	
		2017 Unaudited AED'000	2016* Unaudited AED'000
Operating activities			
Profit/(loss) before tax		58,587	(515,727)
Adjustments for:			
Loss/(gain) on sale of property, plant and equipment		2,474	(2,000)
Loss on sale of investment properties		-	90
Gain on disposal of other financial assets		-	(427)
Investment income, net		(4,409)	(824)
Depreciation on property, plant and equipment	7	120,868	186,112
Depreciation on investment properties		245	1,733
Write-back of provision for doubtful debts		(1,435)	-
Impairment loss on development property		-	20,000
Impairment loss on other financial assets		-	1,778
Amortisation of intangible assets	8	3,414	2,327
Provision for employees' end of service benefits		57,336	44,802
Finance costs - net		70,953	51,289
Loss/(gain) on disposal of investment in associate		2,504	(5,063)
Share of (profit)/loss from investment in associates		(35,263)	33,058
Operating cash flow before changes in working capital, employees' end of service benefits paid and income tax paid		275,274	(182,852)
Changes in working capital:			
Trade and other receivables		(967,176)	(43,112)
Advance paid to suppliers and sub-contractors		(498,059)	(56,934)
Due from related parties		(307,479)	(396,576)
Inventories		(31,838)	(107,840)
Other current assets		24,710	(102,252)
Trade and other payables		(316,285)	479,049
Advances received from customers for contract work		243,860	168,034
Due to related parties		116,520	72,029
Retentions payables		(1,555)	37,740
Cash used in operating activities		(1,462,028)	(132,714)
Employees' end of service benefits paid		(36,041)	(42,072)
Income tax paid		(6,571)	(7,007)
Net cash used in operating activities		(1,504,640)	(181,793)
Balance carried forward		(1,504,640)	(181,793)

* Figures for the nine-month period ended 30 September 2016 have been re-presented on reclassification of the results of discontinued operations as continuing operations.

Arabtec Holding PJSC and its subsidiaries

Condensed consolidated interim statement of cash flows (continued)

	Note	Nine months period ended 30 September	
		2017 Unaudited AED'000	2016* Unaudited AED'000
Balance brought forward		(1,504,640)	(181,793)
Investing activities			
Investment income received		4,409	824
Purchase of property, plant and equipment	7	(80,810)	(101,684)
Proceeds from disposal of other financial assets		-	4,318
Proceeds from disposal of investment properties		-	33,809
Proceeds from disposal of property, plant and equipment		21,626	32,259
Acquisition of additional interest in a subsidiary		-	(1,000)
Net movement in other financial assets		(2,428)	(14,899)
Proceeds from disposal of investment in an associate		3,368	30,801
Net cash used in investing activities		(53,835)	(15,572)
Financing activities			
Proceeds/(repayment) of borrowings, net		123,648	(55,147)
Proceeds from rights issue (net of settlement of loan from a related party)		1,100,365	-
Rights issue costs paid		(4,824)	-
Dividends received from associate		3,732	-
Interest paid		(63,402)	(50,546)
Dividends paid to non-controlling interests		(4,407)	(1,800)
Proceeds of loan from a related party		221,911	154,000
Net cash generated from financing activities		1,377,023	46,507
Net decrease in cash and cash equivalents		(181,452)	(150,858)
Cash and cash equivalents at the beginning of the period		543,408	(480,578)
Net foreign currency translation difference		(2,788)	15,122
Cash and cash equivalents at the end of the period	10	359,168	(616,314)

* Figures for the nine-month period ended 30 September 2016 have been re-presented on reclassification of the results of discontinued operations as continuing operations.

Arabtec Holding PJSC and its subsidiaries

Notes to the condensed consolidated interim financial information for the nine-month period ended 30 September 2017

1 General information

Arabtec Holding PJSC (the “Company”) is a Public Joint Stock Company established under the laws of the United Arab Emirates (UAE) pursuant to the resolution of the Department of Economic Development, Dubai, number 71 dated 2 July 2004. The Company commenced operations on 20 September 2004. The Company's shares are listed on the Dubai Financial Market (“DFM”). The registered office of the Company is P.O. Box 3399, Dubai, UAE.

The Group’s major shareholder is Aabar Investment PJS whose parent company is International Petroleum Investment Company (“IPIC”). IPIC is wholly owned by the Government of the Emirate of Abu Dhabi.

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

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

The condensed consolidated interim financial information of the Group for the nine-month period ended 30 September 2017 was authorised for issue in accordance with a resolution of the Board of Directors on 7 November 2017

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

Subsidiaries, associates and joint operations:

Name of subsidiary and domicile	% Holding (including indirect holding)		Principal activities
	30 September 2017	31 December 2016	
Arabtec Construction LLC – Dubai, UAE	100%	100%	Civil construction and related works
Arabtec Construction Syria LLC, Syrian Arab Republic	100%	100%	Civil construction and related works
Arabtec Pakistan (Pvt.) Limited, Pakistan	60%	60%	Civil construction and related works
Arabtec Egypt for Construction SAE, Arab Republic of Egypt	55%	55%	Civil construction and related works
Arabtec Construction LLC (Foreign Company), State of Palestine	100%	100%	Civil construction and related works
Arabtec - Musawa W.L.L., Kingdom of Bahrain	75%	75%	Civil construction and related works
Arabtec Construction LLC (Jordan foreign working entity), Jordan	100%	100%	Civil construction and electrical, mechanical, plumbing contracting and related works
Arabtec International Company, Limited, Republic of Mauritius	100%	100%	Civil construction and related works

Arabtec Holding PJSC and its subsidiaries

Notes to the condensed consolidated interim financial information for the nine-month period ended 30 September 2017 (continued)

1 General information (continued)

Subsidiaries, associates and joint operations (continued):

Name of subsidiary and domicile	% Holding (including indirect holding)		Principal activities
	30 September 2017	31 December 2016	
Arabtec Construction India (Pvt) Limited, India	63%	63%	Civil construction and related works
Arabtec Constructions LLC - Abu Dhabi, UAE	100%	100%	Civil construction and related works
Arabtec Precast LLC, UAE	100%	100%	Manufacturing of precast panels
Arabtec Minority Holdings Limited, JAFZA, UAE	100%	100%	Investment holding company
Arabtec Building Equipment LLC, UAE	70%	70%	Trading and leasing of construction and building equipment
Arabtec Engineering Services LLC, UAE	80%	80%	Infrastructure construction works
Arabtec-Envirogreen Facility Management Services LLC, UAE	100%	100%	Building maintenance and cleaning services, facilities management and security services
Arabtec Property Development LLC – Abu Dhabi, UAE	100%	100%	Real estate, investment, development and management
Arabtec Property Development LLC - Dubai, UAE	100%	100%	Real estate development
Arabtec Property Management LLC - Dubai, UAE	100%	100%	Leasing and management of third party property
Arabtec Real Estate LLC - Abu Dhabi, UAE	100%	100%	Real estate leasing and management services
Arabtec Real Estate LLC - Dubai, UAE	100%	100%	Buying and selling of real estate
Arabtec Living For Construction LLC, UAE	100%	100%	Civil construction and related works
Arabtec Limited, JAFZA, UAE	100%	100%	General trading; commercial and real estate investments
Arabtec Trading Limited, JAFZA, UAE	100%	100%	General trading; commercial and real estate investments
Arabtec Consolidated Contractors Limited, JAFZA, UAE	50%	50%	International business, general trading, and investments

Arabtec Holding PJSC and its subsidiaries

Notes to the condensed consolidated interim financial information for the nine-month period ended 30 September 2017 (continued)

1 General information (continued)

Subsidiaries, associates and joint operations (continued):

Name of subsidiary and domicile	% Holding (including indirect holding)		Principal activities
	30 September 2017	31 December 2016	
Austrian Arabian Ready Mix Concrete Co. LLC - Dubai, UAE	100%	100%	Ready mixed concrete manufacturing
Emirates Falcon Electromechanical Co. (EFECO) LLC - Dubai, UAE	100%	100%	Electrical, mechanical and plumbing contracting
EFECO Qatar W.L.L, Qatar*	49%	49%	Electrical, mechanical and plumbing contracting
EFECO LLC, State of Palestine	100%	100%	Electrical, mechanical and plumbing contracting
Emirates Falcon Electromechanical Co. (EFECO) LLC - Abu Dhabi, UAE	100%	100%	Electrical, mechanical and plumbing contracting
Gulf Steel Industries FZE, UAE	100%	100%	Fabrication of steel structure and profiles
GSI Steel Construction Contracting LLC, UAE	100%	100%	Fabrication of steel structure and profiles
House of Equipment Co. LLC, UAE	67%	67%	Trading and leasing of construction equipment
Idrotec Srl, Italy	96%	96%	Civil construction and related works
Nasser Bin Khaled Factory Ready Mix Concrete Co. LLC, Qatar*	49%	49%	Manufacturing and transportation of ready mix concrete products
Saudi Target Engineering Construction Company LLC, Kingdom of Saudi Arabia	65%	65%	Civil construction and related works
Target Engineering Construction Company LLC, UAE	100%	100%	Civil construction and related works
Target Steel Industries LLC, UAE	97%	97%	Fabrication of steel structure and profiles
Target Engineering Construction Company L.L.C, (Foreign Company) Jordan	100%	100%	Civil construction and related works
Arabtec Egypt for Property Development, Egypt	100%	100%	Real Estate, investment, development, and management
Arabtec Gulf for Property Investment LLC, UAE	100%	100%	Buying and selling of real estate as well as holding activities
Arabtec Construction W.L.L., Qatar*	49%	49%	Civil construction and related works
Arabtec Interests Limited, JAFZA, UAE	100%	100%	Investment Holding company

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

Arabtec Holding PJSC and its subsidiaries

Notes to the condensed consolidated interim financial information for the nine-month period ended 30 September 2017 (continued)

1 General information (continued)

De-recognition of subsidiaries as at 31 December 2016

As at 31 December 2016, the Group lost control over the following subsidiaries.

Name of subsidiary and domicile	% Holding (including indirect holding)		Principal activities
	30 September 2017	31 December 2016	
Arabtec Saudi Arabia LLC, Kingdom of Saudi Arabia	45%	45%	Civil construction and related works
Arabtec Construction Machinery LLC Kingdom of Saudi Arabia	58%	58%	Trading and leasing of construction equipment
EFECO Saudi LLC, Kingdom of Saudi Arabia	53%	53%	Electrical, mechanical and plumbing contracting
Saudi Austrian Arabian Ready Mix Co LLC, Kingdom of Saudi Arabia	62%	62%	Manufacturing and transportation of ready mix concrete products

The above have been de-recognised as subsidiaries and accounted for as available-for-sale investments carried at nil value.

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

Name of associate and domicile	% Holding (including indirect holding)		Principal activities
	30 September 2017	31 December 2016	
Depa Limited, Dubai, UAE (“DEPA”)	24%	24%	Luxury fit-out of five star hotels, yachts and facilities and related services
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, Jordan	-	14%	Production and distribution of furniture and fixtures

Arabtec Holding PJSC and its subsidiaries

Notes to the condensed consolidated interim financial information for the nine-month period ended 30 September 2017 (continued)

1 General information (continued)

The Company and its subsidiaries have the following branches:

- Arabtec Holding PJSC – Abu Dhabi branch
- Arabtec Construction LLC, St Petersburg, Russia
- Arabtec Construction LLC, Riyadh, Kingdom of Saudi Arabia
- Arabtec Construction LLC, Fujairah branch
- Arabtec Construction LLC, Bahrain branch
- Arabtec Construction LLC, Sharjah Branch
- House of Equipment LLC - Abu Dhabi
- Idrotec SRL - Abu Dhabi
- ACC Arabtec JV SAL - Syrian Arab Republic branch
- Target Engineering Construction Company – Dubai branch
- Target Engineering Construction Company – Sharjah branch
- Target Engineering Construction Company – Fujairah branch
- Target Engineering Construction Company WLL – Qatar branch
- Arabtec Construction LLC – branch, Abu Dhabi
- GSI Steel Construction Contracting LLC – Abu Dhabi branch
- Gulf Steel Industries FZE – Jordan branch
- Arabtec Construction LLC – Egypt branch
- Arabtec Consolidated Contractors Limited – Astana City Branch, Kazakhstan
- Arabtec Engineering Services LLC, Abu Dhabi branch
- Austrian Arabian Ready-Mix Co LLC – Abu Dhabi branch
- EFECO – Riyadh, Kingdom of Saudi Arabia

Joint operations of the Group are disclosed in Note 15.

2 Basis of preparation and accounting policies

2.1 Going concern

During the period, the Group completed its recapitalisation program through a rights offering of an amount of AED 1.5 billion, followed by a capital reduction through the cancellation of 4,615,065 thousand shares of AED 1 each on a pro-rata basis and extinguishing the accumulated losses (Note 12).

At 30 September 2017, the Group's current liabilities exceeded its current assets by AED 386,987 thousand.

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

2.2 Basis of preparation

This condensed consolidated interim financial information for the period ended 30 September 2017 has been prepared in accordance with IAS 34, 'Interim Financial Reporting'.

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

Arabtec Holding PJSC and its subsidiaries

Notes to the condensed consolidated interim financial information for the nine-month period ended 30 September 2017 (continued)

2.2 Basis of preparation (continued)

The condensed consolidated interim financial information should be read in conjunction with the annual consolidated financial statements for the year ended 31 December 2016, which have been prepared in accordance with International Financial Reporting Standards.

2.3 Significant accounting policies

The accounting policies applied in the preparation of the condensed consolidated interim financial information are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2016.

There are no new standards, amendments or interpretations which are effective for the financial period commencing on 1 January 2017, which have a material impact on the Group's condensed consolidated interim financial information.

2.4 Basis of consolidation

The condensed consolidated interim financial information as at, and for the period ended 30 September 2017 comprises results of the Group. The condensed consolidated interim financial information of the subsidiaries is prepared for the same reporting period as that of the Company, using consistent accounting policies. All inter-company transactions, profits and balances are eliminated on consolidation.

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

3 Critical accounting estimates and judgements

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

In preparing this condensed consolidated interim financial information, the significant judgements made by the management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied in the consolidated financial statements for the year ended 31 December 2016.

3.1 Critical accounting estimates and assumptions

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

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

Arabtec Holding PJSC and its subsidiaries

Notes to the condensed consolidated interim financial information for the nine-month period ended 30 September 2017 (continued)

3 Critical accounting estimates and judgements (continued)

3.1 Critical accounting estimates and assumptions (continued)

(a) *Percentage-of-completion and cost to complete estimates of construction contracts*

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

(b) *Contract variations*

Contract variations are recognised as revenues only to the extent that it is probable that they will result in revenue which can be reliably measured. This requires the exercise of estimating the value of variations based on management's prior experience, application of contract terms and the relationship with the customers.

(c) *Contract claims*

Contract claims are recognised as revenue only when management believes that an advanced stage of negotiation has been reached and the revenue can be estimated with reasonable certainty. Management reviews the judgment related to these contract claims periodically and adjustments are made, as assessments indicates that such adjustments are appropriate.

(d) *Impairment of trade receivables*

An estimate of the collectible amount of contract and trade receivables is made when collection of the full amount is no longer probable. For individually significant amounts, this estimation is performed on an individual basis. Amounts which are not individually significant, but which are past due, are assessed collectively and a provision applied according to the length of time past due, based on historical recovery rates.

Provision for doubtful debts is determined using a combination of factors, including the overall quality and ageing of receivables, continuing credit evaluation of the customers' financial strength and collateral requirements from customers in certain circumstances. Management makes provision for doubtful debts based on its best estimates at the end of the reporting period.

At the end of the reporting period, the Group has significant receivables from entities operating in the real estate sector. Management has carefully considered these receivables in light of current economic circumstances and the status of negotiations with customers, signed and draft memoranda of understanding, agreed payment plans, together with potential offsetting arrangements with advances received from customers and amounts due to subcontractors in order to determine provision for the potential impairment losses which may occur on finalising collection of contract receivables, amounts due from customers for contract work and retentions receivable.

Arabtec Holding PJSC and its subsidiaries

Notes to the condensed consolidated interim financial information for the nine-month period ended 30 September 2017 (continued)

3 Critical accounting estimates and judgements (continued)

4.1 Critical accounting estimates and assumptions (continued)

(e) *Impairment of non-financial assets*

The Group assesses whether there are any indicators of impairment for all non-financial assets at each reporting date. If any such indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. Goodwill and other indefinite life intangibles are tested for impairment annually and at other times when such indicators exist.

Other non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows.

(f) *Employees' end of service benefits*

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

4 Financial risk management and financial instruments

4.1 Financial risk factors

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

The condensed consolidated interim financial information does not include all financial risk management information and disclosures required in the annual consolidated financial statements; therefore, it should be read in conjunction with the Group's annual consolidated financial statements as of 31 December 2016. The Group's financial risk management objectives and policies are consistent with those disclosed in the annual consolidated financial statements as of and for the year ended 31 December 2016.

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

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

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

Compared to year ended 31 December 2016, there was no material change in the contractual undiscounted cash out flows for financial liabilities.

Arabtec Holding PJSC and its subsidiaries

Notes to the condensed consolidated interim financial information for the nine-month period ended 30 September 2017 (continued)

4 Financial risk management and financial instruments (continued)

4.2 Fair values of financial instruments

Financial instruments comprise financial assets and financial liabilities.

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

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

- Bank balances and cash, trade receivables, other financial assets, other current assets, due from related parties, bank borrowings, trade and other payables, due to related parties approximate their carrying amounts, largely due to the short-term maturities of these instruments.
- Long term receivables are evaluated by the Group based on parameters such as interest rates, specific country risk factors, and individual credit worthiness of the customer and the risk characteristics of the financed project. Based on this evaluation, provisions are taken to account for the expected losses of these receivables. As at 30 September 2017, the carrying amounts of such receivables, net of provisions, are not materially different from their fair values.

4.3 Fair value estimation

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

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

Carrying value of investment properties includes a land in Dubai, UAE that will be used to construct a mixed used development and has been designated as an investment property. Based on a detailed impairment review of the property performed by management as at 31 December 2016, the recoverable amount after development of the property exceeds its carrying value including development cost already incurred. Accordingly, no impairment provision as at 30 September 2017 (31 December 2016: Nil) is required.

5 Seasonality of operations

The results for the period ended 30 September 2017 reflect the results of the Group's continuing projects and new projects commenced during the period and are not significantly affected by any seasonal or cyclical operations.

Management has concluded that this does not constitute "highly seasonal" as considered by IAS 34 Interim Financial Reporting. Notwithstanding, the results for the nine-month period ended 30 September 2017 are not necessarily indicative of the results that might be expected for the year ending 31 December 2017.

Arabtec Holding PJSC and its subsidiaries

Notes to the condensed consolidated interim financial information for the nine-month period ended 30 September 2017 (continued)

6 Segment reporting

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

The management of the Group assessed the Group into four operating segments: Construction; Mechanical, Electrical and Plumbing (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.

Arabtec Holding PJSC and its subsidiaries

Notes to the condensed consolidated interim financial information for the nine-month period ended 30 September 2017 (continued)

6 Segment reporting (continued)

	Construction AED '000	Mechanical, Electrical and Plumbing AED '000	Oil & Gas, Infrastructure and Power AED '000	Others AED '000	Eliminations AED '000	Total AED '000
Nine-month period ended 30 September 2017 (Unaudited)						
Revenue	3,908,420	652,975	2,032,539	316,096	(564,493)	6,345,537
Direct costs	(3,713,219)	(616,197)	(1,961,882)	(293,997)	564,493	(6,020,802)
Gross profit	195,201	36,778	70,657	22,099	-	324,735
Other income and other expenses, net	7,747	(58)	(286)	50,146	(6,019)	51,530
General and administrative expenses	(118,770)	(16,597)	(60,063)	(53,632)	2,337	(246,725)
Finance costs	(35,583)	(100)	(17,256)	(21,696)	3,682	(70,953)
Income tax expense	(1,361)	(4,662)	(382)	-	-	(6,405)
Net segment results	47,234	15,361	(7,330)	(3,083)	-	52,182
Three-month period ended 30 September 2017 (Unaudited)						
Revenue	1,288,610	148,685	716,704	144,014	(198,054)	2,099,959
Direct costs	(1,229,535)	(137,737)	(690,287)	(125,676)	198,054	(1,985,181)
Gross profit	59,075	10,948	26,417	18,338	-	114,778
Other income and other expenses, net	1,963	(114)	(2,933)	16,498	(8,050)	7,364
General and administrative expenses	(41,104)	(5,899)	(18,706)	(15,708)	722	(80,695)
Finance costs	(14,384)	(16)	(5,391)	(13,519)	7,328	(25,982)
Income tax expense	(499)	(4,662)	10	-	-	(5,151)
Net segment results	5,051	257	(603)	5,609	-	10,314

Arabtec Holding PJSC and its subsidiaries

Notes to the condensed consolidated interim financial information for the nine-month period ended 30 September 2017 (continued)

6 Segment reporting (continued)

	Construction AED '000	Mechanical, Electrical and Plumbing AED '000	Oil & Gas, Infrastructure and Power AED '000	Others AED '000	Eliminations AED '000	Total AED '000
Nine-month period ended 30 September 2016 (Unaudited)						
Revenue	4,225,804	751,384	1,313,014	216,928	(359,180)	6,147,950
Direct costs	(4,282,983)	(791,481)	(1,347,912)	(195,888)	359,180	(6,259,084)
Gross loss	(57,179)	(40,097)	(34,898)	21,040	-	(111,134)
Other income and other expenses, net	23,636	-	26,025	(26,220)	(1,466)	21,975
General and administrative expenses	(164,960)	(31,141)	(55,329)	(105,315)	1,466	(355,279)
Impairment of development properties	(20,000)	-	-	-	-	(20,000)
Finance costs	(22,615)	(1,979)	(9,653)	(17,042)	-	(51,289)
Income tax expense	(2,424)	-	-	(5,778)	-	(8,202)
Net segment results	(243,542)	(73,217)	(73,855)	(133,315)	-	(523,929)
Three-month period ended 30 September 2016 (Unaudited)						
Revenue	1,468,695	175,113	419,674	39,196	(115,237)	1,987,441
Direct costs	(1,546,648)	(230,337)	(461,852)	(27,969)	115,984	(2,150,822)
Gross loss	(77,953)	(55,224)	(42,178)	11,227	747	(163,381)
Other income and other expenses, net	9,544	(5)	2,893	4,373	(1,398)	15,407
General and administrative expenses	(48,414)	(15,724)	(21,734)	(26,538)	1,398	(111,012)
Finance costs	(6,200)	90	(3,644)	(6,751)	-	(16,505)
Income tax expense	(267)	(4)	(368)	(5,000)	-	(5,639)
Net segment results	(123,290)	(70,867)	(65,031)	(22,689)	747	(281,130)

Arabtec Holding PJSC and its subsidiaries

Notes to the condensed consolidated interim financial information for the nine-month period ended 30 September 2017 (continued)

6 Segment reporting (continued)

	Construction AED '000	Mechanical, Electrical and Plumbing AED '000	Oil & Gas, Infrastructure and Power AED '000	Others AED '000	Eliminations AED '000	Total AED '000
As at 30 September 2017 (Unaudited)						
Segment assets	6,610,785	798,681	2,793,981	2,909,507	(1,532,457)	11,580,497
Segment liabilities	<u>(7,142,561)</u>	<u>(571,353)</u>	<u>(2,853,100)</u>	<u>(1,318,087)</u>	<u>1,594,074</u>	<u>(10,291,027)</u>
As at 31 December 2016 (Audited)						
Segment assets	6,749,616	738,717	2,163,224	1,685,679	(1,413,733)	9,923,503
Segment liabilities	<u>(8,442,424)</u>	<u>(526,749)</u>	<u>(1,829,797)</u>	<u>(1,550,544)</u>	<u>2,175,318</u>	<u>(10,174,196)</u>

Arabtec Holding PJSC and its subsidiaries

Notes to the condensed consolidated interim financial information for the nine-month period ended 30 September 2017 (continued)

7 Property, plant and equipment

During the nine-month period ended 30 September 2017, the Group acquired various types of property, plant and equipment with a cost of AED 80,810 thousand (nine-month period ended 30 September 2016: AED 101,684 thousand). Assets with a net book value of AED 24,100 thousand were disposed of by the Group during the period (nine-month period ended 30 September 2016: AED 30,259 thousand). Depreciation expense for the period was AED 120,868 thousand (nine-month period ended 30 September 2016: AED 186,112 thousand).

8 Other intangible assets

During the period, the amortisation of other intangible assets amounts to AED 3,414 thousand (nine-month period ended 30 September 2016: AED 2,327 thousand). There were no additions during the period (nine-month period ended 30 September 2016: Nil).

9 Related parties

The following table provides details of the total amount of transactions that have been entered into with related parties during nine-month period ended 30 September 2017 and 2016, as well as balances with related parties as of 30 September 2017 and 31 December 2016:

	Nine months ended 30 September 2017 (Unaudited)		As at 30 September 2017 (Unaudited)	
	Revenue AED'000	Other Expenses and sub- contract costs AED'000	Amount due to AED'000	Amount due from AED'000
Joint operations	108,521	-	414,606	543,891
Shareholder	26,038	-	-	65,192
Associate	-	-	24,661	-
Other related parties	13,510	19,479	44,013	4,618
	<u>148,069</u>	<u>19,479</u>	<u>483,280</u>	<u>613,701</u>
	Nine months ended 30 September 2016 (Unaudited)		As at 31 December 2016 (Audited)	
	Revenue AED'000	Other Expenses and sub- contract costs AED'000	Amount due to AED'000	Amount due from AED'000
Joint operations	128,414	-	259,346	274,954
Shareholder	66,763	-	-	26,811
Associate	-	-	55,757	-
Other related parties	483,043	500	51,657	4,457
	<u>678,220</u>	<u>500</u>	<u>366,760</u>	<u>306,222</u>

Arabtec Holding PJSC and its subsidiaries

Notes to the condensed consolidated interim financial information for the nine-month period ended 30 September 2017 (continued)

9 Related parties (continued)

On 13 July 2016, the Group entered into a loan note agreement with Aabar Investments PJS (a shareholder) for a term loan facility of AED 400 million, to support the projects' execution. As at 22 June 2017, the drawn-down balance of the loan amounting to AED 399,635 thousand (31 December 2016: AED 177,724 thousand), was settled from the proceeds of the rights issue.

Compensation of key management personnel

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

	Three months period ended 30 September		Nine months period ended 30 September	
	2017 Unaudited AED'000	2016 Unaudited AED'000	2017 Unaudited AED'000	2016 Unaudited AED'000
Short term benefits	1,187	1,245	5,431	3,767
Employees' benefits	60	162	257	451
Discretionary bonus	2,203	-	2,203	-
	<u>3,450</u>	<u>1,407</u>	<u>7,891</u>	<u>4,218</u>

The Group, in the ordinary course of business, enters into various transactions including borrowings and bank deposits with financial institutions which may be majority-owned by the Government of the Emirate of Abu Dhabi. The effect of these transactions is included in the condensed consolidated interim financial information. These transactions are made at terms equivalent to those that prevail in arm's length transactions.

Cash and cash equivalents and borrowings include AED 279,341 thousand (2016: AED 134,030 thousand) and AED 606,353 thousand (2016: AED 319,473 thousand) respectively, with/from entities in which the Government of the Emirate of Abu Dhabi has an equity stake. Finance cost include AED 16,806 thousand (2016: AED 14,696 thousand) relating to balances with these entities.

Certain contracting customers of the Group are entities controlled by the Government of the Emirate of Abu Dhabi, The Group enters into transactions with such entities in the normal course of business (providing construction services). The significant transactions lead to a revenue of AED 2,774,984 thousand (2016: 2,095,503 thousand), a receivable balance of AED 2,125,923 thousand (2016: AED 1,248,580 thousand) and payable balance of AED 869,581 thousand (2016: AED 939,859 thousand). Below here is a list of all balances relating to such projects:

	Revenue AED' 000	Amounts due on construction works AED' 000	Accounts receivable AED' 000	Retentions receivable AED' 000	Advances received AED' 000
Period ended 30 September 2017	<u>2,774,984</u>	<u>1,226,342</u>	<u>568,105</u>	<u>331,476</u>	<u>869,581</u>
Period/year ended 30 September 2016 / 31 December 2016	<u>2,095,503</u>	<u>746,408</u>	<u>407,882</u>	<u>94,290</u>	<u>939,859</u>

Arabtec Holding PJSC and its subsidiaries

Notes to the condensed consolidated interim financial information for the nine-month period ended 30 September 2017 (continued)

10 Cash and cash equivalents

	30 September 2017 Unaudited AED'000	31 December 2016 Audited AED'000
Cash and bank balances	398,172	620,082
Short term bank deposits	578,691	433,918
Cash and bank balances	<u>976,863</u>	<u>1,054,000</u>

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

	30 September 2017 Unaudited AED'000	30 September 2016 Unaudited AED'000
Cash and bank balances	976,863	802,624
Less: Bank overdrafts	(617,695)	(1,418,938)
Cash and cash equivalents	<u>359,168</u>	<u>(616,314)</u>

11 Income tax expense

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 condensed consolidated interim income statement are:

	30 September 2017 Unaudited AED'000	30 September 2016 Unaudited AED'000
Income taxes		
Current tax expense	6,540	8,360
Deferred tax expense relating to the origination of temporary differences	(135)	(158)
Total income tax expense	<u>6,405</u>	<u>8,202</u>

Arabtec Holding PJSC and its subsidiaries

Notes to the condensed consolidated interim financial information for the nine-month period ended 30 September 2017 (continued)

11 Income tax expense (continued)

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

	30 September 2017 Unaudited AED'000	30 September 2016 Audited AED'000
Profit/(loss) before tax	<u>58,587</u>	<u>(515,727)</u>
Income tax expense	<u>(6,405)</u>	<u>(8,202)</u>

The Group is subject to taxation on its operations in different jurisdiction with tax rates ranging between 5% and 34%.

* Figures for the nine-month period ended 30 September 2016 have been re-presented on reclassification of the results of discontinued operations as continuing operations.

12 Share capital

	30 September 2017 Unaudited AED'000	31 December 2016 Audited AED'000
Authorised, issued and fully paid up: 1,500,000 thousand shares of AED 1 each (31 December 2016: AED 4,615,065 thousand shares of AED 1 each)	<u>1,500,000</u>	<u>4,615,065</u>

During the period, the Group completed its recapitalisation program. The share capital of the Company was increased by AED 1.5 billion through the issuance of new shares at an offer price of AED 1 per share and reduced through the cancellation of 4,615,065 thousand shares of AED 1 each in the Company on a pro rata basis to extinguish the accumulated losses after obtaining the necessary regulatory approvals. Based on the resolution of the Board of Directors, the Company's statutory reserve was used to offset the Company's losses of AED 30,185 thousand decreasing statutory reserve to AED 117,974 thousand.

Arabtec Holding PJSC and its subsidiaries

Notes to the condensed consolidated interim financial information for the nine-month period ended 30 September 2017 (continued)

13 Earnings / (loss) per share

Earnings per share is calculated by dividing the profit attributable to the owners of the Parent for the nine-month period ended 30 September 2017, amounting to AED 75,265 thousand (nine-month period ended 30 September 2016: loss of AED 458,347 thousand) by the weighted average number of shares outstanding during the period of 1,500,000 thousand (2016: 4,615,065 thousand).

	Three months period ended 30 September		Nine months period ended 30 September	
	2017 Unaudited AED'000	2016 Unaudited AED'000	2017 Unaudited AED'000	2016 Unaudited AED'000
Basic and diluted earnings/(loss) per share	0.01	(0.05)	0.05	(0.10)

14 Other matters

- (a) The Group has a total exposure of AED 428 million as at 30 September 2017 (31 December 2016: AED 465 million) relating to receivables against a previous project in Dubai, UAE. As the client disputed the payment of receivables, the Board of Directors of the Company resolved to initiate arbitration proceedings against the customer.
- (b) During year ended 31 December 2014, the Board of Directors of the Company resolved to initiate arbitration proceedings against a customer for settlement of the receivables balance amounting to AED 203 million, which related to projects that were completed and handed over to the customer. At 30 September 2017, the outcome of arbitration was uncertain. However, management is of the opinion that balances are fully recoverable and as at 30 September 2017, no provision for impairment has been made against these balances.
- (c) For the year ended 31 December 2016, the non-controlling shareholder of the Group's subsidiary in Qatar issued a letter withholding their authorisation to approve the financial statements of the subsidiary, on the grounds that they accepted no responsibility for the financial position and performance and management of the subsidiary. The Group has obtained legal advice and strongly believes that the non-controlling shareholder is responsible for their share of the subsidiary's operations based on the Qatari Commercial Companies Law, and that both shareholders of the entity are jointly liable for the liabilities of the subsidiary. During the period ended 30 September 2017, the shareholder filed a claim against the Company related to the above mentioned matter.

Management believes that the outcome of this dispute would have no material impact on the consolidated results of the Group as a whole or on its equity.

Arabtec Holding PJSC and its subsidiaries

Notes to the condensed consolidated interim financial information for the nine-month period ended 30 September 2017 (continued)

15 Joint operations

The Group has the following significant interests in joint operations:

	Share in joint operations
(a) Samsung/Arabtec joint operation project, UAE	40%
(b) Nine Construct/Arabtec joint operation projects, UAE	50%
(c) Samsung/Nine Construct/Arabtec joint operation project, UAE	30%
(d) Arabtec/Max Bogl joint operation projects, UAE	50%
(e) Arabtec/Aktor joint operation projects, UAE	60%
(f) Arabtec/Emirates Sunland joint operation projects, UAE	50%
(g) Arabtec/WCT Engineering joint operation projects, UAE	50%
(h) Arabtec/Engineering Enterprises Company joint operation projects, Jordan	50%
(i) Arabtec/Dubai Contracting Company joint operation project, UAE	50%
(j) Target Engineering and Construction Company LLC/ Marintek Middle East and Asia FLE joint operation project UAE	65%
(k) Arabtec Engineering Services/WCT Engineering joint operation project, UAE	50%
(l) Arabian Construction Company/Arabtec joint operation project, Syria	50%
(m) Arabtec/National Projects and Construction joint operation project, UAE	50%
(n) Arabtec/AI Saad joint operation project, KSA	66.66%
(o) Arabtec/Combined Group Contracting Company Joint operation, Kuwait	60%
(p) TAV/CCC/Arabtec Joint operation, UAE	33%
(q) Oger Abu Dhabi LLC/Constructora San Jose SA/Arabtec Joint operation, UAE	33%
(r) CCC/Arabtec Joint operation, Kazakhstan	50%
(s) ATC/CCC/DSC Joint Venture Limited, Jordan	33%
(t) ATC/SIAC joint operation project, Egypt	55%
(u) ATC/ Constructor San Jose SA joint operation project, UAE	50%
(v) EFECO/ACC joint operation project, Kazakhstan	40%
(w) Arabtec Al Mukawilon Joint operation, Palestine	60%
(x) ACC Arabtec Joint operation, Lebanon	50%

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

Arabtec Holding PJSC and its subsidiaries

Notes to the condensed consolidated interim financial information for the nine-month period ended 30 September 2017 (continued)

16 Bank borrowings

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

	Current		Non-current	
	30 September 2017 Unaudited AED'000	31 December 2016 Audited AED'000	30 September 2017 Unaudited AED'000	31 December 2016 Audited AED'000
Bank overdrafts	617,695	510,592	-	-
Acceptances	208,669	152,933	-	-
Project payment certificate discounting	121,798	86,826	-	-
Trust receipts	464,887	405,542	-	-
Term loans	494,311	985,785	605,069	140,000
Total borrowings	<u>1,907,360</u>	<u>2,141,678</u>	<u>605,069</u>	<u>140,000</u>

No term loans were obtained during the nine-month period ended 30 September 2017 (Nine-month period ended 30 September 2016: AED 75 million).

At 30 September 2017, the Group was not in breach of financial covenants in relation to the above borrowings.

17 Operating lease arrangements

	30 September 2017 Unaudited AED'000	30 September 2016 Unaudited AED'000
Minimum lease payments under operating leases recognised as expense during the period	<u>117,846</u>	<u>178,464</u>

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

	30 September 2017 Unaudited AED'000	31 December 2016 Audited AED'000
Within one year	230,795	198,568
Two to five years	571,488	470,570
More than five years	343,347	385,217
Total operating lease expenditure contracted for at the reporting date	<u>1,145,630</u>	<u>1,054,355</u>

Arabtec Holding PJSC and its subsidiaries

Notes to the condensed consolidated interim financial information for the nine-month period ended 30 September 2017 (continued)

18 Contingencies and commitments

At 30 September 2017, the Group had contingent liabilities in respect of performance and bid bonds, advance payment bonds, financial guarantees, retention bonds, labour guarantees and letters of credit amounting to AED 8,148 million (31 December 2016: AED 7,571 million).

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

At 30 September 2017, the Group had commitments for capital expenditure amounting to AED 1,057 million (31 December 2016: AED 1,054 million).

19 Other financial assets

	Current		Non-current	
	30 September 2017 Unaudited AED'000	31 December 2016 Audited AED'000	30 September 2017 Unaudited AED'000	31 December 2016 Audited AED'000
Financial assets at cost				
Unquoted equity shares	-	-	17,282	17,282
Total available-for-sale investments	-	-	17,282	17,282
Financial assets at amortised cost				
Fixed deposits under lien	61,735	50,995	-	-
Margin deposits	55,955	64,267	-	-
	<u>117,690</u>	<u>115,262</u>	<u>-</u>	<u>-</u>
Total other financial assets	<u>117,690</u>	<u>115,262</u>	<u>17,282</u>	<u>17,282</u>

Unquoted equity shares include:

At 31 December 2016, the Group assessed that it had lost control over its subsidiaries in the Kingdom of Saudi Arabia (KSA). Management's previous assessment of control over these entities was based on the Group's practical ability to direct relevant activities and affect variable returns of these entities. Management believes that due to discontinuation of major operations of the subsidiaries in KSA, there are no further relevant activities that the Group exercises control or significant influence over. Accordingly, these subsidiaries were de-consolidated and classified as available-for-sale investments under IAS 39 'Financial Instruments: Recognition and Measurement' at 31 December 2016 and are carried at nil amount.

Arabtec Holding PJSC and its subsidiaries

Notes to the condensed consolidated interim financial information for the nine-month period ended 30 September 2017 (continued)

20 Investment in associates

	30 September 2017 Unaudited AED'000	31 December 2016 Audited AED'000
DEPA Limited	218,157	186,627
Jordan Wood Industries PSC	-	5,871
	<u>218,157</u>	<u>192,498</u>

(a) 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 DEPA's share capital upon acquisition. The investment in DEPA was classified as an associate as the Group obtained significant influence over the operating and financial policies of 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, Europe and Asia regions.

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

(b) Jordan Wood Industries PSC

During 2013, the Group acquired shares in Jordan Wood Industries PSC ("JWICO") for AED 11,088 thousand representing a 14.6% 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.

During the period ended 30 September 2017, the Group has disposed of its investment in JWICO for AED 3,368 thousand incurring a loss on disposal of AED 2,504 thousand.