الإتحاد العقارية
Union Properties

Union Properties (PJSC)

And Its Subsidiaries

Consolidated Financial Statements

ANNUAL REPORT 2016

30th ANNIVERSARY

الإتحاد العقارية
Union Properties

30th ANNIVERSARY

THERMO L.L.C ثيرمو ذ.م.م

GMAMCO جماكو
A company of Union Properties

THE FITOUT

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EMICOOL

PROPERTIES INVESTMENT العقارية للإستثمار

DUBAI AUTODROME

MOTORCITY DUBAI

UPTOWN MIRDIFF مردف

30 YEARS OF MASTERING THE ART OF
URBAN DEVELOPMENT

Consolidated financial statements

31 December 2016

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Directors' report

The Directors have the pleasure of presenting their report together with the audited consolidated financial statements of Union Properties Public Joint Stock Company and its subsidiaries ("the Group") for the year ended 31 December 2016.

Financial results

The Group income for 2016 reached AED 1,135 million *(2015: AED 1,465 million)* and net profit amounted to AED 211 million *(2015: AED 435 million)*.

The Directors propose the following appropriations from retained earnings:

- According to the UAE Federal Law No.2 of 2015, 10% of net income amounting to AED 21.1 million *(2015: AED 43.5 million)* has been transferred to the Statutory Reserve.

- The equity attributable to the shareholders of the Company as at 31 December 2016 amounted to AED 5,538.5 million *(2015: AED 5,322 million)* an increase by 4.1%. The Directors are proposing a bonus share equal to 8% of the Company's paid up share capital which is subject to the approval of the shareholders at the forthcoming Annual General Meeting of the Company.

- Director's fees AED 5 million *(2015: AED 5 million)*.

- Furthermore, the Directors have not proposed appropriation to General Reserve for 2016 and 2015.

Directors

The Board of Directors comprised of:

Mr. Khalid Bin Kalban	Chairman
Mr. Saeed Mohammed Al Sharid	Vice Chairman
Mr. Abdulaziz Al Serkal	Director
Mr. Ali Al Fardan	Director
H.E. Hamad Buamim	Director
Mr. Saeed Bin Drai	Director
H.E. Abdulrahman Almutaiwee	Director

Auditors

M/s. KPMG were appointed as auditors of the Company for the year ended 31 December 2016 at the Annual General Meeting held on 24 April 2016. M/s. KPMG are eligible for re-appointment for 2017 audit, and have expressed their interest for 2017 audit.

On behalf of the Board

Khalid Bin Kalban
Chairman
Dubai

KPMG

KPMG Lower Gulf Limited
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Dubai Silicon Oasis, Dubai, UAE
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Independent auditors' report

To the Shareholders of Union Properties PJSC

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Union Properties PJSC ("the Company") and its subsidiaries ("the Group"), which comprise the consolidated statement of financial position as at 31 December 2016, the consolidated statements of profit or loss, comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of 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).

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 *Auditors' Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with International Ethics Standards Board for Accountants Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of the consolidated financial statements in the United Arab Emirates, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. 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.

Key audit matters (continued)

Valuation of Investment Properties

Refer to note 11 to the consolidated financial statements

Key audit matter

The Group's accounting policy is to state its investment properties (primarily comprising plots of land, residential, retail and commercial facilities, labor camps and warehouses) at fair value at each reporting date. The property portfolio is valued at AED 6,099 million. The net fair value gain recorded in the consolidated statement of profit or loss amounted to AED 173 million.

The Group engages professionally qualified external valuers to fair value 99% of its property portfolio. The valuers performed their work in accordance with the Royal Institution of Chartered Surveyors ('RICS') Valuation – Professional Standards.

The property portfolio is valued by using a combination of discounted cash flows model, income capitalisation approach and market valuation approach. Key inputs into the valuation process are discount rates, yield rates, contracted lease rent and forecasted operating expenses, which are influenced by prevailing market forces and the specific characteristics, such as property location, income return, growth rate and occupancy rate of each property in the portfolio. Comparable transactions are also a key input.

The valuation of the portfolio is a significant judgment area and is underpinned by a number of assumptions. The existence of significant estimation uncertainty warrants specific audit focus in this area as any error in determining the fair value could have a material impact on the value of the Group's investment properties and the fair value gain or loss recognized in respect of these investment properties.

How our audit addressed the key audit matter

Our audit procedures included:

- We assessed the competence, independence and integrity of the external valuers and read their terms of engagement with the Group to determine whether there were any matters that might have affected their objectivity or may have imposed scope limitations on their work.

- We obtained the external valuation reports for all properties valued by the valuers and assessed the valuation approach used by the valuers in determining the fair value of the properties.

- We carried out procedures to test whether property specific data supplied to the external valuers by management reflected the underlying property records.

Key audit matters (continued)

***Valuation of Investment Properties* (continued)**

How our audit addressed the key audit matter (continued)

- We met the external valuers of the portfolio to discuss the results of their work. We discussed and evaluated the valuation process, overall performance of the portfolio and the significant assumptions used in valuations.

- Based on the outcome of our evaluation we assessed the adequacy of the disclosure in the consolidated financial statements.

Funding / Liquidity and Going Concern

Refer to notes 21, 22 and 30 to the consolidated financial statements.

Key audit matter

The Group's consolidated financial statements have been prepared using the going concern basis of accounting, notwithstanding the fact that the Group's loans and borrowings as at 31 December 2016 amounted to AED 1,559 million (AED 1,364 million of long-term bank loans and AED 195 million of short-term bank borrowings). Furthermore, the Group has net current liabilities of AED 292 million as at the reporting date. Moreover, as at the reporting date, the Group has to repay AED 290 million (AED 95 million current portion of long-term loans and AED 195 million of short-term bank borrowings) within the next 12 months.

Management has not identified a material uncertainty that may cast significant doubt about the Group's ability to continue as a going concern or to meet its future obligations, and accordingly none is disclosed in the consolidated financial statements.

How our audit addressed the key audit matter

We have considered the adequacy of the Group's disclosure of its liquidity position over a period of 12 months from the reporting date by analysing the Group's available funding facilities, forecasted cash inflows from operations, contractual loan maturities, debt service costs, estimated and committed capital expenditure. We assessed whether a material uncertainty existed that may cast a significant doubt on the Group's ability to meet its future obligations. We assessed the adequacy of the Group's disclosure in these respects.

Key audit matters (continued)

Valuation of Trade and Contract Receivables

Refer to notes 12, 16 and 32(a) to the consolidated financial statements.

Key audit matter

The Company has significant trade receivables amounting to 11% of the Group's total assets and the recoverability of these balances is a key audit matter. Determination of the recoverable amount of certain trade receivables can incorporate significant judgments based on various assumptions.

How our audit addressed the key audit matter

Our audit procedures included:

- We tested the Group's credit control procedures, including the controls around credit terms, verifying cash collections subsequent to the year end and reviewing the payment history.
- We analysed receivables, particularly those aged over one year, which were not provided for by the Group to determine whether there were any indicators of impairment.
- We inspected arrangements and/or correspondences with external parties to assess the recoverability of significant and/or long outstanding receivables.
- We obtained the Group's legal advisors' confirmation of the status of pending cases in order to assess the probability and estimate of the recoverability of receivables.
- We assessed the adequacy of the disclosures in the consolidated financial statements.

Revenue Recognition

Refer to note 5 to the consolidated financial statements.

Key audit matter

The Group has a number of revenue streams with different revenue recognition policies across all three of its segments. There is a risk that revenue may be recorded on a basis inconsistent with the contractual terms agreed with a customer or not in accordance with the Group's accounting policy regarding recognising revenue.

Furthermore, with respect to subsidiaries under contracting segment, revenue and profit is recognised in accordance with IAS 11 based on the stage of completion of contracts which is assessed with reference to the proportion of contract costs incurred for the work performed to the statement of financial position date, relative to the estimated total costs of the contract at completion.

Key audit matters (continued)

Revenue Recognition (continued)

The recognition of revenue and profit therefore relies on estimates in relation to the final estimated costs on each contract. Changes to these estimates could give rise to material variances in the amount of revenue and profit / loss recognised. Cost contingencies may also be included in these estimates to take account of specific uncertain risks, or disputed claims against the Group, arising within each contract. These contingencies are reviewed by the Group on a regular basis throughout the contract life and adjusted where appropriate.

Variations and claims, are recognised on a contract-by-contract basis when the customer approval on the same has been obtained by the Group. Therefore, there is a high degree of risk and associated management judgment in: estimating the amount of revenue to be recognised by the Group with respect to the final out-turn on contracts; assessing the level of the contingencies; and recognising receipt of variations and claims.

How our audit addressed the key audit matter

We examined a sample of sales transactions, service contracts, lease contracts and sale agreements for properties with customers to ensure revenue was recognised in accordance with the terms of the contracts and the Group's accounting policies. This included assessing the appropriateness of the recognition of revenue on a gross or net basis. We also performed cut off procedures at each of the Group's main subsidiaries to ensure that revenue was recognized in the correct year.

Furthermore, our work on the recognition of contract revenue and margin included:

- an assessment of the design and implementation of key controls over the recognition of revenue and margin;
- selecting a sample of contracts in order to challenge both current and future financial performance. Samples were selected based on a number of quantitative and qualitative factors such as contract value, profitability and duration of contract, as well as other randomly selected contracts;
- for sampled contracts, challenging management's key judgements inherent in the forecast costs to complete that drive the accounting under the percentage of completion method, including the following procedures:
    - a review of the contract terms and conditions through review of contract documentation;
    - testing the existence and valuation of claims and variations both within contract revenue and contract costs via inspection of correspondence with customers and the supply chain;

Key audit matters (continued)

Revenue Recognition (continued)

How our audit addressed the key audit matter (continued)

- a review of legal and experts' reports received on contentious matters;
- an assessment of the forecasts through discussion with Group, finance, commercial and operational management;
- an assessment of the ability to deliver contracts within budgeted timescales and any exposures to liquidated damages for late delivery of contract works;
- a review of post-balance sheet contract performance to support year end judgments; and
- for contracts completed during the year, we assessed the accuracy of the estimation process by comparing actual profitability with the estimated profits.

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 auditors' report, and the Annual Corporate Governance Report, which is expected to be made available to us after that date.

Our opinion on the consolidated financial statements does not cover the other information and we do not and will 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 on the other information that we obtained prior to the date of this auditors' report, 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.

When we read the Annual Corporate Governance Report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance and take appropriate actions in accordance with ISAs.

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 IFRS, 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.

Auditors' 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 auditors' 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 skepticism 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.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements (continued)

- 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 auditors' 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 auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- 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 auditors' 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 and explanations 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, in so far as it relates to these consolidated financial statements, is consistent with the books of account of the Group;

v) as disclosed in notes 35 to the consolidated financial statements, the Group has not purchased any shares during the year ended 31 December 2016;

vi) note 17 to the consolidated financial statements discloses material related party transactions and the terms under which they were conducted; and

vii) 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 financial 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 Articles of Association, which would materially affect its activities or its consolidated financial position as at 31 December 2016.

KPMG Lower Gulf Limited

Fawzi AbuRass
Registration No.: 968
Dubai, United Arab Emirates

Date: 23 March 2017

Consolidated statement of profit or loss and other comprehensive income
for the year ended 31 December 2016

	Note	2016 AED'000	2015 AED'000
Property management and sales revenue	5(a)	**76,394**	79,837
Contracting and other operating activities	5(b)	**624,494**	533,362
Gain on sale of investment properties	11(c)	**47,665**	66,747
Share in profit of an associate and joint venture	27(a) and (b)	**49,280**	55,362
Gain on valuation of properties	11	**172,766**	669,463
Finance income	7	**19,440**	22,460
Other income	9	**144,774**	37,845
Total income		**1,134,813**	1,465,076
Direct costs	5	**(714,728)**	(793,452)
Administrative and general expenses	6	**(124,770)**	(124,350)
Finance expense	8	**(83,893)**	(112,665)
Profit for the year attributable to the shareholders of the Company		**211,422**	434,609
Other comprehensive income for the year		**-**	-
Total comprehensive income for the year		**211,422**	434,609
Basic and diluted earnings per share (AED)	29	**0.05**	0.11

The notes set out on pages 15 to 53 form part of these consolidated financial statements.

The independent auditors' report is set out on the pages 2 to 10.

Consolidated statement of financial position

at 31 December 2016

	Note	2016 AED'000	2015 AED'000
ASSETS			
Non-current assets			
Intangible assets		**295**	295
Property, plant and equipment	*10*	**145,778**	86,572
Investment properties	*11*	**6,098,852**	6,070,095
Inventories	*14*	**40,084**	42,608
Investments in an associate and joint venture	*27(a) and (b)*	**510,177**	582,061
Non-current receivables	*12*	**409,842**	383,319
		7,205,028	7,164,950
Current assets			
Other investments	*13*	**173,399**	109,826
Inventories	*14*	**61,547**	48,064
Contract work-in-progress	*15*	**230,049**	226,839
Trade and other receivables	*16*	**522,282**	363,822
Due from related parties	*17*	**12,676**	9,549
Cash in hand and at bank	*18*	**224,626**	368,968
		1,224,579	1,127,068
Total assets		**8,429,607**	8,292,018
EQUITY AND LIABILITIES			
Equity			
Share capital	*24*	**3,971,796**	3,711,959
Treasury shares	*25*	**-**	(4,998)
Statutory reserve	*26(a)*	**326,647**	305,505
General reserve	*26(b)*	**313,697**	313,697
Retained earnings		**926,313**	995,870
Total equity attributable to the shareholders of the Company		**5,538,453**	5,322,033
Non-current liabilities			
Long-term bank loans	*22*	**1,268,784**	1,304,340
Advances from sale of properties	*20(b)*	**51,249**	52,923
Non-current payables		**-**	1,000
Provision for staff terminal benefits	*23*	**54,676**	60,571
		1,374,709	1,418,834
Current liabilities			
Trade and other payables	*19*	**1,106,422**	1,096,068
Advances and deposits	*20(a)*	**115,583**	134,127
Due to related parties	*17*	**4,386**	5,311
Short-term bank borrowings	*21*	**194,740**	183,070
Current portion of long-term bank loans	*22*	**95,314**	132,575
		1,516,445	1,551,151
Total liabilities		**2,891,154**	2,969,985
Total equity and liabilities		**8,429,607**	8,292,018

These consolidated financial statements were authorized for issue on behalf of the Board of Directors on 23 March 2017

The notes set out on pages 15 to 53 form part of these consolidated financial statements.

Board Member　　　　Board Member　　　　General Manager

The independent auditors' report is set out on the pages 2 to 10.

Consolidated statement of cash flows
for the year ended 31 December 2016

	Note	2016 AED'000	2015 AED'000
Operating activities			
Profit for the year		**211,422**	434,609
Adjustments for:			
Depreciation	*10*	**14,550**	14,917
Gain on sale of investment properties	*11(c)*	**(47,665)**	(66,747)
Gain on fair valuation of properties	*11(d)*	**(172,766)**	(669,463)
Share in profit of an associate and joint venture	*27(a) and (b)*	**(49,280)**	(55,362)
Gain on disposal of property, plant and equipment	*9*	**(14,139)**	-
Finance income	*7*	**(19,440)**	(22,460)
Finance expense	*8*	**83,893**	112,665
Operating profit/(loss) before working capital changes		**6,575**	(251,841)
Change in non-current receivables		**(57,229)**	(212,975)
Change in inventories		**(13,483)**	(17,051)
Change in contract work-in-progress		**(3,210)**	254,938
Change in trade and other receivables		**(13,264)**	641,176
Change in due from related parties		**(3,127)**	(2,084)
Change in non-current payables		**-**	(4,200)
Change in trade and other payables		**21,329**	(369,571)
Change in advances and deposits		**(18,544)**	(88,863)
Change in due to related parties		**(925)**	(10,928)
Change in staff terminal benefits - net		**(5,895)**	(10,401)
Net cash used in operating activities		**(87,773)**	(71,800)
Investing activities			
Additions to property, plant and equipment	*10*	**(9,073)**	(9,666)
Additions to investment properties	*11*	**(106,664)**	(49,718)
Change in other investments - net		**(63,573)**	128,052
Dividend income		**10,000**	35,000
Proceeds from sale of investment in joint venture		**98,000**	-
Proceeds from disposal of property, plant and equipment		**15,418**	-
Proceeds from sale of investment properties		**107,000**	180,874
Interest received		**5,158**	22,460
Change in deposit with banks		**46,894**	(2,243)
Net cash from investing activities		**103,160**	304,759
Financing activities			
Long-term bank loans availed	*22(a)*	**630,784**	19,530
Net movement in trust receipts	*21*	**(3,722)**	(18,860)
Repayment of long-term bank loans	*22(a)*	**(703,601)**	(40,275)
Dividend paid		**-**	(106,056)
Interest paid		**(51,687)**	(111,915)
Change in advances from sale of properties		**-**	1,922
Net cash used in financing activities		**(128,226)**	(255,654)
Net decrease in cash and cash equivalents		**(112,839)**	(22,695)
Cash and cash equivalents at the beginning of the year		**121,256**	143,951
Cash and cash equivalents at the end of the year	*18(a)*	**8,417**	121,256

The notes on pages 16 to 54 form part of these consolidated financial statements.

The independent auditors' report is set out on the pages 2 to 11.

Consolidated statement of changes in equity
for the year ended 31 December 2016

	Share capital AED'000	Treasury shares AED'000	Statutory reserve AED'000	General reserve AED'000	Retained earnings AED'000	Total AED'000
At 1 January 2015	3,535,199	(4,998)	262,044	313,697	892,538	4,998,480
Total comprehensive income for the year	-	-	-	-	434,609	434,609
Other equity movements						
Transfer to statutory reserve (refer note 26 (a))	-	-	43,461	-	(43,461)	-
Issuance of bonus share (refer note 24)	176,760				(176,760)	-
Dividend declared and paid	-	-	-	-	(106,056)	(106,056)
Director's fees (refer note 28)	-	-	-	-	(5,000)	(5,000)
At 31 December 2015	**3,711,959**	**(4,998)**	**305,505**	**313,697**	**995,870**	**5,322,033**
At 1 January 2016	3,711,959	(4,998)	305,505	313,697	995,870	5,322,033
Total comprehensive income for the year	-	-	-	-	211,422	211,422
Other equity movements						
Transfer to statutory reserve (refer note 26 (a))	-	-	21,142	-	(21,142)	-
Issuance of bonus share (refer note 24)	259,837				(259,837)	-
Sale of treasury shares (refer note 25)	-	4,998	-	-	-	4,998
At 31 December 2016	**3,971,796**	**-**	**326,647**	**313,697**	**926,313**	**5,538,453**

The notes set out on pages 15 to 53 form part of these consolidated financial statements.

Notes
(forming part of the consolidated financial statements)

1 Legal status and principal activities

Union Properties Public Joint Stock Company ("the Company") was incorporated on 28 October 1993 as a public joint stock company by a United Arab Emirates Ministerial decree. The Company's registered office address is P.O. Box 24649, Dubai, United Arab Emirates ("UAE").

The principal activities of the Company are investment in and development of properties, the management and maintenance of its own properties including the operation of cold stores, the undertaking of property related services on behalf of other parties (including related parties) and acting as the holding company of its subsidiaries and investing in and associate and joint venture as set out in note 2.1.

The Company and its subsidiaries are collectively referred to as "the Group". All of the Group's significant business and investment activities in land, properties and securities are carried out within the UAE. The Group does not have any foreign exposure towards land, properties and securities.

2 Basis of preparation

2.1 Basis of consolidation

These consolidated financial statements comprise a consolidation of the financial statements of the Company and its subsidiaries on a line-by-line basis, as set out below:

Entity	Incorporated in	Effective ownership	Principal activities
Subsidiaries			
Thermo LLC	UAE	100%	Contracting of mechanical, electrical, and plumbing works of building projects, facilities management services.
Gulf Mechanical A/C Acoustic Manufacturing (GMAMCO) LLC	UAE	100%	Central air-conditioning, requisites manufacturing, fire fighting equipment assembling.
Gmamco Trading LLC	UAE	100%	Fire fighting & safety equipment trading, air condition trading, pumps, engines, valves & spare parts trading, water heaters trading, lighting equipment requisites trading.
Gmamco Saudi LLC	KSA	100%	Central air-conditioning, requisites manufacturing, fire fighting equipment assembling.
ServeU LLC	UAE	100%	Facilities management, security, mechanical, electrical and plumbing works and energy management services.

Notes *(continued)*

2 Basis of preparation (continued)

2.1 Basis of consolidation (continued)

Entity	Incorporated in	Effective ownership	Principal activities
Subsidiaries (continued)			
EDARA LLC	UAE	100%	Project management services.
Dubai Autodrome LLC	UAE	100%	Building, management and consultancy for all types of race tracks and related developments for all types of motor racing.
The Fitout LLC	UAE	100%	Manufacturing and interior decoration.
Thermo Saudi LLC	KSA	100%	Contracting of mechanical, electrical, and plumbing works of building projects, facilities management services.
Thermo OPC	Qatar	100%	Contracting of mechanical, electrical and plumbing works of building projects and facilities management services.
Joint venture and associate			
Properties Investment LLC	UAE	30%	Investment in and development of properties and property related activities.
Emirates District Cooling LLC	UAE	50%	Constructing, installing and operating cooling and conditioning systems.

The effective ownership of all above companies were same as of 31 December 2016 and 31 December 2015, except for Properties Investment LLC where the group has sold 20% of its equity interest during the year ended 31 December 2016.

(a) Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases.

(b) Associates and joint ventures

Associates are those entities in which the Group has significant influence, but not control or joint control, over the financial and operating policies. A joint venture is an arrangement in which the Group has joint control, whereby the Group has rights to the net assets of the arrangement, rather than rights to its assets and obligations for its liabilities.

Interests in associates and the joint ventures are accounted for using the equity method. They are initially recognised at cost, which includes transaction costs. Subsequent to initial recognition, the consolidated financial statements include the Group's share of the profit or loss and other comprehensive income of equity-accounted investees, until the date on which significant influence or joint control ceases.

Notes *(continued)*

2 Basis of preparation (continued)

2.1 Basis of consolidation (continued)

(c) Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated in full in preparing these consolidated financial statements. Unrealised gains arising from transactions with an associate and joint venture are eliminated to the extent of the Group's interest in the associates and joint ventures. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

2.2 Statement of compliance

The consolidated financial statements of the Group have been prepared in accordance with the International Financial Reporting Standards ("IFRS") and the requirements of the UAE Federal Law No. (2) of 2015.

2.3 Basis of measurement

The consolidated financial statements of the Group have been prepared on the historical cost convention basis except for investment properties and other investments which are stated at fair values.

2.4 Functional and presentation currency

The consolidated financial statements are presented in United Arab Emirates Dirhams ("AED"), which is the Group's functional currency. All amounts have been rounded to the nearest thousand, unless otherwise indicated.

2.5 Use of estimates and judgements

In preparing these consolidated financial statements, management has made judgements, estimates and assumptions that affect the application of the Group's accounting policies and the reported amounts of assets, liabilities, income and expenses.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognised prospectively.

In particular, information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the consolidated financial statements are described in note 33.

2.6 Fair Value Measurement

A number of the Group's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities.

The Group has an established control framework with respect to the measurement of fair values. This includes a valuation team that has overall responsibility for overseeing all significant fair value measurements, including Level 3 fair values, and reports directly to the Chief Financial Officer.

The valuation team regularly reviews significant unobservable inputs and valuation adjustments. If third party information, such as broker quotes or pricing services, is used to measure fair values, then the valuation team assesses the evidence obtained from the third parties to support the conclusion that such valuations meet the requirements of IFRS, including the level in the fair value hierarchy in which such valuations should be classified.

Notes *(continued)*

2 Basis of preparation (continued)

2.6 Fair Value Measurement (continued)

Significant valuation issues are reported to the Group's Audit Committee.

When measuring the fair value of an asset or a liability, the Group uses observable market data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows.

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

If the inputs used to measure the fair value of an asset or a liability fall into different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

The Group recognises transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

2.7 Financial Commitments

The Group's loans and borrowings as at 31 December 2016 amounted to AED 1,559 million (AED 1,364 million of long-term bank loans and AED 195 million of short-term bank borrowings). Furthermore, the Group has net current liabilities of AED 292 million as at the reporting date. Moreover, as at the reporting date, the Group has to repay AED 290 million (AED 95 million current portion of long-term loans and AED 195 million of short-term bank borrowings) within the next 12 months.

The management have analysed the Group's liquidity position over a period of 12 months from the reporting date. Based on the Group's available funding facilities, forecasted cash inflows from operations, contractual loan maturities, debt service costs, estimated and committed capital expenditure, management has not identified a material uncertainty that may cast significant doubt about the Group's ability to continue as a going concern or to meet its future obligations.

The Board of Directors have reviewed the Group's cash flow projections and have concluded that the Group will be able to meet its commitments as they fall due in the foreseeable future.

3 Significant accounting policies

The following accounting policies, which comply with IFRS, have been applied consistently in dealing with items that are considered material in relation to the Group's consolidated financial statements:

Revenue

Revenue comprises amounts derived from the letting of investment properties, proceeds from sale of real estate properties (including sale of plots of land), contract revenue and amounts invoiced to third parties for the sale of goods and services falling within the Group's ordinary activities, after deduction of trade discounts given in the ordinary course of business.

Notes *(continued)*

3 Significant accounting policies (continued)

Revenue recognition (continued)

Goods sold and services rendered

Revenue from sale of goods is recognised when the significant risks and rewards of ownership have been transferred to the customer. Revenue from services rendered is recognised in proportion to the stage of completion of the transaction at the reporting date. The stage of completion is assessed by reference to the surveys of work performed. No revenue is recognised if there are significant uncertainties regarding recovery of the consideration due, associated costs or the possible return of goods.

Revenue from sale of properties on a freehold basis or under finance lease is recognised when the significant risks and rewards of ownership are transferred to the buyer. Significant risks and rewards of ownership are deemed to be transferred to the buyer when the associated price risk is transferred to the buyer upon signing of the contract agreement and the buyer has been granted access to the property.

Contracting

Contract revenue includes the initial amount agreed in the contract plus any variations in contract work, claims and incentive payments to the extent that it is probable that they will result in revenue and can be measured reliably. If the outcome of a construction contract can be estimated reliably, then contract revenue is recognised in the profit or loss in proportion to the stage of completion of the contract.

The stage of completion is assessed by reference to surveys of work performed. Otherwise, contract revenue is recognised only to the extent of contract costs incurred that are likely to be recoverable.

Contract expenses are recognised as incurred unless they create an asset related to future contract activity. An expected loss on a contract is recognised immediately in profit or loss.

Rental income

Rental income from investment properties is recognised as revenue on a straight-line basis over the term of the lease. Lease incentives granted are recognised as an integral part of the total rental income, over term of the lease.

Finance income and expense

Finance income comprises interest income on fixed deposits and changes in the fair value of financial assets at fair value through profit or loss. Interest income is recognised as it accrues in the profit or loss using the effective interest method.

Finance expense comprises interest expense on bank borrowings, changes in the fair value of financial assets at fair value through profit or loss and impairment losses recognised on financial assets. All borrowing costs, except to the extent that they are capitalised in accordance with the paragraph below, are recognised in the profit or loss using the effective interest method.

Borrowing costs directly attributable to the acquisition or construction of qualifying asset are capitalised as part of the cost of that asset. The capitalisation of borrowing costs commences from the date of incurring of expenditure related to the asset and ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use is complete. Borrowing costs relating to the period after acquisition or construction are expensed.

Notes *(continued)*

3 Significant accounting policies (continued)

Intangible assets

Goodwill

The excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets and liabilities of a subsidiaries, joint ventures and associates at the date of acquisition is recorded as goodwill. Goodwill attributable to investment in associates and joint ventures is included as part of the carrying value of investment in joint ventures. Goodwill attributable to subsidiaries is disclosed as goodwill in the consolidated statement of financial position.

Goodwill is tested annually for impairment and is carried at cost less accumulated impairment losses. The impairment test for goodwill is based on the revocable amount of the cash generating unit to which the goodwill relates. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Property, plant and equipment and depreciation

Owned assets

Items of property, plant and equipment are measured at cost less accumulated depreciation (refer below) and accumulated impairment losses (refer accounting policy on impairment), if any. Cost includes expenditure that is directly attributable to the acquisition of the asset. When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment. The cost of self constructed assets includes the cost of materials, direct labour and an appropriate proportion of overheads.

Depreciation

Depreciation is recognised in the profit or loss on a straight-line basis over the estimated useful life of each part of an item of property, plant and equipment. Land is not depreciated. The estimated useful lives for the current and comparative periods are as follows:

Assets	Number of years	Rate (%)
Buildings and leasehold improvements	3 to 20	5 to 33
Plant and machinery	5 to 10	10 to 20
Furniture, fixtures and office equipments	2 to 4	25 to 50
Motor vehicles	4	25
Gymnasium equipments	5	20
Equipment and tools	2 to 3	33 to 50
	=====	========

The depreciation method, useful lives and residual values are reassessed at the reporting date.

Recognition and measurement

Any gain or loss on disposal of an item of property, plant and equipment is recognised in profit or loss.

Capital work-in-progress

Capital work-in-progress is stated at cost less accumulated impairment losses (refer accounting policy on impairment), if any, until the construction is complete. Upon completion of construction, the cost of such asset together with the cost directly attributable to construction (including borrowing costs and land rent capitalised) are transferred to the respective class of assets. No depreciation is charged on capital work-in-progress.

Notes *(continued)*

3 Significant accounting policies (continued)

Property, plant and equipment and depreciation (continued)

Transfers from property, plant and equipment

Certain items of property, plant and equipment are transferred from property, plant and equipment to investment properties or vice-versa at cost, which becomes its deemed cost for subsequent accounting, following a change in use of that item. Subsequent to initial measurement, such properties are measured in accordance with the measurement policy for property, plant and equipment or investment properties.

Investment properties

Recognition

Land and buildings owned by the Group for the purposes of generating rental income or capital appreciation or both are classified as investment properties. Properties that are being constructed or developed for future use as investment properties are also classified as investment properties. Where the Group provides ancillary services to the occupants of a property, it treats such a property as an investment property if the services are a relatively insignificant component of the arrangement as a whole.

When the Group begins to redevelop an existing investment property for continued future use as an investment property, the property remains as an investment property, which is measured based on fair value model and is not reclassified as development property during the redevelopment with respect to as an investment property.

Measurement

Investment properties are initially measured at cost, including related transaction costs. Subsequent to initial recognition, investment properties are accounted for using the fair value model under International Accounting Standard No. 40. Any gain or loss arising from a change in fair value is recognised in the profit or loss.

Where the fair value of an investment property under development is not reliably determinable, such property is measured at cost until the earlier of the date construction is completed and the date at which fair value becomes reliably measurable.

Property interest under an operating lease

A property interest under an operating lease is classified and accounted for as an investment property on a property by property basis when the Group holds it to earn rentals or for capital appreciation or both. Any such property interest under an operating lease classified as an investment property is carried at fair value. Lease payments are accounted for as described in accounting policy for lease payments.

Transfer from inventory to investment properties

Certain properties held for sale under inventory are transferred from inventory to investment properties when those properties are either released for rental or for capital appreciation or both. The development properties are transferred to investment properties at fair value on the date of transfer which becomes its deemed cost for subsequent accounting. Subsequent to initial measurement, such properties are valued at fair value in accordance with the measurement policy for investment properties.

Sale of investment properties

Certain investment properties are sold in the ordinary course of business. No revenue and direct costs are recognised for sale of investment properties. Any gain or loss on sale of investment properties (calculated as the difference between the net proceeds from disposal and carrying amount) is recognised in the profit or loss.

Notes *(continued)*

3 Significant accounting policies (continued)

Financial instruments

Non-derivative financial instruments

Non-derivative financial instruments comprise non-current receivables, other investments, trade and other receivables, amounts due from related parties, cash in hand and at bank, trade and other payables, security deposits, amounts due to related parties, short-term bank borrowings, long-term and short term bank loans and non-current payables.

A financial instrument is recognised if the Group becomes a party to the contractual provisions of the instrument. Financial assets are derecognised if the Group's contractual rights to the cash flows from the financial assets expire or if the Group transfers the financial asset to another party without retaining control or substantially all risks and rewards of the asset. Financial liabilities are derecognised if the Group's obligations specified in the contract expire or are discharged or cancelled.

Non-derivative financial instruments are recognised initially at fair value. Subsequent to initial recognition, non-derivative financial instruments are measured as described below:

Investments at fair value through profit or loss

An instrument is classified as at fair value through profit or loss if it is held for trading or is designated as such upon initial recognition. Financial instruments are designated at fair value through profit or loss if the Group manages such investments and makes purchase and sale decisions based on their fair value. Upon initial recognition, attributable transaction costs are recognised in profit or loss when incurred. Financial instruments at fair value through profit or loss are measured at fair value and changes therein are recognised in the profit or loss. The fair value of quoted securities is determined by reference to their quoted bid prices as at the reporting date.

Others

Other non-derivative financial instruments are measured at amortised cost using the effective interest method less impairment losses, if any.

Cash and cash equivalents

Cash and cash equivalents comprise cash in hand and at bank in current and deposit accounts (having a maturity of three months or less and excluding deposits held under lien). Bank overdrafts that are repayable on demand and bills discounted having a maturity of three months or less form an integral part of the Group's cash management and are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

Derivative financial instruments

The Group uses derivative financial instruments to hedge its exposure to interest rate risk arising from financing activities.

Derivative financial instruments are recognised initially at cost. Subsequent to initial recognition, derivative financial instruments are recognised at fair value. Recognition of any resultant gain or loss depends on the nature of the item being hedged.

Where a derivative financial instrument is designated as a hedge of the variability in cash flows of a recognised liability, a firm commitment or a highly probable forecasted transaction, the effective part of any gain or loss on the derivative financial instrument is recognised directly in the other comprehensive income. The ineffective part of any gain or loss is recognised in the profit or loss immediately. Any gain or loss arising from change in the time value of the derivative financial instrument is excluded from the measurement of hedge effectiveness and is recognised in the profit or loss immediately.

Notes *(continued)*

3 Significant accounting policies (continued)

Impairment

Financial asset

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset. An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate. Impairment losses, if any, are recognised in the profit or loss.

An impairment loss is reversed if the reversal can be related objectively to an asset occurring after the impairment loss was recognised. For financial assets measured at amortised cost, the reversal is recognised in the profit or loss.

Non-financial asset

The carrying amounts of the Group's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses, if any, are recognised in the profit or loss.

A cash generating unit is the smallest identifiable asset group that generates cash flows that are largely independent from other assets and groups.

Inventories

Inventories are valued at the lower of cost and net realisable value.

Properties held for sale

Properties held for sale are classified as inventories and stated at the lower of cost and net realisable value. Cost includes the aggregate cost of development, borrowing costs capitalised and other direct expenses. Net realisable value is estimated by the management, taking into account the expected price which can be ultimately achieved, based on prevailing market conditions.

The amount of any write down of properties under development for sale is recognised as an expense in the period the write down or loss occurs. The amount of any reversal of any write down arising from an increase in net realisable value is recognised in profit or loss in the period in which the increase occurs.

Other inventories

The cost of other inventories is based on the first-in-first-out method and includes expenditure incurred in acquiring inventories and bringing them to their existing location and condition. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and selling expenses.

Contract work-in-progress/billings in excess of valuations

Contract work-in-progress is stated at contract costs plus estimated attributable profits less foreseeable losses and progress billings. Cost includes all expenditure directly related to specific projects and an allocation of fixed and variable overheads incurred in the Group's contractual activities based on normal operating capacity. For contracts where progress billings exceed the contract revenue, the excess is included in current liabilities as billings in excess of valuation.

Notes *(continued)*

3 Significant accounting policies (continued)

Provision

A provision is recognised in the consolidated statement of financial position when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Provision for contract maintenance

Provision for contract maintenance is recognised when the underlying contract enters the maintenance period. The provision is made on a case-by-case basis for each job where the maintenance period has commenced and is based on historical maintenance cost data and an assessment of all possible outcomes against their associated probabilities.

Operating lease payments

Leases of assets under which the lessor effectively retains all the risks and rewards of ownership are classified as operating leases. Payments made under operating leases are recognised in the profit or loss on a straight-line basis over the term of the lease. Lease incentives allowed by the lessor are recognised in the profit or loss as an integral part of the total lease payments made.

Foreign currency transactions

Transactions denominated in foreign currencies are initially recorded in the functional currency by applying to the foreign currency amount the spot exchange rate between the functional currency and the foreign currency at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency using the closing rate. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortised cost in foreign currency translated at the exchange rate at the end of the reporting period. All foreign currency differences are recognised in the profit or loss.

Earnings per share

The Group presents basic and diluted earnings per share ("EPS") data for its ordinary shares. Basic earnings per share is calculated by dividing the profit or loss attributable to ordinary shareholders of the Group by the weighted average number of ordinary shares outstanding during the period. Diluted earnings per share is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares.

Segment reporting

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. The results of the operating segments are reviewed regularly by the Board of Directors to make decisions about resources to be allocated to the segment and to assess its performance, and for which discrete financial information is available.

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

Segment capital expenditure is the total cost incurred during the year to acquire property, plant and equipment, costs incurred for purchase of investment properties or redevelopment of existing investment properties and costs incurred towards development of properties which are either intended to be sold or transferred to investment properties.

Notes *(continued)*

3 Significant accounting policies (continued)

New standards and interpretations not yet effective

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 January 2016, and have not been applied in preparing these consolidated financial statements. Those which may be relevant to the Group are set out below. The Group does not plan to adopt these standards early.

IFRS 9 Financial Instruments

IFRS 9, published in July 2014, replaces the existing guidance in IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 includes revised guidance on the classification and measurement of financial instruments, including a new expected credit loss model for calculating impairment on financial assets, and the new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of the financial instruments from IAS 39. IFRS 9 is effective for annual reporting periods beginning on or after 1 January 2018, with early adoption permitted.

The Group is assessing the potential impact on its consolidated financial statements resulting from the application of IFRS 9.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaces existing revenue recognition guidance, including IAS 18 Revenue, IAS 11 Construction Contracts and IFRIC 13 Customer Loyalty Programmes.

IFRS 15 is effective for annual reporting periods beginning on or after 1 January 2018, with early adoption permitted.

IFRS 16 Leases

IFRS 16 specifies how an entity will recognise, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or financing, with IFRS 16's approach to lessor accounting substantially unchanged from its predecessor, IAS 17. IFRS 16 is effective for annual reporting periods beginning on or after 1 January 2019. Early adoption is permitted provided IFRS 15 revenue from contracts with customers is also applied by the Group.

The Group is currently in the process of assessing the potential impact on its consolidated financial statements resulting from the application of these new standards.

4 Financial risk management and capital management

Overview

The Group has exposure to the following risks from its use of financial instruments:

- Credit risk;
- Liquidity risk; and
- Market risk.

This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risk, and the Group's management of capital. Furthermore, quantitative disclosures are included throughout these consolidated financial statements.

Notes *(continued)*

4 Financial risk management and capital management (continued)

Overview (continued)

The Board of Directors' have an overall responsibility for the establishment and oversight of the Group's risk management framework. The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the products offered.

(a) Credit risk

Credit risk is the risk of financial loss to the Group if a customer or a counterparty to a financial instrument fails to meet its contractual obligations. Credit risk is mainly attributable to trade and other receivables (including non-current receivables), other investments, amounts due from related parties and cash at bank. The exposure to credit risk on trade and other receivables and amounts due from related parties is monitored on an ongoing basis by the management and these are considered recoverable by the Group's management. The Group's cash is placed with banks of good repute.

The Group limits its exposure to investment in unquoted securities by investing in securities where counterparties have credible market reputation. The Group's management does not expect any counterparty to fail.

Real estate property sales

For real estate property sales for general public, the credit risk for the Group is minimised by the fact that the Group receives advances from buyers towards these sales and balance amount due becomes receivable upon handover of the property. However the Group faces significant credit risk on real estate property sales to corporate or even individual customers (especially on land sales) as the Group provides credit terms to such customers. In order to mitigate the credit risk, the Group receives post dated cheques and does not transfer the legal title of the property to the customer until the full amount has been paid. Furthermore, the risk of financial loss to the Group on account of customer default is low as the property title acts as collateral.

Contracting

For construction contracts, generally the customer to the Group is the main contractor on the job. Furthermore, often the payment terms for these contracts are back-to-back. Thus, the Group can be affected not just by the default risk of the main contractor but also of the ultimate client of the project. However, the Group works for this client through various main contractors. The Board of Directors' constantly review and assess the credit as well as business risk of having such a significant exposure to a single client.

Allowance for impairment

The Group establishes a provision for impairment that represents its estimate of incurred losses in respect of trade and contract receivables. The main component of this provision is a specific loss component that relates to individually significant exposures and a collective loss component established for groups of similar assets in respect of losses that have been incurred but not yet identified.

Guarantees

The Group's policy is to provide corporate guarantees only on behalf of wholly-owned subsidiaries or joint ventures, however, only to the extent of their share of equity in the investee companies. For details of corporate guarantees given by the Group on behalf of the joint ventures, refer note 30.

Notes *(continued)*

4 Financial risk management and capital management (continued)

Overview (continued)

(b) Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. Liquidity risk relates to trade and other payables (including non-current payables), security deposits, amounts due to related parties, short-term bank borrowings, and long-term bank loans. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

(c) Market risk

Market risk is the risk resulting from changes in market prices, such as interest rates and equity prices, that will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

Equity risk

The Group buys and sells certain marketable securities. The Group's management monitor the mix of securities in investment portfolio based on market expectations and these dealings in marketable securities are approved by the Board of Directors.

Interest rate risk

The interest rate on the Group's financial instruments is based on normal commercial rates. In order to mitigate the movement in interest rates, the Group has entered into interest rate swap contracts on certain long-term bank loans.

Currency risk

Currency risk faced by the Group is minimal as there are minimal foreign currency transactions.

(d) Capital management

The Board of Director's policy is to maintain a strong capital base so as to maintain creditors, customers and market confidence and to sustain future development of the business. The Board of Directors' would monitor the return on capital and level of dividends based upon profits earned by the Group during the year.

There were no changes in the Group's approach to capital management during the year. Except for complying with certain provisions of the UAE Federal Law No. (2) of 2015, the Company is not subject to any externally imposed capital requirements.

Notes *(continued)*

5 Revenue and direct costs

(a) Property management and sales

	Property rentals AED'000	Property sales AED'000	Total AED'000
2016			
Revenue	**74,565**	**1,829**	**76,394**
Direct costs	**(42,924)**	**(485)**	**(43,409)**
Gross profit	**31,641**	**1,344**	**32,985**
2015			
Revenue	70,507	9,330	79,837
Direct costs	(49,501)	(6,815)	(56,316)
Gross profit	21,006	2,515	23,521

(b) Contracting and other operating activities

	Contracting AED'000	Others AED'000	Total AED'000
2016			
Revenue	**577,995**	**46,499**	**624,494**
Direct costs	**(636,984)**	**(34,335)**	**(671,319)**
Gross profit	**(58,989)**	**12,164**	**(46,825)**
2015			
Revenue	485,572	47,790	533,362
Direct costs	(705,389)	(31,747)	(737,136)
Gross profit	(219,817)	16,043	(203,774)

The direct costs include staff costs amounting to AED 204.4 million *(2015: AED 218.2 million)* and depreciation amounting to AED 6.2 million *(2015: AED 6.8 million)*.

6 Administrative and general expenses

	2016 AED'000	2015 AED'000
These include the following:		
Staff costs	**61,827**	65,404
Professional fees and licenses	**13,330**	12,530
Depreciation	**8,405**	8,077
Office expenses	**8,847**	10,605

Notes *(continued)*

7 Finance income

	2016 AED'000	2015 AED'000
Interest income	**17,009**	23,898
Gain/(Loss) on revaluation of other investments (refer note 13)	**2,431**	(1,438)
	19,440	22,460

8 Finance expense

	2016 AED'000	2015 AED'000
Provision for doubtful debts on contract and trade receivables (refer note 32(a))	**1,500**	750
Interest expense on financial liabilities	**82,393**	111,915
	83,893	112,665

9 Other income

	2016 AED'000	2015 AED'000
Positive saving on account of liabilities (refer note (a) below)	**53,745**	18,000
Gain on disposal of property, plant and equipment	**14,139**	-
Miscellaneous income (refer note (b) below)	**76,890**	19,845
	144,774	37,845

(a) This positive saving is on account of liabilities settlement with the contractors for certain projects.

(b) Miscellaneous income of the period represents sale of a fully impaired asset, management fees and sale of obsolete and slow moving products.

Notes *(continued)*

10 Property, plant and equipment

	Balance at 1 January AED'000	Additions/ charge AED'000	Transfers in AED'000	Disposals/ write off AED'000	Balance at 31 December AED'000
2016					
Cost					
Land	39,288	-	-	-	39,288
Buildings and leasehold improvements	99,849	451	65,962	(23,002)	143,260
Plant and machinery	32,514	68	-	-	32,582
Furniture, fixtures and office equipments	85,548	6,128	-	(14)	91,662
Motor vehicles	56,763	1,689	-	(812)	57,640
Gymnasium equipments	1,025	-	-	-	1,025
Equipment and tools	12,149	129	-	(95)	12,183
Capital work-in-progress	215	608	-	-	823
	327,351	9,073	65,962	(23,923)	378,463
Accumulated depreciation					
Buildings and leasehold improvements	74,759	3,449	-	(21,857)	56,351
Plant and machinery	28,155	1,807	-	-	29,962
Furniture, fixtures and office equipments	80,476	5,699	-	(13)	86,162
Motor vehicles	47,196	2,140	-	(728)	48,608
Gymnasium equipments	933	-	-	-	933
Equipment and tools	9,260	1,455	-	(46)	10,669
	240,779	14,550	-	(22,644)	232,685
Net book value	**86,572**				**145,778**
2015					
Cost					
Land	39,288	-	-	-	39,288
Buildings and leasehold improvements	106,227	996	-	(7,374)	99,849
Plant and machinery	32,115	399	-	-	32,514
Furniture, fixtures and office equipments	86,762	5,473	-	(6,687)	85,548
Motor vehicles	56,738	958	-	(933)	56,763
Gymnasium equipments	1,025	-	-	-	1,025
Equipment and tools	10,684	1,625	-	(160)	12,149
Capital work-in-progress	-	215	-	-	215
	332,839	9,666	-	(15,154)	327,351
Accumulated depreciation					
Buildings and leasehold improvements	68,160	6,649	-	(50)	74,759
Plant and machinery	25,947	2,208	-	-	28,155
Furniture, fixtures and office equipments	80,458	2,786	-	(2,768)	80,476
Motor vehicles	46,293	1,770	-	(867)	47,196
Gymnasium equipments	933	-	-	-	933
Equipment and tools	7,870	1,504	-	(114)	9,260
	229,661	14,917	-	(3,799)	240,779
Net book value	**103,178**				**86,572**

Notes *(continued)*

11 Investment properties

The fair value measurement for investment properties has been categorised as a Level 3 fair value based on the inputs to the valuation technique used. For different levels of fair value hierarchy (refer notes 2.6 and 32 (d)).

	2016	2015
	AED'000	AED'000
At 1 January	**6,070,095**	5,907,879
Additions during the year	**106,664**	49,718
Transfer from inventory (refer note 14 and (a) below)	**2,039**	-
Transfer to property, plant and equipment (refer note 10 and (b) below)	**(65,962)**	-
Sale of investment properties (refer note (c) below)	**(186,750)**	(556,965)
Gain on fair valuation (refer note (d) below)	**172,766**	669,463
At 31 December	**6,098,852**	6,070,095

(a) Transfer from inventory

The Board of Directors of the Company has reassessed the use of certain properties held for sale in inventory. Accordingly, properties amounting to AED 2 million *(2015: nil)* have been transferred from inventory to investment properties as these properties are now held for undetermined use. These properties are either held for capital appreciation or rented out to third parties or would be sold in an open market. As at the reporting date, these properties have been stated at fair values in accordance with the accounting policy adopted by the Group for valuation of investment properties

(b) Transfer to property, plant and equipment

During the year the Group has transferred various investment properties to property, plant and equipment amounting to AED 66 million *(2015: nil)*.

(c) Sale of investment properties

During the year, the Group has sold various investment properties with a carrying value of AED 186.8 million *(2015: AED 556.9 million)* for AED 234.5 million *(2015: AED 623.6 million)*, resulting in a net gain of AED 47.7 million *(2015: AED 66.7 million)*.

(d) Valuation of investment properties

The Group follows the fair value model under IAS 40 (Revised 2003) where investment property defined as land and buildings owned for the purpose of generating rental income or capital appreciation, or both, are fair valued based on an open market valuation carried out by an independent registered valuer, Valustrat Consulting FZCO who carried out the valuation in accordance with RICS Appraisal and Valuation Manual issued by the Royal Institute of Chartered Surveyors. The independent valuers provide the fair value of the Group's investment property portfolio every six months.

The fair values have been determined by taking into consideration the discounted cash flow revenues where the Company has on–going lease arrangements. In this regard, the Group's current lease arrangements, which are entered into on an arm's length basis and which are comparable to those for similar properties in the same location, have been taken into account.

Notes *(continued)*

11 Investment properties (continued)

(d) Valuation of investment properties (continued)

In case where the Company do not have any on-going lease arrangements, fair values have been determined, where relevant, having regard to recent market transactions for similar properties in the same location as the Group's investment properties. These values are adjusted for differences in key attributes such as property size.

For property under construction, the valuation was determined using residual value approach incorporating a combination of both the income and cost approaches. The market value estimate of these properties is on the assumption that the properties are complete as at the date of valuation, and from which appropriate deductions are made for the costs to complete the project in order to estimate the value of the property in its present condition.

The Directors of the Company have reviewed the assumption and methodology used by the independent registered valuer and in their opinion these assumptions and methodology seems reasonable as at the reporting date considering the current economic and real estate outlook in UAE.

Accordingly, based on the above valuation, a fair value gain of AED 172.8 million *(2015: AED 669.5 million)* has been recognised in the statement of profit or loss.

12 Non-current receivables

	2016	2015
	AED'000	AED'000
Retention receivables (refer note (a) below)	**36,464**	14,954
Property sales receivables (refer note (b) below)	**373,378**	368,365
	----------	----------
	409,842	383,319
	======	======

(a) Retention receivables

	2016	2015
	AED'000	AED'000
At 31 December	**106,140**	84,141
	======	======
Disclosed in the consolidated statement of financial position:		
Non-current retention receivables	**36,464**	14,954
Current portion of retention receivables (refer note 16)	**69,676**	69,187
	----------	----------
	106,140	84,141
	======	======

Notes *(continued)*

12 Non-current receivables (continued)

(b) Property sales receivables

	2016 **AED'000**	2015 AED'000
At 31 December	**614,500**	472,500
Less: difference between the amortized cost and carrying value of property sales receivables	**(58,528)**	(36,553)
	----------	----------
	555,972	435,947
	======	======
Disclosed in the consolidated statement of financial position:		
Non-current property sale receivable	**373,378**	368,365
Current portion of property sale receivable (refer note 16)	**182,594**	67,582
	----------	----------
	555,972	435,947
	======	======

The Group's exposure to credit risk and impairment losses related to loans and receivables are disclosed in note 32(a).

13 Other investments

	2016 **AED'000**	2015 AED'000
At 1 January	**109,826**	237,878
Additions	**91,336**	1,899
Sale of investments	**(30,194)**	(128,513)
Gain/(loss) on revaluation to fair value (refer note 7)	**2,431**	(1,438)
	----------	---------
At 31 December	**173,399**	109,826
	======	=====

The following table shows reconciliation from the opening balances to the closing balances for level 1 of fair values.

Level 1:

	2016 **AED'000**	2015 AED'000
Investment securities		
At 1 January	**105,992**	234,044
Additions	**91,336**	1,899
Sale of investments	**(30,194)**	(128,513)
Total gain/(loss) - net:		
-in the consolidated statement of profit or loss	**3,774**	(1,438)
	----------	----------
At 31 December	**170,908**	105,992
	======	======

Notes *(continued)*

13 Other investments (continued)

(a) Designated at fair value through profit or loss

The Group has certain investment securities which are designated as financial assets at fair value through profit or loss and accounted for at fair value at the reporting date.

(b) Investment in real estate fund carried at fair value

Included in other investments is an investment of AED 4.5 million in a real estate fund. The amount invested represents three capital calls to the extent of 90% of the Group's commitment to invest in the real estate fund. The fair value of the fund as of 31 December 2016 is AED 2.5 million *(2015: AED 3.8 million)*.

(c) Other investments in financial instruments

The Company had invested in various financial instruments held for short term purposes. During the current year, the Company has made additional investment amounting to AED 91.3 million *(2015: AED 1.9 million)* and sold various financial instruments with fair value of AED 30.2 million *(2015: AED 128.5 million)*. The fair value of these financial instruments as at the reporting date is AED 170.9 million *(2015: AED 106 million)*.

These investments at fair value through profit or loss are pledged towards the credit line facility obtained specifically for these investments. The Board of Directors has approved these investments and confirmed that they are held for short term purposes. Also refer notes 21(b) & (c).

The Group's exposure to fair value hierarchy related to other investments is disclosed in note 32(d).

14 Inventories

	2016 AED'000	2015 AED'000
Project related material (net of provision for slow moving materials)	**54,016**	39,616
Stock-in-trade	**6,861**	7,655
Spares and consumables	**670**	793
Properties held for sale (refer note (a) below)	**40,084**	42,608
	---------	---------
	101,631	90,672
Less: properties held for sale classified as non-current	**(40,084)**	(42,608)
	---------	---------
	61,547	48,064
	=====	=====

(a) Properties held for sale

	2016 AED'000	2015 AED'000
At 1 January	**42,608**	49,423
Cost of properties sold	**(485)**	(6,815)
Transfer to investment properties (refer note 11)	**(2,039)**	-
	---------	--------
At 31 December	**40,084**	42,608
	=====	=====

Notes *(continued)*

15 Contract work-in-progress/billings in excess of valuation

	2016 AED'000	2015 AED'000
Costs plus attributable profit less foreseeable losses	**8,020,673**	7,675,971
Less: progress billings	**(7,796,489)**	(7,452,706)
	224,184	223,265
Disclosed in the consolidated statement of financial position:		
Contract work-in-progress	**230,049**	226,839
Billings in excess of valuation (refer note 19)	**(5,865)**	(3,574)
	224,184	223,265

16 Trade and other receivables

	2016 AED'000	2015 AED'000
Financial instruments		
Trade and contract receivables	**1,969,247**	1,948,622
Retention receivables (refer note 12(a))	**69,676**	69,187
Property sales receivables (refer note 12(b))	**182,594**	67,582
	2,221,517	2,085,391
Less: provision for doubtful receivables (refer note 32(a))	**(1,791,976)**	(1,791,813)
	429,541	293,578
Other receivables	**42,299**	39,485
Total (A)	**471,840**	333,063
Non-financial instruments		
Advances to contractors	**22,217**	7,388
Prepayments and advances	**28,225**	23,371
Total (B)	**50,442**	30,759
Total (A+B)	**522,282**	363,822

(i) Certain contract and retention receivables are assigned in favour of the banks for facilities availed by a subsidiary (refer notes 21(c) and 22(b)).

(ii) The Group's exposure to credit risk and impairment losses related to loans and receivables are disclosed in note 32(a).

Notes *(continued)*

17 Transactions with related parties

The Group, in the normal course of business, enters into transactions with other enterprises, which fall within the definition of a related party contained in International Accounting Standard No. 24. Such transactions are on terms and conditions believed by the Group's management to be comparable with those that could be obtained from third parties. The transactions with related parties, other than those already disclosed separately elsewhere in the consolidated financial statements, are as follows:

	2016	2015
	AED'000	AED'000
Project management income and income from contracts	**768**	768
Interest earned from deposit	**-**	103
Interest on bank overdraft	**-**	524
Interest on term loans	**-**	39,519
Compensation to key management personnel are as follows:		
- Salaries and other short term employee benefits	**11,291**	7,478
- Provision towards employees terminal benefits	**484**	384
	====	====

The Group's exposure to credit risk and liquidity risk related to related party balances are disclosed in notes 32(a) and 32(b) respectively.

18 Cash in hand and at bank

	2016	2015
	AED'000	AED'000
Cash in hand	**772**	1,878
Cash at bank		
– in deposit accounts held under lien	**21,469**	68,363
– in current accounts	**140,898**	199,152
– in other deposit accounts	**61,487**	99,575
	----------	----------
	224,626	368,968
	======	======

(a) Cash and cash equivalents

	2016	2015
	AED'000	AED'000
Cash and cash equivalents comprise:		
Cash in hand and at bank (excluding deposit under lien)	**203,157**	300,605
Bank overdrafts (refer note 21)	**(194,740)**	(179,349)
	----------	-----------
	8,417	121,256
	=====	======

(b) Cash at bank in deposit accounts

Cash at bank in deposit accounts carry interest at normal commercial rates.

The Group's exposure to interest rate risk and a sensitivity analysis for financial assets are disclosed in note 32(c).

Notes *(continued)*

19 Trade and other payables

	2016 AED'000	2015 AED'000
Financial instruments		
Trade payables	**392,322**	408,370
Retention payables	**46,365**	41,438
Other payables and accruals (refer (a) below)	**661,870**	642,686
Total (A)	**1,100,557**	1,092,494
Non-financial instruments		
Billings in excess of valuation (refer note 15)	**5,865**	3,574
Total (B)	**5,865**	3,574
Total (A+B)	**1,106,422**	1,096,068

(a) Other payable and accruals

	2016 AED'000	2015 AED'000
Includes:		
Provision for staff related payables	**65,717**	75,602
Provisions for payment to contractors cost	**6,252**	7,206

The group's exposure to liquidity risk related to trade and other payables is disclosed in note 32(b).

20 Advances and deposits

(a) Current portion of advances and deposits

	2016 AED'000	2015 AED'000
Financial instruments		
Security deposits	**13,261**	10,796
Total (A)	**13,261**	10,796
Non-financial instruments		
Advances relating to construction contracts	**102,322**	123,331
Total (B)	**102,322**	123,331
Total (A+B)	**115,583**	134,127

The Group's exposure to liquidity risk related to advances and deposits is disclosed in note 32(b).

Notes *(continued)*

20 Advances and deposits (continued)

(b) Non-current portion of advances and deposits

	2016 **AED'000**	2015 AED'000
Non-financial instruments		
Advances from sale of properties (refer note (i) below)	**51,249**	52,923
	=====	=====

(i) Advances from sale of properties represent advances received from customers against the sale of properties in accordance with the payment schedule as stated in the sale and purchase agreement whereby the revenue would be recognised upon handover of the properties.

21 Short-term bank borrowings

This note provides information about the contractual terms of the Group's interest bearing short-term bank borrowings, which are measured at amortised cost. For more information about the Group's exposure to liquidity risk and interest rate risk, refer notes 32(b) and 32(c) respectively.

	2016 **AED'000**	2015 AED'000
Bank overdrafts (refer note (a) below)	**194,740**	179,349
Trust receipts	**-**	3,721
	----------	---------
	194,740	183,070
	======	======

(a) Significant terms and conditions of short-term bank borrowings

Short-term bank borrowings have been obtained to finance the working capital requirements of the Group and carry interest at normal commercial rates.

(b) Credit line facility

The Company has utilised from credit line facility an amount of AED 135 million as of 31 December 2016 *(2015: AED 137.3 million)* to invest in certain financial investments. This borrowing carries interest at normal commercial rates. Refer note 13.

(c) Securities

Short-term bank borrowings of the Group are secured by:

(i) Promissory notes;
(ii) Joint and several guarantees of the Company;
(iii) Investment at fair value through profit or loss amounting to AED 170.9 million *(2015: AED 106 million)* (refer note 13);
(iv) A letter of undertaking by the Company stating that their shareholding in Thermo LLC ("a subsidiary") will not be reduced as long as the banking facilities are outstanding; and
(v) Assignment of certain contract and retention receivables (refer note 16).

Notes *(continued)*

22 Long-term bank loans

This note provides information about the contractual terms of the Group's interest bearing long-term bank loans, which are measured at amortised cost. For more information about the Group's exposure to liquidity risk and interest rate risk, refer notes 32(b) and 32(c) respectively.

	2016	2015
	AED'000	AED'000
At 31 December	**1,364,098**	1,436,915
Less: Current portion	**(95,314)**	(132,575)
	-------------	-----------
Non-current portion	**1,268,784**	1,304,340
	=======	=======

The long term bank loans carries interest at normal commercial rates.

(a) Movement in long-term bank loans

	2016	2015
	AED'000	AED'000
The movement in long-term bank loans is as under:		
At 1 January	**1,436,915**	1,457,660
Availed during the year	**630,784**	19,530
Repayments during the year	**(703,601)**	(40,275)
	-------------	-----------
At 31 December	**1,364,098**	1,436,915
	=======	=======

(b) Significant terms and conditions of long-term bank loans

(i) In 2013, the Company had a term loan facility of AED 360 million from a bank, which was fully repayable on 20 January 2014. During the previous years, the repayment term of this term loan facility was extended and then fully paid on 20 July 2014. However, the previous facility was financed with a new Islamic financing facility for the same amount availed from another bank. The new facility is repayable in 25 quarterly instalments commencing on April 2015 and final instalment of AED 140 million due on July 2021. This loan is secured by:

a. Registered mortgage of title deed;
b. Assignment of insurance policy of a property;
c. Assignment of lease proceeds of rental units and
d. A security cheque of AED 360 million which can be encashed by the bank in the event of default.

During the current year, the Group has made an early settlement amounting to AED 40 million against this long-term bank loan. At 31 December 2016, the loan amount outstanding is AED 271.5 million *(2015: AED 339.2 million).*

Notes *(continued)*

22 Long-term bank loans (continued)

(b) Significant terms and conditions of long-term bank loans (continued)

(ii) In 2012, the Group had entered into an agreement with a bank, to obtain a term loan of AED 1,078.2 million which was utilised by the Group to settle the outstanding short-term bank borrowings existed as at that date. This term loan is repayable in 6 equal annual instalments of AED 100 million commencing 30 June 2016 and the last payment amounting to AED 478.2 million payable on 30 June 2022. At 31 December 2016, the long-term bank loan is secured by:

a. Corporate guarantee from the Company;
b. Assignment of certain contract and retention receivables; and
c. Promissory note of AED 1,078.2 million.

During the current year, the Group has made an early settlement amounting to AED 550 million against this long-term bank loan. At 31 December 2016, the loan amount outstanding is AED 478.2 million *(2015: AED 1,078.2 million)*.

(iii) On 31 August 2015, the Company entered into an agreement with a bank to obtain a long-term bank loan of AED 19.5 million which carries a commercial interest rate. The loan is repayable on twelve quarterly installments of AED 1.6 million commencing on May 2016. The long-term bank loan is secured by a promissory note and corporate guarantee of the Holding Company.

(iv) During the current year, the Company entered into an agreement with a bank to obtain a long-term bank loan which will be utilised to partially pay other loans of group subsidiary amounting to AED 550 million which carries commercial interest rate. The loan is repayable in 36 quarterly equal installments of AED 15.28 million commencing on September 2016. At 31 December 2016, the loan amount outstanding is AED 519.4 million. This long-term bank loan is secured by:

a. Registered mortgage of whole real estates and buildings;
b. Corporate guarantee of one of the subsidiaries; and
c. Assignment of insurance of mortgage properties mentioned in note (a) above.

(v) During the current year, the Company entered into an agreement with a bank and obtained a long-term bank loan amounting to AED 290 million which will be utilised for the construction of "Oia", a residential building in Motorctiy, this loan carries commercial interest rate. The loan is repayable in over 12 quarterly equal installments commencing on September 2019, post the moratorium period. At 31 December 2016, the loan amount outstanding is AED 80.8 million. This long-term bank loan is secured by:

a. Registered mortgage of the lands; and
b. Assignment of escrow account of the project and other RERA requirements.

23 Provision for staff terminal benefits

	2016	2015
	AED'000	AED'000
At 1 January	**60,571**	70,972
Provision made during the year	**14,642**	13,368
Payments made during the year	**(20,537)**	(23,769)
At 31 December	**54,676**	60,571

The provision for staff terminal benefits, disclosed as a non-current liability, is calculated in accordance with the UAE Federal Labour Law.

Notes *(continued)*

24 Share capital

	2016	2015
	AED'000	AED'000
Issued and fully paid up		
3,971,796,421 *(2015: 3,711,959,272)* shares of par value of AED 1 each	**3,971,796**	3,711,959
Treasury shares purchases:		
nil *(2015: 1,395,564)* shares of par value of AED 1 each	**-**	(4,998)
At 31 December	**3,971,796**	3,706,961

At 31 December 2016, the share capital comprised of ordinary equity shares. All issued shares are fully paid. The holders of ordinary equity shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All shares rank equally with regard to the Company's residual assets.

At 31 December 2016, the authorised share capital for the Company is 7 billion shares.

At the Annual General Assembly held on 24 April 2016, the shareholders approved issuing a 7% bonus share as dividends.

25 Treasury shares

During the current year, one of the subsidiaries has sold AED 5 million treasury shares. No gain or loss was recognised in the consolidated statement of profit or loss and other comprehensive income on this transaction.

26 Reserves

(a) Statutory reserve

According to the UAE Federal Law No. (2) of 2015, 10% of the annual net profit of the Company and its subsidiaries is appropriated to statutory reserve until such reserve equals 50% of the paid-up share capital. Such allocations may be ceased when the statutory reserve equals half of the paid-up share capital of the Company. During the current year, the Company has transferred AED 21.1 million *(2015: AED 43.5 million)* to the statutory reserve.

(b) General reserve

According to the Articles of Association of the Company, 10% of the annual net profit is appropriated to general reserve. The transfer to general reserve may be suspended at the recommendation of the Board of Directors or when it equals 50% of the paid-up share capital.

During the current and previous years, the Board of Directors have recommended not to transfer 10% of the annual net profit to general reserve.

Notes *(continued)*

27 Investments in an associate and joint venture

	2016 AED'000	2015 AED'000
Investment in an associate (refere (a) below)	**155,204**	240,267
Investment in joint venture (refere (b) below)	**354,973**	341,794
Total investment in an associate and joint venture	**510,177**	582,061

(a) Associates

Properties Investments LLC is the only investment in associates held by the Group, the Group has 30% equity interest in Properties Investment LLC.

During the year, the Company has sold 20% equity interest in its existing joint venture "Properties Investment LLC", for an amount of AED 98 million, resulting in a gain amounting to AED 1.3 million recognised in the consolidated statement of profit or loss and other comprehensive income. Due to the sale of 20% shares, "Properties Investment LLC" is no longer a joint venture and has been classified as an associate of the Company as at 31 December 2016.

Taking into consideration the change in equity interest as stated above, the following table summarizes the financial information of an associate as included in its financial statements. The table also reconciles the summarized financial information to the carrying amount of the Group's interest in associate.

	2016 AED'000	2015 AED'000
Equity interest	**30%**	50%
Financial position:		
Non-current assets	**690,596**	588,640
Current assets	**164,745**	136,900
Non-current liabilities	**(241,870)**	(183,734)
Current liabilities	**(96,125)**	(61,272)
Net assets (100%)	**517,346**	480,534
Group's share of net assets of the associate	**155,204**	240,267
Income	**122,314**	114,068
Expenses	**(80,188)**	(61,116)
Profit for the year (100%)	**42,126**	52,952
Group's share of profit	**12,638**	26,476
Group's share of other comprehensive income	**-**	-
Group's share of total comprehensive income	**12,638**	26,476

During the year, Properties Investment LLC has not declared or paid any dividend to the Company during the year ended 31 December 2016 *(2015: AED 25 million)*.

Notes *(continued)*

27 Investments in an associate and joint venture continued

(b) Joint ventures

Emirates District Cooling LLC ("Emicool") is the only investment in associates held by the group, the Group has a 50% equity interest in Emicool

In 2003, the Company contributed AED 4 million towards 40% of the share capital of Emicool. The Group acquired an additional 10% shareholding in the joint venture effective 1 August 2006 at a cost of AED 2.5 million. This amount resulted in goodwill of AED 1.3 million.

The flowing table summarizes the financial information of joint venture as included in its financial statements. The table also reconciles the summarized financial information to the carrying amount of the Group's interest in joint venture.

	2016	2015
	AED'000	AED'000
Equity interest	**50%**	50%
Financial position:		
Non-current assets	**1,640,839**	1,574,688
Current assets	**244,865**	166,464
Non-current liabilities	**(908,718)**	(931,784)
Current liabilities	**(267,040)**	(125,780)
Net assets (100%)	**709,946**	683,588
Group's share of net assets of the joint venture	**354,973**	341,794
Income	**353,120**	306,108
Expenses	**(279,836)**	(248,336)
Profit for the year (100%)	**73,284**	57,772
Group's share of profit	**36,642**	28,886
Group's share of other comprehensive income	**-**	-
Group's share of total comprehensive income	**36,642**	28,886

During the year, Emirates District Cooling LLC has declared and paid dividend of AED 10 million *(2015: AED 10 million)* to the Company.

28 Directors' fees

This represents professional fees paid/payable to the Group's directors for serving on any committee, for devoting special time and attention to the business or affairs of the Group and for performing services outside the scope of their ordinary activities. In accordance with the interpretation of Article 169 of the UAE Federal Law No. (2) of 2015 by the Ministry of Economy & Commerce, directors' fees would be recognised as an appropriation of retained earnings.

Notes *(continued)*

29 Basic and diluted earnings per share

	2016	2015
Profit attributable to shareholders (AED'000)	**211,422**	434,609
Weighted average number of shares	**3,971,796,421**	3,971,796,421
Basic and diluted earnings per share (AED)	**0.05**	0.11

For recalculating the earnings per share for 31 December 2015, the weighted average number of shares has been adjusted as if the bonus share issue had occurred at the beginning of 2015.

30 Capital commitments and contingent liabilities

(a) Capital commitments

	2016 AED'000	2015 AED'000
Company and its subsidiaries		
Commitments:		
Letters of credit	**-**	11,665
Capital commitments	**163,210**	42,101
Contingent liabilities:		
Letters of guarantee	**457,797**	449,491
Jointly controlled entities		
Contingent liabilities:		
Letters of guarantee (refer to note (i) & (ii) below)	**411,254**	396,254

(i) A Corporate guarantee was issued in the previous years to a bank on behalf of a loan obtained by Emirates District Cooling LLC, a joint venture.

(ii) During 2015, a Corporate guarantee was issued by the companyin favor of Dubai Islamic Bank PJSC ("DIB") in respect of 50% of the amounts outstanding under the Murabaha facility agreement dated 2nd August 2015 between "Properties Investment LLC" and DIB (the "Murabaha Facility Agreement") for the full duration of the Murabaha Facility Agreement.

(b) Contingent liabilities

There are certain claims and contingent liabilities that arise during the normal course of business. The Board of Directors review these on a regular basis as and when such complaints and/or claims are received and each case is treated according to its merit and the terms of the relevant contract.

Notes *(continued)*

31 Segment reporting

Business segments

The Group's activities include two main business segments, namely, real estate property management and sales and construction activities. Other activities mainly comprise hospitality services. The details of segment revenue, segment result, segment assets and segment liabilities are as under:

	Real estate property management and sales AED'000	Construction AED'000	Others AED'000	Total AED'000
2016				
Segment revenue	**76,394**	**577,995**	**46,499**	**700,888**
Finance income	**18,890**	**550**	**-**	**19,440**
Gain on sale of investment properties	**47,665**	**-**	**-**	**47,665**
Gain on valuation of properties	**172,766**	**-**	**-**	**172,766**
Other income	**135,099**	**6,268**	**3,407**	**144,774**
Share in profit of an associate and joint venture	**49,280**	**-**	**-**	**49,280**
Total Income	**500,094**	**584,813**	**49,906**	**1,134,813**
Direct Cost	**(43,409)**	**(636,984)**	**(34,335)**	**(714,728)**
Administrative and general expenses	**(47,156)**	**(62,509)**	**(15,105)**	**(124,770)**
Finance expense	**(53,920)**	**(29,973)**	**-**	**(83,893)**
Profit/(loss) for the year	**355,609**	**(144,653)**	**466**	**211,422**
Segment assets	**5,635,741**	**2,238,549**	**45,140**	**7,919,430**
Investment in an associate and joint venture	**155,204**	**-**	**354,973**	**510,177**
Total assets	**5,790,945**	**2,238,549**	**400,113**	**8,429,607**
Segment liabilities	**348,784**	**2,496,532**	**45,838**	**2,891,154**
Capital expenditure	**107,818**	**2,404**	**5,515**	**115,737**
Depreciation	**2,978**	**6,571**	**5,001**	**14,550**
2015				
Segment revenue	79,837	485,572	47,790	613,199
Finance income	21,606	854	-	22,460
Gain on sale of investment properties	66,747	-	-	66,747
Gain on valuation of properties	669,463	-	-	669,463
Other income	38,080	(2,823)	2,588	37,845
Share in profit of an associate and joint venture	55,362	-	-	55,362
Total Income	931,095	483,603	50,378	1,465,076
Direct Cost	(56,316)	(705,389)	(31,747)	(793,452)
Administrative and general expenses	(40,909)	(66,193)	(17,248)	(124,350)
Finance expense	(71,820)	(40,845)	-	(112,665)
Profit/(loss) for the year	762,050	(328,824)	1,383	434,609
Segment assets	5,355,875	2,322,997	31,085	7,709,957
Investment in an associate and joint venture	240,267	-	341,794	582,061
Total assets	5,596,142	2,322,997	372,879	8,292,018
Segment liabilities	573,265	2,379,086	17,634	2,969,985
Capital expenditure	52,072	4,617	2,695	59,384
Depreciation	2,834	9,767	2,316	14,917

32 Financial instruments

Financial assets of the Group include non-current receivables, other investments, trade and other receivables, amounts due from related parties and cash in hand and at bank. Financial liabilities of the Group include trade and other payables, security deposits, amounts due to related parties, short-term bank borrowings, long-term bank loans and non-current payables. Accounting policies of financial assets and financial liabilities are disclosed under note 3. The table below sets out the Group's classification of each class of financial assets and financial liabilities and their fair values for the current and the comparative years:

	Note	**Designated as fair value through profit or loss AED'000**	**Loans and receivables AED'000**	**Others at amortized cost AED'000**	**Carrying amount AED'000**	**Fair value AED'000**
31 December 2016						
Financial assets						
Non-current receivables	*12*	-	409,842	-	409,842	409,842
Other investments	*13*	173,399	-	-	173,399	173,399
Trade and other receivables	*16*	-	471,840	-	471,840	471,840
Due from related parties	*17*	-	12,676	-	12,676	12,676
Cash in hand and at bank	*18*	-	224,626	-	224,626	224,626
Total		**173,399**	**1,118,984**	-	**1,292,383**	**1,292,383**
Financial liabilities						
Trade and other payables	*19*	-	-	1,100,557	1,100,557	1,100,557
Security deposits	*20(a)*	-	-	13,261	13,261	13,261
Due to related parties	*17*	-	-	4,386	4,386	4,386
Short-term bank borrowings	*21*	-	-	194,740	194,740	194,740
Long-term bank loans	*22*	-	-	1,364,098	1,364,098	1,364,098
Total		-	-	**2,677,042**	**2,677,042**	**2,677,042**

Notes *(continued)*

32 Financial instruments (continued)

	Note	Designated as fair value through profit or loss AED'000	Loans and receivables AED'000	Others at amortized cost AED'000	Carrying amount AED'000	Fair value AED'000
31 December 2015						
Financial assets						
Non-current receivables	*12*	-	383,319	-	383,319	383,319
Other investments	*13*	109,826	-	-	109,826	109,826
Trade and other receivables	*16*	-	333,063	-	333,063	333,063
Due from related parties	*17*	-	9,549	-	9,549	9,549
Cash in hand and at bank	*18*	-	368,968	-	368,968	368,968
Total		**109,826**	**1,094,899**	-	**1,204,725**	**1,204,725**
Financial liabilities						
Trade and other payables	*19*	-	-	1,092,494	1,092,494	1,092,494
Security deposits	*20(a)*	-	-	10,796	10,796	10,796
Due to related parties	*17*	-	-	5,311	5,311	5,311
Short-term bank borrowings	*21*	-	-	183,070	183,070	183,070
Long-term bank loans	*22*	-	-	1,436,915	1,436,915	1,436,915
Non-current payables		-	-	1,000	1,000	1,000
Total		-	-	**2,729,586**	**2,729,586**	**2,729,586**

Notes *(continued)*

32 Financial instruments (continued)

(a) Credit risk

Exposure to credit risk

The carrying amount of financial assets represents the maximum credit risk exposure. The maximum exposure to credit risk at the reporting date was:

	Note	2016 AED'000	2015 AED'000
Non-current receivables	*12*	**409,842**	383,319
Other investments	*13*	**173,399**	109,826
Trade and other receivables	*16*	**471,840**	333,063
Due from related parties	*17*	**12,676**	9,549
Cash at bank	*18*	**223,854**	367,090
		1,291,611	1,202,847

Trade and other receivables (including non-current receivables) include an amount of AED 373.4 million *(2015: AED 349.4 million)* on sale of property where the legal ownership of the property is retained by the Group as a collateral. At 31 December 2016, the fair value of the properties held as collateral by the Group approximates to AED 373.4 million *(2015: AED 349.4 million)*.

Impairment losses

The ageing of trade/contract and retention receivables (including non-current receivables) at the reporting date is as under:

	2016 Gross AED'000	2016 Provision AED'000	2015 Gross AED'000	2015 Provision AED'000
Not past due	**612,951**	**-**	466,788	-
Past due 1 – 90 days	**46,385**	**425**	43,111	425
Past due 91 – 365 days	**71,019**	**1,960**	70,336	1,960
More than one year	**1,794,864**	**1,789,591**	1,888,475	1,789,428
Total	**2,525,219**	**1,791,976**	2,468,710	1,791,813

The movement in the provision for doubtful debts in respect of trade/contract receivables during the year is as follows:

	2016 AED'000	2015 AED'000
At 1 January	**1,791,813**	1,794,823
Provision for the year (refer note 8)	**1,500**	750
Amounts written off/provision reversed during the year	**(1,337)**	(3,760)
At 31 December (refer note 16)	**1,791,976**	1,791,813

Notes *(continued)*

32 Financial instruments (continued)

(b) Liquidity risk

The following are the contractual maturities of financial liabilities, including interest payments and the impact of netting agreements at the reporting date:

	Note	Carrying amount AED'000	Contractual cash flows AED'000	Less than one year AED'000	More than one year AED'000
Financial liabilities					
31 December 2016					
Non-derivative financial instruments					
Trade and other payables	*19*	1,100,557	1,100,557	1,100,557	-
Security deposits	*20(a)*	13,261	13,261	13,261	-
Due to related parties	*17*	4,386	4,386	4,386	-
Short-term bank borrowings	*21*	194,740	204,477	204,477	-
Long-term bank loans	*22*	1,364,098	1,636,918	114,377	1,522,541
Total		**2,677,042**	**2,959,599**	**1,437,058**	**1,522,541**

	Note	Carrying amount AED'000	Contractual cash flows AED'000	Less than one year AED'000	More than one year AED'000
Financial liabilities					
31 December 2015					
Non-derivative financial instruments					
Trade and other payables	*19*	1,092,494	1,092,494	1,092,494	-
Security deposits	*20(a)*	10,796	10,796	10,796	-
Due to related parties	*17*	5,311	5,311	5,311	-
Short-term bank borrowings	*21*	183,070	192,224	192,224	-
Long-term bank loans	*22*	1,436,915	1,724,298	159,090	1,565,208
Non-current payables		1,000	1,000	-	1,000
Total		**2,729,586**	**3,026,123**	**1,459,915**	**1,566,208**

Notes *(continued)*

32 Financial instruments (continued)

(c) Interest rate risk

The Group is exposed to interest rate risk on cash at bank, short-term bank borrowings and long-term bank loans (refer notes 18, 21 and 22). At the reporting date, the interest rate profile of the Group's interest bearing financial instruments was:

(i) Fixed rate instruments

	2016	2015
	AED'000	AED'000
Fixed rate instruments		
Cash at bank – in deposit accounts (refer note 18)	**82,956**	167,938
	======	======

Sensitivity analysis for fixed rate instruments

The interest rates on cash at bank in deposit accounts is fixed and is not subject to change. The Group does not account for any fixed rate financial assets at fair value through profit or loss. Therefore, a change in interest rates at the reporting date would not affect the profit or loss.

(ii) Variable rate instruments

	2016	2015
	AED'000	AED'000
Variable rate instruments		
Short-term bank borrowings (refer note 21)	**194,740**	183,070
Long-term bank loans (refer note 22)	**1,364,098**	1,436,915
	------------	------------
	1,558,838	1,619,985
	=======	========

Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points in interest rates at the reporting date would have increased/(decreased) equity and profit or loss by the amounts shown below. The analysis below excludes interest capitalised and assumes that all other variables remain constant.

	Profit or loss and equity	
	100 bp increase AED'000	**100 bp decrease AED'000**
31 December 2016		
Variable rate instruments	**(15,588)**	**15,588**
	=====	=====
31 December 2015		
Variable rate instruments	(16,200)	16,200
	=====	=====

(d) Fair value hierarchy

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

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

Notes *(continued)*

32 Financial instruments (continued)

(d) Fair value hierarchy (continued)

The Group has other investments and investment properties which are stated at fair value. Also refer to note 13.

	Level 1 AED'000	Level 3 AED'000	Total AED'000
31 December 2016			
Other investment	**170,908**	**2,491**	**173,399**
	======	====	======
31 December 2015			
Other investment	105,992	3,834	109,826
	======	====	======

There have been no reclassifications made during the current year or the previous year.

33 Significant estimates and judgements

The Group makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The following are the critical accounting estimates and judgements used by management in the preparation of these consolidated financial statements:

Going concern assumption

The Group's management has performed a preliminary assessment of the Group's ability to continue as a going concern, which covers a period of twelve months from the date of the consolidated financial statements, based on certain identified events and conditions that, individually or collectively, may cast doubt on the Group's ability to continue as going concern.

The Group's management has prepared its business forecast and the cash flow forecast for the twelve months from the reporting date on a conservative basis. The forecasts have been prepared taking into consideration the nature and condition of its business, the degree to which it is affected by external factors and other financial and non-financial data available at the time of preparation of such forecasts.

On the basis of such forecasts, the Group's management is of the opinion that the Group will be able to continue its operations for the next twelve months from the reporting date and that the going concern assumption used in the preparation of these consolidated financial statements is appropriate. The appropriateness of the going concern assumption shall be reassessed on each reporting date.

Revenue recognition for real estate properties

Revenue from sale of properties on freehold basis is recognised in the profit or loss when the significant risks and rewards of ownership are transferred to the buyer. Significant risks and rewards of ownership are deemed to be transferred to the buyer when the associated price risk is transferred to the buyer upon signing of the contract agreement and the buyer has been granted access to the property.

Notes *(continued)*

33 Significant estimates and judgements (continued)

Revenue recognition for contracting activities

Revenue from contracting activities is recognised in the profit or loss when the outcome of the contract can be reliably estimated. The Group generally starts recognising revenue when the outcome of the project can be reliably estimated. The measurement of contract revenue is based on the percentage of completion method and is affected by a variety of uncertainties that depend on the outcome of future events. The revenue from variations and claims in contract work is recognised only when it is probable to be recovered and value can be measured reliably. The estimates often need to be revised as events occur and uncertainties are resolved. Therefore, the amount of contract revenue may increase or decrease from period to period.

Impairment losses on property, plant and equipment and intangible assets

The Group reviews its property, plant and equipment and intangible assets to assess impairment, if there is an indication of impairment. In determining whether impairment losses should be recognised in the profit or loss, the Group makes judgements as to whether there is any observable data indicating that there is a reduction in the carrying value of property, plant and equipment or intangible assets. Accordingly, provision for impairment is made where there is an identified loss event or condition which, based on previous experience, is evidence of a reduction in the carrying value of property, plant and equipment or intangible assets.

Impairment losses on properties held for sale in inventory

The Group's management reviews the held for sale properties in inventory to assess impairment, if there is an indication of impairment. In determining whether impairment losses should be recognised in the profit or loss, the management assesses the current selling prices of the property units and the anticipated costs for completion of such property units for properties which remain unsold at the reporting date. If the current selling prices are lower than the anticipated costs to complete, an impairment provision is recognised for the identified loss event or condition to reduce the cost of development properties to its net realisable value.

Estimated useful life and residual value of property, plant and equipment

The Group's management determines the estimated useful lives and related depreciation charge for its property, plant and equipment on an annual basis. The Group has carried out a review of the residual values and useful lives of property, plant and equipment as at 31 December 2016 and the management has not highlighted any requirement for an adjustment to the residual values and remaining useful lives of the assets for the current or future periods. However, these will be reviewed again in the next year.

Valuation of investment properties

The Group follows the fair value model under IAS 40 (revised 2003). Note 11 contain information about the valuation methodology adopted by the Group for the valuation of investment properties. Should the significant assumptions change, the fair value of investment properties could significantly impact the profit and loss and statement of financial position of the Group in the future.

Notes *(continued)*

33 Significant estimates and judgements (continued)

Provision for obsolete inventory

The Group reviews its inventory to assess loss on account of obsolescence on a regular basis. In determining whether provision for obsolescence should be recognised in the profit or loss, the Group makes judgements as to whether there is any observable data indicating that there is any future saleability of the product and the net realisable value for such product. Accordingly, provision for impairment is made where the net realisable value is less than cost based on best estimates by the management. The provision for obsolete inventory is based on the aging and past movement of the inventory.

Project work in progress

Project work in progress is stated at cost plus estimated profit after accounting for foreseeable losses, if any. In determining foreseeable losses, the Group's management estimate the outcome of each contract. The final result of the contact may differ from the estimate made at the time of preparation of these consolidated financial statements.

Provisions on receivables including related parties' receivables

The Group reviews its receivables to assess adequacy of provisions at least on an annual basis. The Group's credit risk is primarily attributable to its trade/contract and other receivables and amounts due from related parties. In determining whether provision should be recognised in the profit or loss, the Group makes judgements as to whether there is any observable data indicating that there is a reasonable measurable decrease in the estimated future cash flows. Accordingly, a provision is made where there is a potential loss event or condition which, based on previous experience, is evidence of a reduction in the recoverability of the cash flows.

Provision for warranty expenses

Provision for warranty expenses is recognised when the contract is completed and handed over to the customer for the period of warranty. The provision is based on historical warranty data and an assessment of all possible outcomes against their associated probabilities.

Provision against claim and contingent liabilities

The Group management on a regular basis caries out a detail assessment of each claim and contingent liabilities that arise during the course of normal business and accordingly makes an assessment of the provision required to settle them. These detailed assessments are based on the past experience of the management in settling these claims and contingent liabilities on commercial terms, weighting of possible outcomes against their associated probabilities and availability of funds to settle them. Should the estimate significantly vary, the change will be accounted for as change in estimate and the consolidated financial statements would be significantly impacted in the future.

34 Comparative figures

Certain comparative figures have been reclassified or regrouped, wherever necessary, to conform to the presentation adopted in these consolidated financial statements. Such reclassifications do not affect the previously reported profit, net assets or equity of the Group.

35 Shares purchase during the year

The Group has not purchased any shares for the year ended 31 December 2016 (2015: nil).