Gulf General Investments Co. PSC and its subsidiaries

Consolidated financial statements

31 December 2017

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Contents	***Page***

BOARD OF DIRECTORS REPORT FOR THE YEAR ENDED 31ST DECEMBER 2017

Dear Shareholders,

It is our pleasure to meet you and to present our 44th Annual Report, which includes the consolidated financial statements of GGICO and its subsidiaries (the Group) as on 31st December 2017 and group activities and their results.

The Board of Directors are very happy to inform that in September 2017 we agreed with the lenders and signed the restructuring of existing loan facilities for a phased repayment plan until 2023 for 2/3rd of the loan amount with a re-financeable balloon for the remaining 1/3rd maturing in 2023. The Board of Directors expect that the group will meet its restructured funding requirements through existing cash and bank balance, future income generated from operations, sale of investment properties and selective sale of subsidiary companies.

The Board of Directors adopted a series of procedures to cut operating cost and to stimulate the performance of selected subsidiaries and thereby to enhance future profitability.

The following are the financial results of the Group:

- **Revenue**
  Revenue of the group for the year 2017 is **AED 591** million, as compared to **AED 857** million in the previous year.

- **Expenditure**
  Total expenditure, which consists of administrative expenses, selling and distribution expenses and provisions for the group is **AED 264** million for the year 2017, compared to **AED 333** million in the year 2016.

- **Net Loss**
  The Group is reporting a loss of **AED 226** million during the year 2017 as compared to loss of **AED 98** million for the year 2016. The main reason for loss is due to sale of a property and finance cost.

- **Assets**
  The total assets of the Group amounted to **AED 5.6** billion for the year 2017 as compared to **AED 6** billion in the year 2016.

- **Shareholders Equity**
  Shareholders equity, including the minority interest, is **AED 952** million for the year 2017, as compared to **AED 1.19** billion in the year 2016.

The main objective of the Board of Directors is the benefit of Group as well as its shareholders. Hence, we are working hard to carefully assess the investments of the Group and to improve profitability for the coming years and enhance the value of the group investments.

We thank all shareholders and the Government authorities for their support towards our Company.

We thank all the Group management and all the staff and auditors for their contributions and cooperation.

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CHAIRMAN

GGICO
GULF GENERAL INVESTMENT P.S.CO.
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الشركة الخليجية للاستثمارات العامة ش.م.ع
ص.ب. ٢٢٥٨٨، دبي، إ.ع.م

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Independent Auditors' Report

To the Shareholders of Gulf General Investments Co. PSC

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Gulf General Investments Co. PSC ("the Company") and its subsidiaries ("the Group"), which comprise the consolidated statement of financial position as at 31 December 2017, the consolidated income statement, consolidated statements of profit or loss and other 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 2017, 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.

Emphasis of Matter

We draw your attention to notes 2.6 and 20 of these consolidated financial statements which more fully explains that the Group is in the process of negotiation with the lenders to restructure certain existing loan and credit facilities to meet its commitments and financial obligations as they fall due in the foreseeable future. Our opinion is not modified in respect of this matter.

Key audit matters

Key audit matters are those matters that, in our professional judgement, 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 matter	**How our audit addressed the key audit matter**
Valuation of investment properties	
Refer to note 6 of the consolidated financial statements	
The Group's investment properties portfolio is carried at AED 2,324.3 million. The Group engaged a professionally qualified external valuer to fair value its investment properties. The valuer performed their work in accordance with the Royal Institution of Chartered Surveyors ('RICS') Valuation – Global Standards (2017 Edition). The fair value definition as per RICS Valuation Standards, adopted by the external valuers, complies with the fair value definition under IFRS. The valuation of the portfolio is a significant judgement 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 recognised in respect of these investment properties.	• We assessed the competence, independence and integrity of the external valuers 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 valuer in determining the fair value of the properties; • We have tested on a sample basis whether property specific data supplied to the external valuers by management reflected the underlying property records; • 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 the valuation; and • Based on the outcome of our evaluation, we assessed the adequacy of the disclosure in the consolidated financial statements.

Key audit matter (continued)

How our audit addressed the key audit matter (continued)

Valuation of properties held for development and sale

Refer to note 10 of the consolidated financial statements

The Group holds properties for development and sale of AED 652.79 million.

The net realisable value of property held for development and sale is determined based on the comparable market data adjusted for property specific characteristics. Key inputs into the valuation process are property size, location, rezoning permits.

The Group uses professionally qualified external valuers to determine the recoverable amount of Group's portfolio of properties held for development and sale. The valuers perform their work in accordance with the Royal Institution of Chartered Surveyors ('RICS') Valuation - Global Standards (2017 Edition) and have experience in the markets in which the Group operates.

The estimation of property cost and net realisable value is a complex process as a change in the Group's forecast estimate of sales price and construction cost could have a material impact on the carrying value of properties held for development and sales in the Group's consolidated financial statements.

For properties under construction, the recoverable amount cannot be reliably determined until the construction is complete and cash flows can be reliably estimated. As at the reporting date, management has assessed that the recoverable amount approximates its carrying value.

- We assessed the competence, independence and integrity of the external valuers 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 valuer in determining the recoverable amount of the properties;
- We have tested whether property specific data supplied to the external valuers by management reflected the underlying property records;
- 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 the valuation;
- In relation to the properties under construction where the recoverable amount cannot be determined reliably, we evaluated reasonableness of the management's impairment assessment; and
- Based on the outcome of our evaluation, we assessed the adequacy of the disclosure in the consolidated financial statements.

Valuation of trade and insurance receivables

Refer to note 13 of the consolidated financial statements

The carrying value of the Group's trade and insurance receivables amounts to AED 449.49 million against which an allowance for impairment of AED 107.69 million has been recognised.

- We evaluated and tested key controls over the processes designed to record and monitor receivables;

Key audit matter (continued)	**How our audit addressed the key audit matter (continued)**

Valuation of trade and insurance receivables (continued)

Refer to note 13 of the consolidated financial statements

An allowance for impairment is recognised when there is an objective evidence that the Group will not be able to collect all amounts due according to the original terms. The amount of the allowance for impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

There continues to be a significant risk over recoverability of receivables and the risk of financial loss to the Group if the party fails to meet its contractual obligations. Therefore, recoverability of trade and insurance receivables is deemed as a key audit matter.

- We reviewed significant balances of overdue receivable against which an allowance for impairment was not recognised to assess for any indicators of impairment. This included checking if payments had been received, if any since the reporting date, reviewing historical payment patterns, including discussions with management and any correspondence with customers on expected settlement dates to assess that management's assertions were reasonably supported;
- We tested, on a sample basis, receivable balances that were provided during the year to determine the accuracy of judgements made by the Group; and
- We assessed whether appropriate disclosures have been made in the consolidated financial statements.

Valuation of insurance contract liabilities

Refer to note 14 of the consolidated financial statements

Valuation of these liabilities involves significant judgement, and requires a number of assumptions to be made that have high estimation uncertainty. This is particularly the case for those liabilities that are recognised in respect of claims that have occurred, but have not yet been reported ("IBNR") to the Group. IBNR and life assurance fund is calculated by an independent qualified external actuary for the Group.

Small changes in the assumptions used to value the liabilities, particularly those relating to the amount and timing of future claims, can lead to a material impact on the valuation of these liabilities and a corresponding effect on consolidated income statement.

- We evaluated and tested the key controls around the claims handling and case reserve setting processes of the Group. Examining evidence of the operation of controls over the valuation of individual reserve for outstanding claims and consider if the amount recorded in the consolidated financial statements is valued appropriately;
- We obtained an understanding of and assessing the methodology and key assumptions applied by the management. Independently re-projected the reserve balances for certain classes of business.

Key audit matter (continued)	**How our audit addressed the key audit matter (continued)**
Insurance contract liabilities (continued)	
Refer to note 14 of the consolidated financial statements	
The key assumptions that drive the reserve calculations include loss ratios, estimates of the frequency and severity of claims and, where appropriate, the discount rates for longer tail classes of business. The valuation of these liabilities depends on accurate data about the volume, amount and pattern of current and historical claims since they are often used to form expectations about future claims. If the data used in calculating insurance liabilities, or for forming judgements over key assumptions, is not complete and accurate then material impacts on the valuation of these liabilities may arise.	• We assessed the experience and competence of the Group's actuary and degree of challenge applied through the reserving process; • We checked a sample of reserves for outstanding claims through comparing the estimated amount of the reserves for outstanding claims to appropriate documentation, such as reports from loss adjusters; and • We assessed the Group's disclosure in relation to these liabilities including claims development table is appropriate.
Funding/ liquidity: borrowings	
Refer to notes 2.6, 20 and 21 of the consolidated financial statements	
The Group has loans and borrowings amounting to AED 2,826.52 million as at 31 December 2017, of which AED 836.11 million is payable within one year from the reporting date. The Group is in the process of negotiation with the lenders to restructure certain existing loan and credit facilities to meet its commitments and financial obligations as they fall due in the foreseeable future.	• We held discussions with the management to understand the progress of the ongoing loan restructuring process and to understand management's plan for the next twelve months from the reporting date to meet the cash flow requirements of the Group; and • We assessed the adequacy and appropriateness of the disclosures made in the consolidated financial statements relating to liquidity risk and commitments.

Key audit matter (continued)	**How our audit addressed the key audit matter (continued)**
Funding/ liquidity: borrowings (continued)	
Refer to notes 2.6, 20 and 21 of the consolidated financial statements	
The Board of Directors expect that the Group will meet its funding requirements through restructuring of certain existing loan and credit facilities, existing cash and bank balance and future income generated from operations and sale of investments and properties.	
Management has not identified any material uncertainty that may cast significant doubt about the Group's ability to meet its future obligations.	
Due to the significance of the carrying value of the outstanding loan facilities in the Group's consolidated financial statements and the inherent uncertainties associated with cash flow forecast, the funding and liquidity is a key audit matter.	
Litigation and claims	
Refer to note 30 of the consolidated financial statements	
The Group has a number of litigations and claims, the final outcome of which, based on the opinion of the lawyers received by the Group's management and information presently available, cannot be reliably estimated considering that these cases are sub-judice. Hence, the recognition and measurement of provisions and the measurement and disclosure of contingent liabilities in respect of litigations and claims requires significant judgement by the management and as a result is a key area of focus in our audit.	We evaluated the Group's assessment of the nature and status of litigation, claims and provision assessments, and obtained inputs from the external lawyers to understand the legal position and material risks. The outcome of our evaluation was used as a basis to determine the adequacy of the level of provisioning and disclosure in the consolidated financial statement.

Other information

Management is responsible for the other information. The other information comprises of the Directors' report, which we obtained prior to the date of this auditors' report and the Group's Annual 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 express any form of assurance conclusion thereon.

Other information (continued)

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 have 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.

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 judgement 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.

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our 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 and 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 consolidated 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 the disclosed in note 9 to the consolidated financial statement, the Group has not purchased any shares during the year ended 31 December 2017;

vi) note 12 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 2017 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 2017.

KPMG Lower Gulf Limited

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

Date: 29 MAR 2018

Gulf General Investments Co. PSC and its subsidiaries

Consolidated statement of financial position
as at 31 December 2017

	Note	**2017 AED ’000**	2016 AED ’000
Assets			
Non-current assets			
Property, plant and equipment	*5*	**378,637**	413,782
Investment properties	*6*	**2,324,298**	2,511,437
Goodwill	*7*	**11,500**	11,500
Investments in associates and joint ventures	*8*	**374,775**	379,681
Investments in securities	*9*	**72,370**	77,952
Trade and other receivables	*13*	**269,783**	280,736
		3,431,363	3,675,088
Current assets			
Properties held for development and sale	*10*	**652,789**	629,365
Inventories	*11*	**31,066**	44,301
Due from related parties	*12*	**134,101**	129,027
Trade and other receivables	*13*	**695,132**	787,118
Re-insurance contract assets	*14*	**213,496**	207,571
Investments in securities	*9*	**129,592**	138,176
Cash in hand and at bank	*15*	**303,317**	342,165
Asset held for sale	*25*	**1,693**	-
		2,161,186	2,277,723
Total assets		**5,592,549**	5,952,811

Gulf General Investments Co. PSC and its subsidiaries

Consolidated statement of financial position (*continued*)
as at 31 December 2017

	Note	2017 AED '000	2016 AED '000
Equity and liabilities			
Equity			
Share capital	*16*	**1,791,333**	1,791,333
Legal reserve	*17*	**46,904**	44,202
Additional reserve	*17*	**7,068**	7,068
Land revaluation reserve	*17*	**37,747**	37,747
Cumulative change in fair value of investments measured at fair value through other comprehensive income		**(30,968)**	(31,678)
Accumulated losses		**(1,204,587)**	(958,530)
Equity attributable to owners of the Company		**647,497**	890,142
Non-controlling interests	*34*	**304,142**	301,033
Total equity		**951,639**	1,191,175
Non-current liabilities			
Provision for employees' end of service benefits	*18*	**37,222**	37,096
Long term portion of term loans	*20*	**1,990,409**	694,666
		2,027,631	731,762
Current liabilities			
Due to related parties	*12*	**367,000**	401,692
Insurance contract liabilities	*14*	**380,131**	403,557
Finance lease	*19*	**-**	23,141
Short term borrowings	*20*	**428,954**	1,782,296
Trade and other payables	*21*	**1,437,194**	1,419,188
		2,613,279	4,029,874
Total liabilities		**4,640,910**	4,761,636
Total equity and liabilities		**5,592,549**	5,952,811

The accompanying notes 1 to 36 are an integral part of these consolidated financial statements.

The consolidated financial statements were authorised for issue by and on behalf of the Board of Directors on 29 MAR 2018

Abdalla Juma Majid Al Sari
Chairman

Hamad Saif Hamad Almheiri
Director

The independent auditors' report on consolidated financial statements is set out on pages 2 to 10.

Gulf General Investments Co. PSC and its subsidiaries

Consolidated income statement
for the year ended 31 December 2017

	Note	**2017 AED '000**	2016 AED '000
Revenue	*22*	**591,461**	857,814
Cost of revenue	*23*	**(374,561)**	(555,269)
Gross profit		**216,900**	302,545
Administrative and general expenses	*24*	**(249,958)**	(311,090)
Selling and distribution expenses		**(14,035)**	(22,238)
Other income		**58,395**	21,398
Change in fair value of investment properties	*6*	**-**	28,065
Share of profit in associates and joint ventures	*8*	**4,710**	24,777
Change in fair value of investments in securities – net	*9*	**(1,183)**	(10,682)
Gain on sale of investments in securities		**271**	1,325
Loss on disposal of a subsidiary	*25*	**(1,714)**	-
Loss on sale of investment properties	6	**(88,200)**	-
Finance income	*26*	**7,860**	7,735
Finance cost	*27*	**(159,280)**	(140,592)
Loss for the year		**(226,234)**	(98,757)
(Loss) / profit attributable to:			
Owners of the Company		**(241,575)**	(155,197)
Non-controlling interests		**15,341**	56,440
		(226,234)	(98,757)
Earnings per share – Basic (AED Fils per share)	*28*	**(13.49)**	(8.66)

The accompanying notes 1 to 36 are an integral part of these consolidated financial statements.

The independent auditors' report on consolidated financial statements is set out on pages 2 to 10.

Gulf General Investments Co. PSC and its subsidiaries

Consolidated statement of profit or loss and other comprehensive income

for the year ended 31 December 2017

	Note	2017 AED '000	2016 AED '000
Loss for the year		**(226,234)**	(98,757)
Other comprehensive income			
Items that will never be reclassified to profit or loss:			
Share in other comprehensive income of associates and joint ventures (fair value through other comprehensive income ("FVOCI"))	*8*	**184**	(4,460)
Change in fair value of investments in securities – net (FVOCI)	*9*	**(754)**	(1,918)
Other comprehensive income for the year		**(570)**	(6,378)
Total comprehensive income for the year		**(226,804)**	(105,135)
Total comprehensive income attributable to:			
Owners of the Company		**(242,145)**	(161,575)
Non-controlling interests		**15,341**	56,440
Total comprehensive income for the year		**(226,804)**	(105,135)

The accompanying notes 1 to 36 are an integral part of these consolidated financial statements.

The independent auditors' report on consolidated financial statements is set out on pages 2 to 10.

Gulf General Investments Co. PSC and its subsidiaries

Consolidated statement of changes in equity
for the year ended 31 December 2017

	Attributable to owners of the Company								
	Share Capital AED '000	Legal reserve AED '000	Additional reserve AED '000	Land revaluation reserve AED '000	Cumulative change in fair value of investments measured at fair value through other comprehensive income AED '000	Accumulated losses AED '000	Total AED '000	Non – controlling interests AED '000	Total AED '000
At 1 January 2016	1,791,333	34,283	7,068	37,747	(29,704)	(801,609)	1,039,118	227,870	1,266,988
Total comprehensive income for the year									
(Loss) / profit for the year	-	-	-	-	-	(155,197)	(155,197)	56,440	(98,757)
Other comprehensive income	-	-	-	-	(1,918)	(4,460)	(6,378)	-	(6,378)
Total comprehensive income	-	-	-	-	(1,918)	(159,657)	(161,575)	56,440	(105,135)
Transactions with owners of the Company									
Dividend paid	-	-	-	-	-	-	-	(5,993)	(5,993)
Changes in ownership interests									
Gain on disposal of a stake in a subsidiary without change in control (refer to note 34(i))	-	-	-	-	-	12,857	12,857	-	12,857
Change in shareholding with change in control	-	-	-	-	-	-	-	22,458	22,458
Acquisition of non-controlling interest without change in control	-	-	-	-	(18)	(240)	(258)	258	-
Other movements									
Change in fair value of investments measured at fair value through other comprehensive income – reclassified to accumulated losses	-	-	-	-	(38)	38	-	-	-
Transfer to reserves	-	9,919	-	-	-	(9,919)	-	-	-
At 31 December 2016	1,791,333	44,202	7,068	37,747	(31,678)	(958,530)	890,142	301,033	1,191,175

Gulf General Investments Co. PSC and its subsidiaries

Consolidated statement of changes in equity *(continued)*

for the year ended 31 December 2017

	Attributable to owners of the Company								
	Share Capital AED ’000	**Legal reserve AED ’000**	**Additional reserve AED ’000**	**Land revaluation reserve AED ’000**	**Cumulative change in fair value of investments measured at fair value through other comprehensive income AED ’000**	**Accumulated losses AED ’000**	**Total AED ’000**	**Non – controlling interests AED ’000**	**Total AED ’000**
At 1 January 2017	1,791,333	44,202	7,068	37,747	(31,678)	(958,530)	890,142	301,033	1,191,175
Total comprehensive income for the year									
(Loss) / profit for the year	-	-	-	-	-	(241,575)	(241,575)	15,341	(226,234)
Other comprehensive income	-	-	-	-	(754)	184	(570)	-	(570)
Total comprehensive income	-	-	-	-	(754)	(241,391)	(242,145)	15,341	(226,804)
Transactions with owners of the Company									
Dividend paid	-	-	-	-	-	-	-	(11,407)	(11,407)
Changes in ownership interests	-	-	-	-	-	-	-	-	-
Deconsolidation effect of a subsidiary (refer to note 25)	-	-	-	-	1,379	(1,379)	-	(325)	(325)
Other movements									
Change in fair value of investments measured at fair value through other comprehensive income – reclassified to accumulated losses	-	-	-	-	85	(85)	-	-	-
Director’s fees paid by a subsidiary						(500)	(500)	(500)	(1,000)
Transfer to reserves	-	2,702	-	-	-	(2,702)	-	-	-
At 31 December 2017	**1,791,333**	**46,904**	**7,068**	**37,747**	**(30,968)**	**(1,204,587)**	**647,497**	**304,142**	**951,639**

The accompanying notes 1 to 36 are an integral part of these consolidated financial statements.

Gulf General Investments Co. PSC and its subsidiaries

Consolidated statement of cash flows

for the year ended 31 December 2017

	Note	**2017 AED '000**	2016 AED '000
Cash flows from operating activities			
(Loss) / profit for the year		**(226,234)**	(98,757)
Adjustments for:			
Depreciation	*5*	**24,701**	26,146
Loss on sale of investment properties		**88,200**	-
Impairment on property, plant and equipment	*5*	**-**	25,000
Change in fair value of investment properties	*6*	**-**	(28,065)
Share of profit from associates and joint ventures	*8*	**(4,710)**	(24,777)
Change in fair value of investments measured at fair value through profit or loss	*9*	**1,183**	10,682
Allowance for slow moving inventories	*11*	**7,361**	3,237
Provision of employees end of service benefits	*18*	**6,042**	5,835
Gain on sale of investments in securities		**(271)**	(1,325)
Loss on disposal of a subsidiary	*25*	**1,714**	-
Impairment losses on trade receivables	*31*	**3,327**	8,668
Write back of impairment losses on trade receivables	*31*	**(4,927)**	(3,440)
Finance income	*26*	**(7,860)**	(7,735)
Finance costs	*27*	**159,280**	140,592
Operating profit before working capital changes		**47,806**	56,061
Changes in re-insurance contract assets		**(17,210)**	30,657
Changes in insurance contract liabilities		**(34,437)**	(87,656)
Changes in properties held for development and sale		**(23,424)**	(31,803)
Changes in inventories		**5,874**	13,143
Changes in trade and other receivables		**128,399**	261,862
Changes in due from related parties		**(6,074)**	(4,093)
Changes in trade and other payables		**110,506**	113,747
Changes in due to related parties		**(34,692)**	(489)
Additions to investment in securities	*9*	**-**	(2,703)
Additions to investment properties	*6*	**(1,545)**	(47,069)
Proceeds from sale of investments in securities		**9,896**	2,482
		185,099	304,139
Employees' end of service benefits paid	*18*	**(5,916)**	(5,873)
Net cash from operating activities		**179,183**	298,266

Gulf General Investments Co. PSC and its subsidiaries

Consolidated statement of cash flows *(continued)*
for the year ended 31 December 2017

	Note	**2017 AED '000**	2016 AED '000
Cash flows from investing activities			
Purchase of property, plant and equipment	*5*	**(11,722)**	(26,828)
Dividend received from associate	*8*	**9,800**	9,263
Proceeds from disposal of property, plant and equipment		**21,558**	7,039
Proceeds from sale of investment properties		**97,550**	-
Proceeds from disposal of a subsidiary	*25*	**2,848**	-
Proceeds from disposal of investment in associates and joint ventures	*8*	**-**	5,612
Finance income	*26*	**7,860**	7,735
Net cash from investing activities		**127,894**	2,821
Cash flows from financing activities			
Dividend paid to non-controlling interest		**(11,407)**	(5,993)
Additional borrowings during the year		**163**	190
Repayment during the year		**(150,843)**	(171,564)
Finance costs	*27*	**(159,280)**	(140,592)
Net cash used in financing activities		**(321,367)**	(317,959)
Net increase in cash and cash equivalents		**(14,290)**	(16,872)
Cash and cash equivalents at the beginning of the year		**177,045**	193,917
Cash and cash equivalents at the end of the year	*15*	**162,755**	177,045

The accompanying notes 1 to 36 are an integral part of these consolidated financial statements.

The independent auditors' report on consolidated financial statements is set out on pages 2 to 9.

1 Reporting entity

Gulf General Investments Co. PSC ("the Company") is incorporated under Emiri Decree No. 2/73 dated 27 July 1973 as a Public Shareholding Company. The duration of the Company is ninety nine years commencing from the date of issuance of the above Emiri Decree. The registered address of the Company is P. O. Box 22588, Dubai, United Arab Emirates. The Company is listed on the Dubai Financial Market.

These consolidated financial statements present the financial position and result of operations of the Company and its subsidiaries (collectively referred to as "the Group") and the Group's interest in associates and joint ventures. Refer to notes 3 and 8.

The principal activities of the Group are to act as a real estate agent, manufacturing, retail trading and provision of real estate development, writing of insurance of all types, hospitality and other services.

Investment Group (Pvt) Limited, a company registered in UAE is a significant shareholder of the Company ("the significant shareholder").

2 Basis of preparation

2.1 Statement of compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs") as issued by International Accounting Standards Board ("IASB") and applicable requirements of UAE Law.

2.2 Basis of measurement

These consolidated financial statements have been prepared on the historical cost basis except in respect of certain property, plant and equipment, investment properties and investments in marketable equity securities which are stated at their fair values.

2.3 Functional and presentation currency

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

2.4 Use of estimates and judgements

The preparation of these consolidated financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

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

2 Basis of preparation (continued)

2.4 Use of estimates and judgements (continued)

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 32.

2.5 Standards, amendments and interpretations

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 January 2017, and have not been applied in preparing these consolidated financial statements. The Group does not plan to early adopt these standards and the management is currently in the process of assessing the accounting, disclosures and presentation requirement in these consolidated financial statements.

IFRS 9 Financial Instruments (2014) (effective from 1 January 2018)

The Group has adopted IFRS 9 (2009) which sets out guidelines for the classification and measurement of financial assets.

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 financial instruments from IAS 39.

i. Classification – financial assets

IFRS 9 contains a new classification and measurement approach for financial assets that reflects the business model in which assets are managed and their cash flow characteristics. IFRS 9 contains three principal classification categories for financial assets: measured at amortised cost, FVOCI and FVTPL. The standard eliminates the existing IAS 39 categories of held to maturity, loans and receivables and available for sale.

ii. Impairment

IFRS 9 replaces the ‘incurred loss’ model in IAS 39 with a forward-looking ‘expected credit loss’ (ECL) model. This will require considerable judgement about how changes in economic factors affect ECLs, which will be determined on a probability-weighted basis. The new impairment model will apply to financial assets measured at amortised cost or fair value through other comprehensive income (FVOCI), except for investments in equity instruments, and to contract assets.

Under IFRS 9, loss allowances will be measured on either of the following bases:

- 12-month ECLs: these are ECLs that result from possible default events within the 12 months after the reporting date; and
- Lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument.

2. Basis of preparation (continued)

2.5 Standards, amendments and interpretations (continued)

IFRS 9 Financial Instruments (2014) (effective from 1 January 2018) (continued)

ii. Impairment (continued)

Lifetime ECL measurement applies if the credit risk of a financial asset at the reporting date has increased significantly since initial recognition and 12-month ECL measurement applies if it has not. An entity may determine that a financial asset's credit risk has not increased significantly if the asset has low credit risk at the reporting date. However, lifetime ECL measurement always applies for trade receivables and contract assets without a significant financing component; the Group has a choice to apply this policy also for trade receivables and contract assets with a significant financing component.

The estimated ECL will be calculated based on actual credit loss experience. The Group will perform the calculation of ECL rates separately for different types of customers including related parties.

Actual credit loss experience will be adjusted to reflect differences between economic conditions during the period over which the historical data was collected, current conditions and the Group's view of economic conditions over the expected lives of the receivables and related party balances.

IFRS 15 Revenue from Contracts with Customers (effective from 1 January 2018)

IFRS 15 replaces IAS 18 *Revenue* which covers contracts for goods and services and IAS 11 which covers construction contracts. The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer – so the notion of control replaces the existing notion of risks and rewards. The standard provides a single principles-based five-step model to be applied to all contracts with customers.

Management anticipates that adoption of IFRS 9 (2014) and IFRS 15 for the annual periods beginning 1 January 2018 may have a material impact on the consolidated financial statements of the Group in the period of initial application.

IFRS 16 Leases (effective from 1 January 2019, with early adoption permitted)

IFRS 16 introduces a single, on-balance sheet accounting model for lessees. A lessee recognises a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are optional exemptions for short-term leases and leases of low value items. Lessor accounting remains similar to the current standard - i.e. lessors continue to classify leases as finance or operating leases.

The Group is in the process of evaluating the potential impact of this standard on its consolidated financial statement resulting from application of this IFRS 16, which is applicable for periods beginning on or after 1 January 2019.

2. Basis of preparation (continued)

2.5 Standards, amendments and interpretations (continued)

IFRS 17 Insurance Contracts (effective from 1 January 2021, with early adoption permitted)

IFRS 17 requires insurance liabilities to be measured at a current fulfillment value and provides a more uniform measurement and presentation approach for all insurance contracts. These requirements are designed to achieve the goal of a consistent, principle-based accounting for insurance contracts. IFRS 17 supersedes IFRS 4 Insurance Contracts as of 1 January 2021.

IFRS 17 is effective for annual reporting periods beginning on or after 1 January 2021, with comparative figures required. Early application is permitted, provided that the entity also applies IFRS 9 and IFRS 15 on or before the date it first applies IFRS 17. Retrospective application is required. However, if full retrospective application for a group of insurance contracts is not practical, then the entity is required to choose either a modified retrospective approach or a fair value approach.

Other new or amended standards

The following new or amended standards are not expected to have a significant impact of the Group's consolidated financial statements:

- Transfers of Investment Property (Amendments to IAS 40) (effective for annual periods beginning on or after 1 January 2018).
- Annual Improvements to IFRSs 2014-2016 Cycle – various standards (amendments to IFRS1 and IAS 28) (effective for annual periods beginning on or after 1 January 2018).
- Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28)

Effective 1 January 2017, following new/ amended IFRS have become effective and have been applied in preparing the consolidated financial statements:

Improvement/ amendments to IFRSs:

- Disclosure Initiative (Amendments to IAS 7)
- Annual Improvements to IFRSs 2014-2016 Cycle (various standards) (Amendments to IFRS 12)

The application of these revised IFRSs has not had any significant impact on the amounts reported for the current and prior periods but may affect the accounting for future transactions or arrangements.

2. Basis of preparation (continued)

2.6 Funding and liquidity

The Group has third party commitments amounting to AED 4,236.69 million as at 31 December 2017 *(2016: AED 4,322.85 million)* of which AED 2,246.28 million *(2016: AED 3,628.18 million)* is payable within one year from the reporting date.

These third party commitments include loans and borrowings of AED 2,826.52 million *(2016: AED 2,875.14 million)* of which AED 836.11 million *(2016: AED 2,180.48 million)* is payable within one year from the reporting date.

The Board of Directors expect that the Group will meet its funding requirements through future income generated from operations, sale of investments and properties, existing cash and bank balance and restructuring of its certain existing loan facilities.

Furthermore, the Board of Directors and the management have undertaken a variety of initiatives and are continuing with the plans as outlined above, which they believe to be realistic and achievable to ensure the Group's ability to meet its financial commitments as they fall due. Also refer to notes 20 and 21.

3 Significant accounting policies (continued)

The Group has consistently applied the below accounting policies to all periods presented in these consolidated financial statements.

3.1 Basis of consolidation

These consolidated financial statements comprise a consolidation of the audited financial statements of the Company and its subsidiaries on a line-by-line basis together with the Group's interest in the net assets of its associates and joint ventures. For a list of the subsidiaries, associates and joint ventures refer notes 8 and (b) below.

(a) Business combinations

The Group accounts for business combinations using the acquisition method when control is transferred to the Group. The consideration transferred in the acquisition is generally measured at fair value, as are the identifiable net assets acquired. Any goodwill that arises is tested annually for impairment. Any gain on a bargain purchase is recognised in profit or loss immediately. Transaction costs are expensed as incurred, except if related to the issue of debt or equity securities. The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognised in the profit or loss.

Any contingent consideration is measured at fair value at the date of acquisition. If an obligation to pay contingent consideration that meets the definition of a financial instrument is classified as equity, then it is not remeasured and settlement is accounted for within equity. Otherwise, subsequent changes in the fair value of the contingent consideration are recognised in the profit or loss.

(b) 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.

3 Significant accounting policies (continued)

3.1 Basis of consolidation (continued)

(b) Subsidiaries (continued)

Details of the Company's significant subsidiaries at 31 December 2017 are as follows:

Name of the subsidiaries	Place of incorporation	Proportion of ownership (%) 2017	Proportion of ownership (%) 2016	Principal activities
Gulf Prefab Houses Factory (L.L.C.) and subsidiaries	U.A.E.	100	100	Manufacturing of prefab houses, concrete, carpentry, restaurant, ovens, kitchens, central air-conditioning systems
Sogour Al Khaleej General Trading L.L.C.	U.A.E.	100	100	General trading
G.G.I. Retail General Trading L.L.C. and subsidiaries	U.A.E.	100	100	General trading
Concept Piping Systems Industries LLC	U.A.E.	100	100	Manufacturing and trading of plastic goods.
Gulf General Steel Co. L.L.C.	U.A.E.	100	100	Trading in all kinds of steel products
GGICO Investments L.L.C.	U.A.E.	100	100	Investment in commercial/ industrial/agricultural enterprises and management
L.A.I. General Trading L.L.C.	U.A.E.	100	100	General trading
GGICO Luxury General Trading L.L.C	U.A.E.	100	100	General Trading
GGICO Gourmet Investments LLC	U.A.E.	100	100	Investment in commercial enterprises and management
GGICO Property Services L.L.C.	U.A.E.	100	100	Leasing property brokerage agents
En Vogue Interiors LLC	U.A.E.	100	100	Interior decoration
Emirates Lube Oil Co. Ltd. (L.L.C.) and subsidiaries	U.A.E.	100	100	Manufacturing of and trading in oil, lubricants and grease
GGICO Real Estate Development Co. L.L.C.	U.A.E.	80	80	Real estate development
Al Sagr National Insurance Co. P.S.C. and a subsidiary	U.A.E.	50	50	Writing of insurance of all types
Time Hotels Management (L.L.C.)	U.A.E.	51	51	Hotels management
ELCO Richmond Asphalt Product Trading	U.A.E.	51	51	Trading in asphalt
GGICO Orion Buying and Selling Real Estate LLC	U.A.E.	51	51	Real estate development
Oil Lab & Marine Surveyors Co. L.L.C.	U.A.E.	50	50	Marine inspection, testing of petroleum products
Dubai Al Ahlia Quick Transport L.L.C.	U.A.E.	50	50	Transportation of general materials by trucks
Acorn Industries Co. L.L.C.	U.A.E.	50	50	Vehicle body manufacturing, steel, structure parts
Horizon Aluminium Industries L.L.C.	U.A.E.	50	50	Building metal products manufacturing

3 Significant accounting policies (continued)

3.1 Basis of consolidation (continued)

(b) Subsidiaries (continued)

Certain percentage of investment in Al Sagr National Insurance Co. P.S.C. is registered in the name of related parties in trust and for the benefit of the Company.

Certain percentage of investments in 100% owned subsidiaries are held by the Company through nominee arrangements.

(c) Non-controlling interests (NCI)

NCI are measured at their proportionate share of the acquiree's identifiable net assets at the date of acquisition.

Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

(d) Loss of control

When the Group loses control over a subsidiary, it derecognises the assets and liabilities of the subsidiary, and any related NCI and other components of equity. Any resulting gain or loss is recognised in the profit or loss. Any interest retained in the former subsidiary is measured at fair value when control is lost.

(e) Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated. Unrealised gains arising from transactions with equity-accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

(f) Interests in 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 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 associates and joint ventures, until the date on which significant influence or joint control ceases.

The Group determines at each reporting date whether there is any objective evidence that the investment in associates and joint ventures is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate or joint venture and its carrying value and recognises the amount in the consolidated income statement.

3 Significant accounting policies (continued)

3.2 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable excluding discounts, estimated customer returns and rebates and after eliminating sales within the Group, provided it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably. The following specific recognition criteria must also be met before revenue is recognised:

Sale of plots of land

Revenue from the sale of plots of land is recognised in the profit or loss when the significant risks and rewards of ownership are transferred to the buyer, the Group has no further substantial acts to complete under the respective sales contract, access has been granted to the plots and the buyer has provided sufficient evidence of his commitment to complete the payment towards purchase of plots of land and the amount of revenue and associated costs can be measured reliably. Revenue from sale of plots is presented net of returns/ sale cancellations.

Revenue from sale of properties held for development and sale

Revenue from sale of properties held for development and sale 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 price risk is transferred to the buyer by signing of the sales contract and the buyer has been granted access to the property when the construction is complete.

Sale of goods

Revenue from the sale of goods is recognised when all the following conditions are satisfied:

- the Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the entity; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Rendering of services

Revenue from rendering of services is recognised when the outcome of the transaction can be estimated reliably, by reference to the stage of completion of the transaction at the reporting date. Where the outcome cannot be measured reliably, revenue is recognised only to the extent that the expenses incurred are eligible to be recovered.

Securities

Gains and losses on sale of securities are recognised when the securities are sold and title has passed.

Dividend income

Dividend income is recognised in profit or loss on the date on which the Group's right to receive payment is established.

3 Significant accounting policies (continued)

3.2 Revenue recognition (continued)

Investment property rental income

Rental income from investment property 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 the term of the lease.

Rental income from other property is recognised as other income.

Hotel revenue

Income from Hotel services rendered to guests and customers is recognised pro-rata over the periods of occupancy. Revenue from sale of food and beverages is recognised upon issuance of related sales invoices on delivery to guests and customers.

3.3 Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

As lessor

Amounts due from lessees under finance leases are recognised as receivables at the amount of the Group's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases.

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

As lessee

Assets held under finance leases are initially recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognised immediately in the profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Group's general policy on borrowing costs. Contingent rentals are recognised as expenses in the periods in which they are incurred.

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

3 Significant accounting policies (continued)

3.3 Leases (continued)

As lessee (continued)

Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease.

3.4 Foreign currencies

The individual financial statements of each group entity are presented in the currency of the primary economic environment in which the entity operates. For the purpose of the consolidated financial statements, the results and financial position of each group entity are expressed in United Arab Emirates Dirhams ("AED"), which is the functional currency of the Group and the presentation currency for the consolidated financial statements.

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency are recognised at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are translated at the rates prevailing at the reporting date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences are recognised in the profit or loss in the year in which they arise.

3.5 Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised in the profit or loss in the year in which they are incurred.

3.6 Property, plant and equipment

Recognition and measurement

Items of property, plant and equipment are initially recognised at cost less accumulated depreciation and accumulated impairment losses, if any. Cost includes expenditure that is directly attributable to the acquisition of the asset.

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

Subsequent costs

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance expenses are charged to the profit or loss in the period in which they are incurred.

3 Significant accounting policies (continued)

3.6 Property, plant and equipment (continued)

Depreciation

Depreciation is calculated to write off the cost of items of property, plant and equipment less their estimated residual values using the straight-line method over their estimated useful lives, and is generally recognised in the profit or loss. The estimated useful lives of property, plant and equipment for the current and comparative period is as follows:

	Useful life (in years)
Buildings, shed and prefab houses	5 to 50
Plant and equipment	5 to 20
Motor vehicles, ships and trucks	4 to 10
Furniture and fixtures	4 to 7
Storage tanks	20
Other assets	5 to 8
	====

Depreciation methods, useful lives and residual values are reassessed at each reporting date and adjusted if appropriate. Any change is accounted for as a change in accounting estimate by changing the depreciation charge for the current and future periods.

Land is not depreciated and is stated at their revalued amounts, being the fair value at the date of revaluation. Revaluations are performed with sufficient regularity such that the carrying amounts do not differ materially from that which would be determined using the fair values at the reporting date.

Any revaluation increase arising on the revaluation of land is credited in other comprehensive income to the land revaluation reserve, except to the extent that it reverses a revaluation decrease for the land previously recognised in the profit or loss, in which case the increase is credited to profit or loss to the extent of the decrease previously charged. A decrease in the carrying amount arising on the revaluation of such land is charged to the profit or loss to the extent that it exceeds the balance, if any, held in the land revaluation reserve relating to a previous revaluation of that asset.

On the subsequent sale or retirement of a revalued land, the attributable revaluation surplus remaining in the land revaluation reserve is transferred directly to retained earnings. No transfer is made from the land revaluation reserve to retained earnings except when the land is derecognised.

Capital work in progress

Properties or assets in the course of construction for production, supply or administrative purposes, or for purposes not yet determined, are carried at cost, less any recognised impairment loss. Cost includes all direct costs attributable to the design and construction of the property including related staff costs, and for qualifying assets, borrowing costs capitalised in accordance with the Group’s accounting policy. When the assets are ready for intended use, the capital work in progress is transferred to the appropriate property, plant and equipment category and is depreciated in accordance with the Group’s policies.

3 Significant accounting policies (continued)

3.7 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.

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 *"Investment Property"*. Any gain or loss arising from a change in fair value is recognized in the profit or loss.

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 property held for development and sale property during the redevelopment with respect to as an investment property.

However, where fair value of investment property under construction is not reliably determinable, the property is measured at cost until the earlier of the date when the construction is complete and the date at which fair value becomes reliably measurable.

Transfer from property, plant and equipment to investment properties

Properties held for own use are accounted for as property, plant and equipment up to the date of the change in use. Any difference at the date of the change in use between the carrying amount of the property and its fair value is recognised as a revaluation of property, plant and equipment. Any existing or arising revaluation surplus previously recognised in other comprehensive income is not transferred to the profit or loss at the date of transfer or on subsequent disposal of the investment property. However, on subsequent disposal, any existing revaluation surplus that was recognised when the Group applied the revaluation model to the property is transferred to retained earnings.

Transfer from properties held for development and sale to investment properties

Certain properties held for development and sale are transferred to investment properties when those properties are either released for rental or for capital appreciation or both. The properties held for sale are transferred to investment properties at fair value on the date of transfer and gain arising on transfer is recognised in the profit or loss. Subsequent to initial measurement, such properties are valued at fair value in accordance with the measurement policy for investment properties. Any gain arising on this re-measurement is recognised in the consolidated income statement on the specific property.

Transfer from investment properties to properties held for development and sale

When a property is transferred from investment property measured at fair value to properties held for development and sale, the transfer is accounted for at fair value. The fair value at the date of transfer is then deemed to be the property's cost. Any difference between the carrying amount of the property before transfer and its fair value on the date of transfer is recognised in the profit or loss in the same way as any other change in the fair value of investment property.

3 Significant accounting policies (continued)

3.7 Investment properties (continued)

Sale of investment properties

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

3.8 Properties held for development and sale

Properties acquired, constructed or in the course of construction for sale are classified as properties held for development and sale. Properties held for development and sale are stated at the lower of cost or net realisable value.

Cost includes the cost of land, infrastructure, construction and other related expenditure such as professional fees and engineering costs attributable to the project, which are capitalised as and when the activities that are necessary to get the assets ready for the intended use are in progress. Net realisable value represents the estimated selling price of the asset in the present condition less costs to be incurred in selling the property.

Borrowing costs that are directly attributable to the construction are included in the cost of that asset.

The Group reviews the carrying values of the properties held for development and sale at each reporting date.

3.9 Inventories

Raw materials and spare parts

Raw materials and spare parts are stated at the lower of cost and net realisable value. Cost comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing them to their present location and condition. Cost is calculated using the weighted average method. Net realisable value represents the estimated selling price less all estimated costs to completion and costs to be incurred in marketing, selling and distribution.

Finished and semi-finished goods

Finished and semi-finished goods are stated at lower of cost (comprising direct labour, material cost, direct expenses and an appropriate allocation of production overheads) and the net realisable value, which is arrived at after providing for anticipated losses, if any, when the possibility of loss is ascertained.

3.10 Goodwill

Goodwill acquired in a business combination is initially measured at cost being the excess of the cost of the business combination over the Company's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities. Following the initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is reviewed for impairment, annually or more frequently if events or changes in circumstances indicate that its carrying value may be impaired.

3 Significant accounting policies (continued)

3.11 Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) where, as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Where the Group expects some or all of a provision to be reimbursed, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain and is in respect of a provision recognised during the year. The expense relating to any provision is presented in the profit or loss net of any reimbursement.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. The unwinding of the discount is recognised as finance cost.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of resources embodying economic benefits will be required to settle the obligation, the provision is reversed.

3.12 Employee benefits

Defined contribution plan

The Group is a member of the pension scheme operated by the Federal Pension General and Social Security Authority which is a defined contribution plan. The Group’s contribution, for eligible UAE National employees is calculated as a percentage of the employees’ salaries and charged to the profit or loss, in accordance with the provisions of Federal Law No. (7) of 1999 relating to Pension and Social Security Law. The Group has no legal or constructive obligation to pay any further contributions.

Annual leave and leave passage

An accrual is made for the estimated liability for employees' entitlement to annual leave and leave passage as a result of services rendered by eligible employees up to the end of the year.

Provision for employees’ end of service benefits to non-UAE nationals

The provision for end of service benefits is based on the liability that would arise if the employment of all staff were terminated at the reporting date and is calculated in accordance with the provisions of UAE Federal Labour Law and the relevant local laws applicable to overseas subsidiaries. Management considers these as long-term obligations and accordingly they are classified as long-term liabilities.

The accrual relating to annual leave and leave passage is disclosed as a current liability, while the provision relating to end of service benefit is disclosed as a non-current liability.

3 Significant accounting policies (continued)

3.13 Finance income

Interest income is accrued on a time proportion basis, by reference to the principal outstanding and at the interest rate applicable.

3.14 Finance costs

Finance costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss using the effective interest method.

3.15 Financial instruments

i) Non-derivative financial assets

Recognition and initial measurement

The Group initially recognises loans and advances and deposits on the date at which they are originated. All other financial assets and financial liabilities are initially recognised when the Group becomes a party to the contractual provisions of the instrument.

A financial asset or financial liability is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition or issue.

Classification and subsequent measurement

On initial recognition, a financial asset is classified as measured at: amortised cost; fair value through other comprehensive income (FVOCI) – debt investment; FVOCI – equity investment; or fair value through profit or loss (FVTPL).

Financial assets are not reclassified subsequent to their initial recognition, except if and in the period the Group changes its business model for managing financial assets.

Financial assets at amortised cost

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- the asset is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

If a financial asset does not meet both of these conditions, then it is measured at fair value.

The Group makes an assessment of a business model at portfolio level as this reflect the best way the business is managed and information is provided to the management.

In making an assessment of whether an asset is held within a business model whose objective is to hold assets in to collect contractual cash flows, the Group considers:

3 Significant accounting policies (continued)

3.15 Financial instruments (continued)

i) Non-derivative financial assets (continued)

Financial assets at amortised cost (continued)

- management's stated policies and objectives for the portfolio and the operation of those policies in practice.;
- how management evaluates the performance of the portfolio;
- whether management's strategy focus on earning contractual interest revenue;
- the degree of frequency of any expected asset sales
- the reason of any asset sales; and
- Whether assets that are sold are held for an extended period of time relative to their contractual maturity or are sold shortly after acquisition or an extended time before maturity.

Financial assets at FVTPL

Financial assets held for trading are not held within a business model whose objective is to hold the asset in order to collect contractual cash flows.

The Group has designated certain financial assets at fair value through profit or loss because designation eliminates or significantly reduces an accounting mismatch, which would otherwise arise

Financial assets at FVOCI

At initial recognition the Group can make an irrevocable election (on an instrument-by-instrument basis) to designate investments in certain equity instruments as at FVTOCI (fair value through other comprehensive income). Designation to FVTOCI is not permitted if the equity instrument is held for trading.

Dividend in these investments in equity instruments are recognised in the consolidated profit or loss when the Group's right to receive the dividends is established, unless the dividends clearly represents a recovery of part of the cost of the investment.

Gains and losses on such equity instruments are never reclassified to consolidated income statement and no impairment is recognised in consolidated income statement.

Financial assets are not reclassified subsequent to their initial recognition, except when the Group changes its business model for managing financial assets.

Loans and receivables

These assets are initially recognised at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, these are measured at amortised cost using the effective interest method.

Loans and receivables comprise mainly trade and other receivables and due from related parties

Cash and cash equivalents

For the purposes of the cash flow statement, cash and cash equivalents comprise cash in hand, balances with the banks and fixed deposits with original maturities of three months or less from the acquisition date that are subject to insignificant risk of changes in their fair value, and are used by the Group in the management of short-term commitments.

Cash and cash equivalents are carried at amortised cost in the statement of financial position.

3 Significant accounting policies (continued)

3.15 Financial instruments (continued)

Equity

Ordinary shares of the Group are classified as equity. Incremental costs directly attributable to the issue of ordinary shares are recognised as a deduction from equity.

(ii) Non-derivate financial liabilities

All financial liabilities (including liabilities designated at fair value through consolidated statement of other comprehensive income) are recognised initially on the trade date, which is the date that the Group becomes a party to the contractual provisions of the instrument.

(iii) De-recognition of financial assets and financial liabilities

The Group derecognises a financial asset when the contractual right to the cash flows from the financial asset expire, or when it transfers the financial asset in a transaction in which substantially all the risk and rewards of the ownership are transferred or in which the Group neither transfers nor retains substantially all the risks and rewards of ownership and it does not retain control over the transferred asset. Any interest in transferred financial assets that qualify for derecognition that is carried or retained by the Group is recognised as separate asset or liability in the consolidated statement of financial position. On derecognition of financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset transferred), and consideration received (including any new asset obtained less any new liability assumed) is recognised in consolidated income statement.

The Group enters into transactions whereby it transfers assets recognised on its consolidated statement of financial position, but retains either all or substantially all of the risks and rewards of the financial assets or a portion of them. If all or substantially all risks and rewards are retained, then the transferred assets are not derecognised. Transfer of assets with retention of all or substantially all risks and rewards include, securities lending and repurchase transactions.

In transactions in which the Group neither retains nor transfers substantially all the risks and rewards of ownership of a financial asset and it retains control over the asset, the Group continues to recognise the asset to the extent of its continuing involvement, determined by the extent to which it is exposed to changes in the value of the transferred asset.

In certain transactions the Group retains the obligation to service the transferred financial asset for a fee. The transferred asset is derecognised if it meets the derecognition criteria. An asset or liability is recognised for the servicing contract, depending on whether the servicing fee is more than adequate (asset) or is less than adequate (liability) for performing the services.

The Group derecognises a financial liability when its contractual obligation are discharged or cancelled or expire.

3.16 Insurance contracts

(i) Classification

The Group issues contracts that transfer either insurance risk or both insurance and financial risks.

Contracts under which the Group accepts significant insurance risk from another party (the policyholder) by agreeing to compensate the policyholder if a specified uncertain future event (the insured event) adversely affects the policyholder are classified as insurance contracts. Insurance risk is significant if an insured event could cause the Group to pay significant additional benefits as a result of an insured event occurring.

3 Significant accounting policies (continued)

3.16 Insurance contracts (continued)

(i) Classification (continued)

Insurance contracts may also transfer some financial risk. Financial risk is the risk of a possible future change in one or more of a specified interest rate, security price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index or other variable, provided in the case of a non-financial variable that the variable is not specific to a party to the contract.

Contracts where insurance risk is not significant are classified as investment contracts.

Once a contract is classified as an insurance contract it remains classified as an insurance contract until all rights and obligations are extinguished or expired.

(ii) Recognition and measurement

Premiums

Gross premiums written reflect business incepted during the year, and exclude any fees and other amounts collected with and calculated based on premiums. These are recognised when underwriting process is complete and policies are issued.

The earned proportion of premiums is recognised as income. Premiums are earned from the date of attachment of risk over the indemnity period and unearned premium is calculated using the basis described below:

Unearned premium provision

The unearned premium considered in the insurance contract liabilities comprise the estimated proportion of the gross premiums written which relates to the periods of insurance subsequent to the statement of financial position date. UPR are calculated using the 1/365 method except for marine cargo and general accident. The UPR for marine cargo is recognised as fixed proportion of the written premiums as required in the financial regulation and UPR for general accident assumes a linear increase in risk with the duration of the project such that the risk faced is 100% at the expiry of the contract. The rate at which the premium is earned is deemed to increase at the same rate at which the risk faced increases over the lifetime of the policy.

(iii) Claims

Claims incurred comprise the settlement and the internal and external handling costs paid and changes in the provisions for outstanding claims arising from events occurring during the financial period. Where applicable, deductions are made for salvage and their recoveries.

Claims outstanding comprise provisions for the Group’s estimate of the ultimate cost of settling all claims incurred but unpaid at the reporting date whether reported or not, and related internal and external claims handling expense reduced by expected salvage and other recoveries. Claims outstanding are assessed by reviewing individual reported claims. Provisions for claims outstanding are not discounted. Adjustments to claims provisions established in prior periods are reflected in the financial statements of the period in which the adjustments are made. The methods used, and the estimates made, are reviewed regularly. Provision is also made for any claims incurred but not reported (“IBNR”) at the date of statement of financial position on the basis of management estimates. The basis of estimating outstanding claims and IBNR are detailed in note 14.

3 Significant accounting policies (continued)

3.16 Insurance contracts (continued)

(iv) Provision for premium deficiency/ liability adequacy test

Provision is made for premium deficiency arising from general insurance contracts where the expected value of claims and expenses attributable to the unexpired periods of policies in force at the reporting date exceeds the unearned premiums provision and already recorded claim liabilities in relation to such policies. The provision for premium deficiency is calculated by reference to classes of business which are managed together, after taking into account the future investment return on investments held to back the unearned premiums and claims provisions.

(v) Reinsurance

The Group cedes reinsurance in the normal course of business for the purpose of limiting its net loss potential through the diversification of its risks. Assets, liabilities and income and expense arising from ceded reinsurance contracts are presented separately from the assets, liabilities, income and expense from the related insurance contracts because the reinsurance arrangements do not relieve the Group from its direct obligations to its policyholders.

Amounts due to and from reinsurers are accounted for in a manner consistent with the related insurance policies and in accordance with the relevant reinsurance contracts. Reinsurance premiums are deferred and expensed using the same basis as used to calculate unearned premium reserves for related insurance policies. The deferred portion of ceded reinsurance premiums is included in reinsurance assets.

Reinsurance assets are assessed for impairment at each reporting date. A reinsurance asset is deemed impaired if there is objective evidence, as a result of an event that occurred after its initial recognition, that the Group may not recover all amounts due, and that event has a reliably measurable impact on the amounts that the Group will receive from the reinsurer. Impairment losses on reinsurance assets are recognised in statement of income in the period in which they are incurred.

Profit commission in respect of reinsurance contracts is recognised on an accrual basis.

(vi) Deferred acquisition cost

For general insurance contracts, the deferred acquisition cost asset represents the portion of acquisition costs which corresponds to the proportion of gross premiums written that is unearned at the reporting date. Commission income related to underwriting activities are recognised on a time proportion basis over the effective period of policy using the same basis as described for unexpired risk premium.

(vii) Insurance receivables and payables

Amounts due from and to policyholders, agents and reinsurers are financial instruments and are included in insurance receivables and payables, and not in insurance contract provisions or reinsurance assets.

(viii) Insurance contract provision and reinsurance assets

Insurance contract liabilities towards outstanding claims are made for all claims intimated to the Group and still unpaid at the consolidated statement of financial position date, in addition for claims incurred but not reported. The unearned premium considered in the insurance contract liabilities comprise the estimated proportion of the gross premiums written which relates to the periods of insurance subsequent to the reporting date.

3 Significant accounting policies (continued)

3.16 Insurance contracts (continued)

(viii) Insurance contract provision and reinsurance assets (continued)

The reinsurers' portion towards the above outstanding claims, claims incurred but not reported and unearned premium is classified as reinsurance contract assets in the consolidated financial statements.

3.17 Impairment

Impairment of financial assets carried at amortised cost

The Group assesses at each reporting date whether there is objective evidence that a financial asset or group of financial assets carried at amortised cost are impaired. A financial asset or group of financial assets are impaired when objective evidence demonstrates that a loss event has occurred after the initial recognition of the asset, and that the loss event has an impact on the future cash flows relating to the asset that can be estimated reliably. The Group considers evidence of impairment at both a specific and collective level.

Objective evidence that financial assets are impaired can include significant financial difficulty of the borrower or issuer, default or delinquency by a borrower, restructuring of an amount due to the Group on terms that the Group would not otherwise consider, indication that a borrower or issuer will enter bankruptcy, the disappearance of an active market for a security, or other observable data relating to a Group of assets such as adverse change in the payment status of borrowers or issuers, or economic conditions that correlate with defaults in the Group.

Impairment of loans and receivables

The Group considers evidence of impairment for loans and receivables at both a specific asset and collective level. All individually significant receivables are assessed for specific impairment. All individually significant loans and receivables found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Loans and receivables that are not individually significant are collectively assessed for impairment by companying together loans and receivables with similar risk characteristics.

At each reporting date, the Group assesses on a case-by-case basis whether there is any objective evidence that a asset is impaired. Impairment losses on assets carried at amortised cost are measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the asset’s original effective interest rate.

When a loan is uncollectible, it is written off against the related allowance for loan impairment. Such loans are written off after all the necessary procedures have been completed and the amount of the loss has been determined. Subsequent recoveries of amounts previously written off and/or any event resulting in a reduction in impairment loss, decreases the amount of the provision for loan impairment in the consolidated profit or loss.

Impairment losses are recognised in the consolidated profit or loss and reflected in an allowance account against loans and advances. Interest on impaired assets continues to be recognised through the unwinding of the discount. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through the consolidated profit or loss.

3 Significant accounting policies (continued)

3.17 Impairment (continued)

Impairment of non-financial assets

At each reporting date, the Group reviews the carrying amounts of its non-financial assets (other than investment property) to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. Value in use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

An impairment loss is recognised if the carrying amount of an asset or CGU exceeds its recoverable amount.

Impairment losses are recognised in consolidated profit or loss. They are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the other assets in the CGU on a pro rata basis.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

3.18 Fair value measurement

'Fair value' is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Group has access at that date. The fair value of a liability reflects its non-performance risk.

When available, the Group measures the fair value of an instrument using the quoted prices in an active market for that instrument. A market is regarded as active if transactions for the assets or liability take place with sufficient frequency and volume to provide pricing on an ongoing basis.

If there is no quoted price in an active market, then the Group uses valuation techniques that maximize the use of relevant observable inputs and minimize the use of unobservable inputs. The chosen valuation technique incorporates all of the factors that market participants would take into account in pricing a transaction.

If an asset or a liability measured at fair value has a bid price and an ask price, then the Group measures assets and long positions at a bid price and liabilities and short positions at an ask price.
The best evidence of the fair value of a financial instrument at initial recognition is normally the transaction price i.e. the fair value of the consideration given or received. If the Group determines that the fair value at initial recognition differs from the transaction price and the fair value is evidenced neither by a quoted price in an active market for an identical asset or liability nor based on a valuation technique that uses only data from observable markets, then the financial instrument is initially measured at fair value, adjusted to defer the difference between the fair value at initial recognition and the transaction price. Subsequently, that difference is recognized in the consolidated profit or loss on an appropriate basis over the life of the instrument but no later than when the valuation is wholly supported by observable market data or the transaction is closed out.

3 Significant accounting policies (continued)

3.18 Fair value measurement (continued)

Portfolios of financial assets and financial liabilities that are exposed to market risk and credit risk that are managed by the Group on the basis of the net exposure to either market or credit risk are measured on the basis of a price that would be received to sell a net long position (or paid to transfer a net short position) for a particular risk exposure. Those portfolio-level adjustments are allocated to the individual assets and liabilities on the basis of the relative risk adjustment of each of the individual instruments in the portfolio.

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

3.19 Asset held for sale

Non-current assets, or disposal groups comprising assets and liabilities, are classified as held-for sale if it is highly probable that they will be recovered primarily through sale rather than through continuing use.

Such assets, or disposal groups, are generally measured at the lower of their carrying amount and fair value less costs to sell. Any impairment loss on a disposal group is allocated first to goodwill, and then to the remaining assets and liabilities on a pro rata basis, except that no loss is allocated to inventories, financial assets, deferred tax assets, employee benefit assets, investment property or biological assets, which continue to be measured in accordance with the Group's other accounting policies. Impairment losses on initial classification as held-for-sale or held-for distribution and subsequent gains and losses on remeasurement are recognised in consolidated income statement.

4 Financial risk management objectives

Overview

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

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

Risk management framework

The Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework and monitoring the Group's risk management policies. 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. The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment, in which all employees understand their roles and obligations.

4 Financial risk management objectives (continued)

Market risk

Market risk is the risk that changes in market prices such as foreign exchange rates, interest rates and equity prices 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. There has been no change to the Group's exposure to market risks or the manner in which it manages and measures the risk.

Currency risk

Currency risk is the risk that value of a financial instrument will fluctuate because of change in foreign exchange rate.

The Group does not have any significant exposure to foreign currency risk since the majority of transactions are denominated in AED.

Equity price risk

The Group is exposed to equity price risk through investments held by the Group and classified as fair value through profit or loss and fair value through other comprehensive income.

Interest rate risk

Interest rate risk is the risk that the value of a financial instrument will fluctuate because of changes in market interest rates. The Group has a bank deposits, loans and borrowings which carries normal commercial interest rates.

Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's trade and other receivables, reinsurance contract asset, due from related parties and cash at bank.

The Group's credit risk is primarily attributable to its trade and other receivables, re-insurance contract assets, amounts due from related parties and cash at banks. The amounts presented in the statement of financial position are net of allowances for impairment on receivables. An allowance for impairment is made where there is an identified loss event which, based on previous experience, is evidence of a reduction in the recoverability of the cash flows.

The Group's exposure to credit risk is influenced mainly by individual characteristics of the customers; however, the Group is collecting advances from customers on periodical basis and the handover of properties to the customers will take place only after final settlement of all dues by them. Trade and other receivables, re-insurance contract assets, and amounts due from related parties are considered fully recoverable by the management. The Group's cash is placed with banks of repute.

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. Ultimate responsibility for liquidity risk management rests with the Board of Directors, who have built an appropriate liquidity risk management framework for the management of the Group's short, medium and long-term funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate reserves, by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities. Also refer to note 20.

4 Financial risk management objectives (continued)

Capital risk management

The Group manages its capital to ensure that the Group will be able to continue as a going concern while maximising the return to shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. The Group's overall strategy remains unchanged from 2015.

The capital structure of the Group consists of bank borrowings, finance lease liabilities, cash and cash equivalents and equity; comprising share capital, reserves (other than land revaluation and cumulative change in fair value) and accumulated losses. Except for complying with certain provisions of the UAE Federal Law No. (2) of 2015, the Group is not subject to any other externally imposed capital requirements.

Gearing ratio

The Group reviews the capital structure on a regular basis. As part of this review, the Group considers the cost of capital and the risks associated with capital.

The gearing ratio at the year-end was as follows:

	2017	2016
	AED '000	AED '000
Debt (refer to notes 20 and 21)	**2,826,522**	2,875,144
Finance lease (refer to note 19)	**-**	23,141
Cash in hand and at bank (refer to note 15)	**(303,317)**	(342,165)
Net debt	**2,523,205**	2,556,120
Equity	**951,639**	1,191,175
Net debt to equity ratio (times)	**2.65**	2.15

Insurance - Asset liability management ("ALM")

Financial risks arise from open positions in interest rate, currency and equity products, all of which are exposed to general and specific market movements. The main risk that the Group faces due to the nature of its investments and liabilities is interest rate risk and equity price risk. The Group manages these positions within an ALM framework that has been developed by management to achieve long-term investment returns in excess of its obligations under insurance and investment contracts.

The Group's ALM is also integrated with the management of the financial risks associated with the Company's other financial assets and liabilities not directly associated with insurance and investment liabilities.

The Group's ALM also forms an integral part of the insurance risk management policy, to ensure in each period sufficient cash flow is available to meet liabilities arising from insurance.

4 Financial risk management objectives (continued)

Insurance risks

The Group accepts insurance risk through its written insurance contracts. The Group is exposed to uncertainty surrounding the timing, frequency and severity of claims under these contracts.

The Group writes the following types of general insurance and life insurance contracts:

General insurance contracts

- Liability insurance
- Property insurance
- Motor insurance
- Fire insurance
- Medical insurance
- Marine insurance
- Engineering insurance

Life insurance contracts

- Group life insurance
- Credit life insurance

The principal risk the Group faces under insurance contracts is that the actual claims and benefit payments or the timing thereof, differ from expectations. This is influenced by the frequency of claims, severity of claims, actual benefits paid and subsequent development of long-term claims. Therefore, the objective of the Group is to ensure that sufficient reserves are available to cover these liabilities.

The above risk exposure is mitigated by diversification across a large portfolio of insurance contracts. The variability of risks is also improved by careful selection and implementation of underwriting strategy guidelines, as well as the use of reinsurance arrangements. The Group only issue short term insurance contracts in connection with property, motor, marine and casualty risks.

5 Property, plant and equipment

	Land AED '000	Buildings, sheds and prefab houses AED '000	Plant and equipment AED '000	Motor vehicles, ships and trucks AED '000	Furniture and fixtures AED '000	Storage tanks AED '000	Other assets AED '000	Capital work-in-progress AED '000	Total AED '000
Cost									
At 1 January 2016	156,616	164,141	113,868	87,361	57,288	45,422	34,717	16,946	676,359
Additions	-	7,842	3,326	6,475	3,517	-	538	5,130	26,828
Disposals	-	(362)	(549)	(7,374)	(6,557)	-	-	(63)	(14,905)
Transfer from capital work-in-progress	-	3,676	1,199	-	110	-	1,530	(6,515)	-
At 31 December 2016	156,616	175,297	117,844	86,462	54,358	45,422	36,785	15,498	688,282
At 1 January 2017	156,616	175,297	117,844	86,462	54,358	45,422	36,785	15,498	688,282
Additions	-	137	772	4,566	682	-	124	5,441	11,722
Disposals	-	(6,196)	(33,561)	(2,835)	(2,244)	(41,850)	(58)	-	(86,744)
Disposal of a subsidiary (refer to note 25)	-	(463)	-	(503)	(5,241)	-	-	-	(6,207)
At 31 December 2017	156,616	168,775	85,055	87,690	47,555	3,572	36,851	20,939	607,053

5 Property, plant and equipment (continued)

	Land AED '000	Buildings, sheds and prefab houses AED '000	Plant and equipment AED '000	Motor vehicles, ships and trucks AED '000	Furniture and fixtures AED '000	Storage tanks AED '000	Other assets AED '000	Capital work-in-progress AED '000	Total AED '000
Accumulated depreciation and impairment losses									
At 1 January 2016	-	44,623	57,249	62,189	40,664	13,326	13,169	-	231,220
Charge for the year	-	8,316	5,743	5,672	3,979	180	2,256	-	26,146
Impairment loss (refer to note (i) below)	-	-	-	-	-	25,000	-	-	25,000
On disposals	-	(24)	(94)	(6,559)	(1,189)	-	-	-	(7,866)
At 31 December 2016	-	52,915	62,898	61,302	43,454	38,506	15,425	-	274,500
At 1 January 2017	-	52,915	62,898	61,302	43,454	38,506	15,425	-	274,500
Charge for the year	-	7,453	6,056	5,259	2,286	179	3,468	-	24,701
On disposals	-	(4,485)	(17,923)	(2,916)	(1,788)	(38,146)	72	-	(65,186)
On disposal of a subsidiary (refer to note 25)	-	(69)	-	(495)	(5,035)	-	-	-	(5,599)
At 31 December 2017	-	55,814	51,031	63,150	38,917	539	18,965	-	228,416
Net book value									
At 31 December 2017	**156,616**	**112,961**	**34,024**	**24,540**	**8,638**	**3,033**	**17,886**	**20,939**	**378,637**
At 31 December 2016	156,616	122,382	54,946	25,160	10,904	6,916	21,360	15,498	413,782

5 Property, plant and equipment (continued)

(i) During the previous year, management of the Group had carried an assessment of the recoverable amount of storage tanks, which indicated a decrease in the recoverable amount over its carrying value by AED 25 million. Accordingly, an impairment loss of AED 25 million was recognised in the consolidated income statement. Also refer to note 24.

(ii) Capital work-in-progress mainly comprises of expenditure incurred on the expansion of a factory.

(iii) Land represents plots of land in the Emirates of Sharjah and Dubai. In the opinion of the Company's management, based on their internal estimate, fair value of land as at the reporting date approximates its carrying value.

(iv) Certain plots of land, buildings and plant and machinery with carrying amount of AED 102.92 million (*2016: AED 104.01 million)* are mortgaged to local bank against credit facilities granted to the Group. Refer to note 20.

6 Investment properties

	2017	2016
	AED '000	AED '000
At 1 January	**2,511,437**	2,436,303
Additions during the year	**1,545**	47,069
Disposals during the year (refer to note (i) below)	**(185,750)**	-
Disposal of a subsidiary (refer to note 25)	**(2,934)**	-
Change in fair value (refer to note (ii) below)	**-**	28,065
	------------	------------
At 31 December	**2,324,298**	2,511,437
	=======	=======

(i) During the current year, investment properties of AED 185.75 million was disposed off for AED 97.55 million which resulted in a loss of AED 88.2 million.

(ii) The fair value of investment properties has been determined by external, qualified and independent Chartered Surveyors and Property Consultants who have recent experience in the locations and categories of the investment properties valued. The valuation has been conducted in accordance with the RICS Valuation Global Standards (2017 Edition).

The fair value of certain properties amounting to AED 589.24 million (*2016: AED 730.75 million*) has been determined by 'Income Capitalisation' method. This process involves deducting running costs from the Gross Rental Income of the property in order to achieve the net rental income. The net rent is then capitalised at a yield to reflect the risks involved with the current and future cash flows.

The significant assumptions applied in determining the fair value of investment properties are given below:

	2017	2016
	AED'00	AED'00
Gross operating income	**38,509**	51,606
Annual net rental income	**31,472**	37,254
Risk adjusted capitalisation rate	**4.5%-5.5%**	4% - 5%
	========	=======

6 Investment properties (continued)

A significant change in the estimated rental income in isolation would result in significant movement in fair value measurement. Similarly, significant movement in the risk adjusted capitalisation rate in isolation would result in significant movement in fair value measurement.

The fair value of certain properties amounting to AED 573.36 million (*2016: AED 668.66 million*) has been determined by 'Sales Comparison' method which is carried out on the basis of recent market transactions for similar properties in the same location. These values are adjusted for differences in key attributes such as property size, location, rezoning permits etc.

The fair value of a certain property amounting to AED 1,161.70 million (*2016: AED 1,112.02 million*) has been determined by taking into account the Gross Development Value when completed and deducting all the costs including construction costs, soft costs, developer's profit and finance costs thus deriving the land value. Further adjustments are applied in terms of the various characteristics of the property.

The fair value measurement of the above properties have been categorised as a Level 3 fair value based on the inputs of valuation technique used. For all investment properties, the current use of the property is the considered to be highest and best use.

Based on the above valuations, the Company has recognised a gain on fair valuation of AED Nil (*2016: AED 28.07 million*) on investment properties.

(iii) Investment properties amounting to AED 713.30 million (*2016: AED 699.01 million*) are registered in the name of related parties in trust and for the beneficial interest of the Group. Investment properties amounting to AED 1,719.87 million (*2016: AED 1,968.99 million)* are mortgaged to banks towards credit facilities granted to the Group (refer to note 20).

7 Goodwill

Goodwill represents AED 11.5 million as at 31 December 2017 (*2016: AED 11.5 million).* An impairment test for goodwill has been carried out based on the "value in use" calculation. The calculation uses cash flow projections over a period based on estimated operating results of the entities. The projected cash flows have been discounted using a discount rate that reflects industry specific risk. The Company's Directors based on the review of the impairment test for goodwill believes that there was no impairment for goodwill and accordingly no impairment allowance is required at reporting date *(2016: AED Nil).*

8 Investment in associates and joint ventures

	2017	2016
	AED '000	AED '000
At 1 January	**379,681**	238,589
Share of profit for the year	**4,710**	24,777
Share of other comprehensive income for the year	**184**	(4,460)
Dividend received	**(9,800)**	(9,263)
Additions during the year (refer to note (i) below)	**-**	152,650
Disposal during the year (refer to note (ii) below)	**-**	(5,612)
Transfer due to change in control	**-**	(17,000)
At 31 December	**374,775**	379,681

(i) As at 31 December 2015, the Group held 26% interest in Al Sagr Cooperative Insurance Company ("Al Sagr Cooperative"). Out of the 26% interest, the Group held 6% shares for the beneficial interest of other individuals. Furthermore, the Group had entered into a sale purchase agreement for 1% of interest with a third party. Accordingly, the Group had been accounting for 19% interest in Al Sagr Cooperative up until 31 December 2015. However, on 1 January 2016, the Group has reacquired 1% of the shares which it had previously sold. This resulted in an increase in the Group's holding percentage to 20%, thereby giving the Group significant influence over Al Sagr Cooperative.

Accordingly, the Group reclassified its investment in Al Sagr Cooperative from investment in securities to an investment in associate.

Movement in investment in Al Sagr Cooperative is as follows:

	2017	2016
	AED '000	AED '000
At 1 January	**173,414**	-
Initial cost of investment (refer to note 9)	**-**	152,650
Share of profit for the year (refer to note 35)	**1,965**	30,027
Dividend received	**(9,800)**	(9,263)
At 31 December	**165,579**	173,414

8 Investment in associates and joint ventures (continued)

(ii) The details of significant associates and joint ventures are as follows:

Name of the associates and joint ventures	Place of incorporation	Ownership (%) 2017	2016
Union Insurance PSC	UAE	**28.36**	28.36
Arab Real Estate Development P.S.C. (Arab Corp)	Jordan	**30.81**	30.81
Ghadeh General Trading and Contracting Co. L.L.C. (Khalid Mustafa Karam Sons & Partners)	Kuwait	**38.00**	38.00
Awtad Co. PJSC	U.A.E.	**25.00**	25.00
Al Sagr Cooperative Insurance Company (refer to note (i) above)	Saudi Arabia	**20.00**	20.00
		====	====

Investment in associates and joint ventures includes payments made against the share capital of the companies under formation.

Summarised financial information in respect of material associates and joint ventures are set out in note 35 to these consolidated financial statements.

Investments in associates and joint ventures amounting to AED 96.80 million (*2016: AED 96.80 million*) are mortgaged to banks towards credit facilities granted to the Group (refer to note 20).

9 Investment in securities

	2017 AED'000	2016 AED'000
Investments measured at fair value through other comprehensive income ("FVOCI")		
At 1 January	**77,952**	80,507
Additions during the year	**-**	130
Disposal during the year	**(2,290)**	(767)
Disposal of a subsidiary (refer to note 25)	**(2,538)**	-
Change in fair value	**(754)**	(1,918)
	--------	---------
At 31 December	**72,370**	77,952
	=====	=====

9 Investments in securities (continued)

	2017 AED '000	2016 AED '000
Investments measured at fair value through profit or loss ("FVTPL")		
At 1 January	**138,176**	299,325
Additions during the year	**-**	2,573
Disposal during the year	**(7,335)**	(390)
Disposal of a subsidiary (refer to note 25)	**(66)**	-
Change in fair value	**(1,183)**	(10,682)
Transferred to investment in associates (refer to note 8(i))	**-**	(152,650)
At 31 December	**129,592**	138,176
Geographical distributions of investments:		
In UAE	**96,592**	195,193
In other countries	**33,000**	20,975
	129,592	216,128
Presented in statement of financial position as:		
Current portion	**129,592**	138,176
Non-current portion	**72,370**	77,952
	201,962	216,128

During the year ended 31 December 2017, the Group has not purchased shares measured at fair value through other comprehensive income and profit or loss.

Investments in financial assets at FVTPL includes investment in a fund with a related party amounting to AED 3.3 million (*2016: AED 3.3 million*) and investment in a company with related party amounting to AED 8.35 million *(2016: AED 8.35 million).*

Investments measured at FVTPL and investments measured at FVOCI include investments of AED 65.48 million *(2016: AED 66.77 million)* pledged to banks (refer to note 20).

10 Properties held for development and sale

	2017 AED '000	2016 AED '000
At 1 January	**629,365**	580,562
Additions during the year	**23,424**	126,939
Change of control from associate to a subsidiary	-	17,000
Disposal during the year	-	(95,136)
At 31 December	**652,789**	629,365
This comprise of:		
Cost of land (net) (refer to note (ii) below)	**240,405**	240,405
Construction cost (net) (refer to note (iii) below)	**412,384**	388,960
	652,789	629,365

(i) Properties held for development and sale include projects with carrying amount of AED 308.79 million (*2016: AED 289.29 million*) which are temporarily on hold, however, management is in the process of devising a plan to recommence work on these projects. Based on review of these projects and after considering circumstances and facts of each of these projects, the Directors of the Company are of the view that costs incurred until the reporting date are fully recoverable and the work performed is not expected to be re-performed upon recommencement of construction or during completion of these projects.

(ii) Management has performed an assessment of the recoverable amount of the properties held for development and sale (land) mainly on the basis of independent fair valuation and concluded that no write down is required as at the reporting date (*2016: AED Nil*).

(iii) For certain properties that are under construction, the recoverable amount of the construction cost cannot be reliably determinable until the construction is complete and cash flows can be reliably estimated. As at the reporting date, management has assessed that the recoverable amount of the construction cost approximates its carrying value.

(iv) Properties held for development and sale amounting to AED 522.48 million (*2016: AED 508.79 million*) are mortgaged to banks towards credit facilities granted to the Group (refer to note 20).

11 Inventories

	2017 AED '000	2016 AED '000
Raw materials	**26,616**	28,520
Work-in-progress	**3,683**	4,681
Finished products	**17,761**	21,564
	48,060	54,765
Allowance for slow moving inventories	**(19,890)**	(12,940)
	28,170	41,825
Stores and spares	**2,896**	2,476
	31,066	44,301

11 Inventories (continued)

Movement in the allowance for slow moving inventories is as follows:

	2017 AED '000	2016 AED '000
At 1 January	**12,940**	14,575
Allowance made during the year (refer to note 24)	**7,361**	3,237
Reversal of allowance during the year	**(411)**	-
Allowance written off during the year	**-**	(4,872)
At 31 December	**19,890**	12,940

Certain inventories along with the assignment of insurance policies against those inventories are hypothecated to banks against credit facilities granted to the Group (refer to note 20).

12 Related party transactions and balances

The Group in the ordinary course of business, enters into transaction with other business enterprises that fall within the definition of a related party as contained in International Accounting Standard 24. Pricing policies and terms of transactions with related parties are mutually agreed.

Significant transactions carried out with related parties during the period, other than those disclosed elsewhere in the consolidated financial statements are as follows:

	2017 AED '000	2016 AED '000
Interest charged by a related party	**23,189**	21,056
Gross premium	**11,411**	15,820
Claims paid	**6,109**	26,177
Sale of investment properties	**4,500**	-
Commission paid on rented properties	**868**	868
Purchase of services	**773**	653
Funds provided to related parties (net)	**-**	33,024
Funds received by a related party on behalf of the Company	**-**	7,826
Funds paid by Company on behalf of related party	**-**	4,804
Interest charged to a related party	**-**	2,770
Sale of properties held for development and sale	**-**	1,275

Compensation to key management personnel:

Salaries and benefits	**4,914**	7,134
Due from related parties		
Associates and joint ventures	**12,354**	13,281
Other related parties	**121,747**	116,112
	134,101	129,027
Due to related parties		
Associates and joint ventures	**25,318**	46,492
Other related parties	**341,682**	355,200
	367,000	401,692

12 Related party transactions and balances (continued)

The amounts outstanding are unsecured and will be settled in cash. The above balance is net of impairment allowance of AED 9.64 million (*2016: AED 9.64 million*).

Certain related party balances carry interest at agreed rates. Also refer to note 27.

13 Trade and other receivables

	2017	2016
	AED '000	AED '000
Trade receivables	**298,243**	365,392
Insurance receivables	**151,246**	168,652
Allowance for impairment	**(107,691)**	(120,360)
	341,798	413,684
Prepayment and other receivables (also refer to note 25)	**169,910**	181,985
Notes receivable (refer to note (i) below)	**453,207**	472,185
	964,915	1,067,854
Less: non-current portion	**(269,783)**	(280,736)
	695,132	787,118

(i) Notes receivable comprise post-dated cheques received from the buyers of properties held for development and sale. Management has performed an impairment test on the future collectability of these notes receivable and accordingly has concluded that no impairment is required. The cheques are expected to be realised in the normal course of business.

(ii) Management has performed an impairment test on the trade and other receivables and has concluded that the allowance for impairment as at the reporting date is adequate.

14 Reinsurance contract assets and insurance contract liabilities

	2017	2016
	AED '000	AED '000
Gross		
Reserve for outstanding claims	**167,152**	189,834
Unallocated loss adjustment expense reserve	**2,842**	3,250
Unexpired risk reserve	**1,133**	909
Reserve for incurred but not reported claims (IBNR)	**43,326**	42,141
Reserve for outstanding claims (including IBNR)	**211,611**	232,884
Unearned premium reserve	**168,520**	170,673
Total insurance contract liabilities (gross)	**380,131**	403,557
Less: Recoverable from reinsurers		
Reinsurer share of outstanding claims	**(143,394)**	(150,434)
Reinsurer share of incurred but not reported claims (IBNR)	**(15,836)**	(9,821)
Reinsurer share of outstanding claims (including IBNR)	**(159,230)**	(160,255)
Unamortised reinsurance premium reserve	**(54,266)**	(47,316)
Total re-insurance contract assets	**(213,496)**	(207,571)
Net insurance contract liabilities	**166,635**	244,886

14 Reinsurance contract assets and insurance contract liabilities (continued)

(i) Movement in outstanding claims reserve, IBNR reserve, unexpired risk reserve and unallocated loss adjustment expense reserve:

	Gross AED '000	Reinsurance AED '000	Net AED '000
2017			
At 1 January 2017	**232,884**	**(160,255)**	**72,629**
Add: provision made during the year	**337,929**	**(137,357)**	**200,572**
Less: provision released during the year	**(340,373)**	**127,653**	**(212,720)**
	230,440	**(169,959)**	**60,481**
Disposal of a subsidiary (refer to note 25)	**(18,829)**	**10,729**	**(8,100)**
At 31 December 2017	**211,611**	**(159,230)**	**52,381**
2016			
At 1 January 2016	240,650	(194,318)	46,332
Add: provision made during the year	319,975	(82,856)	237,119
Less: provision released during the year	(327,741)	116,919	(210,822)
At 31 December 2016	232,884	(160,255)	72,629

(ii) Movement in unearned premium reserve:

	Gross AED '000	Reinsurance AED '000	Net AED '000
2017			
At 1 January 2017	**170,673**	**(47,316)**	**123,357**
Add: provision made during the year	**187,580**	**(54,822)**	**132,758**
Less: provision released during the year	**(170,673)**	**47,316**	**(123,357)**
	187,580	**(54,822)**	**132,758**
Disposal of a subsidiary (refer to note 25)	**(19,060)**	**556**	**(18,504)**
At 31 December 2017	**168,520**	**(54,266)**	**114,254**
2016			
At 1 January 2016	173,732	(43,910)	129,822
Add: provision made during the year	170,673	(47,316)	123,357
Less: provision released during the year	(173,732)	43,910	(129,822)
At 31 December 2016	170,673	(47,316)	123,357

14 Reinsurance contract assets and insurance contract liabilities (continued)

Assumptions and sensitivities

Process used to determine the assumptions

The process used to determine the assumptions for calculating the outstanding claim reserve is intended to result in neutral estimates of the most likely or expected outcome. The sources of data used as inputs for the assumptions are internal, using detailed studies that are carried out annually. The assumptions are checked to ensure that they are consistent with observable market practices or other published information.

The nature of the business makes it very difficult to predict with certainty the likely outcome of any particular claim and the ultimate cost of notified claims. Each notified claim is assessed on a separate, case by case basis with due regard to the claim circumstances, information available from loss adjusters and historical evidence of the size of similar claims. Case estimates are reviewed regularly and are updated as and when new information arises.

The provisions are based on information currently available. However, the ultimate liabilities may vary as a result of subsequent developments or if catastrophic events occur. The impact of many of the items affecting the ultimate costs of the loss is difficult to estimate.

The provision estimation difficulties also differ by class of business due to differences in the underlying insurance contract, claim complexity, the volume of claims and the individual severity of claims, determining the occurrence date of a claim, and reporting lags.

The method used by the Group for provision of IBNR takes into account historical data, past estimates and details of the reinsurance programme, to assess the expected size of reinsurance recoveries. Estimates are made for the expected ultimate cost of claims incurred but not yet reported at the reporting date (IBNR) using a range of standard actuarial claim projection techniques, based on empirical data and current assumptions that may include a margin for adverse deviation.

The assumptions that have the greatest effect on the measurement of insurance contract provisions are the expected loss ratios for the most recent accident years.

An analysis of sensitivity around various scenarios provides an indication of the adequacy of the Group's estimation process. The Group believes that the liability for claims reported in the statement of financial position is adequate. However, it recognises that the process of estimation is based upon certain variables and assumptions which could differ when claims are finally settled.

14 Reinsurance contract assets and insurance contract liabilities (continued)

Claim and development table

	Underwriting year				
	2014	2015	2016	2017	Total
	AED'000	AED'000	AED'000	AED'000	AED'000
Gross					
Estimate of net incurred claims cost					
- At the end of underwriting year	228,759	257,054	273,373	279,431	-
- One year later	278,904	304,395	315,323	-	-
- Two years later	273,755	312,701	-	-	-
- Three years later	281,199	-	-	-	-
Current estimate of incurred claims	281,199	312,702	315,323	279,431	1,188,655
Cumulative payments to date	(285,713)	(309,692)	(304,515)	(156,579)	(1,056,499)
Liability recognized	(4,514)	3,010	10,808	122,852	132,156
Liability in respect of prior years					32,154
Total liability included in the statement of financial position					**164,310**
Net					
Estimate of net incurred claims cost					
- At the end of underwriting year	146,139	185,972	171,151	130,811	-
- One year later	195,436	238,483	207,424	-	-
- Two years later	199,941	244,331	-	-	-
- Three years later	204,002	-	-	-	-
Current estimate of incurred claims	204,002	244,331	207,424	130,811	786,568
Cumulative payments to date	(209,901)	(243,998)	(202,802)	(105,890)	(762,591)
Liability recognized	(5,899)	333	4,622	24,921	23,977
Liability in respect of prior years					(3,060)
Total liability included in the statement of financial position					**20,917**

15 Cash in hand and at bank

	2017 AED '000	2016 AED '000
Cash in hand	**2,235**	2,460
Bank balances:		
- Current accounts (refer to note (i) below)	**65,452**	73,618
- Deposit accounts (refer to note (ii) below)	**235,630**	266,087
Cash in hand and at bank	**303,317**	342,165
Less: Fixed deposits under lien/ deposits with maturity over three months	**(2,824)**	(2,807)
Less: Bank overdrafts (refer to note 20)	**(137,738)**	(162,313)
Cash and cash equivalents	**162,755**	177,045

(i) Bank balance in current account include cash of AED 3.87 million as at 31 December 2017 *(2016: AED 6.36 million)* held in escrow accounts.

(ii) Deposits include fixed deposits of AED 177.5 million (*2016: AED 229.7 million*) held under lien (refer to note 20) against facilities granted (bank overdraft) to the Group and also include a deposit amounting to AED 10.3 million (*2016: AED 10.3 million*) deposited in the name of the Group to the order of the Ministry of Economy and Trade of the United Arab Emirates as required by the Federal Law No. (6) of 2007 relating to Insurance Authority.

16 Share capital

	2017 AED'000	2016 AED'000
Authorised, issued and paid up		
1,791 million shares of AED 1 each paid up in cash	**1,791,333**	1,791,333

17 Reserves

Legal reserve

In accordance with UAE Federal Commercial Companies Law No. (2) of 2015, the Company and its subsidiaries registered in UAE are required to establish a statutory reserve by appropriation of 10% of profit for each year until the reserve equals 50% of the paid up share capital. This reserve is not available for distribution except as stipulated by the Law.

Additional reserve

The Company's Articles of Association require that 10% of the annual profit be appropriated to an additional reserve until a decision by the Ordinary General Assembly Meeting on the strength of proposal by the Board of Directors or if such reserve equals 50% of paid-up share capital of the Company.

Land revaluation reserve

The revaluation reserve represents the surplus arising on the revaluation of land. This reserve is non-distributable unless the land is either disposed or withdrawn from use.

18 Provision for employees' end of service benefits

	2017 **AED '000**	2016 AED '000
At 1 January	**37,096**	37,134
Provision made during the year	**6,042**	5,835
Payments made during the year	**(5,916)**	(5,873)
	---------	---------
At 31 December	**37,222**	37,096
	=====	=====

19 Finance lease

The Group had entered into a leasing arrangement with a leasing Company registered in the United Arab Emirates to finance certain property, plant and equipment. The term of the lease was 10 years and payments due under leasing arrangement was as follows:

	Future minimum lease payments AED '000	**Interest AED '000**	**Present value of minimum lease payments AED '000**
31 December 2017			
Less than one year	**-**	**-**	**-**
	=====	=====	=====
31 December 2016			
Less than one year	25,228	(2,087)	23,141
	=====	=====	=====

Presented in statement of financial position as:

	2017 **AED '000**	2016 AED '000
Current portion	**-**	23,141
	=====	=====

During the current year, amounts payable under finance lease were restructured and converted to a term loan (refer to note 20).

The finance charges were calculated based on 3 months EIBOR plus 3.5% margin.

20 Borrowings

	2017 **AED'000**	2016 AED'000
Term loans (refer to note below)	**2,265,259**	2,246,414
Bank overdrafts (refer to note 15)	**137,738**	162,313
Trust receipts	**16,366**	68,235
	2,419,363	2,476,962
Presented in the consolidated statement of financial position:		
Current portion	**428,954**	1,782,296
Non-current portion	**1,990,409**	694,666
At 31 December	**2,419,363**	2,476,962

The below table provides movement of interest bearing borrowings in the following years:

	2017 **AED'000**	2016 AED'000
At 1 January	**2,476,962**	2,648,336
Cash flow items		
Additional borrowings during the year	**163**	190
Repayment of borrowings during the year	**(150,843)**	(171,564)
Other non-cash items		
Finance lease restructured to term loans (refer to note 19)	**23,141**	-
Interest capitalised to term loan on restructuring	**73,602**	-
Disposal of a subsidiary (refer to note 25)	**(3,662)**	-
At 31 December	**2,419,363**	2,476,962

On 2 July 2012, the Company concluded the restructuring agreement with a group of banks covering the outstanding debt of AED 2,778.35 million ("Earlier Restructured Loan"). The restructured loan was repayable in annual instalments upto 31 December 2018.

During the previous year, the Company initiated a negotiation with the lenders to further restructure its outstanding debt. As at 30 September 2017, the Company concluded the revised restructuring agreement after obtaining approvals from the majority of the banks covering a total debt of AED 2,146.58 million (including interest payable of AED 73.6 million upto 31 December 2016). Under the revised agreement, 66.08% of the Earlier Restructured loan is repayable in annual instalments until 31 December 2023 and the remaining 33.92% as a final settlement in a manner to be renegotiated at that time.

Of the total restructured loan, the repayment of AED 24.37 million (principal), due and payable as at 31 December 2017, was defaulted by the Company. The Company's Directors have reviewed the facts and circumstances of this default and considering that banks have not served a notice as required by the agreement, they are of the opinion that the bank facility shall continue as per the restructured agreement.

20 Borrowings (continued)

The revised restructured facility carries interest at the rate of 2.75% per annum above 6-month EIBOR for term facilities denominated in AED and 6-month LIBOR for term facilities denominated in USD charged on a semi-annual basis. Further, a payment-in-kind (PIK) at 0.5% will be additionally charged on a semi-annual basis on the outstanding debt and repaid on 31 December 2023. Commencing 31 December 2018, in the event of default, the interest rate will be increased by 0.25% per annum on a semi-annual basis. Any such increase in the interest rate will no longer be applicable for future periods if no event of default subsists.

There is no change in the security and covenant requirements as per the revised restructuring agreement. The Company is required to maintain a minimum Asset Cover Ratio of 1.2:1 and is also subject to the general covenants including dividend restriction in accordance with the restructuring agreement. Further, certain subsidiaries of the Company are subject to maintain certain level of financial indebtedness as guarantors of the restructured loan. These borrowings are secured against certain assets of the Group. Refer to notes 5, 6, 8, 9, 10 and 11.

Some of the Group entities are also in negotiation with banks to restructure their existing borrowings facilities with a total outstanding of AED 210.25 million (principal) and interest of AED 74.91 million (included in trade and other payables) as at the reporting date. A part of these loans amounting to AED 80.79 million are under legal proceedings initiated by the lenders. The Directors of the Company are of the view that these loans are expected to be restructured in due course.

As at 31 December 2017, one of the Group entities has not complied with a certain bank covenant. The carrying value of the loan is AED 160.67 million (principal) which is classified as current liabilities.

Furthermore, the Company is in the process of negotiation with a financial institution to restructure a credit facility amounting to AED 257.04 million (included in trade and other payables) and interest of AED 16.51 million which became due for repayment on 30 September 2016. Also refer to note 21(i)

Other borrowings

Other borrowings mainly include borrowings by the subsidiaries of the Company. These borrowings are subject to certain financial covenants at the respective subsidiary level and are at the below terms and conditions:

- Pledge of assets;
- Promissory note in favour of the banks; and
- Hypothecation over goods financed by trust receipts.

21 Trade and other payables

	2017	2016
	AED ’000	AED ’000
Trade payables	**229,830**	279,134
Advance from customers	**333,361**	263,449
Notes payable (refer to note (i) below)	**257,040**	257,040
Accrued expenses (refer to note (ii) below)	**185,312**	208,691
Provisions and other payables	**306,866**	270,284
Insurance customers payable	**65,469**	79,811
Due to insurance and re-insurance companies	**59,316**	60,779
	1,437,194	1,419,188

21 Trade and other payables (continued)

(i) Notes payable represents capital protected notes bearing interest rates of LIBOR +0.25% and secured by investment in quoted securities of the Group. The Group is in the process of negotiation with a financial institution to restructure a credit facility amounting to AED 257.04 million which became due for repayment on 30 September 2016. Also refer to note 20.

(ii) These includes AED 150.12 million *(2016: AED 146.73 million)* representing interest due on notes payable (refer to note (i) above) and bank borrowings (refer to note 20). Also refer to note 2.7.

22 Revenue

	2017	2016
	AED '000	AED '000
Insurance income	**277,740**	279,821
Trading, service and rental income	**211,035**	235,560
Sale of manufactured goods	**98,461**	130,334
Sale of properties held for development and sale	**-**	204,706
Dividend income	**4,225**	7,393
	----------	----------
	591,461	857,814
	======	======

23 Cost of revenue

	2017	2016
	AED '000	AED '000
Cost of insurance	**200,572**	244,007
Cost of goods manufactured and sold	**89,316**	115,266
Cost of trading, services and rentals	**84,673**	99,375
Cost of properties held for development and sale	**-**	96,621
	----------	----------
	374,561	555,269
	======	======

24 Administrative and general expenses

	2017	2016
	AED '000	AED '000
These include:		
Staff salaries and benefits	**111,549**	130,112
Rent expense	**22,788**	23,419
Legal and professional	**21,368**	30,359
Depreciation	**11,291**	15,322
Utilities	**11,249**	10,987
Allowance for slow moving inventories (refer to note 11)	**7,361**	3,237
Repair and maintenance	**4,085**	4,671
Allowance for trade receivables impairment (refer to note 31)	**3,327**	8,668
Allowance for impairment on property, plant and equipment (refer to note 5(i))	**-**	25,000
	====	=====

25 Disposal of a subsidiary and asset held for sale

During the year ended 31 December 2017, the Board of Directors of the Group approved a plan to dispose off the Group's entire equity interest in one of its subsidiaries. The Group lost control over its subsidiary pursuant to a sale of 60% of the equity shares in the subsidiary held by the Group. Accordingly, the subsidiary has been deconsolidated from these consolidated financial statements.

The carrying amounts of the assets and liabilities of the subsidiary at the date of de-consolidation were as follows:

	Note	**2017 AED '000**
Assets		
Property, plant and equipment	*5*	**608**
Investment in financial assets at FVTPL	*9*	**66**
Investment in financial assets at FVTOCI	*9*	**2,538**
Investment properties	*6*	**2,934**
Trade and other receivables	*13*	**25,040**
Re-insurance contract assets	*14*	**11,285**
Cash and bank balances	*15*	**13,618**
		56,089
Liabilities		
Bank borrowings	*20*	**3,662**
Trade and other payables	*21*	**7,958**
Insurance contract liabilities	*14*	**37,889**
		49,509
Net assets de-recognised		**6,580**
Non-controlling interest de-recognised		**(325)**
Consideration received on disposal of 60% equity interest in subsidiary		**(2,848)**
Asset held for sale		**(1,693)**
Loss on de-consolidation of a subsidiary recognised in the consolidated income statement		**1,714**

As at 31 December 2017, the Group retained a portion of the equity shares of the de-consolidated subsidiary which is classified as asset held for sale as per *International Financial Reporting Standard 5: Non-current Assets held for sale and discontinued operations*.

26 Finance income

	2017 **AED '000**	2016 AED '000
Interest on bank deposits	**7,860**	7,735
	====	====

27 Finance cost

	2017 **AED '000**	2016 AED '000
Interest on term loans, bank overdraft, borrowings, finance lease and payable to a related party	**159,280**	140,592
	======	======

Also refer to note 12.

28 Earnings per share

	2017 **AED '000**	2016 AED '000
Loss attributable to owners of the Company (AED '000)	**(241,575)**	(155,197)
	======	=======
Number of shares ('000)	**1,791,333**	1,791,333
	=======	=======
Basic earnings per share (AED Fils per share)	**(13.49)**	(8.66)
	====	===

29 Operating lease commitments

At the end of reporting date, the minimum lease commitments of the Group were as follows:

	2017 **AED '000**	2016 AED '000
Less than one year	**7,641**	11,779
One to five years	**17,490**	22,018
	--------	--------
	25,131	33,797
	=====	=====

30 Commitments and contingent liabilities

30.1 Commitments as of the end of reporting date were as follows:

	2017 **AED '000**	2016 AED '000
Building construction contracts		
Group	**683,415**	683,415
Associate (100%)	**54,979**	54,979
	=====	=====

30 Commitments and contingent liabilities (continued)

30.2 Contingent liabilities as of the end of reporting date were as follows:

	2017	2016
	AED '000	AED '000
Group		
Letters of guarantee	**68,582**	68,591
	=====	=====
Associates		
Letters of guarantee (100%)	**37,828**	34,080
	=====	=====

30.2.1 Certain claims and contingent liabilities may arise during the normal course of business. The Board of Directors review these on a regular basis as and when such claims are received and each case is treated according to its merit. Based on the terms of the relevant contracts and circumstances, the Group determines if a counter claim should be lodged. Based on the opinion of the Group's independent legal counsel and information presently available, the Board of Directors have assessed that the final outcome of outstanding legal claims (initial judgement in some cases is in favour and in some cases against the Company) cannot be reliably determined considering these cases are sub-judice. On the basis of their review of the current position of these legal claims, the Company's Directors are of the view that the existing provision as at the reporting date is adequate to cover any possible cash outflows arising from the final outcome of these claims. The Company has elected not to present the complete disclosures as required by IAS 37 *"Provision and Contingent Liabilities and Contingent Assets"* as management is of the view that since the legal claims are sub-judice and are disputed, therefore this information may be prejudicial to their position on these matters (refer to note 24).

Furthermore, certain other contingent liabilities may arise during the normal course of business, which based on the information presently available, either cannot be quantified at this stage or in the opinion of the management is without any merit. However, in the opinion of management, these contingent liabilities are not likely to result in any cash outflows for the Group in addition to any related existing provisions currently in the books.

30.2.2 The Group had a receivable from an associate company and advance received against sale of certain property from an entity being an SPV of this associate company. The Group had obtained an independent legal opinion from an external lawyer, which confirms that the Group may have its option (at its sole decision) to commercially set-off advance with the receivable for like for like parties. The Board of Directors have reviewed the status of the legal proceedings and the above legal advice and have concluded that Group will exercise its option (at Group's sole decision) and will choose commercially to set-off the payable with the receivable as the entities involved will qualify for like for like parties. Accordingly, the Group has set off the advance received from the SPV of the associate company against the receivable from the associate company.

31 Financial instruments

Financial assets of the Group include investments in securities, amount due from related parties, re-insurance contract assets, trade and other receivables and cash in hand and at bank. Financial liabilities of the Group include term loans, notes payable, amount due to related parties, insurance contract liabilities, trade and other payables, short term borrowings and finance lease liabilities. 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 comparative period:

31 Financial instruments (continued)

	Designated as fair value through profit or loss AED' 000	Designated as fair value through other comprehensive income AED' 000	Others at amortised cost AED' 000	Carrying amount AED' 000	Fair value AED' 000
2017					
Financial assets					
Investment in securities	**129,592**	**72,370**	**-**	**201,962**	**201,962**
Due from related parties	**-**	**-**	**134,101**	**134,101**	**134,101**
Re-insurance contract assets	**-**	**-**	**213,496**	**213,496**	**213,496**
Trade and other receivables	**-**	**-**	**964,915**	**964,915**	**964,915**
Cash at bank	**-**	**-**	**301,082**	**301,082**	**301,082**
	129,592	**72,370**	**1,613,594**	**1,815,556**	**1,815,556**
Financial liabilities					
Borrowings	**-**	**-**	**2,419,363**	**2,419,363**	**2,419,363**
Due to related parties	**-**	**-**	**367,000**	**367,000**	**367,000**
Insurance contract liabilities	**-**	**-**	**380,131**	**380,131**	**380,131**
Trade and other payables	**-**	**-**	**1,437,194**	**1,437,194**	**1,437,194**
			4,603,688	**4,603,688**	**4,603,688**
2016					
Financial assets					
Investment in securities	138,176	77,952	-	216,128	216,128
Due from related parties	-	-	129,027	129,027	129,027
Re-insurance contract assets	-	-	207,571	207,571	207,571
Trade and other receivables	-	-	1,067,854	1,067,854	1,067,854
Cash at bank	-	-	339,705	339,705	339,705
	138,176	77,952	1,744,157	1,960,285	1,960,285
Financial liabilities					
Borrowings	-	-	2,476,962	2,476,962	2,476,962
Due to related parties	-	-	403,557	403,557	403,557
Insurance contract liabilities	-	-	452,457	452,457	452,457
Trade and other payables	-	-	1,419,188	1,419,188	1,419,188
Finance lease liabilities	-	-	23,141	23,141	23,141
	-	-	4,775,305	4,775,305	4,775,305

31 Financial instruments (continued)

Credit risk

Exposure to credit risk

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

	2017 AED'000	2016 AED'000
Due from related parties	**134,101**	129,027
Re-insurance contract assets	**213,496**	207,571
Trade and other receivables (excluding prepayments and advances)	**916,415**	1,007,239
Cash at banks	**301,082**	339,705
	1,565,094	1,732,442

The Group has no significant concentration of credit risk, with exposure spread over a large number of counterparties and customers.

Based on historical default rates and review of trade receivable balances, the Group's management is of the view that no further provision is required against outstanding trade receivables.

Movement in the allowance for impairment are as follows:

	2017 AED '000	2016 AED '000
At 1 January	**120,360**	118,645
Allowances made during the year (refer to note 24)	**3,327**	8,668
Amounts written off as uncollectable	**(4,927)**	(3,513)
Disposal of a subsidiary	**(11,070)**	-
Amounts recovered	**-**	(3,440)
At 31 December	**107,691**	120,360

31 Financial instruments (continued)

Liquidity risk

The following are the contractual maturities of the Group's financial liabilities at the reporting dates:

	Carrying value AED' 000	Contractual cash flows AED' 000	Less than 1 year AED' 000	More than 1 year AED' 000
2017				
Financial liabilities				
Bank borrowings	**2,419,363**	**2,658,307**	**428,954**	**2,229,353**
Due to related parties	**367,000**	**390,189**	**390,189**	**-**
Trade and other payables	**1,437,194**	**1,465,631**	**1,465,631**	**-**
	4,223,557	**4,514,127**	**2,284,774**	**2,229,353**
2016				
Financial liabilities				
Bank borrowings	2,476,962	2,604,402	1,885,109	719,293
Due to related parties	401,692	417,278	417,278	-
Trade and other payables	1,419,188	1,594,428	1,594,428	-
Finance lease liabilities	23,141	25,197	4,449	20,748
	4,320,983	4,641,305	3,901,264	740,041

Interest rate risk

The Group's exposure to interest rate risk relates to its deposits with banks, balance due to a related party, bank borrowings and finance lease.

At the reporting date, the interest rate profile of the Group's interest bearing financial instruments was:

	2017 AED'000	2016 AED'000
Variable rate instruments		
Financial assets	**235,630**	266,087
Financial liabilities	**(2,419,363)**	(2,734,002)
	(2,183,733)	(2,467,915)

31 Financial instruments (continued)

Cash flow sensitivity analysis for variable rate instruments

A change of 1% in interest rates at the reporting date would have increased/ (decreased) equity by the amounts shown below. This analysis assumes that all other variables remain constant. This analysis is performed on the same basis for 2016.

	Equity	
	Increase	**Decrease**
	AED'000	**AED'000**
At 31 December 2017		
Variable rate instruments	**(21,837)**	**21,837**
	=====	=====
At 31 December 2016		
Variable rate instruments	(24,679)	24,679
	=====	=====

Equity price risk

The Group's exposure to equity price rate risk relates to its investments measured at fair value through profit or loss and investments measured at fair value through other comprehensive income.

At the reporting date, the equity price profile of the Group's interest bearing financial instruments was:

	2017	2016
	AED'000	AED'000
Investments measured at fair value through profit or loss	**129,592**	138,176
Investments measured at fair value through other comprehensive income	**72,370**	77,952
	----------	----------
	201,962	216,128
	======	======

Cash flow sensitivity analysis for equity instruments

A change of 1% in equity rates at the reporting date would have increased/ (decreased) equity by the amounts shown below. This analysis assumes that all other variables remain constant. This analysis is performed on the same basis for 2016.

	Equity	
	Increase	**Decrease**
	AED'000	**AED'000**
At 31 December 2017		
Equity instruments	**2,020**	**(2,020)**
	====	=====
At 31 December 2016		
Equity instruments	2,161	(2,161)
	====	=====

31 Financial instruments (continued)

Fair value hierarchy

All financial instruments for which fair value is recognised or disclosed are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

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).
Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

For financial instruments that are recognised at fair value on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

	Level 1 AED'000	Level 2 AED'000	Level 3 AED'000
2017			
Financial assets			
Investments measured at fair value through other comprehensive income			
Quoted equity investments	**65,357**	**-**	**-**
Unquoted equity investments	**-**	**-**	**7,013**
	65,357	**-**	**7,013**
Investments measured at fair value through profit or loss			
Quoted equity investments	**65,207**	**-**	**-**
Unquoted equity investments	**-**	**-**	**64,385**
Asset held for sale	**1,693**	**-**	**-**
	66,900	**-**	**64,385**
2016			
Financial assets			
Investments measured at fair value through other comprehensive income			
Quoted equity investments	67,073	-	-
Unquoted equity investments	-	-	10,879
	67,073	-	10,879
Investments measured at fair value through profit or loss			
Quoted equity investments	72,487	-	-
Unquoted equity investments	-	-	65,689
	72,487	-	65,689

31 Financial instruments (continued)

Fair value hierarchy (continued)

During the current year, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into or out of Level 3 fair value measurements.

The fair value of unquoted equity investments has been determined by external, qualified and independent valuer who has experience in equity investments valuations.

32 Key accounting judgements and uncertainty

In the application of the Group's accounting policies, which are described in note 3 to these consolidated financial statements, management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

The significant judgements and estimates made by management, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are described below:

Key judgements in applying accounting policies

Classification of investments

Management decides on acquisition of a financial asset whether it should be subsequently measured at either amortised cost, fair value through profit or loss or fair value through other comprehensive income. This classification is based on the business objective and cash flow characteristics of the investment.

Classification of properties

In the process of classifying properties, management has made various judgements. Judgement is needed to determine whether a property qualifies as an investment property, property, plant and equipment and/or property held for development and sale. The Group develops criteria so that it can exercise that judgement consistently in accordance with the definitions of investment property, property, plant and equipment and properties held for development and resale. In making its judgement, management considered the detailed criteria and related guidance for the classification of properties as set out in IAS 2, IAS 16 and IAS 40, in particular, the intended usage of property as determined by the management. Properties held for development and sale are grouped under current assets as intention of the management is to sell it within one year from the end of the reporting date.

32 Key accounting judgements and uncertainty (continued)

Key sources of estimation

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Fair value of investment properties

The fair value of investment properties is determined by independent real estate valuation experts using recognised valuation methods. Refer to note 6 for details.

Such estimations are based on certain assumptions, which are subject to uncertainty and might materially differ from the actual results.

Useful lives 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 2017.

Valuation of unquoted equity investments

Valuation of unquoted equity investments is normally based on recent market transactions on an arm's length basis, fair value of another instrument that is substantially the same, expected cash flows discounted at current rates for similar instruments or other valuation models. In the absence of an active market for these investments or any recent transactions that could provide evidence of the current fair value, these investments are carried at cost less recognised impairment losses, if any. Management believes that the carrying values of these unquoted equity investments are not materially different from their fair values. Valuation techniques and key inputs are mentioned in note 31 to these consolidated financial statements.

Impairment of investments in joint ventures and associates

Management regularly reviews its investments in joint ventures and associates for indicators of impairment. This determination of whether investments in joint ventures and associates are impaired entails Management's evaluation of the specific investee's profitability, liquidity, solvency and ability to generate operating cash flows from the date of acquisition and until the foreseeable future. The difference between the estimated recoverable amount and the carrying value of investment is recognised as an expense in profit or loss. Management is satisfied that no impairment provision is necessary on its investments in joint ventures and associates in excess of amounts already provided.

Impairment of trade and other receivables

An estimate of the collectible amount of trade and other receivables is made when collection of the full amount is no longer probable. This determination of whether the receivables are impaired entails. Management's evaluation of the specific credit and liquidity position of the customers and related parties and their historical recovery rates, including discussion with legal department and review of current economic environment. Management is satisfied that no additional impairment is required on its trade and other receivables in excess of amount already provided.

32 Key accounting judgements and uncertainty (continued)

Key sources of estimation (continued)

Inventories

Inventories are stated at the lower of cost and net realisable value. Adjustments to reduce the cost of inventory to its realisable value, if required, are made at the product group level for estimated excess, obsolescence or impaired balances. Factors influencing these adjustments include changes in demand, product pricing, physical deterioration and quality issues.

Insurance contract classification

Contracts are classified as insurance contracts where they transfer significant insurance risk from the holder of the contract to the Group.

There are a number of contracts sold where the Group exercises judgement about the level of insurance risk transferred. The level of insurance risk is assessed by considering whether there are any scenarios with commercial substance in which the Group is required to pay significant additional benefits. These benefits are those which exceed the amounts payable if no insured event were to occur. These additional amounts include claims liability and assessment costs, but exclude the loss of the ability to charge the holder of the contract for future services.

Provision for outstanding claims, whether reported or not

Considerable judgement by the management is required in the estimation of amounts due to the contract holders arising from claims made under insurance contracts. Such estimates are necessarily based on significant assumptions about several factors involving varying, and possible significant, degrees of judgement and uncertainty and actual results may differ from management’s estimates resulting in future changes in estimated liabilities.

In particular, estimates have to be made both for the expected ultimate cost of claims reported at the date of statement of financial position and for the expected ultimate cost of claims incurred but not reported (“IBNR”) at the date of statement of financial position. Estimates are made for the expected ultimate cost of claims incurred but not yet reported at the reporting date (IBNR) using a range of standard actuarial claim projection techniques, based on empirical data and current assumptions that may include a margin for adverse deviation and are presented in Note 14.

Claims requiring court or arbitration decisions are estimated individually. Independent loss adjusters normally estimate property claims. Management reviews its provisions for claims incurred and IBNR claims regularly.

Liability adequacy test

At each consolidated statement of financial position date, liability adequacy tests are performed to ensure the adequacy of insurance contract liabilities. The Group makes use of the best estimates of future contractual cash flows and claims handling and administration expenses, as well as investment income from the assets backing such liabilities in evaluating the adequacy of the liability. Any deficiency is immediately charged to the consolidated profit or loss.

32 Key accounting judgements and uncertainty (continued)

Key sources of estimation (continued)

Impairment of goodwill

Goodwill is tested annually for impairment and at other times when such indications exist. The impairment calculation requires the use of estimates. Management has performed impairment test during the year and based on the financial position, performance and expansion plans of the entities, have concluded that expected future cash flows to arise from each subsidiaries will be adequate, accordingly no impairment is required.

Impairment of properties held for development and sale

The Group's management reviews the properties held for development and sale to assess impairment, if there is an indication of impairment.

In determining whether impairment losses should be recognised in the consolidated income statement and other comprehensive income, 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 properties held for development and sale to its net realisable value.

Consolidation - de facto control

As per new control model of IFRS 10, the Group has assessed for all its investees whether it has power over an investee, exposure or right to variable returns from its involvement with the investee and ability to use its power to affect those returns. In determining control, judgements have been exercised on the relationship of the Group with the investees based on which conclusions have been drawn.

33 Segment information

The internal management reports that are prepared under IFRS are reviewed by the Board of Directors based on the different sectors in which the Group operates. The Group has identified the following different sectors as its basis of segmentation:

Reportable segments	Operations
Manufacturing	Includes manufacture and sale of oil, lubricants, grease, prefabricated houses, concrete, carpentry, restaurant, ovens, kitchens and central air conditioning systems.
Investments	Includes investments in real estate properties and equity securities.
Services and others	Service and other operations include writing of insurance and various other services including hospitality.

Information regarding the operations of each separate segment is included below. Performance is measured based on segment profit as management believes that profit is the most relevant factor in evaluating the results of certain segments relative to other entities that operate within these industries. There are regular transactions between the segments and any such transaction is priced on mutually agreed terms.

33 Segment information (continued)

	Manufacturing		**Investments**		**Services and others**		**Unallocated**		**Total**	
	2017	2016	**2017**	2016	**2017**	2016	**2017**	2016	**2017**	2016
	AED'000	AED'000	**AED'000**	AED'000	**AED'000**	AED'000	**AED'000**	AED'000	**AED'000**	AED'000
Segment assets	**306,347**	349,255	**4,301,254**	4,566,587	**547,529**	565,777	**437,419**	471,192	**5,592,549**	5,952,811
Segment liabilities	**323,958**	285,750	**3,299,656**	3,284,144	**583,826**	630,076	**433,470**	561,666	**4,640,910**	4,761,636
	======	======	=======	=======	======	======	======	======	=======	=======
Revenue	**89,987**	123,535	**29,948**	239,660	**471,526**	494,619	**-**	-	**591,461**	857,814
	======	======	======	======	======	======	=====	=====	======	======
Segment result from operations	**(16,136)**	(39,459)	**(96,465)**	83,384	**46,663**	(9,825)	-	-	**(65,938)**	34,100
Finance income	**-**	-	**7,860**	7,735	**-**	-	**-**	-	**7,860**	7,735
Finance cost	**(13,608)**	(11,968)	**(147,225)**	(122,430)	**(7,323)**	(6,194)	-	**-**	**(168,156)**	(140,592)
	======	======	=======	=======	=====	======	=====	=====	======	======
(Loss)/profit for the year	**(29,744)**	(51,427)	**(235,830)**	(31,311)	**39,340**	(16,019)	**-**	-	**(226,234)**	(98,757)
	======	======	======	======	=====	=====	=====	=====	======	======

34 Details of non-wholly owned subsidiaries that have material non-controlling interests

Summarised financial information in respect of each of the Group's subsidiaries that has material non-controlling interests is set out below. The summarised financial information below represents amounts before intergroup eliminations.

	Al Sagr National Insurance Co. P.S.C. and a subsidiary		**GGICO Orion Buying and Selling Real Estate LLC**		**Dubai Al Ahlia Quick Transport LLC**		**Others**		**Total**	
	2017	2016	**2017**	2016	**2017**	2016	**2017**	2016	**2017**	2016
	AED'000	AED'000	**AED'000**	AED'000	**AED'000**	AED'000	**AED'000**	AED'000	**AED'000**	AED'000
Current assets	**905,496**	997,014	**27,151**	104,024	**29,376**	32,707	**110,019**	115,928	**1,072,042**	1,249,673
Non-current assets	**208,498**	220,287	**1,237**	12,378	**33,937**	28,788	**16,932**	19,638	**260,604**	281,091
Current liabilities	**640,389**	750,960	**(98,884)**	(12,099)	**20,716**	17,669	**105,607**	107,055	**667,828**	863,585
Non-current liabilities	**14,295**	14,329	**-**	-	**1,998**	2,038	**4,600**	4,349	**20,893**	20,716
Net assets attributable to:										
Non-controlling interest	**213,394**	205,780	**62,363**	62,965	**20,300**	20,644	**8,086**	11,644	**304,142**	301,033
Revenue	**282,545**	285,466	**-**	180,611	**53,107**	48,277	**76,815**	84,960	**412,467**	599,315
Expenses	**(200,936)**	(264,518)	**(1,229)**	(97,844)	**(47,796)**	(42,917)	**(79,720)**	(80,302)	**(329,681)**	(485,581)
Profit/ (loss) for the year	**81,609**	20,948	**(1,229)**	82,767	**5,311**	5,360	**(2,905)**	4,658	**82,786**	113,733
Attributable to NCI:										
Profit/ (loss)	**9,904**	10,567	**(602)**	40,556	**2,656**	2,680	**3,383**	2,637	**15,341**	56,440
Cash flow statement information:										
Cash flows from operating activities	**(11,514)**	(27,291)	**(11,732)**	(4,367)	**11,745**	4,478	**-**	-	**-**	-
Cash flows from investing activities	**15,481**	16,196	**-**	-	**(9,025)**	(5,183)	**-**	-	**-**	-
Cash flows from financing activities	**(12,500)**	-	**-**	-	**-**	-	**-**	-	**-**	-

(i) During the previous year, the Group had disposed off certain shares in Al Sagr National Insurance Co. PSC for AED 25.86 million resulting in a gain of AED 12.86 million. This disposal resulted in no change in control over Al Sagr National Insurance Co. PSC.

35 Details of associates and joint ventures that are material to the Group

The summarised financial information below represents amounts shown in the associates' financial statements prepared in accordance with IFRSs (adjusted by the Group for equity accounting purposes).

	Union Insurance P.S.C.		Awtad Co. PJSC		Ghadah General Trading & Contracting Co. L.L.C. (Khalid Mustafa Sons & Partners)		Al Sagr Co operative Insurance Co.		Others		Total	
	2017	2016	**2017**	2016	**2017**	2016	**2017**	2016	**2017**	2016	**2017**	2016
	AED'000	AED' 000	**AED'000**	AED' 000	**AED' 000**	AED'000	**AED' 000**	AED'000	**AED' 000**	AED'000	**AED' 000**	
Current assets	**1,664,031**	1,306,352	**2,725**	2,729	**55,913**	55,913	**1,078,447**	1,061,538	**105**	105	**2,801,221**	2,426,637
Non-current assets	**118,237**	165,818	**242,564**	242,954	**84**	84	**-**	-	**1,962**	1,962	**362,847**	410,818
Current liabilities	**(1,467,736)**	(1,170,273)	**(19,924)**	(19,846)	**(30,290)**	(30,290)	**(619,049)**	(562,965)	**(2,120)**	(2,120)	**(2,139,119)**	(1,785,494)
Non-current liabilities	**(5,186)**	(3,417)	**(11,375)**	(11,236)	**(600)**	(600)	**-**	-	**(1,273)**	(1,273)	**(18,434)**	(16,526)
Net assets	**309,346**	298,480	**213,990**	214,601	**25,107**	25,107	**459,398**	498,573	**(1,326)**	(1,326)	**1,006,515**	1,035,435
Fair value adjustment on acquisition	**-**	-	**-**	-	**-**	-	**-**	-	**-**	-	**90,173**	90,173
Group's share of net assets	**89,870**	86,788	**53,496**	53,650	**26,014**	26,014	**165,580**	173,415	**39,815**	39,814	**374,775**	379,681
Revenue	**471,555**	378,819	**-**	-	**-**	19,842	**196,839**	494,368	**-**	-	**668,394**	893,029
Profit / (loss) for the year	**10,217**	(27,772)	**7,972**	18,418	**-**	(5,204)	**9,825**	150,136	**-**	-	**28,014**	135,578
Other comprehensive loss for the year	**649**	(15,728)	**-**	-	**-**	-	**-**	-	**-**	-	649	(15,728)
Group's share of profit/ (loss) for the year	**2,898**	(7,876)	**(153)**	4,604	**-**	(1,978)	**1,965**	30,027	**-**	-	**4,710**	24,777
Group's share of other comprehensive loss for the year	**184**	(4,460)	**-**	-	**-**	-	**-**	-	**-**	-	**184**	(4,460)
Fair value of the Group's share (based on quoted market price)	**168,029**	174,600	**-**	-	**-**	-	**-**	-	**-**	-	**168,029**	174,600

36 Comparative amounts

Certain comparative figures have been reclassified/ regrouped to confirm to the presentation adopted in these consolidated financial statements.