

**Gulf General Investments
Co. PSC and its subsidiaries**

Condensed consolidated interim
financial information (unaudited)
30 June 2017

Gulf General Investments Co. PSC and its subsidiaries

Condensed consolidated interim financial information (unaudited)

30 June 2017

| <i>Contents</i> | <i>Page</i> |
|--|-------------|
| Independent auditors' report on review of condensed consolidated interim financial information | 1 - 2 |
| Condensed consolidated statement of financial position | 3 - 4 |
| Condensed consolidated statement of profit or loss | 5 |
| Condensed consolidated statement of profit or loss and other comprehensive income | 6 |
| Condensed consolidated statement of cash flows | 7 |
| Condensed consolidated statement of changes in equity | 8 - 9 |
| Notes to the condensed consolidated interim financial information | 10 - 22 |



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Independent Auditors' Report on Review of Condensed Consolidated Interim Financial Information

To the Shareholders of Gulf General Investments Co. PSC

Introduction

We have reviewed the accompanying 30 June 2017 condensed consolidated interim financial information of Gulf General Investments Co. PSC ("the Company") and its subsidiaries ("the Group"), which comprises:

- the condensed consolidated statement of financial position as at 30 June 2017;
- the condensed consolidated statement of profit or loss for the three month and six month period ended 30 June 2017;
- the condensed consolidated statement of profit or loss and other comprehensive income for the three month and six month period ended 30 June 2017;
- the condensed consolidated statement of cash flows for the six month period ended 30 June 2017;
- the condensed consolidated statement of changes in equity for the six month period ended 30 June 2017; and
- notes to the condensed consolidated interim financial information.

Management is responsible for the preparation and presentation of this condensed consolidated interim financial information in accordance with IAS 34, 'Interim Financial Reporting'. Our responsibility is to express a conclusion on this condensed consolidated interim financial information based on our review.

Scope of review

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



Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed consolidated interim financial information as at 30 June 2017 are not prepared, in all material respects, in accordance with IAS 34, 'Interim Financial Reporting'.

Emphasis of matter

We draw attention to notes 5 and 17 of the condensed consolidated interim financial information which more fully explains that the Group is in the process of negotiation with the lenders to restructure a substantial portion of its existing loan facilities to meet its commitments and financial obligations as they fall due in the foreseeable future. Our review conclusion is not modified in respect of this matter.

KPMG Lower Gulf Limited

Richard Ackland
Registration No: 1015
Dubai, United Arab Emirates

Date: **14 AUG 2017**

Gulf General Investments Co. PSC and its subsidiaries

Condensed consolidated statement of financial position

as at 30 June 2017

| | | 30 June 2017 | 31 December 2016 |
|--|-------------|-------------------------|---------------------|
| | | AED '000 | AED '000 |
| | <i>Note</i> | (Unaudited) | (Audited) |
| Assets | | | |
| Non-current assets | | | |
| Property, plant and equipment | | 406,128 | 413,782 |
| Investment properties | 6 | 2,512,585 | 2,511,437 |
| Goodwill | | 11,500 | 11,500 |
| Investments in associates and joint ventures | 7 | 370,818 | 379,681 |
| Investments in securities | 8 | 71,526 | 77,952 |
| Trade and other receivables | 11 | 295,374 | 280,736 |
| | | ----- | ----- |
| | | 3,667,931 | 3,675,088 |
| | | ===== | ===== |
| Current assets | | | |
| Properties held for development and sale | 9 | 644,672 | 629,365 |
| Inventories | 10 | 38,982 | 44,301 |
| Trade and other receivables | 11 | 883,917 | 965,045 |
| Re-insurance contract assets | 12 | 224,086 | 207,571 |
| Investments in securities | 8 | 130,102 | 138,176 |
| Cash in hand and at bank | 13 | 379,349 | 342,165 |
| | | ----- | ----- |
| | | 2,301,108 | 2,326,623 |
| | | ----- | ----- |
| Total assets | | 5,969,039 | 6,001,711 |
| | | ===== | ===== |

Gulf General Investments Co. PSC and its subsidiaries

Condensed consolidated statement of financial position (continued)

as at 30 June 2017

| | | 30 June 2017 | 31 December 2016 |
|--|-------------|---------------------------------|-------------------------|
| | <i>Note</i> | AED '000 (Unaudited) | AED '000 (Audited) |
| Equity and liabilities | | | |
| Equity | | | |
| Share capital | 14 | 1,791,333 | 1,791,333 |
| Legal reserve | | 44,202 | 44,202 |
| Additional reserve | | 7,068 | 7,068 |
| Land revaluation reserve | | 37,747 | 37,747 |
| Cumulative change in fair value of investments measured at fair value through other comprehensive income | | (36,493) | (31,678) |
| Accumulated losses | | <u>(1,049,128)</u> | <u>(958,530)</u> |
| Equity attributable to owners of the Company | | 794,729 | 890,142 |
| Non-controlling interests | | <u>298,207</u> | <u>301,033</u> |
| Total equity | | <u>1,092,936</u> | <u>1,191,175</u> |
| Liabilities | | | |
| Non-current liabilities | | | |
| Provision for employees' end of service benefits | | 38,208 | 37,096 |
| Long term portion of term loans | 17 | <u>694,604</u> | <u>694,666</u> |
| | | <u>732,812</u> | <u>731,762</u> |
| Current liabilities | | | |
| Insurance contract liabilities | 12 | 466,191 | 452,457 |
| Finance lease | | 23,141 | 23,141 |
| Short term borrowings | 17 | 1,783,632 | 1,782,296 |
| Trade and other payables | | <u>1,870,327</u> | <u>1,820,880</u> |
| | | <u>4,143,291</u> | <u>4,078,774</u> |
| Total liabilities | | <u>4,876,103</u> | <u>4,810,536</u> |
| Total equity and liabilities | | <u>5,969,039</u> | <u>6,001,711</u> |

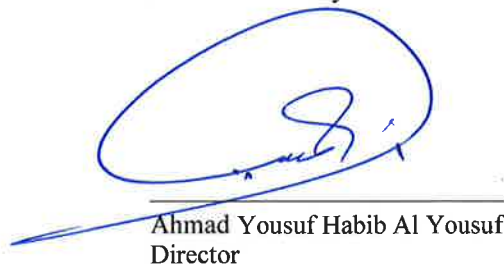
The accompanying notes 1 to 22 are an integral part of the condensed consolidated interim financial information.

The condensed consolidated interim financial information was authorised for issue by and on behalf of the Board of Directors on

14 AUG 2017



Abdalla Juma Majid Al Sari
Chairman



Ahmad Yousuf Habib Al Yousuf
Director

The independent auditors' report on review of the condensed consolidated interim financial information is set out on pages 1 and 2.

Gulf General Investments Co. PSC and its subsidiaries

Condensed consolidated statement of profit or loss (unaudited)
for the six month period ended 30 June 2017

| | Note | Six month period ended 30 June | | Three month period ended 30 June | |
|---|------|-----------------------------------|------------------|-------------------------------------|------------------|
| | | 2017 AED '000 | 2016 AED '000 | 2017 AED '000 | 2016 AED '000 |
| Revenue | | 291,379 | 474,538 | 143,488 | 260,969 |
| Cost of revenue | | (184,948) | (290,089) | (93,680) | (153,946) |
| Gross profit | | 106,431 | 184,449 | 49,808 | 107,023 |
| Administrative and general expenses | 18 | (117,400) | (147,279) | (52,414) | (82,708) |
| Selling and distribution expenses | | (7,284) | (3,693) | (4,670) | (2,267) |
| Other income | | 2,635 | 16,607 | 908 | 14 |
| Share of profit in associates and joint ventures | 7 | 1,084 | 22,592 | 2,387 | 10,153 |
| Change in fair value of investments in securities - net | 8 | (739) | (8,885) | (897) | (7,446) |
| Gain on sale of investments in securities | | 585 | 8 | 274 | - |
| Finance cost | | (70,836) | (53,628) | (34,416) | (20,652) |
| Finance income | | 3,803 | 3,729 | 1,924 | 1,733 |
| (Loss) / profit for the period | | (81,721) | 13,900 | (37,096) | 5,850 |
| <i>(Loss) / profit attributable to:</i> | | | | | |
| Owners of the Company | | (89,951) | (25,029) | (41,012) | (21,552) |
| Non-controlling interests | | 8,230 | 38,929 | 3,916 | 27,402 |
| | | (81,721) | 13,900 | (37,096) | 5,850 |
| Earnings per share - Basic (AED Fils per share) | | (5.02) | (1.40) | (2.29) | (1.20) |

The accompanying notes 1 to 22 are an integral part of the condensed consolidated interim financial information.

The independent auditors' report on review of the condensed consolidated interim financial information is set out on pages 1 and 2.

Gulf General Investments Co. PSC and its subsidiaries

Condensed consolidated statement of profit or loss and other comprehensive income (unaudited)

for the six month period ended 30 June 2017

| | Note | Six month period ended 30 June | | Three month period ended 30 June | |
|--|------|-----------------------------------|------------------|-------------------------------------|------------------|
| | | 2017 AED '000 | 2016 AED '000 | 2017 AED '000 | 2016 AED '000 |
| (Loss) / profit for the period | | (81,721) ----- | 13,900 ----- | (37,096) ----- | 5,850 ----- |
| Other comprehensive income: | | | | | |
| <i>Items that will never be reclassified to profit or loss:</i> | | | | | |
| Share in other comprehensive income of associates and joint ventures (fair value through other comprehensive income ("FVOCI")) | 7 | (147) | (4,513) | 1,650 | (2,809) |
| Change in fair value of investments in securities - net (FVOCI) | 8 | (4,815) ----- | (907) ----- | (582) ----- | (392) ----- |
| Other comprehensive income for the period | | (4,962) ----- | (5,420) ----- | 1,068 ----- | (3,201) ----- |
| Total comprehensive income for the period | | (86,683) ===== | 8,480 ===== | (36,028) ===== | 2,649 ===== |
| <i>Total comprehensive income attributable to:</i> | | | | | |
| Owners of the Company | | (94,913) | (30,469) | (39,944) | (24,773) |
| Non-controlling interests | | 8,230 ----- | 38,949 ----- | 3,916 ----- | 27,422 ----- |
| Total comprehensive income for the period | | (86,683) ===== | 8,480 ===== | (36,028) ===== | 2,649 ===== |

The accompanying notes 1 to 22 are an integral part of the condensed consolidated interim financial information.

The independent auditors' report on review of the condensed consolidated interim financial information is set out on pages 1 and 2.

Gulf General Investments Co. PSC and its subsidiaries

Condensed consolidated statement of cash flows (unaudited)

for the six month period ended 30 June 2017

| | | Six month period ended 30 June | |
|---|-------------|---|--------------------------|
| | <i>Note</i> | 2017 AED '000 | 2016 AED '000 |
| Cash flows from operating activities | | | |
| (Loss) / profit for the period | | (81,721) | 13,900 |
| <i>Adjustments for:</i> | | | |
| Depreciation | | 7,046 | 6,824 |
| Share of profit in associates and joint ventures | | (1,084) | (22,591) |
| Change in fair value of investments measured at fair value through profit or loss | | 739 | 8,885 |
| Allowance for slow moving inventories | | 1,132 | 1,123 |
| Provision of employees' end of service benefits | | 3,550 | 3,679 |
| Gain from sale of investments in securities | | (585) | (8) |
| Impairment losses on trade receivables | | 149 | 5,109 |
| Write back of impairment losses on trade receivables | | (1,737) | (12,762) |
| Finance income | | (3,803) | (3,729) |
| Finance costs | | 70,836 | 53,628 |
| | | ----- | ----- |
| Operating (loss) / profit before working capital changes | | (5,478) | 54,058 |
| Changes in re-insurance contract assets | | (16,515) | 11,817 |
| Changes in insurance contract liabilities | | 13,734 | 3,282 |
| Changes in properties held for development and sale | | (15,307) | (8,328) |
| Changes in inventories | | 4,187 | (497) |
| Changes in trade and other receivables | | 67,078 | 112,761 |
| Changes in trade and other payables | | 49,447 | 56,226 |
| Additions to investment in securities | 8 | - | (5,531) |
| Proceeds from sale of investments in securities | | 9,531 | 770 |
| | | ----- | ----- |
| Employees' end of service benefits paid | | 106,677 | 224,558 |
| | | (2,438) | (3,802) |
| | | ----- | ----- |
| Net cash generated from operating activities | | 104,239 | 220,756 |
| | | ----- | ----- |
| Cash flows from investing activities | | | |
| Purchase of property, plant and equipment | | - | (3,678) |
| Proceeds from sale of property, plant and equipment | | 608 | - |
| Additions to investment properties | | (1,148) | (17,387) |
| Dividend received from associate | | 9,800 | - |
| Finance income | | 3,803 | 3,729 |
| | | ----- | ----- |
| Net cash generated from / (used in) investing activities | | 13,063 | (17,336) |
| | | ----- | ----- |
| Cash flows from financing activities | | | |
| Dividend paid to non-controlling interests | | (10,556) | (1,495) |
| Net movement in bank borrowings | | (20,770) | 89,951 |
| Finance costs | | (70,836) | (53,628) |
| | | ----- | ----- |
| Net cash (used in) / generated from financing activities | | (102,162) | 34,828 |
| | | ----- | ----- |
| Net increase in cash and cash equivalents | | 15,140 | 238,248 |
| Cash and cash equivalents at the beginning of the period | | 177,045 | (61,964) |
| | | ----- | ----- |
| Cash and cash equivalents at the end of the period | 15 | 192,185 | 176,284 |
| | | ===== | ===== |

The accompanying notes 1 to 22 are an integral part of the condensed consolidated interim financial information.

The independent auditors' report on review of the condensed consolidated interim financial information is set out on pages 1 and 2.

Gulf General Investments Co. PSC and its subsidiaries

Condensed consolidated statement of changes in equity

for the six month period ended 30 June 2017

| | Attributable to owners of the Company | | | | | | | | Total AED '000 | Non - controlling interests AED '000 | Total AED '000 |
|--|---------------------------------------|------------------------------|-----------------------------------|--|--|-----------------------------------|-------------------|-------------------|-------------------|---|-------------------|
| | 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 | Total AED '000 | | | |
| Balance at 1 January 2016 (audited) | 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 period (unaudited) | | | | | | | | | | | |
| (Loss) / profit for the period | - | - | - | - | - | (25,029) | (25,029) | 38,929 | 13,900 | | |
| Other comprehensive income | - | - | - | - | (907) | (4,513) | (5,420) | - | (5,420) | | |
| Total comprehensive income | - | - | - | - | (907) | (29,542) | (30,449) | 38,929 | 5,800 | | |
| Transactions with owners of the Company | | | | | | | | | | | |
| Dividend paid | - | - | - | - | - | - | - | (1,495) | (1,495) | | |
| Changes in ownership interests | | | | | | | | | | | |
| Gain on disposal of a stake in a subsidiary without the change in control | - | - | - | - | - | 12,857 | 12,857 | 16,333 | 29,190 | | |
| Other movements | | | | | | | | | | | |
| Change in fair value of investments measured at fair value through other comprehensive income - reclassified to accumulated losses | - | - | - | - | (38) | 38 | - | - | - | | |
| At 30 June 2016 (unaudited) | 1,791,333 | 34,283 | 7,068 | 37,747 | (30,649) | (818,256) | 1,021,526 | 281,637 | 1,303,163 | | |

Gulf General Investments Co. PSC and its subsidiaries

Condensed consolidated statement of changes in equity (*continued*)

for the six month period ended 30 June 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 |
| Balance at 1 January 2017 (audited) | 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 period (unaudited) | | | | | | | | | |
| (Loss) / profit for the period | - | - | - | - | - | (89,951) | (89,951) | 8,230 | (81,721) |
| Other comprehensive income | - | - | - | - | (4,815) | (147) | (4,962) | - | (4,962) |
| Total comprehensive income | - | - | - | - | (4,815) | (90,098) | (94,913) | 8,230 | (86,683) |
| Transactions with owners of the Company | | | | | | | | | |
| Dividend paid | - | - | - | - | - | - | - | (10,556) | (10,556) |
| Other movements | | | | | | | | | |
| Directors' fees paid by a subsidiary | - | - | - | - | - | (500) | (500) | (500) | (1,000) |
| At 30 June 2017 (unaudited) | 1,791,333 | 44,202 | 7,068 | 37,747 | (36,493) | (1,049,128) | 794,729 | 298,207 | 1,092,936 |

No allocation of profit has been made to the legal reserve for the six month period ended 30 June 2017 as it would be effected at the year-end.

The accompanying notes 1 to 22 are an integral part of the condensed consolidated interim financial information.

Gulf General Investments Co. PSC and its subsidiaries

Notes to the condensed consolidated interim financial information for the six month period ended 30 June 2017 (unaudited)

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 mentioned 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.

The condensed consolidated interim financial information as at and for the six month period ended 30 June 2017 (“the current period”) comprise the Company and its subsidiaries (collectively referred to as “the Group”) and the Group’s interest in associates and joint ventures.

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

The condensed consolidated interim financial information as at and for the six month period ended 30 June 2017 has been prepared in accordance with the International Accounting Standard (“IAS”) 34, ‘Interim Financial Reporting’ issued by the International Accounting Standards Board. This does not include all of the information required for a complete set of International Financial Reporting Standards (“IFRS”) financial statements, and should be read in conjunction with the consolidated financial statements of the Group for the year ended 31 December 2016.

2.2 Use of estimates and judgements

In preparing the condensed consolidated interim financial information, management has made judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

The significant judgements made by the management in applying the Group’s accounting policies and the key sources of estimation uncertainty were the same as those that were applied in the preparation of the consolidated financial statements of the Group as at and for the year ended 31 December 2016.

3 Significant accounting policies

The accounting policies applied in the preparation of the condensed consolidated interim financial information are the same as those applied in the Group’s consolidated financial statements as at and for the year ended 31 December 2016.

Gulf General Investments Co. PSC and its subsidiaries

Notes (continued)

4 Financial risk factors

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

The condensed consolidated interim financial information does not include all financial risk management information and disclosures required in the annual consolidated financial statements, and should be read in conjunction with the Group's annual consolidated financial statements as at 31 December 2016.

There has been no change in the risk management policies since the year end.

5 Funding and liquidity

The details of the Group's risk and cash flow management have been provided in the Group's consolidated financial statements as at and for the year ended 31 December 2016. Also refer to note to 17.

6 Investment properties

| | 30 June 2017 AED'000 (Unaudited) | 31 December 2016 AED'000 (Audited) |
|--|---|---|
| Opening balance | 2,511,437 | 2,436,303 |
| Additions during the period / year | 1,148 | 47,069 |
| Change in fair value (refer to note (i) below) | - | 28,065 |
| Closing balance | <u>2,512,585</u> | <u>2,511,437</u> |

- (i) During the six month period ended 30 June 2017, the Directors' of the Company have reviewed the carrying value of investment properties and are of the opinion that there is no significant change in fair value of investment properties as compared to the previous valuation carried out as at 31 December 2016.

The fair value measurement of these properties have been categorised as Level 3 fair value.

- (ii) Certain investment properties are mortgaged to banks towards credit facilities granted to the Group.

Gulf General Investments Co. PSC and its subsidiaries

Notes (continued)

7 Investments in associates and joint ventures

The Group's share of profit in associates and joint ventures for the six month period ended 30 June 2017 amounted to AED 1.08 million (*profit for six month period ended 30 June 2016: AED 22.59 million*).

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 had 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 had reclassified its investment in Al Sagr Cooperative from investment in securities to an investment in associate (refer to note 8).

8 Investments in securities

| | 30 June 2017 AED'000 (Unaudited) | 31 December 2016 AED'000 (Audited) |
|--|---|---|
| <i>Investments measured at fair value through other comprehensive income ("FVOCI")</i> | | |
| Opening balance | 77,952 | 80,507 |
| Additions during the period/ year | - | 130 |
| Disposal during the period/ year | (1,611) | (767) |
| Change in fair value during the period/ year | (4,815) | (1,918) |
| | ----- | ----- |
| Closing balance | 71,526 | 77,952 |
| | ===== | ===== |
| <i>Investments measured at fair value through profit or loss ("FVTPL")</i> | | |
| Opening balance | 138,176 | 299,325 |
| Additions during the period/ year | - | 2,573 |
| Disposal during the period/ year | (7,335) | (390) |
| Change in fair value during the period/ year | (739) | (10,682) |
| Transferred to investment in associates (refer to note 7) | - | (152,650) |
| | ----- | ----- |
| Closing balance | 130,102 | 138,176 |
| | ===== | ===== |

Certain investments are mortgaged to banks and financial institution towards credit facilities granted to the Group.

Gulf General Investments Co. PSC and its subsidiaries

Notes (continued)

9 Properties held for development and sale

During the six month period ended 30 June 2017, the Company's Directors have reviewed the carrying value of properties held for development and sale and are of the opinion that there is no significant change in the fair value of properties held for development and sale as compared to the previous valuation carried out as at 31 December 2016.

10 Inventories

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

11 Trade and other receivables

Trade and other receivables include notes receivable that represent post-dated cheques received from the buyers of properties held for development and sale. Management has performed an impairment assessment on the future collectability of these notes receivable and accordingly has concluded that no allowance for impairment is required as these notes are expected to be realised in the normal course of business.

12 Reinsurance contract assets and insurance contract liabilities

| | 30 June 2017 AED '000 (Unaudited) | 31 December 2016 AED '000 (Audited) |
|--|--|--|
| Gross | | |
| Reserve for outstanding claims | 207,104 | 238,734 |
| Reserve for incurred but not reported claims (IBNR) | 47,950 | 42,141 |
| | ----- | ----- |
| Reserve for outstanding claims (including IBNR) | 255,054 | 280,875 |
| Unearned premium reserve | 211,137 | 171,582 |
| | ----- | ----- |
| Total insurance contract liabilities (gross) | 466,191 | 452,457 |
| | ===== | ===== |
| Less: Recoverable from reinsurers | | |
| Reinsurer share of outstanding claims | (130,638) | (150,434) |
| Reinsurer share of incurred but not reported claims (IBNR) | (15,116) | (9,821) |
| | ----- | ----- |
| Reinsurer share of outstanding claims (including IBNR) | (145,754) | (160,255) |
| Unamortised reinsurance premium reserve | (78,332) | (47,316) |
| | ----- | ----- |
| Total re-insurance contract assets | (224,086) | (207,571) |
| | ===== | ===== |
| Net insurance contract liabilities | 242,105 | 244,886 |
| | ===== | ===== |

Gulf General Investments Co. PSC and its subsidiaries

Notes (continued)

13 Cash in hand and at bank

| | 30 June 2017 AED'000 (Unaudited) | 31 December 2016 AED'000 (Audited) |
|--------------------|---|---|
| Cash in hand | 2,167 | 2,460 |
| Bank balances: | | |
| - Current accounts | 95,440 | 73,618 |
| - Deposit accounts | 281,742 | 266,087 |
| | ----- | ----- |
| | 379,349 | 342,165 |
| | ===== | ===== |

Deposits include fixed deposits of AED 249.7 million (2016: AED 229.7 million) held under lien against facilities granted 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 the Insurance Authority.

14 Share capital

| | 30 June 2017 AED'000 (Unaudited) | 31 December 2016 AED'000 (Audited) |
|--|---|---|
| <i>Authorised, issued and paid up</i> | | |
| 1,791 million shares of AED 1 each paid up in cash | 1,791,333 | 1,791,333 |
| | ===== | ===== |

15 Cash and cash equivalents

| | Six month period ended 30 June | |
|---|---|--------------------------------|
| | 2017 AED'000 (Unaudited) | 2016 AED'000 (Unaudited) |
| Cash in hand | 2,167 | 7,947 |
| Bank balances: | | |
| - Current accounts | 95,440 | 81,997 |
| - Deposit accounts | 281,742 | 264,426 |
| | ----- | ----- |
| | 379,349 | 354,370 |
| Less: Fixed deposits under lien/ deposits with maturity over three months | (2,807) | (1,240) |
| Less: Bank overdrafts (refer to note 17(i)) | (184,357) | (176,846) |
| | ----- | ----- |
| | 192,185 | 176,284 |
| | ===== | ===== |

Gulf General Investments Co. PSC and its subsidiaries

Notes (continued)

16 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 condensed consolidated interim financial information, are as follows:

| | Six month period ended 30 June | |
|---|---|-------------|
| | 2017 | 2016 |
| | AED'000 | AED'000 |
| | (Unaudited) | (Unaudited) |
| Gross premium | 7,476 | 7,910 |
| Claims paid | 2,719 | 13,089 |
| Purchase of services | 509 | 211 |
| Commission paid on rented properties | 434 | 434 |
| Funds given to a related party (net) | - | 116,828 |
| Interest charged to a related party | - | 2,770 |
| Sale of properties held for development and sale | - | 1,275 |
| | ==== | ===== |
| <i>Compensation to key management personnel:</i> | | |
| Salaries and benefits | 2,547 | 4,767 |
| | ==== | ===== |

Trade and other receivables include due from related parties amounting to AED 132.27 million (2016: AED 129.03 million). Refer to note 11.

Trade and other payables include due to related parties amounting to AED 376.18 million (2016: AED 401.69 million).

The Group's assets comprising of certain investment in subsidiaries, investment properties, investment in associates and investment in securities are held by the related parties for the beneficial interest of the Group.

Gulf General Investments Co. PSC and its subsidiaries

Notes (continued)

17 Borrowings

| | 30 June 2017 AED'000 (Unaudited) | 31 December 2016 AED'000 (Audited) |
|--|---|---|
| (i) Short term | | |
| Bank overdrafts | 184,357 | 162,313 |
| Trust receipts | 68,775 | 68,235 |
| Current portion of term loans (refer to note (ii) below) | 1,530,500 | 1,551,748 |
| | (A) 1,783,632 | 1,782,296 |
| (ii) Term loans | | |
| At 1 January | 2,246,413 | 2,394,282 |
| Add: availed during the period/ year | - | 190 |
| Less: repaid during the period/ year | (21,309) | (148,058) |
| At 30 June/ 31 December | 2,225,104 | 2,246,414 |
| Less: current portion of term loans | (1,530,500) | (1,551,748) |
| Long term portion of term loans | (B) 694,604 | 694,666 |
| Total borrowings | (A+B) 2,478,236 | 2,476,962 |
| <i>Total borrowings comprise of:</i> | | |
| Earlier restructured loan (2012) | 2,072,977 | 2,093,866 |
| Other borrowings | 405,259 | 383,096 |
| | 2,478,236 | 2,476,962 |

Term loan facilities bear interest at EIBOR and LIBOR plus applicable margins from 0.5% to 4.5% other than the earlier restructured term loans of AED 2.8 billion.

The Group is currently in negotiation with the lenders to restructure a substantial portion of its existing loan facilities which has a total outstanding of AED 2,072.98 million (principal) as at the reporting date. The Directors of the Company are of the view that principal and interest payments (included in trade and other payables) of AED 683.8 million and AED 123.39 million respectively, which have been due for repayment as at the reporting date, will be paid as part of the restructuring plan which is currently being discussed with the steering committee of the banks.

Furthermore, the Group is also 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 11.8 million which became due for repayment on 30 September 2016.

The Directors of the Company are of the view that the above restructuring exercise is expected to be completed during the third quarter of 2017.

Gulf General Investments Co. PSC and its subsidiaries

Notes (continued)

17 Borrowings (continued)

Some of the Group entities are also in negotiation with banks to restructure their existing borrowings facilities with a total outstanding of AED 206.84 million (principal) and interest of AED 67.92 million (included in trade and other payables) as at the reporting date. A part of these loans amounting to AED 60.39 million are under legal proceedings initiated by the lenders. The Directors of the Company are of the view that these loans to subsidiaries will be ultimately restructured along with the overall restructuring of the Group loans with the creditor banks.

As at 30 June 2017, one of the Group entities has not complied with certain financial covenants. The carrying value of the loan is AED 102.22 million (principal) which is classified as current liabilities.

The details of the term loans including terms of repayment, interest rates and securities provided are disclosed in the consolidated financial statements of the Group for the year ended 31 December 2016.

18 Administrative and general expenses

| | Six month period ended 30 June | | Three month period ended 30 June | |
|--|-----------------------------------|---------------------------------|-------------------------------------|---------------------------------|
| | 2017 AED '000 (Unaudited) | 2016 AED '000 (Unaudited) | 2017 AED '000 (Unaudited) | 2016 AED '000 (Unaudited) |
| <i>These include:</i> | | | | |
| Staff costs | 58,691 | 69,091 | 28,948 | 36,637 |
| Rent | 12,590 | 10,289 | 5,937 | 4,700 |
| Legal and professional fees | 7,270 | 3,829 | 3,057 | 2,274 |
| Depreciation | 7,046 | 6,824 | 3,546 | 3,441 |
| Telephone, postal and office supplies | 1,811 | 7,772 | 915 | 2,848 |
| Repairs and maintenance | 2,662 | 2,335 | 1,119 | 3,441 |
| | <u>=====</u> | <u>=====</u> | <u>=====</u> | <u>=====</u> |

19 Financial instruments/ fair value hierarchy

(i) Financial instruments

Financial assets of the Group include investments in securities, re-insurance contract assets, trade and other receivables and cash at bank. Financial liabilities of the Group include borrowings, insurance contract liabilities, trade and other payables 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:

Gulf General Investments Co. PSC and its subsidiaries

Notes (continued)

19 Financial instruments/ fair value hierarchy (continued)

(i) 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 |
|--------------------------------|--|---|--|--------------------------------|------------------------|
| 30 June 2017 | | | | | |
| (Unaudited) | | | | | |
| <i>Financial assets</i> | | | | | |
| Investments in securities | 130,102 | 71,526 | - | 201,628 | 201,628 |
| Re-insurance contract assets | - | - | 224,086 | 224,086 | 224,086 |
| Trade and other receivables | - | - | 1,179,291 | 1,179,291 | 1,179,291 |
| Cash at bank | - | - | 377,182 | 377,182 | 377,182 |
| | ----- | ----- | ----- | ----- | ----- |
| | 130,102 | 71,526 | 1,780,559 | 1,982,187 | 1,982,187 |
| | ===== | ===== | ===== | ===== | ===== |
| <i>Financial liabilities</i> | | | | | |
| Borrowings | - | - | 2,478,236 | 2,478,236 | 2,478,236 |
| Insurance contract liabilities | - | - | 466,191 | 466,191 | 466,191 |
| Trade and other payables | - | - | 1,870,327 | 1,870,327 | 1,870,327 |
| Finance lease liabilities | - | - | 23,141 | 23,141 | 23,141 |
| | ---- | ---- | ----- | ----- | ----- |
| | - | - | 4,837,895 | 4,837,895 | 4,837,895 |
| | ==== | ==== | ===== | ===== | ===== |
| 31 December 2016 | | | | | |
| (Audited) | | | | | |
| <i>Financial assets</i> | | | | | |
| Investments in securities | 138,176 | 77,952 | - | 216,128 | 216,128 |
| Re-insurance contract assets | - | - | 207,571 | 207,571 | 207,571 |
| Trade and other receivables | - | - | 1,245,781 | 1,245,781 | 1,245,781 |
| Cash at bank | - | - | 339,705 | 339,705 | 339,705 |
| | ----- | ----- | ----- | ----- | ----- |
| | 138,176 | 77,952 | 1,793,057 | 2,009,185 | 2,009,185 |
| | ===== | ===== | ===== | ===== | ===== |
| <i>Financial liabilities</i> | | | | | |
| Borrowings | - | - | 2,476,962 | 2,476,962 | 2,476,962 |
| Insurance contract liabilities | - | - | 452,457 | 452,457 | 452,457 |
| Trade and other payables | - | - | 1,820,880 | 1,820,880 | 1,820,880 |
| Finance lease liabilities | - | - | 23,141 | 23,141 | 23,141 |
| | ---- | ---- | ----- | ----- | ----- |
| | - | - | 4,773,440 | 4,773,440 | 4,773,440 |
| | ==== | ==== | ===== | ===== | ===== |

Gulf General Investments Co. PSC and its subsidiaries

Notes (continued)

19 Financial instruments/ fair value hierarchy (continued)

(ii) 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 |
|--|--------------------|--------------------|--------------------|
| 30 June 2017 (Unaudited) | | | |
| <i>Financial assets</i> | | | |
| <i>Investments measured at fair value through other comprehensive income</i> | | | |
| Quoted equity investments | 61,639 | - | - |
| Unquoted equity investments | - | - | 9,887 |
| | ----- | ----- | ----- |
| | 61,639 | - | 9,887 |
| | ===== | ===== | ===== |
| <i>Investments measured at fair value through profit or loss</i> | | | |
| Quoted equity investments | 65,776 | - | - |
| Unquoted equity investments | - | 18,572 | 45,754 |
| | ----- | ----- | ----- |
| | 65,776 | 18,572 | 45,754 |
| | ===== | ===== | ===== |
| 31 December 2016 (Audited) | | | |
| <i>Financial assets</i> | | | |
| <i>Investments measured at fair value through other comprehensive income</i> | | | |
| Quoted equity investments | 67,073 | - | - |
| Unquoted equity investments | - | - | 10,879 |
| | ----- | ----- | ----- |
| | 67,073 | - | 10,879 |
| | ===== | ===== | ===== |
| <i>Investments measured at fair value through profit or loss</i> | | | |
| Quoted equity investments | 72,487 | - | - |
| Unquoted equity investments | - | 22,754 | 42,935 |
| | ----- | ----- | ----- |
| | 72,487 | 22,754 | 42,935 |
| | ===== | ===== | ===== |

Gulf General Investments Co. PSC and its subsidiaries

Notes (continued)

19 Financial instruments/ fair value hierarchy (continued)

(ii) Fair value hierarchy (continued)

During the six month period ended 30 June 2017, 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 (2016: Nil).

The fair value of unquoted equity investments was determined by an external, qualified and independent valuer as at 31 December 2016 who has experience in equity investments valuations. The Company's Directors are of the opinion that there is no significant change in fair value of unquoted equity investments as compared to the previous valuation carried out as at 31 December 2016.

20 Earnings per share

| | Six month period ended 30 June | |
|---|-----------------------------------|---------------------|
| | 2017 (Unaudited) | 2016 (Unaudited) |
| Net loss attributable to owners of the Company (AED'000) | (89,951) | (25,029) |
| | ===== | ===== |
| Number of shares ('000) | 1,791,333 | 1,791,333 |
| | ===== | ===== |
| Basic earnings per share (AED Fils per share) | (5.02) | (1.40) |
| | ===== | ===== |

There was no dilution effect on the basic earnings per share as the Company does not have any such outstanding commitment as at the reporting date.

21 Contingent liabilities and commitments

Guarantees

The Group has issued corporate guarantees for loans and advances from commercial banks obtained by related and third parties including subsidiaries, joint ventures and associates.

Litigations

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 contract 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.

Gulf General Investments Co. PSC and its subsidiaries

Notes (continued)

21 Contingent liabilities and commitments (continued)

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 the 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.

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 the Group will exercise its option (at the 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 have set off the advance received from the SPV of the associate company against the receivable from the associate company.

22 Segment reporting

The internal management reports which 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:

| | |
|----------------------------|--|
| <i>Manufacturing</i> | Includes manufacture and sale of oil, lubricants, grease, prefabricated houses, concrete, carpentry, restaurant, ovens, kitchens and central air conditioning systems. |
| <i>Investments</i> | Includes investments in real estate properties and equity securities. |
| <i>Services and others</i> | 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.

Gulf General Investments Co. PSC and its subsidiaries

Notes (continued)

22 Segment reporting (continued)

| | Manufacturing | | Investments | | Services and others | | Unallocated | | Total | |
|--------------------------------|---|---|---|---|---|---|---|---|---|---|
| | 30 June 2017 AED'000 (Unaudited) | 31 December 2016 AED'000 (Audited) | 30 June 2017 AED'000 (Unaudited) | 31 December 2016 AED'000 (Audited) | 30 June 2017 AED'000 (Unaudited) | 31 December 2016 AED'000 (Audited) | 30 June 2017 AED'000 (Unaudited) | 31 December 2016 AED'000 (Audited) | 30 June 2017 AED'000 (Unaudited) | 31 December 2016 AED'000 (Audited) |
| Segment assets | 334,187 | 349,255 | 4,463,217 | 4,566,587 | 660,011 | 614,677 | 511,624 | 471,192 | 5,969,039 | 6,001,711 |
| Segment liabilities | 289,053 | 285,750 | 3,327,075 | 3,284,144 | 708,363 | 678,976 | 551,612 | 561,666 | 4,876,103 | 4,810,536 |
| | ===== | ===== | ===== | ===== | ===== | ===== | ===== | ===== | ===== | ===== |
| | 30 June 2017 AED'000 | 30 June 2016 AED'000 | 30 June 2017 AED'000 | 30 June 2016 AED'000 | 30 June 2017 AED'000 | 30 June 2016 AED'000 | 30 June 2017 AED'000 | 30 June 2016 AED'000 | 30 June 2017 AED'000 | 30 June 2016 AED'000 |
| <i>(Unaudited)</i> | | | | | | | | | | |
| Revenue | 40,315 | 68,675 | 16,055 | 134,490 | 235,009 | 271,373 | - | - | 291,379 | 474,538 |
| | ===== | ===== | ===== | ===== | ===== | ===== | ===== | ===== | ===== | ===== |
| Segment result from operations | (12,462) | (5,815) | 3,557 | 38,581 | (1,980) | 34,762 | - | - | (10,885) | 67,528 |
| Finance cost | (7,469) | (561) | (59,582) | (50,194) | (3,785) | (2,873) | - | - | (70,836) | (53,628) |
| | ===== | ===== | ===== | ===== | ===== | ===== | ===== | ===== | ===== | ===== |
| (Loss) / profit for the period | (19,931) | (6,376) | (56,025) | (11,613) | (5,765) | 31,889 | - | - | (81,721) | 13,900 |
| | ===== | ===== | ===== | ===== | ===== | ===== | ===== | ===== | ===== | ===== |