Gulf General Investments Co. PSC and its subsidiaries

Condensed consolidated interim financial information (unaudited)

30 September 2018

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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 September 2018 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 September 2018;
- the condensed consolidated statement of profit or loss for the three month and nine month periods ended 30 September 2018;
- the condensed consolidated statement of profit or loss and other comprehensive income for the three month and nine month periods ended 30 September 2018;
- the condensed consolidated statement of cash flows for the nine month period ended 30 September 2018;
- the condensed consolidated statement of changes in equity for the nine month period ended 30 September 2018; 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 September 2018 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 15 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 certain existing loan and credit 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

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

Date: 14 NOV 2018

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Gulf General Investments Co. PSC and its subsidiaries

Condensed consolidated statement of financial position
as at 30 September 2018

	Note	**30 September 2018 AED '000 (Unaudited)**	31 December 2017 AED '000 (Audited)
Assets			
Non-current assets			
Property, plant and equipment		**368,074**	378,637
Investment properties	*6*	**2,331,838**	2,324,298
Goodwill		**11,500**	11,500
Investments in associates and joint ventures	*7*	**376,247**	374,775
Investments in securities	*8*	**63,137**	72,370
Trade and other receivables	*10*	**81,519**	269,783
		------------	------------
		3,232,315	3,431,363
		=======	=======
Current assets			
Properties held for development and sale		**617,913**	652,789
Inventories	*9*	**35,134**	31,066
Trade and other receivables	*10*	**938,787**	829,233
Re-insurance contract assets	*11*	**143,135**	213,496
Investments in securities	*8*	**124,213**	129,592
Cash in hand and at bank	*12*	**252,989**	303,317
Asset held for sale		**-**	1,693
		------------	------------
		2,112,171	2,161,186
		------------	------------
Total assets		**5,344,486**	5,592,549
		=======	=======

Gulf General Investments Co. PSC and its subsidiaries

Condensed consolidated statement of financial position (continued)
as at 30 September 2018

	Note	**30 September 2018 AED '000 (Unaudited)**	31 December 2017 AED '000 (Audited)
Equity and liabilities			
Equity			
Share capital	*13*	**1,791,333**	1,791,333
Legal reserve		**46,904**	46,904
Additional reserve		**7,068**	7,068
Land revaluation reserve		**37,747**	37,747
Cumulative change in fair value of equity investments measured at fair value through other comprehensive income		**(38,813)**	(30,968)
Accumulated losses		**(1,356,742)**	(1,204,587)
Equity attributable to owners of the Company		**487,497**	647,497
Non-controlling interests		**328,233**	304,142
Total equity		**815,730**	951,639
Liabilities			
Non-current liabilities			
Provision for employees' end of service benefits		**33,947**	37,222
Long term portion of term loans	*15*	**1,990,409**	1,990,409
		2,024,356	2,027,631
Current liabilities			
Insurance contract liabilities	*11*	**315,759**	380,131
Short term borrowings	*15*	**427,597**	428,954
Trade and other payables		**1,761,044**	1,804,194
		2,504,400	2,613,279
Total liabilities		**4,528,756**	4,640,910
Total equity and liabilities		**5,344,486**	5,592,549

The accompanying notes 1 to 23 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 NOV 2018

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 three month and nine month periods ended 30 September 2018

		Nine month period ended 30 September		Three month period ended 30 September	
		2018	2017	**2018**	2017
	Note	**AED '000**	AED '000	**AED '000**	AED '000
Revenue		**429,213**	424,743	**190,759**	133,364
Cost of revenue		**(264,115)**	(272,434)	**(120,877)**	(87,486)
Gross profit		**165,098**	152,309	**69,882**	45,878
Administrative and general expenses	*16*	**(182,968)**	(173,385)	**(77,323)**	(55,985)
Selling and distribution expenses		**(3,434)**	(10,432)	**523**	(3,148)
Other income		**11,678**	3,804	**7,136**	1,169
Share of profit in associates and joint ventures	*7*	**5,810**	3,832	**2,184**	2,748
Change in fair value of investments in securities – net	*8*	**(1,489)**	562	**(2,165)**	1,301
(Loss)/ gain on sale of investments in securities		**(197)**	585	**68**	-
Finance cost		**(114,006)**	(105,718)	**(37,034)**	(34,882)
Finance income		**4,700**	5,759	**1,631**	1,956
Loss for the period		**(114,808)**	(122,684)	**(35,098)**	(40,963)
(Loss)/ profit attributable to:					
Owners of the Company		**(139,899)**	(133,772)	**(31,976)**	(43,821)
Non-controlling interests		**25,091**	11,088	**(3,122)**	2,858
		(114,808)	(122,684)	**(35,098)**	(40,963)
Earnings per share - Basic and diluted (AED Fils per share)		**(7.81)**	(7.47)	**(1.79)**	(2.45)

The accompanying notes 1 to 23 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 three month and nine month periods ended 30 September 2018

		Nine month period ended 30 September		Three month period ended 30 September	
		2018	2017	**2018**	2017
	Note	**AED '000**	AED '000	**AED '000**	AED '000
Loss for the period		**(114,808)**	(122,684)	**(35,098)**	(40,963)
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"))	*7*	**(663)**	256	**83**	403
Change in fair value of investments in securities - net (FVOCI)	*8*	**(7,845)**	(4,714)	**(528)**	101
Other comprehensive income for the period		**(8,508)**	(4,458)	**(445)**	504
Total comprehensive loss for the period		**(123,316)**	(127,142)	**(35,543)**	(40,459)
Total comprehensive income attributable to:					
Owners of the Company		**(148,407)**	(138,230)	**(32,421)**	(43,317)
Non-controlling interests		**25,091**	11,088	**(3,122)**	2,858
Total comprehensive income for the period		**(123,316)**	(127,142)	**(35,543)**	(40,459)

The accompanying notes 1 to 23 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 nine month period ended 30 September 2018

	Note	Nine month period ended 30 September 2018 AED '000	2017 AED '000
Cash flows from operating activities			
Loss for the period		**(114,808)**	(122,684)
Adjustments for:			
Depreciation		**9,717**	10,587
Share of profit in associates and joint ventures	*7*	**(5,810)**	(3,832)
Change in fair value of investments measured at fair value through profit or loss	*8*	**1,489**	(562)
Allowance for slow moving inventories		**6,850**	1,132
Provision of employees' end of service benefits		**3,576**	4,741
Loss/ (gain) from sale of investments in securities		**197**	(585)
Impairment losses on trade receivables		**10,614**	149
Write back of impairment losses on trade receivables		**(228)**	(1,725)
Write-off of other receivables	*16*	**16,702**	-
Finance income		**(4,700)**	(5,759)
Finance costs		**114,006**	105,718
Operating profit/ (loss) before working capital changes		**37,605**	(12,820)
Changes in re-insurance contract assets		**70,361**	13,598
Changes in insurance contract liabilities		**(64,372)**	(21,736)
Changes in properties held for development and sale		**34,876**	(19,156)
Changes in inventories		**(10,918)**	6,045
Changes in trade and other receivables		**39,062**	97,063
Changes in trade and other payables		**(43,195)**	(13,005)
Additions to investment properties		**(7,540)**	(1,969)
Proceeds from sale of investments in securities		**5,081**	9,530
		60,960	57,550
Employees' end of service benefits paid		**(6,851)**	(3,598)
Net cash generated from operating activities		**54,109**	53,952
Cash flows from investing activities			
Purchase of property, plant and equipment		**(5,344)**	-
Proceeds from sale of property, plant and equipment		**6,190**	3,077
Dividend received from an associate		**3,675**	9,800
Finance income		**4,700**	5,759
Change in fixed deposits		**1,938**	-
Proceeds from sale of asset held for sale		**1,693**	-
Net cash generated from investing activities		**12,852**	18,636
Cash flows from financing activities			
Dividend paid to non-controlling interests		**-**	(10,616)
Net movement in bank borrowings		**(1,357)**	51,405
Finance costs		**(114,006)**	(105,718)
Net cash used in financing activities		**(115,363)**	(64,929)
Net (decrease)/ increase in cash and cash equivalents		**(48,402)**	7,659
Cash and cash equivalents at the beginning of the period		**162,755**	177,045
Cash and cash equivalents at the end of the period	*12*	**114,353**	184,704

The accompanying notes 1 to 23 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 nine month period ended 30 September 2018

	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 equity 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	-	-	-	-	-	(133,772)	(133,772)	11,088	(122,684)
Other comprehensive income	-	-	-	-	(4,714)	256	(4,458)	-	(4,458)
Total comprehensive income	-	-	-	-	(4,714)	(133,516)	(138,230)	11,088	(127,142)
Transactions with owners of the non-controlling interests									
Dividend paid	-	-	-	-	-	-	-	(10,616)	(10,616)
Other movements									
Directors' fees paid by a subsidiary	-	-	-	-	-	(500)	(500)	(500)	(1,000)
At 30 September 2017 (unaudited)	1,791,333	44,202	7,068	37,747	(36,392)	(1,092,546)	751,412	301,005	1,052,417

Gulf General Investments Co. PSC and its subsidiaries

Condensed consolidated statement of changes in equity *(continued)*
for the nine month period ended 30 September 2018

	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 2018, as previously reported	1,791,333	46,904	7,068	37,747	(30,968)	(1,204,587)	647,497	304,142	951,639
Cumulative effect of adopting IFRS 9 - Financial Instruments (refer to note 3)	-	-	-	-	-	(10,593)	(10,593)	-	(10,593)
	1,791,333	46,904	7,068	37,747	(30,968)	(1,215,180)	636,904	304,142	941,046
Total comprehensive income for the period (unaudited)									
(Loss) / profit for the period	-	-	-	-	-	(139,899)	(139,899)	25,091	(114,808)
Other comprehensive income	-	-	-	-	(7,845)	(663)	(8,508)	-	(8,508)
Total comprehensive income	-	-	-	-	(7,845)	(140,562)	(148,407)	25,091	(123,316)
Transactions with owners of the Company									
Director's fees paid by subsidiary	-	-	-	-	-	(1,000)	(1,000)	(1,000)	(2,000)
At 30 September 2018 (Unaudited)	**1,791,333**	**46,904**	**7,068**	**37,747**	**(38,813)**	**(1,356,742)**	**487,497**	**328,233**	**815,730**

No allocation of profit has been made to the legal reserve for the nine month period ended 30 September 2018 as it would be effected at the year-end.

The accompanying notes 1 to 23 are an integral part of the condensed consolidated interim financial information.

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 nine month period ended 30 September 2018 ("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 nine month period ended 30 September 2018 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 2017.

2.2 Use of estimates and judgements

The preparation of these condensed 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.

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 2017, except for new significant judgements and key sources of estimation uncertainty as are described in Note 3 and 5.

3 Significant accounting policies

The accounting policies applied in these condensed consolidated interim financial information are the same as those applied in the annual financial statements as at and for the year ended 31 December 2017, except for changes to the accounting for financial instruments resulting from the adoption of IFRS 9 *Financial Instruments* and changes to the accounting for revenue resulting from the adoption of IFRS 15 *Revenue from Contracts with Customers.*

(i) IFRS 9 Financial Instruments

The final version of IFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted. The Group had already early adopted the requirements for the classification and measurement of the financial instruments in the year 2014. The Group has assessed the changes between the version of IFRS 9 issued in July 2014 and the earlier version adopted and assessed that there are no significant changes. As such there is no impact on opening equity as at 1 January 2018 on account of changes in classification requirements of IFRS 9.

The adoption of July 2014 version of IFRS 9 has not had a significant effect on the Group's accounting policies related to financial liabilities.

Impairment

IFRS 9 replaces the 'incurred loss' model in International Accounting Standard (IAS) 39 Financial Instruments: Recognition and Measurement with an 'expected credit loss' (ECL) model. The new impairment model applies to financial assets measured at amortised cost, contract assets and debt investments at FVOCI, but not to investments in equity instruments. Under IFRS 9, credit losses are recognised earlier than under International Accounting standard (IAS) 39 *Financial Instruments: Recognition and Measurement.*

The financial assets at amortised cost consist of trade and other receivables, insurance receivables, cash and cash equivalents and amount due from related parties.

Under IFRS 9, loss allowances are 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.

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Group expects to receive).

The Group measures loss allowances at an amount equal to lifetime ECL, except for the following, for which they are measured as 12-month ECL:

- Bank balances and amount due from related parties for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since their initial recognition.

The Group has elected to measure loss allowances for trade receivables at an amount equal to lifetime ECLs.

3 Significant accounting policies (continued)

(i) IFRS 9 Financial Instruments (continued)

Measurement of ECLs (continued)

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information.

The Group assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due.

Credit loss allowances are measured using a three-stage approach based on the extent of credit deterioration since origination:

- Stage 1 – Where there has not been a significant increase in credit risk (SICR) since initial recognition of a financial instrument, an amount equal to 12 months expected credit loss is recorded. The expected credit loss is computed using a probability of default occurring over the next 12 months. For those instruments with a remaining maturity of less than 12 months, a probability of default corresponding to remaining term to maturity is used.

- Stage 2 – When a financial instrument experiences a SICR subsequent to origination but is not considered to be in default, it is included in Stage 2. This requires the computation of expected credit loss based on the probability of default over the remaining estimated life of the financial instrument.

- Stage 3 – Financial instruments that are considered to be in default are included in this stage. Similar to Stage 2, the allowance for credit losses captures the lifetime expected credit losses.

The key inputs into the measurement of ECL are the term structure of the following variables:

- probability of default (PD);
- exposure at default (EAD);and
- loss given default (LGD)

These parameters are generally derived from internally developed statistical models and other historical data. They are adjusted to reflect forward-looking information.

The Group has adopted simplified approach in case of trade and other receivables and insurance receivables. In case of financial assets for which simplified approach is adopted lifetime expected credit loss is recognised.

Details of these statistical parameters/inputs are as follows:

- PD – The probability of default is an estimate of the likelihood of default over a given time horizon.

- EAD – The exposure at default is an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date.

- LGD – The loss given default is an estimate of the loss arising in the case where a default occurs at a given time. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, including from the realization of any collateral. It is usually expressed as a percentage of the EAD.

3 Significant accounting policies (continued)

(i) IFRS 9 Financial Instruments (continued)

Forward-looking information

The measurement of expected credit losses considers information about past events and current conditions as well as reasonable and supportable forecasts of future events and economic conditions. The estimation and application of forward-looking information requires significant judgement.

Macroeconomic factors

In its models, the Group relies on a broad range of forward looking information as economic inputs, such as: GDP, GDP annual growth rate, unemployment rates, inflation rates, interest rates, etc. Various macroeconomic variables considered are Brent, CPI, Stock, Inflation and Loans to private sector.

The inputs and models used for calculating expected credit losses may not always capture all characteristics of the market at the date of the financial statements. To reflect this, qualitative adjustments or overlays are made as temporary adjustments using expert credit judgement.

Presentation of allowance for ECL in the statement of financial position

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets. For financial assets carried at FVOCI, the loss allowance is recognised in OCI, instead of reducing the carrying amount of the asset.

Definition of default

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.

In assessing whether a borrower is in default, the Group considers indicators that are:

- Qualitative – e.g. breaches of covenant
- Quantitative – e.g. overdue status and non-payment on another obligation of the same issuer to the Group; and
- Based on data developed internally and obtained from external sources

Transition

Changes in accounting policies resulting from the adoption of IFRS 9 have been applied retrospectively, except as described below:

- Comparative periods have not been restated. Differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of IFRS 9 are recognised in retained earnings and reserves as at 1 January 2018. Accordingly, the information presented for 2017 does not reflect the requirements of IFRS 9 and therefore is not comparable to the information presented for 2018 under IFRS 9.

- The following assessments have been made on the basis of the facts and circumstances that existed at the date of initial application.

  a. The determination of the business model within which a financial asset is held.
  b. The designation and revocation of previous designations of certain financial assets and financial liabilities as measured at FVTPL.

- If a debt security had low credit risk at the date of initial application of IFRS 9, then the Group has assumed that credit risk on the asset had not increased significantly since its initial recognition.

3 Significant accounting policies (continued)

(i) IFRS 9 Financial Instruments (continued)

Impact of the new impairment model

For assets in the scope of the IFRS 9 impairment model, impairment losses are generally expected to increase and become more volatile.

The impact from the adoption of IFRS 9 (2014) as at 1 January 2018 has been to increase retained earnings by AED 10.59 million.

	Retained earnings AED'000
Closing balance under IAS 39 (31 December 2017)	(1,204,587)
Trade and insurance receivables and due from related parties	(10,194)
Security deposits	(27)
Other receivables	(338)
Cash and bank balances	(34)

Opening balance under IFRS 9 on date of initial application of 1 January 2018	(1,215,180)
	========

The following table reconciles the closing impairment allowance for financial assets in accordance with IAS 39 as at 31 December 2017 to the opening ECL allowance determined in accordance with IFRS 9 as at 1 January 2018.

	31 December 2017 AED'000	Re-measurement AED'000	1 January 2018 AED'000
Trade and other receivables	1,099,016	(10,559)	1,088,457
Cash and bank balances	303,317	(34)	303,283
	=======	======	=======

(ii) IFRS 15 Revenue from Contracts with Customers

The Group has adopted IFRS 15 from 1 January 2018 and has taken an exemption not to restate comparative information for prior periods with respect to revenue recognition requirements.

The Group's management has assessed the application of IFRS 15 to the Group's revenue streams and concluded that it has not resulted in any significant changes to the timing and amount of revenue recognition from 1 January 2018 onwards.

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

3 Significant accounting policies (continued)

(iii) Standards, amendments and interpretations issued but not yet effective for the Group's accounting period beginning on 1 January 2018 and not early adopted

Certain new accounting standards and interpretations have been published that are not mandatory for reporting periods ended on 30 June 2018 and have not been early adopted by the Group. The Group is currently assessing the impact of these standards and interpretation on its condensed consolidated interim financial statements.

New standards or amendments	Effective date
- IFRS 16 Leases	1 January 2019
- Prepayment Features with Negative Compensation (Amendments to IFRS 9)	1 January 2019
- Transfers of Investment Property (Amendments to IAS 40)	1 January 2019
- Annual Improvements to IFRSs 2015–2017 Cycle (Amendments to IFRS 3, IFRS 11, IAS 12 and IAS 23)	1 January 2019

There are no other standards that are not yet effective and that would be expected to have a material impact on the Group in the current or future reporting periods and on foreseeable future transactions.

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 2017.

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

5 Funding and liquidity and going concern

The Group has third party commitments amounting to AED 4,152.57 million as at 30 September 2018 *(2017: AED 4,068.17 million)* of which AED 2,162.17 million *(2017: AED 2,077.76 million)* is payable within one year from the reporting date.

These third party commitments include loans and borrowings of AED 2,917.60 million *(2017: AED 2,826.52 million)* of which AED 927.19 million *(2017: AED 836.11 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 note 15.

The Group's management has performed an assessment of the Group's ability to continue as a going concern, which covers a period of twelve months from the reporting date. On the basis of cash flow forecast and business plans, the Group's Directors are of the opinion that the Group will be able to continue its operations for the next twelve months from the reporting date and that the going concern assumption used in the preparation of this condensed consolidated interim financial information is appropriate.

6 Investment properties

	30 September 2018 AED'000 (Unaudited)	31 December 2017 AED'000 (Audited)
Opening balance	**2,324,298**	2,511,437
Additions during the period/ year	**7,540**	1,545
Disposals during the period / year	**-**	(185,750)
Disposal of a subsidiary	**-**	(2,934)
Closing balance	**2,331,838**	2,324,298

(i) During the nine month period ended 30 September 2018, 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 2017.

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.

7 Investments in associates and joint ventures

The Group's share of profit in associates and joint ventures for the nine month period ended 30 September 2018 amounted to AED 5.81 million (*30 September 2017: AED 3.8 million)*. The Group's share in other comprehensive loss of associates and joint ventures for the nine month period ended 30 September 2018 amounted to AED 0.66 million (*30 September 2017:income AED 0.26 million).*

Certain investments in associates and joint ventures are mortgaged to banks towards credit facilities granted to the Group.

8 Investments in securities

	30 September 2018 AED'000 (Unaudited)	31 December 2017 AED'000 (Audited)
Equity investments measured at fair value through other comprehensive income ("FVOCI")		
Opening balance	**72,370**	77,952
Change in fair value during the period/ year	**(7,845)**	(754)
Disposal during the period/ year	**(1,388)**	(2,290)
Disposal of a subsidiary	**-**	(2,538)
Closing balance	**63,137**	72,370
Investments measured at fair value through profit or loss ("FVTPL")		
Opening balance	**129,592**	138,176
Disposal during the period/ year	**(3,890)**	(7,335)
Change in fair value during the period/ year	**(1,489)**	(1,183)
Disposal of a subsidiary	**-**	(66)
Closing balance	**124,213**	129,592

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

9 Inventories

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

10 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.

11 Reinsurance contract assets and insurance contract liabilities

	30 September 2018 AED '000 (Unaudited)	31 December 2017 AED '000 (Audited)
Gross		
Reserve for outstanding claims	**88,803**	164,310
Unallocated loss adjustment expense reserve	**2,528**	2,842
Unexpired risk reserve	**1,042**	1,133
Reserve for incurred but not reported claims (IBNR)	**45,484**	43,326
Reserve for outstanding claims (including IBNR)	**137,857**	211,611
Unearned premium reserve	**177,902**	168,520
Total insurance contract liabilities (gross)	**315,759**	380,131
Less: Recoverable from reinsurers		
Reinsurer share of outstanding claims	**(67,805)**	(143,394)
Reinsurer share of incurred but not reported claims (IBNR)	**(13,414)**	(15,836)
Reinsurer share of outstanding claims (including IBNR)	**(81,219)**	(159,230)
Unamortised reinsurance premium reserve	**(61,916)**	(54,266)
Total re-insurance contract assets	**(143,135)**	(213,496)
Net insurance contract liabilities	**172,624**	166,635

12 Cash in hand and at bank

	30 September 2018 AED'000 (Unaudited)	31 December 2017 AED'000 (Audited)
Cash in hand	**2,593**	2,235
Bank balances:		
- Current accounts	**46,528**	65,452
- Deposit accounts	**203,902**	235,630
Expected credit losses	**(34)**	-
	252,989	303,317

Deposits include fixed deposits of AED 182 million (*2017: AED 177.5 million*) held under lien against facilities granted to the Group and also include a deposit amounting to AED 10.3 million (*2017: 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.

12 Cash in hand and at bank (continued)

Cash and cash equivalents

	Nine month period ended 30 September 2018 AED '000 (Unaudited)	2017 AED '000 (Unaudited)
Cash in hand	**2,593**	2,394
Bank balances:		
- Current accounts	**46,528**	100,364
- Deposit accounts	**203,902**	282,166
Expected credit losses	**(34)**	-
	252,989	384,924
Less: Fixed deposits under lien/ deposits with maturity over three months	**(886)**	(2,806)
Less: Bank overdrafts (refer to note 15)	**(137,750)**	(197,414)
	114,353	184,704

13 Share capital

	30 September 2018 AED'000 (Unaudited)	31 December 2017 AED'000 (Audited)
Authorised, issued and paid up		
1,791 million shares of AED 1 each paid up in cash	**1,791,333**	1,791,333

14 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:

	Nine month period ended 30 September 2018 AED '000 (Unaudited)	2017 AED '000 (Unaudited)
Gross premium	**2,794**	10,163
Claims paid	**1,478**	4,434
Purchase of services	**944**	773
Commission paid on rented properties	**107**	651
Compensation to key management personnel:		
Basic salaries	**2,706**	3,551
Other short-term benefits and end of service benefits	**412**	530
	3,118	4,081

14 Related party transactions and balances (continued)

Trade and other receivables include due from related parties amounting to AED 101.04 million *(2017: AED 134.10 million)*.

Trade and other payables include due to related parties amounting to AED 342.24 million *(2017: AED 367 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.

15 Borrowings

	30 September 2018 AED'000 (Unaudited)	31 December 2017 AED'000 (Audited)
Term loans (refer note below)	**2,263,621**	2,265,259
Bank overdrafts (refer to note 12)	**137,750**	137,738
Trust receipts	**16,635**	16,366
	------------	------------
	2,418,006	2,419,363
	=======	=======
Presented in the condensed consolidated statement of financial position:		
Current portion	**427,597**	428,954
Non-current portion	**1,990,409**	1,990,409
	------------	------------
At 30 September/ 31 December	**2,418,006**	2,419,363
	=======	=======

The below table provides movement of interest bearing borrowings:

	30 September 2018 AED'000 (Unaudited)	31 December 2017 AED'000 (Audited)
At 1 January	**2,419,363**	2,476,962
Cash flow items		
Additional borrowings during the period/ year	**413**	163
Repayment of borrowings during the period/ year	**(1,770)**	(150,843)
Other non-cash items		
Finance lease restructured as term loans	-	23,141
Interest capitalised to term loan on restructuring	-	73,602
Disposal of subsidiary	-	(3,662)
	------------	------------
At 30 September/ 31 December	**2,418,006**	2,419,363
	=======	=======

15 Borrowings (continued)

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 2016, 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 24.54 million (principal), due and payable as at 30 September 2018, 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.

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.

The details of the term loans including terms of repayment, interest rate and securities provided are disclosed in the consolidated financial statements of the Group for the year ended 31 December 2017.

Some of the Group entities are also in negotiation with banks to restructure their existing borrowings facilities with a total outstanding of AED 214.06 million (principal) and interest of AED 84.47 million (included in trade and other payables) as at the reporting date. A portion 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 30 September 2018, one of the Group entities has not complied with a certain bank covenant. The carrying value of the loan is AED 162.21 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 24.50 million which became due for repayment on 30 September 2016.

15 Borrowings (continued)

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

16 Administrative and general expenses

	Nine month period ended 30 September		**Three month period ended 30 September**	
	2018	2017	**2018**	2017
	AED ’000	AED ’000	**AED ’000**	AED ’000
	(Unaudited)	(Unaudited)	**(Unaudited)**	(Unaudited)
These include:				
Staff costs	**66,290**	85,235	**20,480**	26,544
Write-off of other receivables	**16,702**	-	**-**	-
Rent	**12,699**	18,753	**3,808**	6,163
Legal and professional fees	**9,181**	12,443	**4,298**	5,173
Depreciation	**9,717**	10,587	**4,877**	3,541
Repairs and maintenance	**5,546**	4,130	**2,006**	1,468
Telephone, postal and office supplies	**2,247**	2,692	**666**	881
	====	====	**====**	====

17 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:

17 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 September 2018 (Unaudited)					
Financial assets					
Investments in securities	**124,213**	**63,137**	**-**	**187,350**	**187,350**
Re-insurance contract assets	**-**	**-**	**143,135**	**143,135**	**143,135**
Trade and other receivables	**-**	**-**	**963,237**	**963,237**	**963,237**
Cash at bank	**-**	**-**	**250,396**	**250,396**	**250,396**
	124,213	**63,137**	**1,356,768**	**1,544,118**	**1,544,118**
Financial liabilities					
Borrowings	**-**	**-**	**2,418,006**	**2,418,006**	**2,418,006**
Insurance contract liabilities	**-**	**-**	**315,759**	**315,759**	**315,759**
Trade and other payables	**-**	**-**	**1,456,233**	**1,456,233**	**1,456,233**
	-	**-**	**4,189,998**	**4,189,998**	**4,189,998**
31 December 2017 (Audited)					
Financial assets					
Investments in securities	129,592	72,370	-	201,962	201,962
Re-insurance contract assets	-	-	213,496	213,496	213,496
Trade and other receivables	-	-	1,050,514	1,050,514	1,050,514
Cash at bank	-	-	301,082	301,082	301,082
	129,592	72,370	1,565,092	1,767,054	1,767,054
Financial liabilities					
Borrowings	-	-	2,419,363	2,419,363	2,419,363
Insurance contract liabilities	-	-	380,131	380,131	380,131
Trade and other payables	-	-	1,470,833	1,470,833	1,470,833
	-	-	4,270,327	4,270,327	4,270,327

17 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 September 2018 *(Unaudited)*			
Financial assets			
Equity investments measured at fair value through other comprehensive income			
Quoted equity investments	**57,950**	-	-
Unquoted equity investments	-	-	**5,187**
	57,950	-	**5,187**
Investments measured at fair value through profit or loss			
Quoted equity investments	**59,448**	-	-
Unquoted equity investments	-	-	**64,765**
	59,448	-	**64,765**
31 December 2017 *(Audited)*			
Financial assets			
Equity 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

17 Financial instruments/ fair value hierarchy (continued)

(ii) Fair value hierarchy (continued)

During the nine month period ended 30 September 2018, 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 (*2017: Nil*).

The fair value of unquoted equity investments was determined by an external, qualified and independent valuer as at 31 December 2017 who has experience in equity investments valuations. The Group'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 2017.

18 Earnings per share

	Nine month period ended 30 September	
	2018	2017
	(Unaudited)	(Unaudited)
Net loss attributable to owners of the Company (AED'000)	**(139,899)**	(133,772)
	======	======
Number of shares ('000)	**1,791,333**	1,791,333
	=======	=======
Basic and diluted earnings per share (AED Fils per share)	**(7.81)**	(7.47)
	====	===

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.

19 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.

19 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.

20 Other matter

As at 30 September 2018, the Group has no exposure in Abraaj Holdings, or any of its subsidiaries, or any of its funds.

21 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:

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.

21 Segment reporting (continued)

	Manufacturing		Investments		Services and others		Unallocated		Total	
	30 September 2018 AED'000 (Unaudited)	31 December 2017 AED'000 (Audited)	**30 September 2018 AED'000 (Unaudited)**	31 December 2017 AED'000 (Audited)	**30 September 2018 AED'000 (Unaudited)**	31 December 2017 AED'000 (Audited)	**30 September 2018 AED'000 (Unaudited)**	31 December 2017 AED'000 (Audited)	**30 September 2018 AED'000 (Unaudited)**	31 December 2017 AED'000 (Audited)
Segment assets	**291,687**	306,347	**4,228,765**	4,301,254	**470,004**	547,529	**354,030**	437,419	**5,344,486**	5,592,549
Segment liabilities	**327,911**	323,958	**3,310,812**	3,299,656	**486,064**	583,826	**403,969**	433,470	**4,528,756**	4,640,910
	======	======	=======	=======	======	======	======	======	=======	=======
	30 September 2018 AED'000	30 September 2017 AED'000	**30 September 2018 AED'000**	30 September 2017 AED'000	**30 September 2018 AED'000**	30 September 2017 AED'000	**30 September 2018 AED'000**	30 September 2017 AED'000	**30 September 2018 AED'000**	30 September 2017 AED'000
(Unaudited)										
Revenue	**41,871**	59,357	**100,298**	23,480	**287,044**	341,906	**-**	-	**429,213**	424,743
	=====	======	=====	=====	======	======	===	===	======	======
Segment result from operations	**22,706**	(16,434)	**(71,988)**	(1,170)	**48,480**	638	**-**	-	**(802)**	(16,966)
Finance cost	**(9,998)**	(10,642)	**(100,193)**	(89,448)	**(3,815)**	(5,628)	**-**	-	**(114,006)**	(105,718)
	=====	======	=======	======	=====	=====	===	===	=======	=======
(Loss)/ profit for the period	**12,708**	(27,076)	**(172,181)**	(90,618)	**44,665**	(4,990)	**-**	-	**(114,808)**	(122,684)
	=====	======	=======	======	=====	=====	===	===	=======	=======

Segment revenues of the Group are earned in UAE and are recognised at a point in time.

22 Comparative figures

Certain comparative figures have been reclassified or regrouped, wherever necessary, to conform to the presentation adopted in these condensed consolidated financial information.

23 Subsequent events

There has been no significant event subsequent to the reporting date and up to the date of authorisation, which would have a material effect on the condensed consolidated interim financial information.