

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

Consolidated financial statements  
*31 December 2016*

# Gulf General Investments Co. PSC and its subsidiaries

## Consolidated financial statements

31 December 2016

<i>Contents</i>	<i>Page</i>
Directors' report	1
Independent auditors' report	2 - 9
Consolidated statement of financial position	10 - 11
Consolidated income statement	12
Consolidated statement of profit or loss and other comprehensive income	13
Consolidated statement of changes in equity	14 - 15
Consolidated statement of cash flows	16 - 17
Notes to the consolidated financial statements	18 - 77

## BOARD OF DIRECTORS REPORT FOR THE YEAR ENDED 31<sup>ST</sup> DECEMBER 2016

Dear Shareholders,

It is our pleasure to meet you and to present our 43<sup>rd</sup> Annual Report, which includes the consolidated financial statements for GGICO and its subsidiaries (the Group) as on 31<sup>st</sup> Dec '16 and group activities and their results.

The Board of Directors adopted a series of procedures to stimulate the performance of the subsidiaries and enhance profitability in line with the changes in the market, and signs of improvement are starting to take place.

The Board of Directors are in active discussion with the Lenders for restructuring of the substantial portion of existing loan facilities. The Board of Directors expect that the Group will meet its funding requirements through restructuring of its substantial existing loan facilities, existing cash and bank balance, and future income generated from operation and sale of investments properties. We have not identified any material uncertainty that may cast significant doubt about the Group's ability to meet its future obligations.

The following are the financial results of the Group:

- **Revenue**  
Revenue of the group for the year 2016 is **AED 857** million, as compared to **AED 940** million in the previous year.
- **Expenditure**  
Total expenditure, which consists of Administrative expenses, Distribution expenses and Provisions for the group is **AED 333** million for the year 2016, compared to **AED 374** million in the year 2015.
- **Net Loss**  
The Group is reporting a loss of **AED 98** million during the year 2016 as compared to profit of **AED 20** million for the year 2015. The main reason for loss is due to provisions.
- **Assets**  
The total assets of the Group amounted to **AED 6** billion for the year 2016 as compared to **AED 6.1** billion in the year 2015.
- **Shareholders Equity**  
Shareholders equity, including the minority interest, is **AED 1.19** billion for the year 2016, as compared to **AED 1.26** billion in the year 2015.

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

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

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



.....  
CHAIRMAN





KPMG Lower Gulf Limited  
Level 12, IT Plaza  
Dubai Silicon Oasis, Dubai, UAE  
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### **Independent auditors' report**

The Shareholders  
Gulf General Investments Co. PSC

### **Report on the Audit of the Consolidated Financial Statements**

#### Opinion

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

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2016, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

#### *Emphasis of matter*

Without qualifying our opinion above, we draw your attention to notes 2.8 and 20 of these consolidated financial statements which more fully explains that the Group is in the process of negotiation with the lenders to restructure substantial portion of existing loan facilities to meet its commitments and financial obligations as they fall due in the foreseeable future.

#### *Basis for opinion*

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



### Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

#### Key audit matter

#### How our audit addressed the key audit matter

#### Valuation of investment properties

*Refer to note 6 of the consolidated financial statements*

The Group's investment properties portfolio is carried at AED 2,511.44 million. The net fair value gain recorded in the consolidated income statement amounts to AED 28.07 million.

The Group engage a professionally qualified external valuer to fair value its investment properties. The valuer performed their work in accordance with the Royal Institution of Chartered Surveyors ('RICS') Valuation - Professional Standards (January 2014 Edition). The fair value definition as per RICS Valuation Standards, adopted by the external valuers, complies with the fair value definition under IFRS.

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

- We assessed the competence, independence and integrity of the external valuers and read their terms of engagement with the Group to determine whether there were any matters that might have affected their objectivity or may have imposed scope limitations on their work;
- We obtained the external valuation reports for all properties valued by the valuers and assessed the valuation approach used by the valuer in determining the fair value of the properties;
- We have tested on a sample basis whether property specific data supplied to the external valuers by management reflected the underlying property records;
- We met the external valuers of the portfolio to discuss the results of their work. We discussed and evaluated the valuation process, overall performance of the portfolio and the significant assumptions used in the valuation; and
- Based on the outcome of our evaluation, we assessed the adequacy of the disclosure in the consolidated financial statements.

**Key audit matter (continued)**

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

**Valuation of properties held for development and sale**

*Refer to note 10 of the consolidated financial statements*

The Group holds properties for development and sale of AED 629.37 million.

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

The Group uses a professionally qualified external valuers to determine the recoverable amount of Group's portfolio of properties held for development and sale. The valuers perform their work in accordance with the Royal Institution of Chartered Surveyors ('RICS') Valuation - Professional Standards (January 2014 Edition) and have experience in the markets in which the Group operates.

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

- We assessed the competence, independence and integrity of the external valuers and read their terms of engagement with the Group to determine whether there were any matters that might have affected their objectivity or may have imposed scope limitations on their work;
- We obtained the external valuation reports for all properties valued by the valuers and assessed the valuation approach used by the valuer in determining the recoverable amount of the properties;
- We have tested whether property specific data supplied to the external valuers by management reflected the underlying property records;
- We met the external valuers of the portfolio to discuss the results of their work. We discussed and evaluated the valuation process, overall performance of the portfolio and the significant assumptions used in the valuation; and
- Based on the outcome of our evaluation, we assessed the adequacy of the disclosure in the consolidated financial statements.

**Valuation of trade and insurance receivables**

*Refer to note 13 of the consolidated financial statements*

The carrying value of the Group's trade and insurance receivables amounts to AED 567.14 million against which an allowance for impairment of AED 120.36 million has been recognised.

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

**Key audit matter (continued)**

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

**Valuation of trade and insurance receivables (continued)**

*Refer to note 13 of the consolidated financial statements*

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

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

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

**Insurance contract liabilities**

*Refer to note 14 of the consolidated financial statements*

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

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

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



**Key audit matter (continued)**

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

**Insurance contract liabilities (continued)**

*Refer to note 14 of the consolidated financial statements*

The key assumptions that drive the reserve calculations include loss ratios, estimates of the frequency and severity of claims and, where appropriate, the discount rates for longer tail classes of business.

The valuation of these liabilities depends on accurate data about the volume, amount and pattern of current and historical claims since they are often used to form expectations about future claims. If the data used in calculating insurance liabilities, or for forming judgements over key assumptions, is not complete and accurate then material impacts on the valuation of these liabilities may arise.

- We assessed the experience and competence of the Group's actuary and degree of challenge applied through the reserving process;
- We checked a sample of reserves for outstanding claims through comparing the estimated amount of the reserves for outstanding claims to appropriate documentation, such as reports from loss adjusters; and
- We assessed the Group's disclosure in relation to these liabilities including claims development table is appropriate.

**Funding/ liquidity: borrowings**

*Refer to notes 2.8, 20 and 21 of the consolidated financial statements*

The Group has loans and borrowings amounting to AED 2,880.73 million as at 31 December 2016, of which AED 2,186.07 million is payable within one year from the reporting date. The Group is in the process of negotiation with the lenders to restructure substantial portion of existing loan facilities to meet its commitments and financial obligations as they fall due in the foreseeable future.

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

Management has not identified any material uncertainty that may cast significant doubt about the Group's ability to meet its future obligations.

Due to the significance of the carrying value of the outstanding loan facilities in the Group's consolidated financial statements and the inherent uncertainties associated with cash flow forecast, the funding and liquidity is a key audit matter.

- We have considered the adequacy of the Group's disclosure of its liquidity position over a period of 12 months from the reporting date by analysing the Group's funding facilities, forecast cash flows from operations, loan maturities, estimated and committed capital expenditure; and
- We held discussions with the management to understand the progress of the ongoing loan restructuring process.



**Key audit matter (continued)**

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

**Litigation and claims**

*Refer to note 30 of the consolidated financial statements*

The Group has a number of litigations and claims, the final outcome of which, based on the opinion of the lawyers received by the Group's management and information presently available, cannot be reliably estimated considering that these cases are sub-judice. Hence, the recognition and measurement of provisions and the measurement and disclosure of contingent liabilities in respect of litigations and claims requires significant judgement by the management and as a result is a key area of focus in our audit.

We evaluated the Group's assessment of the nature and status of litigation, claims and provision assessments, and obtained inputs from the external lawyers to understand the legal position and material risks. The outcome of our evaluation was used as a basis to determine the adequacy of the level of provisioning and disclosure in the consolidated financial statement.

*Other information*

Management is responsible for the other information. Other information consists of the information included in the Group's 2016 Annual Report, other than the consolidated financial statements and our auditors' report thereon. We obtained the report of the Group's Board of Directors, prior to the date of our auditors' report, and we expect to obtain the remaining sections of the Group's 2016 Annual Report after the date of our auditors' report.

Our opinion on the consolidated financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on the other information that we obtained prior to the date of this auditors' report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

*Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements*

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with IFRS, and their preparation in compliance with the applicable provisions of the UAE Federal Law No. (2) of 2015, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.



*Auditor's Responsibilities for the Audit of the Consolidated Financial Statements*

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional skepticism throughout the planning and performance of audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities and business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.



*Auditor's Responsibilities for the Audit of the Consolidated Financial Statements  
(continued)*

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

**Report on other legal and regulatory requirements**

Further, as required by the UAE Federal Law No. (2) of 2015, we report that:

- i) we have obtained all the information and explanations we considered necessary for the purposes of our audit;
- ii) the consolidated financial statements have been prepared and comply, in all material respects, with the applicable provisions of the UAE Federal Law No. (2) of 2015;
- iii) the Group has maintained proper books of accounts;
- iv) the financial information included in the Directors' report, in so far as it relates to these consolidated financial statements, is consistent with the books of accounts of the Group;
- v) as disclosed in note 9 to the consolidated financial statements, the Group has purchased shares during the year ended 31 December 2016;
- vi) note 12 to the consolidated financial statements discloses material related party transactions and the terms under which they were conducted; and
- vii) based on the information that has been made available to us nothing has come to our attention which causes us to believe that the Group has contravened during the financial year ended 31 December 2016 any of the applicable provisions of the UAE Federal Law No. (2) of 2015 or in respect of the Articles of Association of the Company, which would materially affect its activities or its consolidated financial position as at 31 December 2016.

KPMG Lower Gulf Limited

Vijendra Nath Malhotra  
Registration No: 48  
Dubai, United Arab Emirates

Date: 29 MAR 2017

# Gulf General Investments Co. PSC and its subsidiaries

## Consolidated statement of financial position as at 31 December 2016

	<i>Note</i>	<b>2016</b> <b>AED '000</b>	2015 AED '000
<b>Assets</b>			
<b>Non-current assets</b>			
Property, plant and equipment	5	<b>413,782</b>	445,139
Investment properties	6	<b>2,511,437</b>	2,436,303
Goodwill	7	<b>11,500</b>	11,500
Investments in associates and joint ventures	8	<b>379,681</b>	238,589
Investments in securities	9	<b>77,952</b>	80,507
Trade and other receivables	13	<b>280,736</b>	245,289
		-----	-----
		<b>3,675,088</b>	3,457,327
		=====	=====
<b>Current assets</b>			
Properties held for development and sale	10	<b>629,365</b>	580,562
Inventories	11	<b>44,301</b>	60,681
Due from related parties	12	<b>129,027</b>	89,619
Trade and other receivables	13	<b>836,018</b>	1,089,655
Re-insurance contract assets	14	<b>207,571</b>	238,228
Investments in securities	9	<b>138,176</b>	299,325
Cash in hand and at bank	15	<b>342,165</b>	359,037
		-----	-----
		<b>2,326,623</b>	2,717,107
		-----	-----
<b>Total assets</b>		<b>6,001,711</b>	6,174,434
		=====	=====

# Gulf General Investments Co. PSC and its subsidiaries

Consolidated statement of financial position (*continued*)  
as at 31 December 2016

	Note	2016 AED '000	2015 AED '000
<b>Equity and liabilities</b>			
<b>Equity</b>			
Share capital	16	1,791,333	1,791,333
Legal reserve	17	44,202	34,283
Additional reserve	17	7,068	7,068
Land revaluation reserve	17	37,747	37,747
Cumulative change in fair value of investments measured at fair value through other comprehensive income		(31,678)	(29,704)
Accumulated losses		(958,530)	(801,609)
<b>Equity attributable to owners of the Company</b>		<b>890,142</b>	<b>1,039,118</b>
Non-controlling interests	34	301,033	227,870
<b>Total equity</b>		<b>1,191,175</b>	<b>1,266,988</b>
<b>Non-current liabilities</b>			
Provision for employees' end of service benefits	18	37,096	37,134
Finance lease	19	-	13,547
Long term portion of term loans	20	694,666	1,415,983
		731,762	1,466,664
<b>Current liabilities</b>			
Due to related parties	12	401,692	402,181
Insurance contract liabilities	14	452,457	491,213
Finance lease	19	23,141	9,594
Short term borrowings	20	1,782,296	1,232,353
Trade and other payables	21	1,419,188	1,305,441
		4,078,774	3,440,782
<b>Total liabilities</b>		<b>4,810,536</b>	<b>4,907,446</b>
<b>Total equity and liabilities</b>		<b>6,001,711</b>	<b>6,174,434</b>

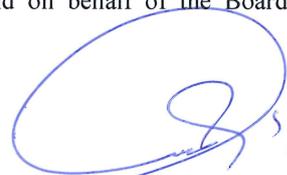
The accompanying notes 1 to 36 are an integral part of these consolidated financial statements.

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

29 MAR 2017



Abdalla Juma Majid Al Sari  
Chairman



Ahmad Yousuf Habib Al Yousuf  
Director

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

# Gulf General Investments Co. PSC and its subsidiaries

## Consolidated income statement for the year ended 31 December 2016

	<i>Note</i>	<b>2016</b> AED '000	2015 AED '000
<b>Continuing operations</b>			
<b>Revenue</b>	22	<b>857,814</b>	940,599
Cost of revenue	23	<b>(555,269)</b>	(685,170)
		-----	-----
<b>Gross profit</b>		<b>302,545</b>	255,429
Administrative and general expenses	24	<b>(311,090)</b>	(363,378)
Selling and distribution expenses		<b>(22,238)</b>	(11,083)
Other income		<b>21,398</b>	20,633
Change in fair value of investment properties	6	<b>28,065</b>	62,330
Share of profit / (loss) in associates and joint ventures	8	<b>24,777</b>	(1,444)
Change in fair value of investments in securities – net	9	<b>(10,682)</b>	(20,829)
Gain on sale of investments in securities		<b>1,325</b>	3,520
Profit on partial disposal of investment in an associate		-	1,078
Gain recognised on disposal of interest in a subsidiary	25	-	168,008
Finance income	26	<b>7,735</b>	14,574
Finance cost	27	<b>(140,592)</b>	(128,119)
		-----	-----
<b>(Loss) / profit from continuing operations</b>		<b>(98,757)</b>	719
		=====	=====
<b>Discontinued operations</b>			
Profit from discontinued operations	25	-	20,004
		-----	-----
<b>(Loss) / profit for the year</b>		<b>(98,757)</b>	20,723
		=====	=====
<i>(Loss) / profit attributable to:</i>			
Owners of the Company		<b>(155,197)</b>	14,348
Non-controlling interests		<b>56,440</b>	6,375
		-----	-----
		<b>(98,757)</b>	20,723
		=====	=====
<b>Earnings per share – Basic (AED Fils per share)</b>	28	<b>(8.66)</b>	0.80
		=====	=====
<b>Earnings per share from continuing operations – Basic (AED Fils per share)</b>		<b>(8.66)</b>	(0.32)
		=====	=====

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

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

# Gulf General Investments Co. PSC and its subsidiaries

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

	<i>Note</i>	<b>2016</b> <b>AED '000</b>	2015 AED '000
(Loss) / profit for the year		<b>(98,757)</b> -----	20,723 -----
<b>Other comprehensive income</b>			
<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"))	8	<b>(4,460)</b>	(3,273)
Change in fair value of investments in securities – net (FVOCI)	9	<b>(1,918)</b> -----	1,211 -----
<b>Other comprehensive income for the year</b>		<b>(6,378)</b> -----	(2,062) -----
<b>Total comprehensive income for the year</b>		<b>(105,135)</b> =====	18,661 =====
<i>Total comprehensive income attributable to:</i>			
Owners of the Company		<b>(161,575)</b>	12,286
Non-controlling interests		<b>56,440</b> -----	6,375 -----
<b>Total comprehensive income for the year</b>		<b>(105,135)</b> =====	18,661 =====

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

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

# Gulf General Investments Co. PSC and its subsidiaries

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

	Attributable to owners of the Company									
	Share capital AED '000	Legal reserve AED '000	Additional reserve AED '000	Land revaluation reserve AED '000	Cumulative change in fair value of investments measured at fair value through other comprehensive income AED '000	Accumulated losses AED '000	Total AED '000	Non – controlling interests AED '000	Total AED '000	
At 1 January 2015 (as previously reported)	1,791,333	28,752	7,068	37,747	(30,680)	(754,678)	1,079,542	304,886	1,384,428	
Effect of changes in accounting policies (refer to note 2.7)	-	-	-	-	-	(56,668)	(56,668)	(50,251)	(106,919)	
At 1 January 2015 (as restated)	1,791,333	28,752	7,068	37,747	(30,680)	(811,346)	1,022,874	254,635	1,277,509	
<b>Total comprehensive income for the year</b>										
Profit for the year	-	-	-	-	-	14,348	14,348	6,375	20,723	
Other comprehensive income	-	-	-	-	1,211	(3,273)	(2,062)	-	(2,062)	
<b>Total comprehensive income</b>	-	-	-	-	1,211	11,075	12,286	6,375	18,661	
<b>Transactions with owners of the Company</b>										
Dividend paid	-	-	-	-	-	-	-	(17,263)	(17,263)	
<b>Changes in ownership interests</b>										
Acquisition of non-controlling interest without change in control	-	-	-	-	-	4,276	4,276	(15,595)	(11,319)	
<b>Other movements</b>										
Change in fair value of investments measured at fair value through other comprehensive income – reclassified to accumulated losses	-	-	-	-	(235)	235	-	-	-	
Director's fees paid by a subsidiary	-	-	-	-	-	(318)	(318)	(282)	(600)	
Transfer to reserves	-	5,531	-	-	-	(5,531)	-	-	-	
At 31 December 2015	1,791,333	34,283	7,068	37,747	(29,704)	(801,609)	1,039,118	227,870	1,266,988	

# Gulf General Investments Co. PSC and its subsidiaries

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

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

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

# Gulf General Investments Co. PSC and its subsidiaries

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

	Note	2016 AED '000	2015 AED '000
<b>Cash flows from operating activities</b>			
(Loss) / profit for the year		<b>(98,757)</b>	20,723
<i>Adjustments for:</i>			
Depreciation	5	<b>26,146</b>	29,927
Impairment on property, plant and equipments	5	<b>25,000</b>	-
Change in fair value of investment properties	6	<b>(28,065)</b>	(62,330)
Share of (profit) / loss from associates and joint ventures	8	<b>(24,777)</b>	1,444
Gain on sale of investment in associates and joint ventures	8	-	(1,078)
Change in fair value of investments measured at fair value through profit or loss	9	<b>10,682</b>	20,829
Allowance for slow moving inventories	11	<b>3,237</b>	1,124
Provision of employees end of service benefits	18	<b>5,835</b>	7,919
Loss on sale of investments in securities		<b>(1,325)</b>	(3,520)
Gain on disposal of investment in subsidiaries	25	-	(168,008)
Impairment losses on trade receivables	31	<b>8,668</b>	12,495
Write back of impairment losses on trade receivables	31	<b>3,440</b>	1,799
Finance income	26	<b>(7,735)</b>	(14,574)
Finance costs	27	<b>140,592</b>	128,119
		-----	-----
<b>Operating profit / (loss) before working capital changes</b>		<b>62,941</b>	(25,131)
Changes in re-insurance contract assets		<b>30,657</b>	(52,602)
Changes in insurance contract liabilities		<b>(38,756)</b>	30,723
Changes in properties held for development and sale		<b>(31,803)</b>	28,710
Changes in inventories		<b>13,143</b>	32,433
Changes in trade and other receivables		<b>206,082</b>	(41,556)
Changes in due from related parties		<b>(4,093)</b>	88,687
Changes in trade and other payables		<b>113,747</b>	250,205
Changes in due to related parties		<b>(489)</b>	(45,151)
Additions to investment in securities	9	<b>(2,703)</b>	(565)
Additions to investment properties	6	<b>(47,069)</b>	(120,026)
Proceeds from sale of investments in securities		<b>2,482</b>	43,357
		-----	-----
Employees' end of service benefits paid	18	<b>(5,873)</b>	(3,016)
		-----	-----
<b>Net cash generated from operating activities</b>		<b>298,266</b>	186,068
		-----	-----

# Gulf General Investments Co. PSC and its subsidiaries

## Consolidated statement of cash flows *(continued)* for the year ended 31 December 2016

	<i>Note</i>	<b>2016</b> <b>AED '000</b>	2015 AED '000
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment	5	<b>(26,828)</b>	(80,881)
Dividend received from associate	8	<b>9,263</b>	-
Proceeds from disposal of property, plant and equipment	5	<b>7,039</b>	56,387
Net cash inflow on disposal of subsidiaries		-	21,753
Proceeds from disposal of investment in associates and joint ventures	8	<b>5,612</b>	59,283
Finance income	26	<b>7,735</b>	14,574
		-----	-----
<b>Net cash generated from investing activities</b>		<b>2,821</b>	71,116
		-----	-----
<b>Cash flows from financing activities</b>			
Dividend paid to non-controlling interest		<b>(5,993)</b>	(17,263)
Net movement in bank borrowings		<b>84,507</b>	28,347
Net movement in finance lease	18	-	(1,222)
Finance costs	27	<b>(140,592)</b>	(128,119)
Director's fees paid by a subsidiary		-	(600)
		-----	-----
<b>Net cash used in financing activities</b>		<b>(62,078)</b>	(118,857)
		-----	-----
<b>Net increase in cash and cash equivalents</b>		<b>239,009</b>	138,327
Cash and cash equivalents at the beginning of the year		<b>(61,964)</b>	(200,291)
		-----	-----
<b>Cash and cash equivalents at the end of the year</b>	15	<b>177,045</b>	(61,964)
		=====	=====

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

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

# Gulf General Investments Co. PSC and its subsidiaries

## Notes to the consolidated financial statements

for the year ended 31 December 2016

### 1 Reporting entity

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

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

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

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

### 2 Basis of preparation

#### 2.1 Statement of compliance

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

On 1 April 2015, a new UAE Federal Law No. (2) of 2015 for the Commercial Companies ("UAE Companies Law of 2015") was issued with effective date on 1 July 2015. As per the transitional provisions of the new law, companies are to ensure compliance by 30 June 2017. The Group is in the process of adopting the new Federal Law and will be fully compliant before the transitional provisions deadline.

#### 2.2 Basis of measurement

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

#### 2.3 Functional and presentation currency

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

#### 2.4 Use of estimates and judgements

The preparation of these consolidated financial statements in conformity with IFRS requires management to make judgments, 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 in the period in which the estimates are revised and in the future periods effected.

# Gulf General Investments Co. PSC and its subsidiaries

Notes *(continued)*

## **2 Basis of preparation (continued)**

### **2.4 Use of estimates and judgements (continued)**

In particular, information about significant areas of estimation uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amounts recognised in the consolidated financial statements are described in note 32.

### **2.5 New standards, interpretations and amendments adopted by the Group**

Effective 1 January 2016, following new/ amended International Financial Reporting Standards (IFRS) have become effective and have been applied in preparing the consolidated financial statements:

Improvement/ amendments to IFRSs:

- IFRS 14 Regulatory Deferral Accounts;
- Accounting for Acquisitions of Interests in Joint Operations (Amendments to IFRS 11);
- Clarification of Acceptable Methods of Depreciation and Amortisation (Amendments to IAS 16 and IAS 38);
- Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28);
- Annual Improvements to IFRSs 2012-2014 Cycle – various standards;
- Investment Entities: Applying the Consolidation Exception (Amendments to IFRS 10, IFRS 12 and IAS 28); and
- Disclosure Initiative (Amendments to IAS 1).

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

### **2.6 New standards and interpretations not yet adopted by the Group**

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

#### *IFRS 9 Financial Instruments (2014)*

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

IFRS 9, published in July 2014, replaces the existing guidance in IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 includes revised guidance on the classification and measurement of financial instruments, a new expected credit loss model for calculating impairment on financial assets, and new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from IAS 39.

IFRS 9 is effective for annual reporting periods beginning on or after 1 January 2018, with early adoption permitted.

# Gulf General Investments Co. PSC and its subsidiaries

Notes *(continued)*

## **2. Basis of preparation (continued)**

### **2.6 New standards and interpretations not yet adopted by the Group (continued)**

#### *IFRS 15 Revenue from Contracts with Customers*

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

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

#### *IFRS 16 Leases*

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

IFRS 16 replaces existing leases guidance including IAS 17 *Leases*, IFRIC 4 *Determining whether an Arrangement contains a Lease*, SIC-15 *Operating Leases-Incentives* and SIC-27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*.

The standard is effective for annual periods beginning on or after 1 January 2019. Early adoption is permitted for entities that apply IFRS 15 Revenue from Contracts with Customers at or before the date of initial application of IFRS 16.

#### *Other amendments*

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

- Classification and Measurement of Share-based Payment Transactions (Amendments to IFRS 2).
- Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28).

### **2.7 Restatement of prior years**

On 1 October 2015, the Group voluntarily early adopted the directives of Federal Law No. 6 of 2007 that relates to basis of recognising technical reserves. Consequently, the Group changed its basis for recognising unexpired premium risk ("UPR"), Incurred But Not Reported ("IBNR") claims and Unearned Commission Income from insurance contracts, relating to general insurance business, and the change in accounting policies has been retrospectively applied by the Group. The consolidated financial statements for the year ended 31 December 2014 were issued prior to the change in the aforementioned accounting policy. Accordingly, the effect of adoption of the directive was adjusted to the opening balance of equity as at 1 January 2015.

# Gulf General Investments Co. PSC and its subsidiaries

Notes *(continued)*

## **2. Basis of preparation (continued)**

### **2.8 Funding and liquidity**

The Group has third party commitments amounting to AED 4,371.75 million as at 31 December 2016 (2015: AED 4,454.58 million) of which AED 3,677.08 million (2015: AED 3,038.6 million) is payable within one year from the reporting date.

These third party commitments include loans and borrowings of AED 2,880.73 million (2015: AED 2,983.21 million) of which AED 2,186.07 million (2015: AED 1,567.23 million) is payable within one year from the reporting date.

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

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

## **3 Significant accounting policies**

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

### **3.1 Basis of consolidation**

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

#### *(a) Business combinations*

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

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

#### *(b) Subsidiaries*

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

# Gulf General Investments Co. PSC and its subsidiaries

Notes (continued)

## 3 Significant accounting policies (continued)

### 3.1 Basis of consolidation (continued)

(b) Subsidiaries (continued)

Details of the Company's significant subsidiaries at 31 December 2016 are as follows:

Name of the subsidiaries	Place of incorporation	Proportion of ownership (%) 2016	Proportion of ownership (%) 2015	Principal activities
Gulf Prefab Houses Factory (L.L.C.) and subsidiaries	U.A.E.	100	100	Manufacturing of prefab houses, concrete, carpentry, restaurant, ovens, kitchens, central air-conditioning systems
Sogour Al Khaleej General Trading L.L.C.	U.A.E.	100	100	General trading
G.G.I. Retail General Trading L.L.C. and subsidiaries	U.A.E.	100	100	General trading
Concept Piping Systems Industries LLC	U.A.E.	100	100	Manufacturing and trading of plastic goods.
Gulf General Steel Co. L.L.C.	U.A.E.	100	100	Trading in all kinds of steel products
GGICO Investments L.L.C.	U.A.E.	100	100	Investment in commercial/ industrial/agricultural enterprises and management
L.A.I. General Trading L.L.C.	U.A.E.	100	100	General trading
GGICO Luxury General Trading L.L.C	U.A.E.	100	100	General Trading
GGICO Gourmet Investments LLC	U.A.E.	100	100	Investment in commercial enterprises and management
GGICO Property Services L.L.C.	U.A.E.	100	100	Leasing property brokerage agents
En Vogue Interiors LLC	U.A.E.	100	100	Interior decoration
Emirates Lube Oil Co. Ltd. (L.L.C.) and subsidiaries	U.A.E.	100	100	Manufacturing of and trading in oil, lubricants and grease
GGICO Real Estate Development Co. L.L.C.	U.A.E.	80	80	Real estate development
Al Sagr National Insurance Co. P.S.C. and a subsidiary	U.A.E.	50	53	Writing of insurance of all types
Time Hotels Management (L.L.C.)	U.A.E.	51	51	Hotels management
ELCO Richmond Asphalt Product Trading	U.A.E.	51	51	Trading in asphalt
GGICO Orion Buying and Selling Real Estate LLC*	U.A.E.	51	-	Real estate development
Oil Lab & Marine Surveyors Co. L.L.C.	U.A.E.	50	50	Marine inspection, testing of petroleum products
Dubai Al Ahlia Quick Transport L.L.C.	U.A.E.	50	50	Transportation of general materials by trucks
Acorn Industries Co. L.L.C.	U.A.E.	50	50	Vehicle body manufacturing, steel, structure parts
Horizon Aluminium Industries L.L.C.	U.A.E.	50	50	Building metal products manufacturing

# Gulf General Investments Co. PSC and its subsidiaries

Notes *(continued)*

## **3 Significant accounting policies (continued)**

### **3.1 Basis of consolidation (continued)**

#### *(b) Subsidiaries (continued)*

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

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

\*The Company has obtained control over relevant activities of the entity and accordingly this entity has been consolidated by the Company.

#### *(c) Non-controlling interests (NCI)*

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

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

#### *(d) Loss of control*

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

#### *(e) Transactions eliminated on consolidation*

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

#### *(f) Interests in associates and joint ventures*

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

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

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

# Gulf General Investments Co. PSC and its subsidiaries

Notes *(continued)*

## **3 Significant accounting policies (continued)**

### **3.2 Revenue recognition**

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

#### *Sale of plots of land*

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

#### *Revenue from sale of properties held for development and sale*

Revenue from sale of properties held for development and sale is recognised in the profit or loss when the significant risks and rewards of ownership are transferred to the buyer. Significant risks and rewards of ownership are deemed to be transferred to the buyer when price risk is transferred to the buyer by signing of the sales contract and the buyer has been granted access to the property when the construction is complete.

#### *Sale of goods*

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

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

#### *Rendering of services*

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

#### *Securities*

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

#### *Dividend income*

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

# Gulf General Investments Co. PSC and its subsidiaries

Notes *(continued)*

## **3 Significant accounting policies (continued)**

### **3.2 Revenue recognition (continued)**

#### *Investment property rental income*

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

Rental income from other property is recognised as other income.

#### *Hotel revenue*

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

### **3.3 Leases**

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

#### *As lessor*

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

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

#### *As lessee*

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

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

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

# Gulf General Investments Co. PSC and its subsidiaries

Notes *(continued)*

## **3 Significant accounting policies (continued)**

### **3.3 Leases (continued)**

*As lessee (continued)*

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

### **3.4 Foreign currencies**

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

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

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

### **3.5 Borrowing costs**

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

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

### **3.6 Property, plant and equipment**

*Recognition and measurement*

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

The gain or loss on disposal of an item of property, plant and equipment is determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and is recognised net within “other income” and “general and administration expense” respectively in the profit or loss.

*Subsequent costs*

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

# Gulf General Investments Co. PSC and its subsidiaries

Notes (continued)

## 3 Significant accounting policies (continued)

### 3.6 Property, plant and equipment (continued)

#### *Depreciation*

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

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

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

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

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

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

#### *Capital work in progress*

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

# Gulf General Investments Co. PSC and its subsidiaries

Notes *(continued)*

## **3 Significant accounting policies (continued)**

### **3.7 Investment properties**

#### *Recognition*

Land and buildings owned by the Group for the purposes of generating rental income or capital appreciation or both are classified as investment properties. Properties that are being constructed or developed for future use as investment properties are also classified as investment properties.

#### *Measurement*

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

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

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

#### *Transfer from property, plant and equipment to investment properties*

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

#### *Transfer from properties held for development and sale to investment properties*

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

#### *Transfer from investment properties to properties held for development and sale*

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

# Gulf General Investments Co. PSC and its subsidiaries

Notes *(continued)*

## **3 Significant accounting policies (continued)**

### **3.7 Investment properties (continued)**

#### *Sale of investment properties*

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

### **3.8 Properties held for development and sale**

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

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

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

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

### **3.9 Inventories**

#### *Raw materials and spare parts*

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

#### *Finished and semi-finished goods*

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

### **3.10 Goodwill**

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

# Gulf General Investments Co. PSC and its subsidiaries

Notes *(continued)*

## **3 Significant accounting policies (continued)**

### **3.11 Provisions**

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

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

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

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

### **3.12 Employee benefits**

#### *Defined contribution plan*

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

#### *Annual leave and leave passage*

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

#### *Provision for employees' end of service benefits to non-UAE nationals*

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

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

# Gulf General Investments Co. PSC and its subsidiaries

Notes *(continued)*

## **3 Significant accounting policies (continued)**

### **3.13 Finance income**

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

### **3.14 Finance costs**

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

### **3.15 Financial instruments**

#### *i) Non-derivative financial assets*

##### *Recognition and initial measurement*

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

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

##### *Classification and subsequent measurement*

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

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

#### **Financial assets at amortised cost**

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

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

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

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

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

# Gulf General Investments Co. PSC and its subsidiaries

Notes *(continued)*

## **3 Significant accounting policies (continued)**

### **3.15 Financial instruments (continued)**

#### **Financial assets at amortised cost (continued)**

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

#### **Financial assets at FVTPL**

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

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

#### **Financial assets at FVOCI**

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

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

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

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

#### **Loans and receivables**

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

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

#### **Cash and cash equivalents**

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

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

# Gulf General Investments Co. PSC and its subsidiaries

Notes *(continued)*

## **3 Significant accounting policies (continued)**

### **3.15 Financial instruments (continued)**

#### *(ii) Non-derivate financial liabilities*

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

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

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

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

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

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

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

### **3.16 Insurance contracts**

#### *Classification*

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

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

# Gulf General Investments Co. PSC and its subsidiaries

Notes *(continued)*

## **3 Significant accounting policies (continued)**

### **3.16 Insurance contracts (continued)**

#### *Classification (continued)*

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

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

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

#### *Recognition and measurement*

##### *Premiums*

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

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

##### *Unearned premium provision*

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

##### *Claims*

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

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

# Gulf General Investments Co. PSC and its subsidiaries

Notes *(continued)*

## **3 Significant accounting policies (continued)**

### **3.16 Insurance contracts (continued)**

#### *Provision for premium deficiency/ liability adequacy test*

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

#### *Reinsurance*

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

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

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

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

#### *Deferred acquisition cost*

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

#### *Insurance receivables and payables*

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

#### *Insurance contract provision and reinsurance assets*

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

# Gulf General Investments Co. PSC and its subsidiaries

Notes *(continued)*

## **3 Significant accounting policies (continued)**

### **3.16 Insurance contracts (continued)**

*Insurance contract provision and reinsurance assets (continued)*

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

### **3.17 Impairment**

*Impairment of financial assets carried at amortised cost*

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

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

*Impairment of loans and receivables*

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

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

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

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

# Gulf General Investments Co. PSC and its subsidiaries

Notes *(continued)*

## **3 Significant accounting policies (continued)**

### **3.17 Impairment (continued)**

#### *Impairment of non-financial assets*

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

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

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

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

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

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

### **3.18 Fair value measurement**

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

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

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

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

# Gulf General Investments Co. PSC and its subsidiaries

Notes *(continued)*

## **3 Significant accounting policies (continued)**

### **3.18 Fair value measurement (continued)**

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

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

### **3.19 Discontinued operation**

A discontinued operation is a component of the Group's business, the operations and cash flows of which can be clearly distinguished from the rest of the Group and which:

- represents a separate major line of business or geographic area of operations;
- is part of a single co-ordinated plan to dispose of a separate major line of business or geographic area of operations; or
- is a subsidiary acquired exclusively with a view to re-sale.

Classification as a discontinued operation occurs at the earlier of disposal or when the operation meets the criteria to be classified as held-for-sale.

When an operation is classified as a discontinued operation, the comparative statement of profit or loss and other comprehensive income is re-presented as if the operation had been discontinued from the start of the comparative year.

## **4 Financial risk management objectives**

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, equity price risk and cash flow and interest rate risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

### **Market risk**

Market risk is the risk that changes in market prices such as foreign exchange rates, interest rates and equity prices will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return. There has been no change to the Group's exposure to market risks or the manner in which it manages and measures the risk.

#### *Currency risk*

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

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

#### *Equity price risk*

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

# Gulf General Investments Co. PSC and its subsidiaries

Notes *(continued)*

## **4 Financial risk management objectives (continued)**

### **Market risk (continued)**

#### *Interest rate risk*

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

#### **Credit risk**

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

The Group's credit risk is primarily attributable to its trade receivables. The amounts presented in the statement of financial position are net of allowances for impairment on receivables. An allowance for impairment is made where there is an identified loss event which, based on previous experience, is evidence of a reduction in the recoverability of the cash flows.

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

#### **Liquidity risk**

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. Ultimate responsibility for liquidity risk management rests with the Board of Directors, who have built an appropriate liquidity risk management framework for the management of the Group's short, medium and long-term funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate reserves, by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities. Also refer to note 20.

#### **Capital risk management**

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

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

# Gulf General Investments Co. PSC and its subsidiaries

Notes (continued)

## 4 Financial risk management objectives (continued)

### Gearing ratio

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

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

	2016 AED '000	2015 AED '000
Debt (refer to note 20)	2,476,962	2,648,336
Finance lease (refer to note 19)	23,141	23,141
Cash in hand and at bank (refer to note 15)	(342,165)	(359,037)
	-----	-----
Net debt	2,157,938	2,312,440
	=====	=====
Equity	1,191,175	1,266,988
	=====	=====
Net debt to equity ratio (times)	1.81	1.83
	===	===

### Insurance - Asset liability management (“ALM”)

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

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

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

### Insurance risks

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

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

#### General insurance contracts

- Accident insurance
- Property insurance
- Motor insurance
- Fire insurance
- Casualty insurance
- Medical insurance
- Marine insurance
- Engineering insurance

#### Life insurance contracts

- Group life insurance
- Credit life insurance

# Gulf General Investments Co. PSC and its subsidiaries

Notes *(continued)*

## **4 Financial risk management objectives (continued)**

### **Insurance risks (continued)**

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

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

# Gulf General Investments Co. PSC and its subsidiaries

Notes (continued)

## 5 Property, plant and equipment

	Land AED '000	Buildings, sheds and prefab houses AED '000	Plant and equipment AED '000	Motor vehicles, ships and trucks AED '000	Furniture and fixtures AED '000	Storage tanks AED '000	Other assets AED '000	Capital work-in- progress AED '000	Total AED '000
<b>Cost</b>									
At 1 January 2015	156,616	176,914	114,028	82,914	55,742	61,383	24,720	37,898	710,215
Additions	-	7,248	33,161	13,312	6,430	3,588	9,779	7,363	80,881
Disposals	-	(97)	(155)	(7,806)	(4,671)	(15,081)	-	-	(27,810)
Transfer from capital work-in-progress	-	200	-	-	783	-	2,159	(3,142)	-
Disposal of a subsidiary (refer to note 25)	-	(20,124)	(33,166)	(1,059)	(996)	(4,468)	(1,941)	(25,173)	(86,927)
	-----	-----	-----	-----	-----	-----	-----	-----	-----
At 31 December 2015	156,616	164,141	113,868	87,361	57,288	45,422	34,717	16,946	676,359
	-----	-----	-----	-----	-----	-----	-----	-----	-----
At 1 January 2016	156,616	164,141	113,868	87,361	57,288	45,422	34,717	16,946	676,359
Additions	-	7,842	3,326	6,475	3,517	-	538	5,130	26,828
Disposals	-	(362)	(549)	(7,374)	(6,557)	-	-	(63)	(14,905)
Transfer from capital work-in-progress	-	3,676	1,199	-	110	-	1,530	(6,515)	-
	-----	-----	-----	-----	-----	-----	-----	-----	-----
At 31 December 2016	156,616	175,297	117,844	86,462	54,358	45,422	36,785	15,498	688,282
	-----	-----	-----	-----	-----	-----	-----	-----	-----

# Gulf General Investments Co. PSC and its subsidiaries

Notes (continued)

## 5 Property, plant and equipment (continued)

	Land AED '000	Buildings, sheds and prefab houses AED '000	Plant and equipment AED '000	Motor vehicles, ships and trucks AED '000	Furniture and fixtures AED '000	Storage tanks AED '000	Other assets AED '000	Capital work-in- progress AED '000	Total AED '000
<b>Accumulated depreciation and impairment losses</b>									
At 1 January 2015	-	53,474	68,430	64,802	43,101	19,110	10,726	-	259,643
Charge for the year	-	1,119	15,997	5,344	1,086	2,131	4,250	-	29,927
On disposals	-	(67)	(75)	(6,999)	(2,541)	(6,481)	-	-	(16,163)
Disposal of a subsidiary (refer to note 25)	-	(9,903)	(27,103)	(958)	(982)	(1,434)	(1,807)	-	(42,187)
At 31 December 2015	-	44,623	57,249	62,189	40,664	13,326	13,169	-	231,220
At 1 January 2016	-	44,623	57,249	62,189	40,664	13,326	13,169	-	231,220
Charge for the year	-	8,316	5,743	5,672	3,979	180	2,256	-	26,146
Impairment loss (refer to note (i) below)	-	-	-	-	-	25,000	-	-	25,000
On disposals	-	(24)	(94)	(6,559)	(1,189)	-	-	-	(7,866)
At 31 December 2016	-	52,915	62,898	61,302	43,454	38,506	15,425	-	274,500
<b>Net book value</b>									
<b>At 31 December 2016</b>	<b>156,616</b>	<b>122,382</b>	<b>54,946</b>	<b>25,160</b>	<b>10,904</b>	<b>6,916</b>	<b>21,360</b>	<b>15,498</b>	<b>413,782</b>
At 31 December 2015	156,616	119,518	56,619	25,172	16,624	32,096	21,548	16,946	445,139

# Gulf General Investments Co. PSC and its subsidiaries

Notes (continued)

## 5 Property, plant and equipment (continued)

- (i) As at 31 December 2016, management of the Group has carried an assessment of the recoverable amount of storage tanks, which indicated a decrease in the recoverable amount over its carrying value by AED 25 million. Accordingly, an impairment loss of AED 25 million (2015: Nil) has been recognised in the consolidated statement of profit or loss. Also refer to note 24.
- (ii) Capital work-in-progress mainly comprises of expenditure incurred on the expansion of a factory.
- (iii) Land represents plots of land in the Emirates of Sharjah and Dubai. In the opinion of the Company's management, based on their internal estimate, fair value of land as at the reporting date approximates its carrying value.
- (iv) Certain plots of land, buildings and plant and machinery with carrying amount of AED 104.01 million (2015: AED 111.09 million) are mortgaged to local bank against credit facilities granted to the Group. Refer to note 20.

## 6 Investment properties

	<b>2016</b>	2015
	<b>AED '000</b>	AED '000
At 1 January	<b>2,436,303</b>	2,255,341
Additions during the year	<b>47,069</b>	120,026
Change in fair value (refer to note (i) below)	<b>28,065</b>	62,330
Transfer to properties held for development and sale on change in use (refer to notes (iii) below and 10)	-	(1,394)
<b>At 31 December</b>	<b>2,511,437</b>	2,436,303

- (i) The fair value of investment properties has been determined by external, qualified and independent Chartered Surveyors and Property Consultants who have recent experience in the locations and categories of the investment properties valued. The valuation has been conducted in accordance with the Royal Institution of Chartered Surveyors (RICS) Valuation - Professional Standards (January 2014 Edition).

The fair value of the certain properties amounting to AED 730.75 million (2015: AED 807.94 million) has been determined by 'Income Capitalisation' method. This process involves deducting running costs from the Gross Rental Income of the property in order to achieve the net rental income. The net rent is then capitalised at a yield to reflect the risks involved with the current and future cash flows.

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

	<b>2016</b>	2015
	<b>AED'00</b>	AED'000
Gross operating income	<b>51,606</b>	55,505
Annual net rental income	<b>37,254</b>	36,727
Risk adjusted capitalisation rate	<b>4% - 5%</b>	5% - 6%

# Gulf General Investments Co. PSC and its subsidiaries

Notes (continued)

## 6 Investment properties (continued)

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

The fair value of certain properties amounting to AED 668.66 million (2015: AED 688.58 million) has been determined by 'Sales Comparison' method which is carried out on the basis of recent market transactions for similar properties in the same location. These values are adjusted for differences in key attributes such as property size, location, rezoning permits etc.

The fair value of a certain property amounting to AED 1,112.02 million (2015: AED 939.78 million) has been determined by taking into account the Gross Development Value when completed and deducting all the costs including construction costs, soft costs, developer's profit and finance costs thus deriving the land value. Further adjustments are applied in terms of the various characteristics of the property.

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

Based on the above valuations, the Company has recognised a gain on fair valuation of AED 28.07 million (2015: AED 62.33 million) on investment properties.

- (ii) Investment properties amounting to AED 699.01 million (2015: AED 669.17 million) are registered in the name of related parties in trust and for the beneficial interest of the Group. Investment properties amounting to AED 1,968.99 million (2015: AED 1,911.70 million) are mortgaged to banks towards credit facilities granted to the Group (refer to note 20).
- (iii) During the current year, buildings and plots of land amounting to AED Nil (2015: AED 1.39 million) have been transferred from investment properties to properties held for development and sale pursuant to change in their intended use (also refer to note 10).

## 7 Goodwill

Goodwill represents AED 11.5 million as at 31 December 2016 (2015: AED 11.5 million). An impairment test for goodwill has been carried out based on the "value in use" calculation. The calculation uses cash flow projections over a period based on estimated operating results of the entities. The projected cash flows have been discounted using a discount rate that reflects industry specific risk. The Company's Directors based on the review of the impairment test for goodwill believes that there was no impairment for goodwill and accordingly no impairment allowance is required at reporting date (2015: AED Nil).

# Gulf General Investments Co. PSC and its subsidiaries

Notes (continued)

## 8 Investment in associates and joint ventures

	2016 AED '000	2015 AED '000
At 1 January	238,589	301,511
Additions during the year (refer to note (i) below)	152,650	-
Disposal during the year (refer to note (ii) below)	(5,612)	(58,205)
Transfer due to change in control	(17,000)	-
Dividend received	(9,263)	-
Share of profit / (loss) for the year	24,777	(1,444)
Share of other comprehensive income for the year	(4,460)	(3,273)
<b>At 31 December</b>	<b>379,681</b>	<b>238,589</b>

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

Accordingly, the Group has now reclassified its investment in Al Sagr Cooperative from investment in securities to an investment in associate (refer to note 9).

*Movement in investment in Al Sagr Cooperative is as follows:*

	2016 AED '000	2015 AED '000
Initial cost of investment (refer to note 9)	152,650	-
Share of profit for the year (refer to note 35)	30,027	-
Dividend received	(9,263)	-
	<b>173,414</b>	-

- (ii) During the previous year, the Group had sold 15.54% of its investment in an associate to a related party at an agreed price (refer to note 12).

# Gulf General Investments Co. PSC and its subsidiaries

Notes (continued)

## 8 Investment in associates and joint ventures (continued)

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

<u>Name of the associates and joint ventures</u>	<u>Place of incorporation</u>	<u>Ownership (%)</u>	
		<u>2016</u>	<u>2015</u>
Union Insurance PSC (refer to note (ii) above)	UAE	<b>28.36</b>	28.36
GGICO Orion Buying and Selling Real Estate LLC (refer to note 3.1.(b))	UAE	-	51.00
Arab Real Estate Development P.S.C. (Arab Corp)	Jordan	<b>30.81</b>	30.81
Ghadeh General Trading and Contracting Co. L.L.C. (Khalid Mustafa Karam Sons & Partners)	Kuwait	<b>38.00</b>	38.00
Awtad Co. PJSC	U.A.E.	<b>25.00</b>	25.00
Al Sagr Cooperative Insurance Company (refer to note (i) above)	Saudi Arabia	<b>20.00</b>	-
		=====	=====

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

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

Investments in associates and joint ventures amounting to AED 96.80 million (2015: AED 96.80) are mortgaged to banks towards credit facilities granted to the Group (refer to note 20).

## 9 Investment in securities

	2016 AED'000	2015 AED'000
<i>Investments measured at fair value through other comprehensive income ("FVOCI")</i>		
At 1 January	<b>80,507</b>	79,532
Additions during the year	<b>130</b>	565
Disposal during the year	<b>(767)</b>	(801)
Change in fair value	<b>(1,918)</b>	1,211
	-----	-----
<b>At 31 December</b>	<b>77,952</b>	80,507
	=====	=====

# Gulf General Investments Co. PSC and its subsidiaries

Notes (continued)

## 9 Investments in securities (continued)

	2016 AED '000	2015 AED '000
<i>Investments measured at fair value through profit or loss (“FVTPL”)</i>		
At 1 January	299,325	359,190
Additions during the year	2,573	-
Disposal during the year	(390)	(39,036)
Change in fair value	(10,682)	(20,829)
Transferred to investment in associates (refer to note 8(i))	(152,650)	-
	-----	-----
<b>At 31 December</b>	<b>138,176</b>	<b>299,325</b>
	=====	=====
<b>Geographical distributions of investments:</b>		
In UAE	195,193	189,935
In other countries	20,975	189,897
	-----	-----
	<b>216,128</b>	<b>379,832</b>
	=====	=====
<b>Presented in statement of financial position as:</b>		
Current portion	138,176	299,325
Non-current portion	77,952	80,507
	-----	-----
	<b>216,128</b>	<b>379,832</b>
	=====	=====

Investments in financial assets at FVTPL includes investment in a fund with a related party amounting to AED 3.3 million (2015: AED 3.3 million).

Investments measured at FVTPL and investments measured at FVOCI include investments of AED 66.77 million (2015: AED 69.04 million) pledged to banks (refer to note 20). Investments of AED 3 million (2015: AED 3 million) are registered in the name of related parties in trust and for the beneficial interest of the Group.

# Gulf General Investments Co. PSC and its subsidiaries

Notes (continued)

## 10 Properties held for development and sale

	2016 AED '000	2015 AED '000
At 1 January	580,562	607,878
Transferred from investment properties (refer to note 6)	-	1,394
Change of control from associate to a subsidiary (refer to note 3.1.(b))	17,000	-
Additions during the year	126,939	99,492
Disposal during the year	(95,136)	(128,202)
	-----	-----
<b>At 31 December</b>	<b>629,365</b>	<b>580,562</b>
	=====	=====
<i>This comprise of:</i>		
Cost of land (net)	240,405	241,146
Construction cost (net)	388,960	339,416
	-----	-----
	<b>629,365</b>	<b>580,562</b>
	=====	=====

- (i) Properties held for development and sale include projects with carrying amount of AED 289.29 million (2015: AED 253.52 million) which are temporarily on hold, however, management is in the process of devising a plan to recommence work on these projects. Based on review of these projects and after considering circumstances and facts of each of these projects, the Directors of the Company are of the view that costs incurred until the reporting date are fully recoverable and the work performed is not expected to be re-performed upon recommencement of construction or during completion of these projects.
- (ii) Management has performed an assessment of the net realisable value of the properties held for development and sale mainly on the basis of independent fair valuation and concluded that no write down is required as at the reporting date (2015: AED Nil).
- (iii) Properties held for development and sale amounting to AED 508.79 million (2015: AED 469.32 million) are mortgaged to banks towards credit facilities granted to the Group (refer to note 20).

## 11 Inventories

	2016 AED '000	2015 AED '000
Raw materials	28,520	35,904
Work-in-progress	4,681	5,477
Finished products	21,564	31,938
	-----	-----
	<b>54,765</b>	73,319
Allowance for slow moving inventories	(12,940)	(14,575)
	-----	-----
	<b>41,825</b>	58,744
Stores and spares	2,476	1,937
	-----	-----
	<b>44,301</b>	<b>60,681</b>
	=====	=====

# Gulf General Investments Co. PSC and its subsidiaries

Notes (continued)

## 11 Inventories (continued)

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

	2016 AED '000	2015 AED '000
At 1 January	14,575	15,456
Allowance made during the year (refer to note 24)	3,237	1,124
Allowance written off during the year	(4,872)	(2,005)
	-----	-----
<b>At 31 December</b>	<b>12,940</b>	<b>14,575</b>
	=====	=====

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

## 12 Related party transactions and balances

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

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

	2016 AED '000	2015 AED '000
Funds provided to related parties (net)	33,024	-
Funds received by a related party on behalf of the Company	7,826	-
Funds paid by Company on behalf of related party	4,804	-
Interest charged by a related party	21,056	20,076
Gross premium	15,820	24,629
Claims paid	26,177	5,711
Interest charged to a related party	2,770	-
Sale of properties held for development and sale	1,275	7,061
Commission paid on rented properties	868	810
Purchase of services	653	1,110
Sale of investment in an associate	-	57,437
Partial sale of investment in subsidiary	-	7,153
Sale of goods and services	-	594
Purchase of property, plant and equipment	-	127
	=====	=====
<b>Compensation to key management personnel:</b>		
Salaries and benefits	7,134	9,481
	=====	=====
<b>Due from related parties</b>		
Associates and joint ventures	3,634	4,850
Other related parties	125,393	84,769
	-----	-----
	<b>129,027</b>	<b>89,619</b>
	=====	=====
<b>Due to related parties</b>		
Associates and joint ventures	46,492	97,020
Other related parties	355,200	305,161
	-----	-----
	<b>401,692</b>	<b>402,181</b>
	=====	=====

# Gulf General Investments Co. PSC and its subsidiaries

Notes (continued)

## 12 Related party transactions and balances (continued)

The amounts outstanding are unsecured and will be settled in cash. The above balance is net of impairment allowance of AED 9.64 million (2015: AED 9.64 million).

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

## 13 Trade and other receivables

	2016 AED '000	2015 AED '000
Trade receivables	365,392	356,219
Insurance receivables	217,552	247,363
Allowance for impairment	(120,360)	(118,645)
	-----	-----
	462,584	484,937
Prepayment and other receivables (also refer to note 25)	181,985	416,228
Notes receivable (refer to note (i) below)	472,185	433,779
	-----	-----
	1,116,754	1,334,944
Less: non-current portion	(280,736)	(245,289)
	-----	-----
	<b>836,018</b>	1,089,655
	=====	=====

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

# Gulf General Investments Co. PSC and its subsidiaries

Notes (continued)

## 14 Reinsurance contract assets and insurance contract liabilities

	2016 AED '000	2015 AED '000
<b>Gross</b>		
Reserve for outstanding claims	238,734	255,323
Reserve for incurred but not reported claims (IBNR)	42,141	54,361
	-----	-----
Reserve for outstanding claims (including IBNR)	280,875	309,684
Unearned premium reserve	171,582	181,529
	-----	-----
<b>Total insurance contract liabilities (gross)</b>	<b>452,457</b>	<b>491,213</b>
	=====	=====
Less: Recoverable from reinsurers		
Reinsurer share of outstanding claims	(150,434)	(169,700)
Reinsurer share of incurred but not reported claims (IBNR)	(9,821)	(24,618)
	-----	-----
Reinsurer share of outstanding claims (including IBNR)	(160,255)	(194,318)
Unamortised reinsurance premium reserve	(47,316)	(43,910)
	-----	-----
<b>Total re-insurance contract assets</b>	<b>(207,571)</b>	<b>(238,228)</b>
	=====	=====
<b>Net insurance contract liabilities</b>	<b>244,886</b>	<b>252,985</b>
	=====	=====

(i) Movement in outstanding claims and reinsurance contract assets:

	Gross AED '000	Reinsurance AED '000	Net AED '000
<b>2016</b>			
At 1 January 2016	309,684	(194,318)	115,366
Less: settled during the year	(355,672)	116,919	(238,753)
Add: provision made during the year	326,863	(82,856)	244,007
	-----	-----	-----
<b>At 31 December 2016</b>	<b>280,875</b>	<b>(160,255)</b>	<b>120,620</b>
	=====	=====	=====
<b>2015</b>			
At 1 January 2015	271,988	(150,492)	121,496
Less: settled during the year	(345,755)	83,489	(262,266)
Add: provision made during the year	383,451	(127,315)	256,136
	-----	-----	-----
At 31 December 2015	309,684	(194,318)	115,366
	=====	=====	=====

# Gulf General Investments Co. PSC and its subsidiaries

Notes (continued)

## 14 Reinsurance contract assets and insurance contract liabilities (continued)

(ii) Movement in unearned premium reserve:

	Gross AED '000	Reinsurance AED '000	Net AED '000
<b>2016</b>			
At 1 January 2016	181,529	(43,910)	137,619
Less: settled during the year	171,582	(47,316)	124,266
Add: provision made during the year	(181,529)	43,910	(137,619)
	-----	-----	-----
<b>At 31 December 2016</b>	<b>171,582</b>	<b>(47,316)</b>	<b>124,266</b>
	=====	=====	=====
<b>2015</b>			
At 1 January 2015	201,420	(48,055)	153,365
Less: settled during the year	181,529	(43,910)	137,619
Add: provision made during the year	(201,420)	48,055	(153,365)
	-----	-----	-----
At 31 December 2015	181,529	(43,910)	137,619
	=====	=====	=====

### Assumptions and sensitivities

#### *Process used to determine the assumptions*

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

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

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

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

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

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

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

# Gulf General Investments Co. PSC and its subsidiaries

Notes (continued)

## 14 Reinsurance contract assets and insurance contract liabilities (continued)

Claim and development table

			Underwriting year		Total AED'000
	2013 AED'000	2014 AED'000	2015 AED'000	2016 AED'000	
<b>Gross</b>					
Estimate of net incurred claims cost					
- At the end of underwriting year	215,039	261,757	284,798	286,984	-
- One year later	263,243	319,135	334,482	-	-
- Two years later	268,595	308,840	-	-	-
- Three years later	268,987	-	-	-	-
Current estimate of incurred claims	268,987	308,840	334,482	286,984	1,199,293
Cumulative payments to date	(212,457)	(310,704)	(320,036)	(185,244)	(1,028,441)
	-----	-----	-----	-----	-----
Liability recognized	56,530	(1,864)	14,446	101,740	170,852
	-----	-----	-----	-----	
Expected Recoveries					48,900
Liability in respect of prior years					18,982
					-----
<b>Total liability included in the statement of financial position</b>					<b>238,734</b>
					=====
<b>Net</b>					
Estimate of net incurred claims cost					
- At the end of underwriting year	135,010	179,502	223,736	188,176	-
- One year later	188,515	239,726	268,263	-	-
- Two years later	187,994	237,895	-	-	-
- Three years later	186,910	-	-	-	-
Current estimate of incurred claims	186,910	237,895	268,263	188,176	881,244
Cumulative payments to date	(183,205)	(243,695)	(261,996)	(153,292)	(842,188)
	-----	-----	-----	-----	-----
Liability recognised	3,705	(5,800)	6,267	34,884	39,056
	-----	-----	-----	-----	
Expected Recoveries					48,900
Liability in respect of prior years					343
					-----
<b>Total liability included in the statement of financial position</b>					<b>88,299</b>
					=====

### Summary of the Actuary's report on the Technical Provisions

#### Gross Reserves as at 31 December 2016

	Life insurance AED '000	General insurance AED '000	Total AED '000
Reserve for outstanding claims (including IBNR)	9,155	271,720	280,875
Unearned premium reserve	3,131	168,451	171,582
	-----	-----	-----
<b>Total</b>	<b>12,286</b>	<b>440,171</b>	<b>452,457</b>
	=====	=====	=====

# Gulf General Investments Co. PSC and its subsidiaries

Notes (continued)

## 14 Reinsurance contract assets and insurance contract liabilities (continued)

### Summary of the Actuary's report on the Technical Provisions (continued)

#### Net Reserves as at 31 December 2016

	<b>Life insurance AED '000</b>	<b>General insurance AED '000</b>	<b>Total AED '000</b>
Reserve for outstanding claims (including IBNR)	755	119,864	120,619
Unearned premium reserve	172	124,095	124,267
	-----	-----	-----
<b>Total</b>	<b>927</b>	<b>243,959</b>	<b>244,886</b>
	====	=====	=====

#### Gross Reserves as at 31 December 2015

	<b>Life insurance AED '000</b>	<b>General insurance AED '000</b>	<b>Total AED '000</b>
Reserve for outstanding claims (including IBNR)	7,822	301,862	309,684
Unearned premium reserve	3,291	178,238	181,529
	-----	-----	-----
<b>Total</b>	<b>11,113</b>	<b>480,100</b>	<b>491,213</b>
	=====	=====	=====

#### Net Reserves as at 31 December 2015

	<b>Life insurance AED '000</b>	<b>General insurance AED '000</b>	<b>Total AED '000</b>
Reserve for outstanding claims (including IBNR)	591	114,775	115,366
Unearned premium reserve	147	137,471	137,618
	-----	-----	-----
<b>Total</b>	<b>738</b>	<b>252,246</b>	<b>252,984</b>
	====	=====	=====

Actuarial estimation of the insurance liabilities has been performed by the independent actuary in accordance with the requirement of new financial regulations issued under Federal Law No.6 of 2007 pertaining to the insurance companies and agents. Estimates are made for the expected ultimate cost of claims incurred but not yet reported at the reporting date (IBNR) using a range of standard actuarial claim projection techniques, based on empirical data and current assumptions that may include a margin for adverse deviation.

# Gulf General Investments Co. PSC and its subsidiaries

Notes (continued)

## 15 Cash in hand and at bank

	2016 AED '000	2015 AED '000
Cash in hand	2,460	7,041
Bank balances:		
- Current accounts (refer to note (i) below)	73,618	66,691
- Deposit accounts (refer to note (ii) below)	266,087	285,305
	-----	-----
<b>Cash in hand and at bank</b>	<b>342,165</b>	<b>359,037</b>
Less: Fixed deposits under lien/ deposits with maturity over three months	(2,807)	(235,811)
Less: Bank overdrafts	(162,313)	(185,190)
	-----	-----
<b>Cash and cash equivalents</b>	<b>177,045</b>	<b>(61,964)</b>
	=====	=====

(i) Bank balance in current account include cash of AED 6.36 million as at 31 December 2016 (2015: AED 24.40 million) held in escrow accounts.

(ii) Deposits include fixed deposits of AED 229.7 million (2015: AED 253.3 million) held under lien (refer to note 20) against facilities granted to the Group and also include a deposit amounting to AED 10.3 million (2015: AED 10.3 million) deposited in the name of the Group to the order of the Ministry of Economy and Trade of the United Arab Emirates as required by the Federal Law No. (6) of 2007 relating to Insurance Authority.

## 16 Share capital

	2016 AED'000	2015 AED'000
<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
	=====	=====

## 17 Reserves

### *Legal reserve*

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

### *Additional reserve*

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

### *Land revaluation reserve*

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

# Gulf General Investments Co. PSC and its subsidiaries

Notes (continued)

## 18 Provision for employees' end of service benefits

	2016 AED '000	2015 AED '000
At 1 January	37,134	36,860
Provision made during the year	5,835	7,919
Adjustment for disposal of a subsidiary (refer to note 25)	-	(4,629)
Payments made during the year	(5,873)	(3,016)
	-----	-----
At 31 December	<b>37,096</b>	37,134
	=====	=====

## 19 Finance lease

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

	Future minimum lease payments AED '000	Interest AED '000	2016 Present value of minimum lease payments AED '000
Less than one year	25,228	(2,087)	23,141
	-----	-----	-----
	<b>25,228</b>	<b>(2,087)</b>	<b>23,141</b>
	=====	=====	=====
	Future minimum lease payments AED '000	Interest AED '000	2015 Present value of minimum lease payments AED '000
Less than one year	10,923	(1,329)	9,594
Between one to five years	11,798	(718)	11,080
More than five years	2,507	(40)	2,467
	-----	-----	-----
	<b>25,228</b>	<b>(2,087)</b>	<b>23,141</b>
	=====	=====	=====

Presented in statement of financial position as:

	2016 AED '000	2015 AED '000
Current portion	23,141	9,594
Non-current portion	-	13,547
	-----	-----
	<b>23,141</b>	23,141
	=====	=====

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

# Gulf General Investments Co. PSC and its subsidiaries

Notes (continued)

## 20 Borrowings

	2016 AED'000	2015 AED'000
<b>(i) Short term</b>		
Bank overdrafts	162,313	185,190
Trust receipts	68,235	67,809
Bills discounted and acceptances	-	1,055
Current portion of term loans (refer to note (ii) below)	1,551,748	978,299
	-----	-----
	<b>(A) 1,782,296</b>	1,232,353
	=====	=====
<b>(ii) Term loans</b>		
At 1 January	2,394,282	2,463,767
Add: availed during the year	190	2,350
Less: repaid during the year	(148,058)	(71,835)
	-----	-----
At 31 December	2,246,414	2,394,282
Less: current portion of term loans	(1,551,748)	(978,299)
	-----	-----
Long term portion of term loans	<b>(B) 694,666</b>	1,415,983
	=====	=====
Total borrowings	<b>(A+B) 2,476,962</b>	2,648,336
	=====	=====
<i>Total borrowings comprise of:</i>		
Earlier restructured loan (2012)	2,093,866	2,237,843
Other borrowings	383,096	410,493
	-----	-----
	<b>2,476,962</b>	2,648,336
	=====	=====

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 its substantial portion of existing loan facilities which have total outstanding of AED 2,093.87 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 704.69 million and AED 78.43 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 and interest of AED 7.4 million (included in trade and other payables) 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 by June 2017.

Also refer to note 21.

# Gulf General Investments Co. PSC and its subsidiaries

Notes (continued)

## 20 Borrowings (continued)

Some of the Group entities are also in negotiation with the banks to restructure their existing borrowings facilities, which have total outstanding of AED 206.84 million (principal) and interest of AED 60.86 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 certain creditor banks.

As at 31 December 2016, one of the Group entities has not complied with a certain bank covenant. The carrying value of the loan is AED 102.22 million (principal) which is classified as current liabilities.

### *Earlier restructured loan (2012)*

On 2 July 2012, the Company concluded the restructuring agreement with a group of banks covering almost its entire debt outstanding. The amended terms for the facilities provided to the Company was granted on security over the Company's properties amounting to AED 919 million based on the initial valuation in the restructuring agreement.

According to the restructuring agreement, the total borrowing of the Company amounting to AED 2.8 billion is to be repaid as follows:

Year	Cumulative repayment of total borrowings	Cumulative repayment amount (in AED)
31 December 2012	2.5%	69,458,664
31 December 2013	7.5%	208,375,993
31 December 2014	12.5%	347,293,321
31 December 2015	22.5%	625,127,978
31 December 2016	50.0%	1,389,173,285
31 December 2017	75.0%	2,083,759,927
31 December 2018	100.0%	2,778,346,569
	=====	=====

The Company shall pay interest in respect of each term facility on the last day of each interest period at the rate which is an aggregate of applicable margin and EIBOR for term facilities denominated in Dirhams and LIBOR for term facilities denominated in Dollars. Margin in relation to each of the following calendar years are as follows:

Year (both inclusive)	Margin Rate (per annum)
2011 to 2014	2.00%
2015 to 2016	2.75%
2017 to 2018	3.50%
	=====

Commencing from 2 July 2012, the Company is required to maintain a minimum Asset Cover Ratio of 1.2:1 and is also subject to the general covenants including dividend restriction in accordance with the restructuring agreement. Further, certain subsidiaries of the Company are subject to maintain certain level of financial indebtedness as guarantors of the restructured loan. These borrowings are secured against certain assets of the Group. Refer to notes 5, 6, 8, 9, 10 and 11.

# Gulf General Investments Co. PSC and its subsidiaries

Notes (continued)

## 20 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.

## 21 Trade and other payables

	2016 AED '000	2015 AED '000
Trade payables	279,134	286,702
Notes payable (refer to note (i) below)	257,040	257,040
Accrued expenses (refer to note (ii) below)	208,691	181,128
Provisions and other payables	270,284	144,195
Advance from customers	263,449	283,942
Insurance customers payable	79,811	72,272
Due to insurance and re-insurance companies	60,779	80,162
	-----	-----
	<b>1,419,188</b>	1,305,441
	=====	=====

- (i) Notes payable represents capital protected notes bearing interest rates of LIBOR +0.25% and secured by investment in quoted securities of the Group. The Group is in the process of negotiation with a financial institution to restructure a credit facility amounting to AED 257.04 million which became due for repayment on 30 September 2016.
- (ii) These includes AED 146.73 million (2015: AED 77.84 million) representing interest due on notes payable (refer to note (i) above) and bank borrowings. Also refer to notes 2.8 and 20.

## 22 Revenue

	2016 AED '000	2015 AED '000
Insurance income	279,821	321,780
Trading, service and rental income	235,560	305,771
Sale of properties held for development and sale	204,706	151,000
Sale of manufactured goods	130,334	159,997
Dividend income	7,393	2,051
	-----	-----
	<b>857,814</b>	940,599
	=====	=====

# Gulf General Investments Co. PSC and its subsidiaries

Notes (continued)

## 23 Cost of revenue

	2016 AED '000	2015 AED '000
Cost of insurance	244,007	256,136
Cost of goods manufactured and sold	115,266	147,354
Cost of trading, services and rentals	99,375	154,660
Cost of properties held for development and sale	96,621	127,020
	-----	-----
	<u>555,269</u>	<u>685,170</u>

## 24 Administrative and general expenses

	2016 AED '000	2015 AED '000
<i>These include:</i>		
Staff salaries and benefits	130,112	134,084
Rent expense	23,419	22,943
Legal and professional	30,359	22,661
Allowance for impairment on property, plant and equipment (refer to note 5(i))	25,000	-
Depreciation	15,322	17,018
Utilities	10,987	10,594
Allowance for trade receivables impairment (refer to note 31)	8,668	12,495
Repair and maintenance	4,671	4,952
Allowance for slow moving inventories (refer to note 11)	3,237	1,124
	=====	=====

## 25 Discontinued operations

On 10 November 2015, the Company entered into an agreement to sell its entire stake in a subsidiary details of which are given below:

### (i) Results from discontinued operations

	2015 AED '000
Revenue	227,821
Cost of revenue	(175,068)
	-----
Gross profit	52,753
Administrative and general expenses	(9,170)
Selling and distribution expenses	(22,694)
Other income	101
Finance cost	(986)
	-----
Profit for the year from discontinuing operations	<u>20,004</u>

# Gulf General Investments Co. PSC and its subsidiaries

Notes (continued)

## 25 Discontinued operations (continued)

### (ii) Effect of disposal on financial position of the Group

	2015 AED '000
Assets	
Non-current assets	
Property, plant and equipment	44,740
Current assets	
Inventories	27,908
Trade and other receivables	116,786
Cash in hand and bank	1,781
	-----
	146,475
	-----
Total assets	191,215
	=====
Non-current liabilities	
Provision for employees' end of service benefits	4,629
Current liabilities	
Trade and other payables	51,594
	-----
Total liabilities	56,223
	=====
Total assets and liabilities	134,992
Total sales consideration	303,000
	-----
Gain recognised on disposal of interest in a subsidiary	168,008
	=====

## 26 Finance income

	2016 AED '000	2015 AED '000
Interest on bank deposits	7,735	14,574
	=====	=====

## 27 Finance cost

	2016 AED '000	2015 AED '000
Interest on term loans, bank overdraft, borrowings, finance lease and payable to a related party	140,592	128,119
	=====	=====

Also refer to note 12.

# Gulf General Investments Co. PSC and its subsidiaries

Notes (continued)

## 28 Earnings per share

	2016 AED '000	2015 AED '000
Net (loss) / profit attributable to owners of the company (AED '000)	(155,197)	14,348
Number of shares ('000)	1,791,333	1,791,333
Basic earnings per share (AED Fils per share)	(8.66)	0.80

## 29 Operating lease commitments

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

	2016 AED '000	2015 AED '000
Less than one year	11,779	9,978
One to five years	22,018	25,317
	33,797	35,295

## 30 Commitments and contingent liabilities

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

	2016 AED '000	2015 AED '000
<i>Building construction contracts</i>		
Group	683,415	737,677
Associate (100%)	54,979	54,979

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

	2016 AED '000	2015 AED '000
<i>Group</i>		
Letters of guarantee	68,591	12,433
Letter of credit	-	1,147
<i>Associates</i>		
Letters of guarantee (100%)	34,080	34,080

# Gulf General Investments Co. PSC and its subsidiaries

Notes (continued)

## 30 Commitments and contingent liabilities (continued)

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

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

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

## 31 Financial instruments

Financial assets of the Group include investments in securities, due from related parties, re-insurance contract assets, trade and other receivables and cash at bank. Financial liabilities of the Group include term loans, notes payable, due to related parties, insurance contract liabilities, trade and other payables, short term borrowings and finance lease liabilities. The table below sets out the Group's classification of each class of financial assets and financial liabilities and their fair values for the current and comparative period:

# Gulf General Investments Co. PSC and its subsidiaries

Notes (continued)

## 31 Financial instruments (continued)

	Designated as fair value through profit or loss AED' 000	Designated as fair value through other comprehensive income AED' 000	Others at amortised cost AED' 000	Carrying amount AED' 000	Fair value AED' 000
<b>2016</b>					
<i>Financial assets</i>					
Investment in securities	138,176	77,952	-	216,128	216,128
Due from related parties	-	-	129,027	129,027	129,027
Re-insurance contract assets	-	-	207,571	207,571	207,571
Trade and other receivables	-	-	1,116,754	1,116,754	1,116,754
Cash at bank	-	-	339,705	339,705	339,705
	<u>138,176</u>	<u>77,952</u>	<u>1,793,057</u>	<u>2,009,185</u>	<u>2,009,185</u>
<i>Financial liabilities</i>					
Borrowings	-	-	2,476,962	2,476,962	2,476,962
Due to related parties	-	-	401,692	401,692	401,692
Insurance contract liabilities	-	-	452,457	452,457	452,457
Trade and other payables	-	-	1,419,188	1,419,188	1,419,188
Finance lease liabilities	-	-	23,141	23,141	23,141
	<u>-</u>	<u>-</u>	<u>4,773,440</u>	<u>4,773,440</u>	<u>4,773,440</u>
<b>2015</b>					
<i>Financial assets</i>					
Investment in securities	299,325	80,507	-	379,832	379,832
Due from related parties	-	-	89,619	89,619	89,619
Re-insurance contract assets	-	-	238,228	238,228	238,228
Trade and other receivables	-	-	1,334,944	1,334,944	1,334,944
Cash at bank	-	-	351,996	351,996	351,996
	<u>299,325</u>	<u>80,507</u>	<u>2,014,787</u>	<u>2,394,619</u>	<u>2,394,619</u>
<i>Financial liabilities</i>					
Borrowings	-	-	2,648,336	2,648,336	2,648,336
Due to related parties	-	-	402,181	402,181	402,181
Insurance contract liabilities	-	-	491,213	491,213	491,213
Trade and other payables	-	-	1,305,441	1,305,441	1,305,441
Finance lease liabilities	-	-	23,141	23,141	23,141
	<u>-</u>	<u>-</u>	<u>4,870,312</u>	<u>4,870,312</u>	<u>4,870,312</u>

# Gulf General Investments Co. PSC and its subsidiaries

Notes (continued)

## 31 Financial instruments (continued)

### Credit risk

#### Exposure to credit risk

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

	<b>2016</b> <b>AED'000</b>	2015 AED'000
Due from related parties	<b>129,027</b>	89,619
Re-insurance contract assets	<b>207,571</b>	226,787
Trade and other receivables (excluding prepayments and advances)	<b>1,056,139</b>	1,035,155
Cash at banks	<b>339,705</b>	351,996
	<b>1,732,442</b>	1,703,557

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

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

Movement in the allowance for impairment are as follows:

	<b>2016</b> <b>AED '000</b>	2015 AED '000
At 1 January	<b>118,645</b>	115,463
Allowances made during the year (refer to note 24)	<b>8,668</b>	12,495
Amounts written off as uncollectable	<b>(3,513)</b>	(7,514)
Amounts recovered	<b>(3,440)</b>	(1,799)
<b>At 31 December</b>	<b>120,360</b>	118,645

# Gulf General Investments Co. PSC and its subsidiaries

Notes (continued)

## 31 Financial instruments (continued)

### Liquidity risk

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

	Carrying value AED' 000	Contractual cash flows AED' 000	Less than 1 year AED' 000	More than 1 year AED' 000
<b>2016</b>				
<i>Financial liabilities</i>				
Long term portion of term loans	694,666	744,702	25,409	719,293
Due to related parties	401,692	417,278	417,278	-
Outstanding claim reserve	238,734	238,734	238,734	-
Trade and other payables	1,419,188	1,594,428	1,594,428	-
Short term borrowings	1,782,296	1,859,700	1,859,700	-
Finance lease liabilities	23,141	25,197	4,449	20,748
	-----	-----	-----	-----
	<b>4,559,717</b>	<b>4,880,039</b>	<b>4,139,998</b>	<b>740,041</b>
	=====	=====	=====	=====
<b>2015</b>				
<i>Financial liabilities</i>				
Long term portion of term loans	1,415,983	1,566,904	51,840	1,515,064
Due to related parties	402,181	421,916	421,916	-
Outstanding claim reserve	255,723	255,723	255,723	-
Trade and other payables	1,305,441	1,554,472	1,554,472	-
Short term borrowings	1,232,353	1,285,116	1,285,116	-
Finance lease liabilities	23,141	25,228	9,594	15,634
	-----	-----	-----	-----
	<b>4,634,822</b>	<b>5,109,359</b>	<b>3,578,661</b>	<b>1,530,698</b>
	=====	=====	=====	=====

### Interest rate risk

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

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

	2016 AED'000	2015 AED'000
<b>Variable rate instruments</b>		
Financial assets	266,087	285,305
Financial liabilities	(2,734,002)	(3,753,781)
	-----	-----
	<b>(2,467,915)</b>	<b>(3,468,476)</b>
	=====	=====

# Gulf General Investments Co. PSC and its subsidiaries

Notes (continued)

## 31 Financial instruments (continued)

### Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points in interest rates at the reporting date would have increased/ (decreased) equity by the amounts shown below. This analysis assumes that all other variables remain constant. This analysis is performed on the same basis for 2015.

	Equity	
	100 basis points increase AED'000	100 basis points decrease AED'000
<b>At 31 December 2016</b>		
<b>Variable rate instruments</b>	<b>(24,679)</b>	<b>24,679</b>
	=====	=====
At 31 December 2015		
Variable rate instruments	(34,685)	34,685
	=====	=====

### Equity price risk

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

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

	2016 AED'000	2015 AED'000
Investments measured at fair value through profit or loss	138,176	299,325
Investments measured at fair value through other comprehensive income	77,952	80,507
	-----	-----
	<b>216,128</b>	<b>379,832</b>
	=====	=====

### Cash flow sensitivity analysis for equity instruments

A change of 100 basis points in equity rates at the reporting date would have increased/ (decreased) equity by the amounts shown below. This analysis assumes that all other variables remain constant. This analysis is performed on the same basis for 2015.

	Equity	
	100 basis points Increase AED'000	100 basis points decrease AED'000
<b>At 31 December 2016</b>		
<b>Equity instruments</b>	<b>2,161</b>	<b>(2,161)</b>
	=====	=====
At 31 December 2015		
Equity instruments	3,798	(3,798)
	=====	=====

# Gulf General Investments Co. PSC and its subsidiaries

Notes (continued)

## 31 Financial instruments (continued)

### Fair value hierarchy

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

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

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

	Level 1 AED'000	Level 2 AED'000	Level 3 AED'000
<b>2016</b>			
<i>Financial assets</i>			
Investments measured at fair value through other comprehensive income			
Quoted equity investments	67,073	-	-
Unquoted equity investments	-	-	10,879
	-----	-----	-----
	67,073	-	10,879
	=====	=====	=====
Investments measured at fair value through profit or loss			
Quoted equity investments	72,487	-	-
Unquoted equity investments	-	-	65,689
	-----	-----	-----
	72,487	-	65,689
	=====	=====	=====
<b>2015</b>			
<i>Financial assets</i>			
Investments measured at fair value through other comprehensive income			
Quoted equity investments	70,008	-	-
Unquoted equity investments	-	-	10,499
	-----	-----	-----
	70,008	-	10,499
	=====	=====	=====
Investments measured at fair value through profit or loss			
Quoted equity investments	230,699	-	-
Unquoted equity investments	-	-	68,626
	-----	-----	-----
	230,699	-	68,626
	=====	=====	=====

# Gulf General Investments Co. PSC and its subsidiaries

Notes (continued)

## 31 Financial instruments (continued)

### Fair value hierarchy (continued)

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

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

## 32 Key accounting judgments and uncertainty

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

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

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

### Key judgments in applying accounting policies

#### *Classification of investments*

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

#### *Classification of properties*

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

# Gulf General Investments Co. PSC and its subsidiaries

Notes (continued)

## 32 Key accounting judgments and uncertainty (continued)

### Key sources of estimation

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

#### *Fair value of investment properties*

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

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

#### *Useful lives of property, plant and equipment*

The Group's management determines the estimated useful lives and related depreciation charge for its property, plant and equipment on an annual basis. The Group has carried out a review of the residual values and useful lives of property, plant and equipment as at 31 December 2016.

#### *Valuation of unquoted equity investments*

Valuation of unquoted equity investments is normally based on recent market transactions on an arm's length basis, fair value of another instrument that is substantially the same, expected cash flows discounted at current rates for similar instruments or other valuation models. In the absence of an active market for these investments or any recent transactions that could provide evidence of the current fair value, these investments are carried at cost less recognised impairment losses, if any. Management believes that the carrying values of these unquoted equity investments are not materially different from their fair values. Valuation techniques and key inputs are mentioned in note 30 to these consolidated financial statements.

#### *Impairment of investments in joint ventures and associates*

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

#### *Impairment of trade and other receivables*

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

# Gulf General Investments Co. PSC and its subsidiaries

Notes (continued)

## 32 Key accounting judgments and uncertainty (continued)

### Key sources of estimation (continued)

#### *Inventories*

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

#### *Insurance contract classification*

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

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

#### *Provision for outstanding claims, whether reported or not*

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

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

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

#### *Liability adequacy test*

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

# Gulf General Investments Co. PSC and its subsidiaries

Notes (continued)

## 32 Key accounting judgments and uncertainty (continued)

### Key sources of estimation (continued)

#### *Impairment of goodwill*

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

#### *Impairment of properties held for development and sale*

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

In determining whether impairment losses should be recognised in the consolidated statement of profit or loss and other comprehensive income, the management assesses the current selling prices of the property units and the anticipated costs for completion of such property units for properties which remain unsold at the reporting date. If the current selling prices are lower than the anticipated costs to complete, an impairment provision is recognised for the identified loss event or condition to reduce the cost of properties held for development and sale to its net realisable value.

#### *Consolidation - de facto control*

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

## 33 Segment information

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

<b>Reportable segments</b>	<b>Operations</b>
<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)

## 33 Segment information (continued)

	Manufacturing		Investments **		Services and others		Unallocated		Total	
	2016 AED'000	2015 AED'000	2016 AED'000	2015 AED'000	2016 AED'000	2015 AED'000	2016 AED'000	2015 AED'000	2016 AED'000	2015 AED'000
Segment assets	<b>349,255</b>	434,608	<b>4,566,587</b>	4,610,435	<b>614,677</b>	680,734	<b>471,192</b>	448,657	<b>6,001,711</b>	6,174,434
Segment liabilities	<b>285,750</b>	302,435	<b>3,284,144</b>	3,228,465	<b>678,976</b>	733,929	<b>561,666</b>	642,617	<b>4,810,536</b>	4,907,446
Revenue*	<b>123,535</b>	413,853	<b>239,660</b>	155,488	<b>494,619</b>	599,079	-	-	<b>857,814</b>	1,168,420
Segment result from operations*	<b>(39,459)</b>	8,742	<b>83,384</b>	175,452	<b>(9,825)</b>	(48,940)	-	-	<b>34,100</b>	135,254
Finance income*	-	-	<b>7,735</b>	14,574	-	-	-	-	<b>7,735</b>	14,574
Finance cost*	<b>(11,968)</b>	(9,755)	<b>(122,430)</b>	(110,319)	<b>(6,194)</b>	(9,031)	-	-	<b>(140,592)</b>	(129,105)
(Loss)/profit for the year*	<b>(51,427)</b>	(1,013)	<b>(31,311)</b>	79,707	<b>(16,019)</b>	(57,971)	-	-	<b>(98,757)</b>	20,723

\* Including discontinued operations.

\*\* Refer to note 25 for discontinued operating segments.

# Gulf General Investments Co. PSC and its subsidiaries

Notes (continued)

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

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

	Al Sagr National Insurance Co. P.S.C. and a subsidiary		GGICO Orion Buying and Selling Real Estate LLC		Dubai Al Ahlia Quick Transport LLC		Others		Total	
	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015
	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000
Current assets	997,014	1,061,531	104,024	-	32,707	38,673	115,928	106,492	1,249,673	1,206,696
Non-current assets	220,287	194,341	12,378	-	28,788	23,605	19,638	19,049	281,091	236,995
Current liabilities	750,960	811,125	(12,099)	-	17,669	23,925	107,055	91,912	863,585	926,962
Non-current liabilities	14,329	13,368	-	-	2,038	2,392	4,349	3,817	20,716	19,577
	=====	=====	=====	=====	=====	=====	=====	=====	=====	=====
<b>Net assets attributable to:</b>										
Non-controlling interest	205,780	202,788	62,965	-	20,644	17,981	11,644	7,101	301,033	227,870
	=====	=====	=====	=====	=====	=====	=====	=====	=====	=====
Revenue	285,466	319,411	180,611	-	48,277	57,983	84,960	113,293	599,315	493,056
	=====	=====	=====	=====	=====	=====	=====	=====	=====	=====
Expenses	(264,518)	333,237	(97,844)	-	(42,917)	52,795	(80,302)	98,218	(485,581)	484,250
	=====	=====	=====	=====	=====	=====	=====	=====	=====	=====
Profit/(loss) for the year	20,949	(13,825)	82,767	-	5,360	7,556	4,658	15,075	113,734	8,806
	=====	=====	=====	=====	=====	=====	=====	=====	=====	=====
<b>Attributable to NCI:</b>										
Profit/(loss)	10,567	(6,498)	40,556	-	2,680	3,785	2,637	9,088	56,440	6,375
	=====	=====	=====	=====	=====	=====	=====	=====	=====	=====
<b>Cash flow statement information:</b>										
Cash flows from operating activities	(27,291)	99,368	(4,367)	-	4,478	10,561	-	-	-	-
Cash flows from investing activities	16,196	18,052	-	-	(5,183)	(12,966)	-	-	-	-
Cash flows from financing activities	-	(117,492)	-	-	-	6,147	-	-	-	-
	=====	=====	=====	=====	=====	=====	=====	=====	=====	=====

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

# Gulf General Investments Co. PSC and its subsidiaries

Notes (continued)

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

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

	Ghadah General Trading & Contracting Co. L.L.C. (Khalid Mustafa Sons & Al Sagr Co operative											
	Union Insurance P.S.C.		Awtad Co. PJSC		Partners)		Insurance Co.		Others		Total	
	2016 AED'000	2015 AED' 000	2016 AED'000	2015 AED' 000	2016 AED' 000	2015 AED'000	2016 AED' 000	2015 AED'000	2016 AED' 000	2015 AED'000	2016 AED' 000	2015 AED'000
Current assets	<b>1,306,352</b>	950,120	<b>2,729</b>	15	<b>55,913</b>	51,081	<b>1,061,538</b>	-	<b>105</b>	55,163	<b>2,426,637</b>	1,056,379
Non-current assets	<b>165,818</b>	162,598	<b>242,954</b>	218,077	<b>84</b>	6,564	-	-	<b>1,962</b>	59,679	<b>410,818</b>	446,918
Current liabilities	<b>(1,170,273)</b>	(768,668)	<b>(19,846)</b>	(13,305)	<b>(30,290)</b>	(26,790)	<b>(562,965)</b>	-	<b>(2,120)</b>	(76,798)	<b>(1,785,494)</b>	(885,561)
Non-current liabilities	<b>(3,417)</b>	(2,069)	<b>(11,236)</b>	-	<b>(600)</b>	(544)	-	-	<b>(1,273)</b>	(1,303)	<b>(16,526)</b>	(3,916)
Net assets	<b>298,480</b>	341,981	<b>214,601</b>	204,787	<b>25,107</b>	30,311	<b>498,573</b>	-	<b>(1,326)</b>	36,741	<b>1,035,435</b>	613,820
Fair value adjustment on acquisition	-	-	-	-	-	-	-	-	-	-	<b>90,173</b>	16,473
Group's share of net assets	<b>86,788</b>	-	<b>53,650</b>	-	<b>26,014</b>	-	<b>173,415</b>	-	<b>39,815</b>	-	<b>379,682</b>	238,589
Revenue	<b>378,819</b>	313,114	-	2,102	<b>19,842</b>	-	<b>494,368</b>	-	-	-	<b>893,029</b>	315,216
Profit / (loss) for the year	<b>(27,772)</b>	(4,732)	<b>18,418</b>	1,944	<b>(5,204)</b>	-	<b>150,136</b>	-	-	-	<b>135,578</b>	(2,788)
Other comprehensive loss for the year	<b>(15,728)</b>	(10,723)	-	-	-	-	-	-	-	-	<b>(15,728)</b>	(10,723)
Group's share of profit/ (loss) for the year	<b>(7,876)</b>	(1,444)	<b>4,604</b>	486	<b>(1,978)</b>	(486)	<b>30,027</b>	-	-	-	<b>(24,777)</b>	(1,444)
Group's share of other comprehensive loss for the year	<b>(4,460)</b>	(3,273)	-	-	-	-	-	-	-	-	<b>(4,460)</b>	(3,273)
Fair value of the Group's share (based on quoted market price)	<b>174,600</b>	105,131	-	-	-	-	-	-	-	-	<b>174,600</b>	105,131

# Gulf General Investments Co. PSC and its subsidiaries

Notes *(continued)*

## **36 Comparative amounts**

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