

Dubai Investments PJSC and its subsidiaries

Condensed consolidated interim financial
statements

31 March 2018

Dubai Investments PJSC and its subsidiaries

Condensed consolidated interim financial statements

31 March 2018

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Scope of Review

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed consolidated interim financial statements as at and for the three month period ended 31 March 2018 are not prepared, in all material respects, in accordance with *IAS 34, 'Interim Financial Reporting'*.

KPMG Lower Gulf Limited

Fawzi AbuRass
Registration No.: 968
Dubai, United Arab Emirates
Date: 6 May 2018

Dubai Investments PJSC and its subsidiaries

Condensed consolidated statement of profit or loss for the three month period ended 31 March (unaudited)

| | Note | Three month period ended 31 March | |
|--|------|--------------------------------------|-----------------|
| | | 2018 AED 000 | 2017 AED 000 |
| Sale of goods and services | | 315,960 | 207,064 |
| Rental income | | 215,180 | 223,969 |
| Contract revenue | | 74,705 | 86,736 |
| Sale of properties | | 13,424 | - |
| Loss on fair valuation of investments | | (45,206) | (1,759) |
| Gain on sale of investments – (net) | 22 | 22,616 | 1,660 |
| Gain on sale of investment properties | | - | 1,049 |
| Gain on fair valuation of investment properties | | - | 174,770 |
| Dividend income | | 7,315 | 2,816 |
| Share of (loss)/profit from equity accounted investees | | (10,014) | 932 |
| Gain on fair valuation of existing interest prior to acquisition of a subsidiary | 21 | 228,916 | - |
| Bargain purchase gain | 21 | 104,263 | - |
| Total income | | 927,159 | 697,237 |
| Direct operating costs | 6 | (399,304) | (340,964) |
| Administrative and general expenses | 7 | (137,405) | (89,749) |
| Finance expenses | | (53,993) | (22,135) |
| Finance income | | 12,144 | 13,741 |
| Other income | | 9,259 | 17,372 |
| Profit for the period | | 357,860 | 275,502 |
| Profit attributable to: | | | |
| Owners of the Company | | 361,913 | 288,977 |
| Non-controlling interests | | (4,053) | (13,475) |
| Profit for the period | | 357,860 | 275,502 |
| Earnings per share | | | |
| Basic earnings per share (AED) | 15 | 0.09 | 0.07 |

The notes set out on pages 9 to 19 form part of these condensed consolidated interim financial statements.

Dubai Investments PJSC and its subsidiaries

Condensed consolidated statement of comprehensive income
for the three month period ended 31 March (unaudited)

| | Three month period ended 31 March | |
|---|--|-------------------------|
| | AED 000 2018 | AED 000 2017 |
| Profit for the period | 357,860 | 275,502 |
| Other comprehensive income: | | |
| Items that will never be reclassified to profit or loss | | |
| Net change in fair value of investments at fair value through other comprehensive income (OCI) | (34) | 113 |
| | ---- | ---- |
| Total other comprehensive income for the period | (34) | 113 |
| | ---- | ---- |
| Total comprehensive income for the period | 357,826 | 275,615 |
| | ===== | ===== |
| Attributable to: | | |
| Owners of the Company | 361,879 | 289,090 |
| Non-controlling interests | (4,053) | (13,475) |
| | ----- | ----- |
| Total comprehensive income for the period | 357,826 | 275,615 |
| | ===== | ===== |

The notes set out on pages 9 to 19 form part of these condensed consolidated interim financial statements.

Dubai Investments PJSC and its subsidiaries

Condensed consolidated statement of financial position

as at 31 March 2018

| | | 31 March 2018 AED 000 (Unaudited) | 31 December 2017 AED 000 (Audited) | 31 March 2017 AED 000 (Unaudited) |
|--|----|--|---|--|
| Non-current assets | | | | |
| Property, plant and equipment | 8 | 3,092,831 | 1,241,855 | 1,302,894 |
| Goodwill and intangible assets | 21 | 331,749 | 98,840 | 99,390 |
| Investment properties | 9 | 7,786,802 | 7,704,980 | 6,886,085 |
| Investments at fair value through other comprehensive income | 10 | 209,791 | 209,827 | 246,384 |
| Investment in equity accounted investees | 21 | 188,794 | 606,677 | 666,805 |
| Rent receivable | | 41,576 | 40,520 | 41,077 |
| Finance lease receivable | | 2,494 | 2,950 | 7,774 |
| Inventories | 11 | 1,996,777 | 1,884,145 | 1,640,734 |
| Trade receivables | 12 | 229,439 | 229,439 | 125,308 |
| Due from related parties and other receivables | | 47,329 | 64,385 | 69,428 |
| Total non-current assets | | 13,927,582 | 12,083,618 | 11,085,879 |
| Current assets | | | | |
| Inventories | 11 | 892,740 | 872,257 | 690,646 |
| Investments at fair value through profit or loss | 10 | 1,539,860 | 1,550,224 | 1,655,590 |
| Trade receivables | 12 | 1,037,831 | 849,262 | 1,240,260 |
| Due from related parties and other receivables | | 622,046 | 682,571 | 574,789 |
| Cash at bank and in hand | 14 | 1,174,360 | 967,021 | 1,514,575 |
| Total current assets | | 5,266,837 | 4,921,335 | 5,675,860 |
| Total assets | | 19,194,419 | 17,004,953 | 16,761,739 |
| Equity | | | | |
| Share capital | | 4,252,018 | 4,252,018 | 4,049,541 |
| Share premium | | 46 | 46 | 46 |
| Capital reserve | | 25,502 | 25,502 | 25,502 |
| Legal reserve | | 1,041,198 | 1,041,198 | 975,958 |
| General reserve | | 1,310,213 | 1,310,213 | 1,253,943 |
| Revaluation reserve | | 22,000 | 22,000 | 22,000 |
| Fair value reserve | | (259,523) | (259,489) | (249,623) |
| Proposed dividend/bonus shares | 18 | 510,242 | 510,242 | 607,431 |
| Proposed directors' fee | 18 | 12,250 | 12,250 | 10,000 |
| Retained earnings | | 5,287,830 | 4,936,167 | 4,957,342 |
| Equity attributable to owners of the Company | | 12,201,776 | 11,850,147 | 11,652,140 |
| Non-controlling interests | | 493,037 | 478,503 | 533,756 |
| Total equity | | 12,694,813 | 12,328,650 | 12,185,896 |
| Liabilities | | | | |
| Non-current liabilities | | | | |
| Long-term bank borrowings | 16 | 2,053,407 | 883,989 | 704,227 |
| Sukuk notes | 17 | - | 1,101,600 | 1,101,600 |
| Other payables | | 94,283 | 68,847 | 61,944 |
| Total non-current liabilities | | 2,147,690 | 2,054,436 | 1,867,771 |
| Current liabilities | | | | |
| Bank borrowings | 16 | 1,595,777 | 1,193,445 | 1,315,164 |
| Sukuk notes | 17 | 1,101,600 | - | - |
| Trade, due to related parties and other payables | | 1,654,539 | 1,428,422 | 1,392,908 |
| Total current liabilities | | 4,351,916 | 2,621,867 | 2,708,072 |
| Total liabilities | | 6,499,606 | 4,676,303 | 4,575,843 |
| Total equity and liabilities | | 19,194,419 | 17,004,953 | 16,761,739 |

The condensed consolidated interim financial statements was authorized for issue on behalf of the Board of Directors on 6th May 2018.


Khalid Jassim Kalban
MD & CEO


Mushtaq Masood
Group CFO

The notes set out on pages 9 to 19 form part of these condensed consolidated interim financial statements.

Dubai Investments PJSC and its subsidiaries
Condensed consolidated statement of cash flows
for the three month period ended 31 March (unaudited)

| | Three month period | |
|--|---------------------------|-----------------------|
| | ended 31 March | ended 31 March |
| | 2018 | 2017 |
| | AED 000 | AED 000 |
| Cash flows from operating activities | | |
| Profit for the period | 357,860 | 275,502 |
| <i>Adjustments for:</i> | | |
| Depreciation | 39,968 | 26,893 |
| Amortization of intangible assets | 316 | 378 |
| Loss on disposal of property, plant and equipment | 518 | 82 |
| Gain on fair valuation of investment properties | - | (174,770) |
| Gain on sale of investment properties | - | (1,049) |
| Gain on sale of investments – (net) | (22,616) | (1,660) |
| Share of loss/(profit) from equity accounted investees | 10,014 | (932) |
| Loss on fair valuation of investments | 45,206 | 1,759 |
| Impairment of investment in equity accounted investee (refer note 7) | 27,990 | - |
| Gain on fair valuation of existing interest prior to acquisition of a subsidiary (refer note 21) | (228,916) | - |
| Bargain purchase gain (refer note 21) | (104,263) | - |
| | <hr/> | <hr/> |
| Operating profit before changes in working capital | 126,077 | 126,203 |
| <i>Changes in:</i> | | |
| - investment at fair value through profit or loss and at fair value through OCI | (12,224) | (59,156) |
| - trade, due from related parties and other receivables | 25,695 | (154,484) |
| - inventories | (151,746) | (111,541) |
| - trade, due to related parties and other payables | 107,854 | 101,290 |
| | <hr/> | <hr/> |
| Net cash from / (used in) operating activities | 95,656 | (97,688) |
| | <hr/> | <hr/> |
| Cash flows from investing activities | | |
| Consideration paid for acquisition of controlling/non-controlling interests - net of cash acquired (refer note 21) | (405,426) | (28,526) |
| Net movement in investment properties | (81,822) | 21,431 |
| Acquisition of property, plant and equipment | (42,815) | (9,575) |
| Proceeds from disposal of property, plant and equipment | 273 | 14 |
| Net additions to intangible assets | 47 | - |
| Net movement in equity accounted investees | 4,533 | (1,622) |
| | <hr/> | <hr/> |
| Net cash used in investing activities | (525,210) | (18,278) |
| | <hr/> | <hr/> |
| Cash flows from financing activities | | |
| Net movement in bank borrowings and payables | 705,468 | 173,216 |
| Net movement in non-controlling interests | 22,429 | (70) |
| Net movement in deposits under lien | (157,986) | (1) |
| | <hr/> | <hr/> |
| Net cash from financing activities | 569,911 | 173,145 |
| | <hr/> | <hr/> |
| Net increase in cash and cash equivalents | 140,357 | 57,179 |
| Cash and cash equivalents at 1 January | 404,598 | 946,528 |
| | <hr/> | <hr/> |
| Cash and cash equivalents at 31 March | 544,955 | 1,003,707 |
| | <hr/> | <hr/> |
| <i>Cash and cash equivalents comprise following:</i> | | |
| Cash in hand, current and call accounts with banks | 846,481 | 844,368 |
| Short term deposits with banks (excluding those under lien) | 155,559 | 661,311 |
| Bank overdrafts, trust receipt loans and bills discounted | (457,085) | (501,972) |
| | <hr/> | <hr/> |
| | 544,955 | 1,003,707 |
| | <hr/> | <hr/> |

The notes set out on pages 9 to 19 form part of these condensed consolidated interim financial statements.

Dubai Investments PJSC and its subsidiaries

Condensed consolidated statement of changes in equity

for the three month period ended 31 March 2017 (unaudited)

| | Equity attributable to owners of the Company | | | | | | | | | | | Non-controlling interests | Total |
|---|--|---------------|-----------------|---------------|-----------------|---------------------|--------------------|--------------------------------|-------------------------|-------------------|----------------|---------------------------|-----------------|
| | Share capital | Share premium | Capital reserve | Legal reserve | General reserve | Revaluation reserve | Fair value reserve | Proposed dividend/bonus shares | Proposed directors' fee | Retained earnings | Sub total | | |
| Balance at 1 January 2017 | 4,049,541 | 46 | 25,502 | 975,958 | 1,253,943 | 22,000 | (249,736) | 607,431 | 10,000 | 4,669,545 | 11,364,230 | 574,647 | 11,938,877 |
| Profit for the period | - | - | - | - | - | - | - | - | - | 288,977 | 288,977 | (13,475) | 275,502 |
| Other comprehensive income | | | | | | | | | | | | | |
| Net change in fair value of investments at fair value through OCI | - | - | - | - | - | - | 113 | - | - | - | 113 | - | 113 |
| Total other comprehensive income for the period | - | - | - | - | - | - | 113 | - | - | - | 113 | - | 113 |
| Total comprehensive income for the period | - | - | - | - | - | - | 113 | - | - | 288,977 | 289,090 | (13,475) | 275,615 |
| Transactions with owners, recorded directly in equity | | | | | | | | | | | | | |
| <i>Contributions by and distributions to owners</i> | | | | | | | | | | | | | |
| Dividend paid by subsidiaries | - | - | - | - | - | - | - | - | - | - | - | (70) | (70) |
| Total contributions by and distribution to owners | - | - | - | - | - | - | - | - | - | - | - | (70) | (70) |
| <i>Changes in ownership interests</i> | | | | | | | | | | | | | |
| On acquisitions of non-controlling interests | - | - | - | - | - | - | - | - | - | (1,180) | (1,180) | (27,346) | (28,526) |
| Total change in ownership interests in subsidiaries | - | - | - | - | - | - | - | - | - | (1,180) | (1,180) | (27,346) | (28,526) |
| Total transactions with owners | - | - | - | - | - | - | - | - | - | (1,180) | (1,180) | (27,416) | (28,596) |
| Balance at 31 March 2017 | 4,049,541 | 46 | 25,502 | 975,958 | 1,253,943 | 22,000 | (249,623) | 607,431 | 10,000 | 4,957,342 | 11,652,140 | 533,756 | 12,185,896 |

Dubai Investments PJSC and its subsidiaries
Condensed consolidated statement of changes in equity (continued)
for the three month period ended 31 March 2018 (unaudited)

| | Equity attributable to owners of the Company | | | | | | | | | | | Non-controlling interests | Total |
|---|--|---------------|-----------------|------------------|------------------|---------------------|--------------------|--------------------------------|-------------------------|-------------------|-------------------|---------------------------|-------------------|
| | Share capital | Share premium | Capital reserve | Legal reserve | General reserve | Revaluation reserve | Fair value reserve | Proposed dividend/bonus shares | Proposed directors' fee | Retained earnings | Sub total | | |
| Balance at 1 January 2018 – as originally reported | 4,252,018 | 46 | 25,502 | 1,041,198 | 1,310,213 | 22,000 | (259,489) | 510,242 | 12,250 | 4,936,167 | 11,850,147 | 478,503 | 12,328,650 |
| Adjustment on initial application of IFRS 9 (note 3) | - | - | - | - | - | - | - | - | - | (13,050) | (13,050) | (8,153) | (21,203) |
| Adjustment on initial application of IFRS 15 (note 3) | - | - | - | - | - | - | - | - | - | 2,800 | 2,800 | - | 2,800 |
| Adjusted balance at 1 January 2018 | 4,252,018 | 46 | 25,502 | 1,041,198 | 1,310,213 | 22,000 | (259,489) | 510,242 | 12,250 | 4,925,917 | 11,839,897 | 470,350 | 12,310,247 |
| Total comprehensive income for the period | | | | | | | | | | | | | |
| Profit for the period | - | - | - | - | - | - | - | - | - | 361,913 | 361,913 | (4,053) | 357,860 |
| Other comprehensive income | | | | | | | | | | | | | |
| Net change in fair value of investments at fair value through OCI | - | - | - | - | - | - | (34) | - | - | - | (34) | - | (34) |
| Total other comprehensive income for the period | - | - | - | - | - | - | (34) | - | - | - | (34) | - | (34) |
| Total comprehensive income for the period | - | - | - | - | - | - | (34) | - | - | 361,913 | 361,879 | (4,053) | 357,826 |
| Changes in ownership interests | | | | | | | | | | | | | |
| On acquisitions of a subsidiary (note 21) | - | - | - | - | - | - | - | - | - | - | - | 4,311 | 4,311 |
| Introduction of share capital in a subsidiary | - | - | - | - | - | - | - | - | - | - | - | 25,036 | 25,036 |
| Reduction of share capital in a subsidiary | - | - | - | - | - | - | - | - | - | - | - | (2,607) | (2,607) |
| Total change in ownership interests in subsidiaries | - | - | - | - | - | - | - | - | - | - | - | 26,740 | 26,740 |
| Total transactions with owners | - | - | - | - | - | - | - | - | - | - | - | 26,740 | 26,740 |
| Balance at 31 March 2018 | 4,252,018 | 46 | 25,502 | 1,041,198 | 1,310,213 | 22,000 | (259,523) | 510,242 | 12,250 | 5,287,830 | 12,201,776 | 493,037 | 12,694,813 |

The notes set out on pages 9 to 19 form part of these condensed consolidated interim financial statements.

Dubai Investments PJSC and its subsidiaries

Notes to the condensed consolidated interim financial statements

for the three month period ended 31 March 2018

1. Reporting entity

Dubai Investments PJSC (“the Company”) was incorporated in the United Arab Emirates by Ministerial Resolution No. 46 of 1995, on 16 July 1995. These condensed consolidated interim financial statements as at and for the three month period ended 31 March 2018 (“the current period”) comprise the financial statements of the Company and its subsidiaries (collectively referred to as “the Group”) and the Group’s interest in associates and joint arrangements.

The Group is primarily involved in the development of real estate for sale and leasing, contracting activities, manufacturing and trading of products in various sectors, district cooling, investment banking, asset management and financial investments.

The registered address of the Company is P.O. Box 28171, Dubai, UAE.

2. Statement of compliance

The condensed consolidated interim financial statements have been prepared in accordance with the International Accounting Standard (“IAS”) 34, *Interim Financial Reporting*. The condensed consolidated interim financial statements does not include all of the information required for full annual consolidated financial statements, and should be read in conjunction with the consolidated financial statements of the Group for the year ended 31 December 2017.

3. Significant accounting policies

The accounting policies applied in the preparation of these condensed consolidated interim financial statements are consistent with those applied by the Group in its consolidated financial statements as at and for the year ended 31 December 2017 except as mentioned below:

Changes in accounting policies

During the current period, the Group has adopted following new International Financial Reporting Standards (IFRS’s):

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

The Group had early adopted IFRS 9 issued in November 2009 relating to the classification and measurement of financial assets.

Subsequently, requirements were added in IFRS 9 relating to classification and measurement of liabilities in 2010, hedge accounting in 2013 and impairment relating to expected credit losses on financial assets in 2014. In 2014 the completed version of IFRS 9 was issued. Some limited amendments have been made in the final standard relating to classification and measurement requirements for financial assets by introducing a fair value through other comprehensive income category for certain debt instruments.

The effective date of the new standard issued in 2014 is 1st January 2018. It replaces existing International Accounting Standard (IAS) 39 – Financial Instruments: Recognition and Measurement.

- **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.

The effect of initially applying these standards is mainly attributed to the following:

- an increase in impairment losses recognized on financial assets
- earlier recognition of revenue from sale of properties

Dubai Investments PJSC and its subsidiaries

Notes to the condensed consolidated interim financial statements
for the three month period ended 31 March 2018

3. Significant accounting policies (continued)

Changes in accounting policies (continued)

IFRS 9 Financial Instruments

Impairment of financial assets

IFRS 9 replaces the 'incurred loss' model with a forward looking 'expected credit loss' (ECL) model. This requires considerable judgement about how changes in economic factors affect ECLs, which will be determined on a probability weighted basis. The new impairment model applies to financial assets measured at amortised cost or FVOCI, except for investments in equity instruments.

Under IFRS 9, loss allowances is being measured on either of the following bases:

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

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

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

Actual credit losses are adjusted to reflect differences between economic conditions during the period over which the historical data is collected, prevalent conditions and the Group's view of economic conditions over the expected lives of the receivables and related party balances.

The adoption of the new accounting policy at 1st January 2018 resulted in an additional impairment provision of AED 17.5 million on contract work in progress, AED 1.5 million on trade receivables and AED 2.2 million on retention receivables.

Transition

The Group has taken advantage of the exemption allowing it not to restate comparative information for prior periods with respect to measurement (including impairment) changes. Differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of IFRS 9 has been recognised in opening retained earnings as at 1 January 2018.

As the Group early adopted IFRS 9 (2009) relating to classification of assets, no significant reclassifications have been made on adoption of IFRS 9 (2014).

IFRS 15 - Revenue from Contracts with Customers

Revenue recognition

Sale of properties

Revenue from sale of properties was recognised when the properties are handed over to the customers, which is taken to be the point in time of the physical hand-over, the related risks and rewards of ownership is transferred provided that revenue and costs can be measured reliably, the recovery of the consideration is probable and there is no continuing management involvement with the properties.

Dubai Investments PJSC and its subsidiaries

Notes to the condensed consolidated interim financial statements
for the three month period ended 31 March 2018

3. Significant accounting policies (continued)

Changes in accounting policies (continued)

IFRS 15 - Revenue from Contracts with Customers (continued)

Revenue recognition (continued)

Sale of properties (continued)

Under IFRS 15, revenue from the sale of properties is recognized as the properties are being constructed i.e. over time based on stage of completion at the reporting date.

The following table summarises the impacts of adopting IFRS 15 on the Group's condensed consolidated statement of financial position as at 31 March 2018 and its condensed consolidated statement of profit or loss for the three month then ended for each of the line item affected. There is no significant impact on the Group's condensed consolidated statement of cash flows for the three month period ended 31 March 2018.

| Particulars | Amounts without adoption of IFRS 15 AED'000 | Adjustments AED'000 | As reported AED'000 |
|-----------------------------|--|------------------------|------------------------|
| Inventories (non-current) | 2,032,127 | (35,350) | 1,996,777 |
| Trade receivables (current) | 998,391 | 39,440 | 1,037,831 |
| Sale of properties | - | 13,424 | 13,424 |
| Direct operating costs | (387,077) | (12,227) | (399,304) |

Construction contracts

Contract revenue currently includes the initial amount agreed in the contract plus any variations in contract work, claims and incentive payments, to the extent that it is probable that they will result in revenue and can be measured reliably. When a claim or variation is recognised, the measure of contract progress or contract price is revised and the cumulative contract position is reassessed at each reporting date.

Under IFRS 15, claims and variations are included in the contract accounting when they are approved.

Based on its assessment, the Group did not identify any significant impact on its condensed consolidated interim financial statements on the application of the revised policy.

Transition

The Group has adopted IFRS 15 using the cumulative effect method, with the effect of initially applying this standard recognised at the date of initial application (i.e. 1 January 2018). As a result, the cumulative impact of increase in net profit amounting to AED 2.8 million has been adjusted in the opening retained earnings and the comparatives has not been adjusted.

4. Use of estimates and judgments

The preparation of condensed consolidated interim financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

The significant judgments made by the management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that were applied in preparation of the consolidated financial statements of the Group as at and for the year ended 31 December 2017 except for new significant judgments and key sources of estimation uncertainty related to the application of IFRS 9 and IFRS 15, which are described in note 3.

Dubai Investments PJSC and its subsidiaries

Notes to the condensed consolidated interim financial statements (*continued*)
for the three month period ended 31 March 2018

5. Financial instruments

Financial risk management

The Group's financial risk management objectives and policies are consistent with those disclosed in the consolidated financial statements as at and for the year ended 31 December 2017.

Valuation of financial instruments

The Group measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

Level 1: inputs that are quoted market price (unadjusted) in an active market for identical instruments.

Level 2: inputs other than quoted prices included within Level 1 that are observable either directly (i.e., as prices) or indirectly (i.e., derived from prices). This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted market prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques where all significant inputs are directly or indirectly observable from market data.

Level 3: inputs that are unobservable. This category includes all instruments where the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

The table below analyses financial instruments, measured at fair value at the end of the reporting period, by the level in the fair value hierarchy into which the fair value measurement is categorized:

| <i>31 March 2018</i> | Level 1 AED'000 | Level 2 AED'000 | Level 3 AED'000 | Total AED'000 |
|---|----------------------------------|----------------------------------|----------------------------------|--------------------------------|
| Financial assets at fair value through profit or loss | 461,290 | 720,876 | 357,694 | 1,539,860 |
| Financial assets at fair value through other comprehensive income | 700 | - | 209,091 | 209,791 |
| | 461,990 | 720,876 | 566,785 | 1,749,651 |
| | | | | |
| <i>31 December 2017</i> | Level 1 AED'000 | Level 2 AED'000 | Level 3 AED'000 | Total AED'000 |
| Financial assets at fair value through profit or loss | 500,953 | 742,679 | 306,592 | 1,550,224 |
| Financial assets at fair value through other comprehensive income | 736 | - | 209,091 | 209,827 |
| | 501,689 | 742,679 | 515,683 | 1,760,051 |
| | | | | |

Dubai Investments PJSC and its subsidiaries

Notes to the condensed consolidated interim financial statements (*continued*)
for the three month period ended 31 March 2018

5. Financial instruments (*continued*)

Reconciliation of Level 3 fair value measurements of financial assets

| | 2018 AED'000 | 2017 AED'000 |
|--|-----------------|-----------------|
| As at 1 January | 515,683 | 553,685 |
| Purchased during the period | 62,579 | 25,718 |
| Redeemed/sold during the period | - | (735) |
| Loss included in OCI | | |
| Net change in fair value (unrealized) | - | (66) |
| (Loss)/gain recorded in profit and loss | | |
| -Net change in fair value (unrealized) | (11,477) | 4,096 |
| | ----- | ----- |
| As at 31 March | <u>566,785</u> | <u>582,698</u> |

There were no transfers between Level 1, Level 2 and Level 3 fair value measurements.

Valuation techniques

The fair values of Level 3 financial instruments have been determined on the same basis and assumptions as for the year ended 31 December 2017.

6. Direct operating costs

| | Three month period ended 31 March | |
|--|--------------------------------------|-----------------|
| | 2018 AED 000 | 2017 AED 000 |
| <i>These include:</i> | | |
| Materials consumed | 234,639 | 194,476 |
| Cost of properties sold | 12,227 | - |
| Staff costs | 28,275 | 30,449 |
| Factory overheads (excluding depreciation) | 43,156 | 39,927 |
| Depreciation and amortization | 31,584 | 18,611 |
| Share of Government of Dubai in the realized profits of a subsidiary | 26,259 | 27,402 |
| Infrastructure and development works cost sharing with RTA | 7,270 | 7,270 |
| | ===== | ===== |

7. Administrative and general expenses

| | Three month period ended 31 March | |
|---|--------------------------------------|-----------------|
| | 2018 AED 000 | 2017 AED 000 |
| <i>These include:</i> | | |
| Staff costs | 63,126 | 58,602 |
| Impairment of investment in equity accounted investee (refer (i) below) | 27,990 | - |
| Selling and marketing expenses | 13,393 | 15,409 |
| Depreciation and amortization | 8,700 | 8,282 |
| | ===== | ===== |

- (i) During the period, the Group carried out an assessment of the recoverable amount of an associate based on the fair value less costs of disposal. The assessment resulted in an impairment loss of AED 28 million. Fair value less costs of disposal has been computed using discounted cash flow projections.

Dubai Investments PJSC and its subsidiaries

Notes to the condensed consolidated interim financial statements (*continued*)
for the three month period ended 31 March 2018

8. Property, plant and equipment

During the three month period ended 31 March 2018, the Group's additions to assets amounted to AED 43.7 million (*year ended 31 December 2017: AED 41.6 million*). Further, assets amounting to AED 1,849 million were acquired on business combination (refer note 21).

9. Investment properties

Included in investment properties are mainly the following:

| | 31 March 2018 AED'000 (Unaudited) | 31 December 2017 AED'000 (Audited) | 31 March 2017 AED'000 (Unaudited) |
|---|--|---|--|
| - Infrastructure and ancillary facilities | 4,834,709 | 4,828,328 | 4,479,700 |
| - Plots of land for future development | 981,917 | 971,424 | 604,426 |
| - Residential, retail and commercial facilities | 1,298,943 | 1,233,995 | 1,133,059 |
| - Labor camps and warehouses | 671,233 | 671,233 | 668,900 |
| | 7,786,802 | 7,704,980 | 6,886,085 |

- i) The valuation basis and assumptions used for valuation of investments properties remains consistent with the methodology adopted as at 31 December 2017 and were last valued as at that date.
- ii) During the current period, the Group purchased a plot of land for a consideration of AED 10.5 million. Further, the Group started construction of a project which resulted in an increase of AED 62.7 million in residential, retail and commercial facilities.

10. Investments

| | 31 March 2018 AED 000 (Unaudited) | 31 December 2017 AED 000 (Audited) | 31 March 2017 AED 000 (Unaudited) |
|---|--|---|--|
| Investments at fair value through other comprehensive income: | | | |
| - unquoted equity securities | 209,791 | 209,827 | 246,384 |
| (i) | 209,791 | 209,827 | 246,384 |
| Investments at fair value through profit or loss: | | | |
| - held for trading quoted equity securities | 461,290 | 500,953 | 518,516 |
| - unquoted equity securities, funds, bonds and sukuks | 1,078,570 | 1,049,271 | 1,137,074 |
| (ii) | 1,539,860 | 1,550,224 | 1,655,590 |

Geographical distribution of investments

| | | | |
|---------------------|------------------|-----------|-----------|
| UAE | 680,270 | 793,102 | 857,250 |
| Other GCC countries | 484,565 | 428,330 | 414,920 |
| Other countries | 584,816 | 538,619 | 629,804 |
| (i)+(ii) | 1,749,651 | 1,760,051 | 1,901,974 |

Dubai Investments PJSC and its subsidiaries

Notes to the condensed consolidated interim financial statements (*continued*)
for the three month period ended 31 March 2018

11. Inventories

Inventories at 31 March 2018 include properties under development for sale in the ordinary course of business amounting to AED 2,655 million (*31 December 2017: AED 2,538 million*) and represent costs of land, expenditure incurred towards the development of properties for subsequent sale and capitalized borrowing costs. The Group intends to develop these properties for sale and has classified these properties as long term or short term based on completion/future development plans.

12. Trade receivables

During the previous year, Dubai Investments Park Development Company LLC (“the subsidiary”) signed a settlement agreement with a customer to settle an outstanding receivable amounting to AED 230.7 million. The settlement was agreed by offsetting the receivables amount against the purchase price of two plots of land transferred to the subsidiary by the customer.

Upon signing of the settlement agreement, the previous legal proceedings initiated by the subsidiary and the customer were closed through the Dubai Courts.

Also refer to note 20.

13. Related party transactions

Significant related party transactions during the period were as follows:

| | Three month period ended 31 March | |
|--|--|---------|
| | 2018 | 2017 |
| | AED 000 | AED 000 |
| Land and other lease charges | 305 | 1,223 |
| | ===== | ===== |
| Compensation to key management personnel: | | |
| Short term benefits | 4,545 | 4,247 |
| Post-employment benefits | 115 | 102 |
| | ===== | ===== |

14. Cash at bank and in hand

| | 31 March 2018 | 31 December 2017 | 31 March 2017 |
|---|--------------------------|---------------------|------------------|
| | AED 000 | AED 000 | AED 000 |
| | (Unaudited) | (Audited) | (Unaudited) |
| Cash in hand | 1,857 | 892 | 1,853 |
| Cash at bank within UAE (current accounts) | 809,193 | 474,237 | 702,060 |
| Cash at bank outside UAE – GCC Countries (current accounts) | 26,195 | 16,458 | 30,523 |
| Cash at bank outside UAE – Other countries (current accounts) | 9,236 | 25,212 | 109,932 |
| Short term deposits (including deposits of AED 172.3 million (<i>31 December 2017: 14.3 million</i>) under lien with banks) | 327,879 | 450,222 | 670,207 |
| | ----- | ----- | ----- |
| | 1,174,360 | 967,021 | 1,514,575 |
| | ===== | ===== | ===== |

Dubai Investments PJSC and its subsidiaries

Notes to the condensed consolidated interim financial statements (*continued*)

for the three month period ended 31 March 2018

15. Basic earnings per share

| | Three month period ended 31 March | |
|--|--------------------------------------|-----------|
| | 2018 | 2017 |
| Profit attributable to Owners of the Company (AED'000) | 361,913 | 288,977 |
| Weighted average number of shares outstanding ('000s) | 4,252,018 | 4,252,018 |

16. Bank borrowings

The terms of the bank borrowings vary from three to ten years. These are secured by a combination of the Company's corporate guarantee, mortgages over certain investment properties, inventories, trade receivables, property, plant and equipment, assignment of receivables and insurance policies over assets of the Group and lien on bank deposits. The interest rate relating to the majority of the bank borrowings ranges between 2.25% to 3.5% over EIBOR p.a.. Where there is a corporate guarantee, the Company's liability is generally restricted to its percentage of equity interest in the borrowing entity.

17. Sukuk notes

In February 2014, a subsidiary of the Company namely Dubai Investments Park Development Company LLC ("DIPDC") issued 5 year Sukuk certificates maturing in February 2019 for USD 300 million (equivalent to AED 1,101.6 million). The sukuk program is structured as a Wakala and is listed on NASDAQ Dubai and Irish Stock Exchanges. The terms of the arrangement include transfer of certain identified assets (the Wakala assets) of DIPDC to a Special Purpose Vehicle, DIP Sukuk Ltd. (the Issuer), formed for the issuance of sukuk certificates. In substance, the Wakala assets remain in control of DIPDC and shall continue to be serviced by DIPDC. In case of any shortfall in cash flows, DIPDC have provided an undertaking to make good on such shortfall to the sukuk certificate holders. The sukuk certificate holders have no recourse to the assets. These sukuk certificates bear a fixed profit rate of 4.291% p.a. payable semi-annually. The issuer will service the profit from returns generated from the Wakala assets. These notes have been classified under current liabilities since these are maturing within 12 months from 31 March 2018.

18. Proposed dividend/bonus shares and directors' fee

- (i) At the Annual General Meeting held on 18 April 2018, the shareholders approved 12% cash dividend proposed by the Board of Directors.
- (ii) At the Annual General Meeting held on 18 April 2018, the shareholders approved the proposed Directors' fee amounting to AED 12.25 million for the year ended 31 December 2017.

19. Commitments

| | 31 March 2018 AED'000 (Unaudited) | 31 December 2017 AED'000 (Audited) |
|--|--|---|
| Commitments – contracted and committed | 1,735,268 | 1,886,894 |

Commitments mainly include the following:

- value of construction contracts awarded to contractors for real estate projects under development.
- a subsidiary of the Company namely Dubai Investments Park Development Company LLC has signed an agreement with Roads and Transport Authority to share in the cost of infrastructure and development works of the adjoining areas. Total outstanding commitment as at 31 March 2018 amounts to AED 334.5 million (31 December 2017: AED 334.5 million) which will be invoiced and paid until 2029.

Dubai Investments PJSC and its subsidiaries

Notes to the condensed consolidated interim financial statements (*continued*)

for the three month period ended 31 March 2018

20. Contingent liabilities

Refer note 12. Upon signing of the settlement agreement, the previous legal proceedings initiated by the subsidiary and the customer were closed through the Dubai Courts.

21. Acquisition of a subsidiary

With effect from 1st January 2018, the Group acquired additional 50% shares in its existing jointly controlled entity, Emirates District Cooling LLC (EMICOOL) from the joint venture partner. On the acquisition of the additional interest, EMICOOL has become a wholly owned subsidiary of the Group. Accordingly, the investment in the equity accounted investee has been derecognized and the entity has been consolidated on a line by line basis effective from the date of acquisition.

The following table summarizes the recognized amounts of assets acquired and liabilities assumed at the date of acquisition:

| | |
|--|--------------------|
| % interest acquired | 50% |
| Fair value of assets and liabilities acquired: | AED'000 |
| Non-current assets (excluding intangible assets) | 1,852,012 |
| Intangible assets (customer contracts) | 233,272 |
| Current assets (excluding cash and bank balances) | 133,963 |
| Cash in hand and at bank | 94,574 |
| | ----- |
| Total assets | 2,313,821 |
| | ----- |
| Non-current liabilities | (880,451) |
| Current liabilities | (220,534) |
| Non-controlling interest | (4,311) |
| | ----- |
| Total liabilities | (1,105,296) |
| | ----- |
| Total identifiable net assets acquired | 1,208,525 |
| | ===== |
| Purchase consideration – (A) | 500,000 |
| Fair value of previously held equity interest | 604,262 |
| | ----- |
| Total consideration | 1,104,262 |
| Less: fair value of identifiable net assets acquired | (1,208,525) |
| | ----- |
| Bargain purchase gain | (104,263) |
| | ===== |
| <i>Gain on previously held equity interest in EMICOOL</i> | |
| Fair value of existing 50% interest in EMICOOL at 1 st January 2018 | 604,262 |
| Less: carrying amount of interest in EMICOOL at 1 st January 2018 | (375,346) |
| | ----- |
| Gain on previously held interest in EMICOOL recognized in statement of profit or loss | 228,916 |
| | ===== |
| Cash acquired (B) | 94,574 |
| | ----- |
| Net cash outflow (A) – (B) | (405,426) |
| | ===== |

Dubai Investments PJSC and its subsidiaries

Notes to the condensed consolidated interim financial statements (*continued*)
for the three month period ended 31 March 2018

21. Acquisition of a subsidiary (*continued*)

The Group engaged an independent valuer to perform the fair valuation of the net assets acquired. A combination of valuation techniques depending upon the nature of the assets were used for measuring the fair values of significant assets acquired and liabilities assumed. These included: depreciated replacement cost, discounted cash flows, income capitalization and comparable market value, whichever was most relevant.

The values have been determined provisionally, if new information is obtained within one year of the date of acquisition about the facts and circumstances that existed at the date of acquisition which requires adjustments to the recognized amounts of identifiable assets and liabilities, then the accounting for acquisition will be revised accordingly.

22. Disposal of a joint venture

During the current period, the Group disposed 50% shares in its existing jointly controlled entity, Dubai International Driving Centre LLC. The disposal resulted in a gain of AED 21.1 million which is included under gain on sale of investments.

23. Segment reporting

The Group has broadly three reportable segments as discussed below, which are the Group's strategic business units. The strategic business units operate in different sectors and are managed separately because they require different strategies. The following summary describes the operation in each of the Group's reportable segments:

| | |
|--|--|
| <i>Property</i> | development of real estate for sale and leasing |
| <i>Manufacturing, contracting and services</i> | manufacture and sale of materials used in construction projects, executing construction contracts, production of raw and architectural glass, cooling services, production, aluminum extruded products, laboratory furniture and education |
| <i>Investments</i> | strategic minority investments in associates, investment banking, asset management and financial investments |

Information regarding the operations of each segment is included hereafter. Performance is measured based on segment revenue and 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 a few transactions between the segments and any such transaction is priced on an arm's length basis.

During the current period, the Group has re-classified all revenue, expenses, assets and liabilities related to investment in associates from manufacturing, contracting and services segment to investments segment. Comparative figures have also been re-classified to conform to the presentation adopted in current condensed consolidated interim financial statements.

Dubai Investments PJSC and its subsidiaries

Notes to the condensed consolidated interim financial statements *(continued)*

for the three month period ended 31 March (unaudited)

23. Segment reporting *(continued)*

Information about reportable segments

| <i>Business Segments</i> | AED*000 | | | | | | | |
|--|-----------------------------------|------------------|---|------------------|-----------------------------------|------------------|-----------------------------------|------------------|
| | Property | | Manufacturing, contracting and services | | Investments | | Total | |
| | Three month period ended 31 March | | Three month period ended 31 March | | Three month period ended 31 March | | Three month period ended 31 March | |
| | 2018 | 2017 | 2018 | 2017 | 2018 | 2017 | 2018 | 2017 |
| Revenue | 240,584 | 236,198 | 396,044 | 285,735 | (42,648) | 534 | 593,980 | 522,467 |
| Gain on fair valuation of existing interest prior to acquisition of a subsidiary | - | - | - | - | 228,916 | - | 228,916 | - |
| Bargain purchase gain | - | - | - | - | 104,263 | - | 104,263 | - |
| Gain on fair valuation of investment properties | - | 174,770 | - | - | - | - | - | 174,770 |
| Total income | 240,584 | 410,968 | 396,044 | 285,735 | 290,531 | 534 | 927,159 | 697,237 |
| Direct operating costs | (88,690) | (80,070) | (310,614) | (260,894) | - | - | (399,304) | (340,964) |
| Administrative and general expenses | (13,542) | (17,888) | (73,088) | (48,350) | (50,775) | (23,511) | (137,405) | (89,749) |
| Finance expenses | (8,082) | (8,259) | (38,748) | (9,039) | (7,163) | (4,837) | (53,993) | (22,135) |
| Finance income and other income | 6,039 | 10,072 | 4,023 | 9,695 | 11,341 | 11,346 | 21,403 | 31,113 |
| Profit / (loss) for the period | 136,309 | 314,823 | (22,383) | (22,853) | 243,934 | (16,468) | 357,860 | 275,502 |
| Profit / (loss) attributable to: | | | | | | | | |
| Owners of the Company | 135,991 | 314,861 | (16,409) | (10,016) | 242,331 | (15,868) | 361,913 | 288,977 |
| Non – controlling interests | 318 | (38) | (5,974) | (12,837) | 1,603 | (600) | (4,053) | (13,475) |
| Profit / (loss) for the period | 136,309 | 314,823 | (22,383) | (22,853) | 243,934 | (16,468) | 357,860 | 275,502 |
| | 31 March 2018 | 31 December 2017 | 31 March 2018 | 31 December 2017 | 31 March 2018 | 31 December 2017 | 31 March 2018 | 31 December 2017 |
| Assets | 11,923,773 | 11,494,663 | 4,545,580 | 2,625,866 | 2,725,066 | 2,884,424 | 19,194,419 | 17,004,953 |
| Liabilities | 2,794,555 | 2,491,217 | 2,465,895 | 1,238,735 | 1,239,156 | 946,351 | 6,499,606 | 4,676,303 |

The Group's revenue is mainly earned from transactions carried out in UAE and other GCC countries.