# Dubai Investments PJSC
# and its subsidiaries

Condensed consolidated interim financial information

*30 September 2015*

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*30 September 2015*

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

The Shareholders
Dubai Investments PJSC

## Introduction

We have reviewed the accompanying 30 September 2015 condensed consolidated interim financial information of Dubai Investments PJSC ("the Company") and its subsidiaries (collectively referred to as the "Group"), which comprises:

- the condensed consolidated statement of financial position as at 30 September 2015;
- the condensed consolidated statement of profit or loss for the three month and nine month period ended 30 September 2015;
- the condensed consolidated statement of other comprehensive income for the three month and nine month period ended 30 September 2015;
- the condensed consolidated statement of cash flows for the nine month period ended 30 September 2015;
- the condensed consolidated statement of changes in equity for the nine month period ended 30 September 2015; and
- notes to the interim financial information.

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

## Scope of Review

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

## Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying 30 September 2015 condensed consolidated interim financial information is not prepared, in all material respects, in accordance with IAS 34, 'Interim Financial Reporting'.

KPMG

Muhammad Tariq
Registration No. 793
Dubai, United Arab Emirates
Date; 27 October 2015

# Dubai Investments PJSC and its subsidiaries

## Condensed consolidated statement of profit or loss
*for the nine month period ended 30 September (unaudited)*

| | Note | Three month period ended 30 September | | Nine month period ended 30 September | |
|---|---|---|---|---|---|
| | | **2015** | 2014 | **2015** | 2014 |
| | | **AED 000** | AED 000 | **AED 000** | AED 000 |
| Sale of goods and services | | **224,722** | 262,721 | **691,205** | 841,085 |
| Rental income | | **188,314** | 172,889 | **540,940** | 467,215 |
| Contract revenue | | **87,211** | 115,514 | **305,163** | 260,420 |
| Sale of properties | | **1,430** | 16,050 | **22,556** | 98,787 |
| Gain on fair valuation of investment properties | 9 | **247,864** | - | **247,864** | 79,861 |
| (Loss)/gain on fair valuation of investments | | **(54,615)** | 47,127 | **(34,478)** | 87,955 |
| Gain on sale of investment properties | | **-** | 4,709 | **13,995** | 32,394 |
| Gain on sale of investments – (net) | | **146** | 910 | **15,166** | 12,647 |
| Share of profit from equity accounted investees | | **5,537** | 3,053 | **43,095** | 13,521 |
| Dividend income | | **523** | 328 | **20,493** | 16,313 |
| (Loss)/gain on disposal of controlling interest in subsidiaries and fair value gain on retained investment | 20 | **-** | - | **(4,833)** | 471,929 |
| **Total income** | | **701,132** | 623,301 | **1,861,166** | 2,382,127 |
| Direct operating costs | 6 | **(341,812)** | (345,512) | **(871,010)** | (1,078,100) |
| Administrative and general expenses | 7 | **(85,342)** | (88,258) | **(253,658)** | (277,262) |
| Finance expenses | | **(27,614)** | (20,879) | **(66,910)** | (91,361) |
| Finance income | | **15,235** | 14,005 | **46,002** | 28,034 |
| Other income | 20 | **3,851** | 7,558 | **51,269** | 39,559 |
| **Profit for the period** | | **265,450** | 190,215 | **766,859** | 1,002,997 |
| **Profit attributable to:** | | | | | |
| Owners of the Company | | **246,068** | 189,090 | **751,689** | 994,614 |
| Non-controlling interests | | **19,382** | 1,125 | **15,170** | 8,383 |
| **Profit for the period** | | **265,450** | 190,215 | **766,859** | 1,002,997 |
| **Earnings per share** | | | | | |
| Basic earnings per share (AED) | 15 | **0.06** | 0.05 | **0.19** | 0.25 |

The notes set out on pages 8 to 18 form part of these condensed consolidated interim financial information.

# Dubai Investments PJSC and its subsidiaries

## Condensed consolidated statement of other comprehensive income

*for the nine month period ended 30 September (unaudited)*

| | Three month period ended 30 September | | Nine month period ended 30 September | |
|---|---|---|---|---|
| | **2015** | 2014 | **2015** | 2014 |
| | **AED 000** | AED 000 | **AED 000** | AED 000 |
| **Profit for the period** | **265,450** | 190,215 | **766,859** | 1,002,997 |
| **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) | **(17,608)** | - | **(28,617)** | (18,318) |
| | ---------- | ---------- | ---------- | ---------- |
| **Total other comprehensive income for the period** | **(17,608)** | - | **(28,617)** | (18,318) |
| | ---------- | ---------- | ---------- | ---------- |
| **Total comprehensive income for the period** | **247,842** | 190,215 | **738,242** | 984,679 |
| | ====== | ====== | ====== | ====== |
| **Attributable to:** | | | | |
| Owners of the Company | **228,460** | 189,090 | **726,731** | 976,296 |
| Non-controlling interests | **19,382** | 1,125 | **11,511** | 8,383 |
| | ---------- | ---------- | ---------- | ---------- |
| **Total comprehensive income for the period** | **247,842** | 190,215 | **738,242** | 984,679 |
| | ====== | ====== | ====== | ====== |

The notes set out on pages 8 to 18 form part of these condensed consolidated interim financial information.

# Dubai Investments PJSC and its subsidiaries

## Condensed consolidated statement of financial position (unaudited)

| | Note | 30 September 2015 AED 000 (Unaudited) | 31 December 2014 AED 000 (Audited) | 30 September 2014 AED 000 (Unaudited) |
|---|---|---|---|---|
| **Non-current assets** | | | | |
| Property, plant and equipment and biological assets | 8 | **1,437,232** | 1,518,929 | 1,541,834 |
| Goodwill and intangible assets | | **102,674** | 109,429 | 109,454 |
| Investment properties | 9 | **4,556,542** | 4,098,639 | 4,283,887 |
| Development properties | | **11,522** | - | 10,989 |
| Investments at fair value through other comprehensive income | 10 | **399,922** | 380,764 | 404,352 |
| Investment in equity accounted investees' | 20 | **849,733** | 935,110 | 919,662 |
| Rent receivable | | **46,393** | 57,649 | 49,428 |
| Finance lease receivable | | **75,809** | 145,087 | 147,756 |
| Inventories | 11 | **1,525,730** | 1,234,463 | 1,208,379 |
| Trade receivables | 12 | **190,975** | 198,581 | 211,800 |
| Other receivables | | **95,099** | 98,107 | 112,819 |
| **Total non-current assets** | | **9,291,631** | 8,776,758 | 9,000,360 |
| **Current assets** | | | | |
| Inventories | 11 | **742,605** | 744,363 | 749,958 |
| Investments at fair value through profit or loss | 10 | **1,724,646** | 1,725,125 | 1,727,776 |
| Trade receivables | 12 | **1,306,942** | 1,227,718 | 1,292,388 |
| Due from related parties and other receivables | | **587,112** | 902,424 | 488,307 |
| Cash at bank and in hand | 14 | **1,329,009** | 1,148,296 | 989,782 |
| **Total current assets** | | **5,690,314** | 5,747,926 | 5,248,211 |
| **Total assets** | | **14,981,945** | 14,524,684 | 14,248,571 |
| **Equity** | | | | |
| Share capital | | **4,049,541** | 3,820,322 | 3,820,322 |
| Share premium | | **46** | 46 | 46 |
| Capital reserve | | **25,502** | 25,502 | 25,502 |
| Legal reserve | | **775,730** | 775,730 | 620,444 |
| General reserve | | **1,061,561** | 1,061,561 | 915,881 |
| Revaluation reserve | | **67,000** | 67,000 | 67,000 |
| Fair value reserve | | **(172,935)** | (147,977) | (142,760) |
| Proposed dividend/bonus | 18 | **-** | 687,658 | - |
| Proposed directors' fees | 18 | **-** | 8,000 | - |
| Retained earnings | | **4,565,386** | 3,807,468 | 4,456,026 |
| **Equity attributable to owners of the Company** | | **10,371,831** | 10,105,310 | 9,762,461 |
| **Non-controlling interests** | | **511,710** | 432,520 | 423,797 |
| **Total equity** | | **10,883,541** | 10,537,830 | 10,186,258 |
| **Liabilities** | | | | |
| **Non-current liabilities** | | | | |
| Long-term bank borrowings | 16 | **455,102** | 351,834 | 396,608 |
| Sukuk notes | 17 | **1,101,600** | 1,101,600 | 1,101,600 |
| Long-term other payables | | **119,158** | 128,142 | 121,651 |
| **Total non-current liabilities** | | **1,675,860** | 1,581,576 | 1,619,859 |
| **Current liabilities** | | | | |
| Bank borrowings | 16 | **1,044,800** | 1,255,999 | 1,298,177 |
| Trade, related parties and other payables | | **1,377,744** | 1,149,279 | 1,144,277 |
| **Total current liabilities** | | **2,422,544** | 2,405,278 | 2,442,454 |
| **Total liabilities** | | **4,098,404** | 3,986,854 | 4,062,313 |
| **Total equity and liabilities** | | **14,981,945** | 14,524,684 | 14,248,571 |

The condensed consolidated interim financial information was authorized for issue on behalf of the Board of Directors on 27th October 2015.

**Khalid Jassim Kalban**
MD & CEO

**Mushtaq Masood**
Group CFO

The notes set out on pages 8 to 18 form part of these condensed consolidated interim financial information.

# Dubai Investments PJSC and its subsidiaries

## Condensed consolidated statement of cash flows

*for the nine month period ended 30 September (unaudited)*

| | | Nine month period ended 30 September | |
|---|---|---|---|
| | | **2015** | 2014 |
| | *Note* | **AED 000** | AED 000 |
| **Cash flows from operating activities** | | | |
| Profit for the period | | **766,859** | 1,002,997 |
| *Adjustments for:* | | | |
| Depreciation | | **78,182** | 79,830 |
| Impairment loss on property, plant & equipment | | **1,012** | 2,999 |
| Amortization of intangible assets | | **1,105** | 2,097 |
| (Gain)/loss on disposal of property, plant & equipment | | **(2,969)** | 436 |
| Gain on sale of investments – (net) | | **(15,166)** | (12,647) |
| Gain on fair valuation of investment properties | *9* | **(247,864)** | (79,861) |
| Gain on sale of investment properties | | **(13,995)** | (32,394) |
| Share of profit from equity accounted investees’ | | **(43,095)** | (13,521) |
| Loss/(gain) on fair valuation of investments | | **34,478** | (87,955) |
| Loss/(gain) on disposal of controlling interest in subsidiaries and fair value gain on retained investment | | **4,833** | (471,929) |
| Reversal of provision for write down of inventories to net realizable value | *11* | **(178,000)** | - |
| Bargain purchase gain | *20* | **(27,613)** | - |
| ***Operating profit before changes in working capital*** | | **357,767** | 390,052 |
| *Changes in:* | | | |
| - investment at fair value through profit or loss and at fair value through OCI (net) | | **117,428** | (248,621) |
| - trade and other receivables | | **380,066** | (11,256) |
| - inventories | | **(35,432)** | 12,529 |
| - trade and other payables | | **(27,486)** | 107,482 |
| Proceeds from sale of investment properties | | - | 121,406 |
| Net movement in equity accounted investees’ | | **35,503** | 2,864 |
| Proceeds from disposal of controlling interest in subsidiaries | | **32,757** | 352,146 |
| Directors’ fee paid | *18(ii)* | **(8,000)** | (6,000) |
| ***Net cash from operating activities*** | | **852,603** | 720,602 |
| **Cash flows from investing activities** | | | |
| Cash acquired upon acquisition of controlling/non-controlling interests – net of consideration paid | *19-20* | **12,134** | - |
| Net movement in investment and development properties | | **(9,372)** | (10,989) |
| Acquisition of property, plant and equipment | | **(48,958)** | (31,787) |
| Proceeds from disposal of property, plant and equipment | | **32,693** | 7,591 |
| Net additions to intangible assets | | - | (2,308) |
| ***Net cash used in investing activities*** | | **(13,503)** | (37,493) |
| **Cash flows from financing activities** | | | |
| Net movement in bank borrowings and payables | | **(190,091)** | (988,510) |
| Proceeds from Sukuk notes | *17* | - | 1,101,600 |
| Net movement in non-controlling interests | | **(11,312)** | - |
| Dividend paid | | **(458,439)** | (249,928) |
| Net movement in deposits under lien | | **5,376** | 33,724 |
| ***Net cash used in financing activities*** | | **(654,466)** | (103,114) |
| **Net increase in cash and cash equivalents** | | **184,634** | 579,995 |
| Cash and cash equivalents at 1 January | | **835,698** | 122,768 |
| **Cash and cash equivalents at 30 September** | | **1,020,332** | 702,763 |
| *Cash and cash equivalents comprise the following:* | | | |
| Cash in hand, current and call accounts with banks | *14* | **602,023** | 286,374 |
| Short term deposits with banks (excluding those under lien) | *14* | **701,977** | 673,460 |
| Bank overdrafts, trust receipt loans and bills discounted | | **(283,668)** | (257,071) |
| | | **1,020,332** | 702,763 |

The notes set out on pages 8 to 18 form part of these condensed consolidated interim financial information.

# Dubai Investments PJSC and its subsidiaries

## Condensed consolidated statement of changes in equity

*for the nine month period ended 30 September (unaudited)*

| | Equity attributable to owners of the Company | | | | | | | | | | | | *AED 000* |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | **Share capital** | **Share premium** | **Capital reserve** | **Legal reserve** | **General reserve** | **Reval-uation reserve** | **Fair value reserve** | **Proposed dividend/ bonus** | **Proposed directors' fees** | **Retained earnings** | **Sub total** | **Non-controlling interests** | **Total** |
| **Balance at 1 January 2014** | 3,570,395 | 46 | 25,502 | 622,480 | 915,881 | 67,000 | (124,442) | 428,447 | 6,000 | 3,530,784 | 9,042,093 | 415,414 | 9,457,507 |
| Profit for the period | - | - | - | - | - | - | - | - | - | 994,614 | 994,614 | 8,383 | 1,002,997 |
| **Other comprehensive income** | | | | | | | | | | | | | |
| Net change in fair value of investments at fair value through other comprehensive income (OCI) | - | - | - | - | - | - | (18,318) | - | - | - | (18,318) | - | (18,318) |
| Total other comprehensive income for the period | - | - | - | - | - | - | (18,318) | - | - | - | (18,318) | - | (18,318) |
| **Total comprehensive income for the period** | **-** | **-** | **-** | **-** | **-** | **-** | **(18,318)** | **-** | **-** | **994,614** | **976,296** | **8,383** | **984,679** |
| **Transactions with owners, recorded directly in equity** | | | | | | | | | | | | | |
| **Contributions by and distributions to owners** | | | | | | | | | | | | | |
| Dividend paid | - | - | - | - | - | - | - | (249,928) | - | - | (249,928) | - | (249,928) |
| Bonus shares issued | 249,927 | - | - | - | - | - | - | (178,519) | - | (71,408) | - | - | - |
| Total contributions by and distribution to owners | 249,927 | - | - | - | - | - | - | (428,447) | - | (71,408) | (249,928) | - | (249,928) |
| **Changes in ownership interests in subsidiaries** | | | | | | | | | | | | | |
| On disposal of controlling interest in a subsidiary (refer note 20) | - | - | - | (2,036) | - | - | - | - | - | 2,036 | - | - | - |
| Total change in ownership interests in subsidiaries | - | - | - | (2,036) | - | - | - | - | - | 2,036 | - | - | - |
| **Total transactions with owners** | **249,927** | **-** | **-** | **(2,036)** | **-** | **-** | **-** | **(428,447)** | **-** | **(69,372)** | **(249,928)** | **-** | **(249,928)** |
| **Other movements** | | | | | | | | | | | | | |
| Directors' fee paid | - | - | - | - | - | - | - | - | (6,000) | - | (6,000) | - | (6,000) |
| **Total other movements** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **(6,000)** | **-** | **(6,000)** | **-** | **(6,000)** |
| **Balance at 30 September 2014** | **3,820,322** | **46** | **25,502** | **620,444** | **915,881** | **67,000** | **(142,760)** | **-** | **-** | **4,456,026** | **9,762,461** | **423,797** | **10,186,258** |

# Dubai Investments PJSC and its subsidiaries

## Condensed consolidated statement of changes in equity

*for the nine month period ended 30 September (unaudited)*

| | Equity attributable to owners of the Company | | | | | | | | | | | | *AED 000* |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | **Share capital** | **Share premium** | **Capital reserve** | **Legal reserve** | **General reserve** | **Reval-uation reserve** | **Fair value reserve** | **Proposed dividend/ bonus** | **Proposed directors' fees** | **Retained earnings** | **Sub total** | **Non-controlling interests** | **Total** |
| **Balance at 1 January 2015** | 3,820,322 | 46 | 25,502 | 775,730 | 1,061,561 | 67,000 | (147,977) | 687,658 | 8,000 | 3,807,468 | 10,105,310 | 432,520 | 10,537,830 |
| Profit for the period | - | - | - | - | - | - | - | - | - | 751,689 | 751,689 | 15,170 | 766,859 |
| **Other comprehensive income** | | | | | | | | | | | | | |
| Net change in fair value of investments at fair value through other comprehensive income (OCI) | - | - | - | - | - | - | (24,958) | - | - | - | (24,958) | (3,659) | (28,617) |
| Total other comprehensive income for the period | - | - | - | - | - | - | (24,958) | - | - | - | (24,958) | (3,659) | (28,617) |
| **Total comprehensive income for the period** | **-** | **-** | **-** | **-** | **-** | **-** | **(24,958)** | **-** | **-** | **751,689** | **726,731** | **11,511** | **738,242** |
| **Transactions with owners, recorded directly in equity** | | | | | | | | | | | | | |
| **Contributions by and distributions to owners** | | | | | | | | | | | | | |
| Dividend paid | - | - | - | - | - | - | - | (458,439) | - | - | (458,439) | - | (458,439) |
| Bonus shares issued | 229,219 | - | - | - | - | - | - | (229,219) | - | - | - | - | - |
| Dividend paid by subsidiaries | - | - | - | - | - | - | - | - | - | - | - | (9,418) | (9,418) |
| Total contributions by and distribution to owners | 229,219 | - | - | - | - | - | - | (687,658) | - | - | (458,439) | (9,418) | (467,857) |
| **Changes in ownership interests in subsidiaries** | | | | | | | | | | | | | |
| On acquisitions and disposals of subsidiaries (refer note 20) | - | - | - | - | - | - | - | - | - | - | - | 103,489 | 103,489 |
| On acquisitions of non-controlling interests (refer note 19) | - | - | - | - | - | - | - | - | - | 6,229 | 6,229 | (26,392) | (20,163) |
| Total change in ownership interests in subsidiaries | - | - | - | - | - | - | - | - | - | 6,229 | 6,229 | 77,097 | 83,326 |
| **Total transactions with owners** | **229,219** | **-** | **-** | | **-** | **-** | **-** | **(687,658)** | **-** | **6,229** | **(452,210)** | **67,679** | **(384,531)** |
| **Other movements** | | | | | | | | | | | | | |
| Directors' fee paid | - | - | - | - | - | - | - | - | (8,000) | - | (8,000) | - | (8,000) |
| **Total other movements** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **(8,000)** | **-** | **(8,000)** | **-** | **(8,000)** |
| **Balance at 30 September 2015** | **4,049,541** | **46** | **25,502** | **775,730** | **1,061,561** | **67,000** | **(172,935)** | **-** | **-** | **4,565,386** | **10,371,831** | **511,710** | **10,883,541** |

The notes set out on pages 8 to 18 form part of these condensed consolidated interim financial information.

## 1. Reporting entity

Dubai Investments PJSC ("the Company") was incorporated in the United Arab Emirates by Ministerial Resolution No. 46 of 1995, on 16th July 1995. This condensed consolidated interim financial information as at and for the nine month period ended 30 September 2015 ("the current period") comprises the financial information 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 development of real estate for sale and leasing, contracting activities, manufacturing and trading of products in various sectors, investment banking, asset management and investing in bonds, funds and equity securities.

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

## 2. Statement of compliance

The condensed consolidated interim financial information has been prepared in accordance with the International Accounting Standard ("IAS") 34, *Interim Financial Reporting*. The condensed consolidated interim financial information 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 2014.

## 3. Significant accounting policies

The accounting policies applied in the preparation of the condensed consolidated interim financial information are consistent with those applied by the Group in its consolidated financial statements as at and for the year ended 31 December 2014.

*Financial assets and liabilities*

The accounting policies, classifications and measurement principles for financial assets and liabilities applied by the Group in these condensed consolidated interim financial information are the same as those applied by the Group in its consolidated financial statements as at and for the year ended 31 December 2014. These are disclosed in detail under notes 2 and 3 in the Group's consolidated financial statements as at and for the year ended 31 December 2014.

## 4. Use of estimates and judgments

The preparation of condensed consolidated interim financial information requires management to make judgements, 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 2014.

## 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 2014.

**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:

| *30 September 2015* | **Level 1 AED'000** | **Level 2 AED'000** | **Level 3 AED'000** | **Total AED'000** |
|---|---|---|---|---|
| Financial assets at fair value through profit or loss | **416,017** | **1,070,074** | **238,555** | **1,724,646** |
| Financial assets at fair value through other comprehensive income | **-** | **-** | **399,922** | **399,922** |
| | **416,017** | **1,070,074** | **638,477** | **2,124,568** |

| *31 December 2014* | Level 1 AED'000 | Level 2 AED'000 | Level 3 AED'000 | Total AED'000 |
|---|---|---|---|---|
| Financial assets at fair value through profit or loss | 419,067 | 1,144,269 | 161,789 | 1,725,125 |
| Financial assets at fair value through other comprehensive income | - | - | 380,764 | 380,764 |
| | 419,067 | 1,144,269 | 542,553 | 2,105,889 |

## 5. Financial instruments *(continued)*

**Reconciliation of Level 3 fair value measurements of financial assets**

| | **2015** | 2014 |
|---|---|---|
| | **AED'000** | AED'000 |
| As at 1 January | **542,553** | 560,138 |
| Additions upon business combination (refer note 20) | **75,276** | - |
| Purchased during the period | **86,525** | 22,044 |
| Redeemed/sold during the period | **(38,305)** | (920) |
| **Loss included in OCI** | | |
| Net change in fair value (unrealized) | **(28,617)** | (18,318) |
| **Gain included in gain on fair valuation of investments** | | |
| - Net change in fair value (unrealized) | **3,365** | 3,198 |
| Transfer out of Level 3 on acquisition of Al Mal Capital PSC (refer note 20) | **(2,320)** | - |
| | ---------- | ---------- |
| As at 30 September | **638,477** | 566,142 |
| | ====== | ====== |

There were no transfers between Level 1 and Level 2 fair value measurements during the nine month period ended 30 September 2015.

**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 2014.

## 6. Direct operating costs

| | **Three month period ended 30 September** | | **Nine month period ended 30 September** | |
|---|---|---|---|---|
| | **2015** | 2014 | **2015** | 2014 |
| | **AED 000** | AED 000 | **AED 000** | AED 000 |
| *These include:* | | | | |
| Materials consumed | **189,125** | 230,424 | **600,500** | 608,087 |
| Cost of properties sold | **1,569** | 12,028 | **16,194** | 79,795 |
| Staff costs | **47,786** | 41,504 | **130,587** | 115,859 |
| Depreciation | **18,934** | 18,079 | **56,429** | 58,369 |
| Reversal of provision for write down of inventories to net realizable value (refer note 11) | - | - | **(178,000)** | - |
| | ===== | ===== | ====== | ===== |

## 7. Administrative and general expenses

| | **Three month period ended 30 September** | | **Nine month period ended 30 September** | |
|---|---|---|---|---|
| | **2015** | 2014 | **2015** | 2014 |
| | **AED 000** | AED 000 | **AED 000** | AED 000 |
| *These include:* | | | | |
| Staff costs | **51,098** | 45,201 | **148,183** | 146,604 |
| Selling and marketing expenses | **9,913** | 8,338 | **30,955** | 46,158 |
| Depreciation | **7,474** | 6,799 | **21,753** | 21,461 |
| | ===== | ===== | ===== | ===== |

## 8. Property, plant and equipment and biological assets

During the nine month period ended 30 September 2015, the Group's additions to assets amounted to AED 49 million *(nine month period ended 30 September 2014: AED 31.8 million).*

## 9. Investment properties

These mainly include infrastructure facilities which are leased to third parties. These are built on the land (number 598-0100 and 597-0100 located in Jebel Ali Industrial Area) obtained from the Government of Dubai on a renewable, non-cancellable long-term lease of 99 years. The Group was exempted to pay the lease rentals for the first ten years and thereafter, starting 1 February 2009, 20% of the net realized profits from the project are payable to the Government of Dubai.

As at 30th September 2015, the Group obtained fair values of all Areas/Phases. The valuation was carried out by an independent registered valuer in accordance with the RICS Appraisal and Valuation Manual issued by the Royal Institute of Chartered Surveyors using discounted cash flow model after taking into consideration the cash outflows resulting from the estimated 20% share of the net realized profits due to the Government of Dubai starting February 2009. The fair valuation gain of AED 162.9 million has arisen due to significant change in the contractual net cash flows as per the terms of lease contracts with tenants.

During the nine month period ended 30 September 2014, a fair valuation gain of AED 79.9 million was recognized on a property where the exit price valuation changed significantly.

Included in the investment properties is a plot of land received by a subsidiary as grant from the Government of Fujairah. The fair value of this plot of land as at 31 December 2014 was determined by an external, independent valuation company amounting to AED 175 million. During the current period, the Government of Fujairah advised the change of site for the granted land and allocated a new comparatively larger plot of land in the vicinity of the earlier plot. The fair valuation of the new plot of land has been carried out by an independent registered valuer in accordance with the RICS Appraisal and Valuation Manual issued by the Royal Institute of Chartered Surveyors using market valuation approach which amounted to AED 260 million and accordingly fair valuation gain of AED 85 million has been recorded in the current period.

## 10. Investments

| | | **30 September 2015 AED 000 (Unaudited)** | 31 December 2014 AED 000 (Audited) | 30 September 2014 AED 000 (Unaudited) |
|---|---|---|---|---|
| Investments at fair value through profit or loss: | | | | |
| - held for trading quoted equity securities | | **418,765** | 419,067 | 445,156 |
| - unquoted equity securities, funds and bonds | | **1,305,881** | 1,306,058 | 1,282,620 |
| | (i) | **1,724,646** | 1,725,125 | 1,727,776 |
| Investments at fair value through other comprehensive income: | | | | |
| - unquoted equity securities | | **399,922** | 380,764 | 404,352 |
| | (ii) | **399,922** | 380,764 | 404,352 |
| ***Geographical distribution of investments*** | | | | |
| UAE | | **856,049** | 817,346 | 854,647 |
| Other GCC countries | | **478,562** | 401,487 | 402,009 |
| Other countries | | **789,957** | 887,056 | 875,472 |
| | (i)+(ii) | **2,124,568** | 2,105,889 | 2,132,128 |

## 11. Inventories

Inventories at 30 September 2015 include properties under development for sale in the ordinary course of business amounting to AED 1,520 million *(31 December 2014: AED 1,234 million)* and represent costs of land and expenditure incurred towards the development of properties for subsequent sale. The Group intends to develop these properties for sale and has classified these properties as long term based on completion/future development plans.

During the period ended 30 September 2015, the management based on a review of the net realizable value of properties under development for sale has reversed a provision of AED 178 million created in the earlier years. The net realizable value estimates are subjective in nature and involve uncertainties and matters of significant judgment and therefore, cannot be determined with precision. Where discounted cash flows have been used to estimate net realizable values, the cash flows have been estimated by the management based on the latest information available.

## 12. Trade receivables

Trade receivables as at 30 September 2015 include an amount of AED 222 million *(31 December 2014: AED 222 million)* representing the balance of the consideration receivable in respect of the sale by Dubai Investments Park Development Company LLC ("the subsidiary") to a customer ("the customer") for a 90 year usufruct right in a plot of land located in Dubai Investments Park. The subsidiary initiated legal proceedings against the customer to recover the outstanding balance and the Dubai Court of First Instance had issued a judgment in the subsidiary's favor. The customer had filed an appeal with the Dubai Court of Appeal. During the current period, the Group and the customer have commenced negotiations for an out-of-court settlement and discussions are currently ongoing. At the initial stage, both parties have agreed for an adjournment of the current legal proceedings. Also refer note 21.

Based on the recent developments, judgement received from Dubai Court of First Instance and legal advice obtained by the subsidiary, management believes that the balance is fully recoverable.

## 13. Related party transactions

Significant related party transactions during the period were as follows:

| | **Three month period ended 30 September** | | **Nine month period ended 30 September** | |
|---|---|---|---|---|
| | **2015** | 2014 | **2015** | 2014 |
| | **AED 000** | AED 000 | **AED 000** | AED 000 |
| **Compensation to key management personnel is as follows:** | | | | |
| - Short term benefits | **3,594** | 3,203 | **10,779** | 9,609 |
| - Post employee benefits | **32** | 32 | **96** | 96 |
| | **===** | === | **===** | === |

## 14. Cash at bank and in hand

| | **30 September 2015 AED 000 (Unaudited)** | 31 December 2014 AED 000 (Audited) | 30 September 2014 AED 000 (Unaudited) |
|---|---|---|---|
| Cash in hand | **1,745** | 1,873 | 1,705 |
| Cash at bank within UAE (current accounts) | **580,169** | 308,567 | 276,113 |
| Cash at bank outside UAE – GCC Countries (current accounts) | **20,109** | 5,826 | 8,556 |
| Short term deposits (including deposits of AED 25.01 million *(31 December 2014: 30.38 million)* under lien with banks) | **726,986** | 832,030 | 703,408 |
| | ------------ | ------------ | ---------- |
| | **1,329,009** | 1,148,296 | 989,782 |
| | ======= | ======= | ====== |

## 15. Basic earnings per share

| | **Three month period ended 30 September** | | **Nine month period ended 30 September** | |
|---|---|---|---|---|
| | **2015** | 2014 | **2015** | 2014 |
| Net profit attributable to owners of the Company (AED'000) | **246,068** | 189,090 | **751,689** | 994,614 |
| Weighted average number of shares outstanding ('000s) (refer note 18 (i)) | **4,049,541** | 4,049,541 | **4,049,541** | 4,049,541 |
| | ======= | ======= | ======= | ======= |
| Basic earnings per share (AED) | **0.06** | 0.05 | **0.19** | 0.25 |
| | ==== | ==== | ==== | ==== |

## 16. Bank borrowings

Repayment periods in respect of bank borrowings vary from three to seven years and these borrowings are secured by a combination of corporate guarantees and mortgages over certain inventories, trade receivables, property, plant and equipment, investment at fair value through profit or loss, investment properties and assignment of insurance policies over certain assets of the Group. Where there is a corporate guarantee provided by the Company, 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. The proceeds of the Sukuk notes were partially utilized to settle the outstanding bank loans of DIPDC amounting to AED 710 million.

## 18. Proposed dividend and directors' fees

(i) At the Annual General Meeting held on 8 April 2015, the shareholders approved 12% cash dividend and issue of 6% bonus shares as proposed by the Board of Directors. Weighted average number of shares outstanding has been retrospectively adjusted to include the 6% bonus shares approved in the aforesaid AGM for the purpose of calculation of earnings per share.

(ii) At the Annual General Meeting held on 8 April 2015, the shareholders approved the proposed Directors' fees amounting to AED 8 million for the year ended 31 December 2014.

## 19. Acquisition of non-controlling interests

a) In the current period, the Group reached a settlement with a minority shareholder of a subsidiary viz; Edible Oil Company (Dubai) LLC ("EOCD"), whereby, the Group acquired additional 19% stake in EOCD at nil consideration and received an amount of AED 28 million towards settlement of all outstanding dues from the minority shareholder in relation to EOCD. Accordingly, an amount of AED 28 million received has been credited against the amount receivable from the minority shareholder for its share of losses allocated in the earlier years. Upon acquisition of the additional 19% interest, EOCD is now a 100% subsidiary of the Group.

b) In the current period, the Group acquired additional 20.12% stake in its existing subsidiary Emirates Float Glass LLC ("EFG"). Upon acquisition of additional interest, the Group shareholding in EFG has increased to 87.43%.

## 20. Acquisitions and disposals of subsidiaries

### *Acquisitions*

a) With effect from 1 May 2015, the Group acquired 59.66% stake in Al Mal Capital PSC ("Al Mal"). Together with the existing 1.2% shareholding, the Company now holds 60.86% stake in Al Mal and therefore Al Mal is now a subsidiary of the Group.

b) With effect from 11 June 2015, the Group acquired the balance 50% interest in its existing jointly controlled entity, Al Mujamma Real Estate LLC ("Al Mujamma") from the other joint venture partner. On acquisition of the additional interest, Al Mujamma is now a 100% subsidiary of the Group.

## 20. Acquisitions and disposals of subsidiaries *(continued)*

The acquisition had the following effect on the consolidated financial statements on the date of acquisition:

| **Entity acquired** | **Al Mal Capital PSC** | **Al Mujamma Real Estate Company LLC** | **Total** |
|---|---|---|---|
| **% acquired** | **59.66%** | **50%** | |
| | **AED'000** | **AED'000** | **AED'000** |
| Non-current assets | 175,903 | 285,674 | **461,577** |
| Current assets | 449,428 | 52,811 | **502,239** |
| Non-current liabilities | - | (56,242) | **(56,242)** |
| Current liabilities | (390,566) | (17,330) | **(407,896)** |
| **Net assets acquired** | 234,765 | 264,913 | **499,678** |
| Purchase consideration – (A) | | | **237,993** |
| Add: carrying value of existing interest | | | **139,820** |
| **Total consideration** | | | **377,813** |
| Less: Group's share of net assets acquired | | | **(401,768)** |
| Net Bargain Purchase Gain | | | **(23,955)** |
| *Classified as:* | | | |
| Goodwill | | | **3,658** |
| Bargain Purchase Gain recognized in profit or loss as other income | | | **(27,613)** |
| Cash acquired (B) | | | **291,592** |
| **Net cash inflow (A) – (B)** | | | **53,599** |

### *Disposal of subsidiaries*

On 5 May 2015, the Group disposed its entire 51% shareholding in International Rubber Company LLC along with its 100% subsidiary Techno Rubber Company. The disposal had the following effect on the consolidated financial statements at the date of disposal:

| **Carrying values of assets/liabilities at the date of disposal** | **AED'000** |
|---|---|
| Non-current assets | 37,434 |
| Current assets | 66,730 |
| Current liabilities | (36,436) |
| **Net assets** | **67,728** |
| Less: Non-controlling interests | (33,187) |
| Group's share of net assets disposed | 34,541 |
| Goodwill related to entities disposed | 6,807 |
| | 41,348 |
| Consideration agreed | (36,515) |
| **Loss on disposal of subsidiaries** | **(4,833)** |

## 20. Acquisitions and disposals of subsidiaries *(continued)*

### *Disposal of subsidiaries* (continued)

During the previous period, on 26 June 2014, the Group sold 66% interest ("the controlling interest") in its wholly owned subsidiary Globalpharma Company LLC and recorded a gain of AED 471.93 million on the transaction. The gain comprises of realized gain on disposal of controlling interest in a subsidiary of AED 296.18 million and fair valuation gain on retained interest of AED 175.75 million.

## 21. Contingent liabilities

The Company has issued corporate guarantees to commercial banks for loans and advances granted to joint ventures amounting to Nil *(31 December 2014: AED 10.6 million)*. As the Group follows equity accounting for joint ventures, the borrowings against which these corporate guarantees have been issued are not included in the condensed consolidated statement of financial position.

With reference to the legal proceedings initiated by the subsidiary against a customer as mentioned in Note 12, the customer filed an application to the Dubai Court of First Instance alleging that the subsidiary had breached its contractual obligations under the agreement and as a result of which it had suffered substantial losses, being significantly in excess of the purchase price for the usufruct right in the land. The subsidiary had also separately made a counter-claim against the customer for damages suffered as a result of alleged breaches by the customer of its obligations under the relevant agreement.

During the period, the Group and the customer have commenced negotiations for an out-of-court settlement and discussions are currently ongoing. At the initial stage, both parties have agreed for an adjournment of the current legal proceedings.

Based upon formal legal advice that the subsidiary has received, the subsidiary believes that the customer claims are entirely without merit and that it has meritorious defenses to each of the customer's claims. The subsidiary considers the customer claims to be frivolous and a delaying tactic employed by the customer as a result of the judgment issued by the Dubai Court of First Instance against the customer as stated in note 12.

## 22. Capital commitments

As at 30 September 2015, the Group has contractual capital commitments amounting to AED 29 million *(31 December 2014: AED 25.6 million)* mainly relating to new projects/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:

| | | |
|---|---|---|
| *Manufacturing and contracting* | : | manufacture and sale of materials used in building construction projects, executing construction contracts, production, pharmaceuticals, production and distribution of dairy products, aluminum extruded products and laboratory furniture. |
| *Investments* | : | strategic minority investments in start up ventures and IPO's, bonds, funds and shares held for trading purposes. |
| *Property* | : | the development of real estate projects for rentals and sale of developed property units. |

Information regarding the operations of each separate segment is included below. 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.

### 23. Segment reporting *(continued)*

**Information about reportable segments**

**AED'000**

| ***Business Segments*** | **Manufacturing and contracting** | | **Investments** | | **Property** | | **Total** | |
|---|---|---|---|---|---|---|---|---|
| | **Nine month period ended 30 September** | | **Nine month period ended 30 September** | | **Nine month period ended 30 September** | | **Nine month period ended 30 September** | |
| | **2015** | 2014 | **2015** | 2014 | **2015** | 2014 | **2015** | 2014 |
| Revenue | **1,025,577** | 1,135,697 | **3,554** | 588,844 | **584,171** | 590,420 | **1,613,302** | 2,302,266 |
| Finance income and other income | **14,284** | 27,135 | **41,141** | 14,843 | **41,846** | 25,615 | **97,271** | 67,593 |
| Finance expenses | **(27,849)** | (53,147) | **(12,763)** | (4,557) | **(26,298)** | (33,657) | **(66,910)** | (91,361) |
| Gain on fair valuation of investment properties | - | - | - | - | **247,864** | 79,861 | **247,864** | 79,861 |
| Reportable segment (loss)/profit | **(14,980)** | (30,389) | **(65,626)** | 603,192 | **832,295** | 421,811 | **751,689** | 994,614 |
| | **30 September 2015** | 31 December 2014 | **30 September 2015** | 31 December 2014 | **30 September 2015** | 31 December 2014 | **30 September 2015** | 31 December 2014 |
| Reportable segment assets | **2,973,184** | 2,930,006 | **3,259,635** | 3,289,174 | **8,749,126** | 8,305,504 | **14,981,945** | 14,524,684 |
| Reportable segment liabilities | **1,313,131** | 1,336,732 | **899,330** | 956,107 | **1,885,943** | 1,694,015 | **4,098,404** | 3,986,854 |

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