Dubai Investments PJSC and its subsidiaries

Condensed consolidated interim financial statements
30 September 2018

Dubai Investments PJSC and its subsidiaries

Condensed consolidated interim financial statements
30 September 2018

Contents	***Pages***

Review report on condensed consolidated interim financial statements to the shareholders of Dubai Investments PJSC

Introduction

We have reviewed the accompanying condensed consolidated interim statement of financial position of Dubai Investments PJSC (the 'Company') and its subsidiaries (together, the 'Group') as at 30 September 2018 and the related condensed consolidated interim statements of profit or loss and comprehensive income for the three-month period and nine-month period then ended and condensed consolidated interim statements of changes in equity and cash flows for the nine-month period then ended and other explanatory notes. Management is responsible for the preparation and presentation of these condensed consolidated interim financial statements in accordance with International Accounting Standard 34, 'Interim Financial Reporting' ('IAS 34'). Our responsibility is to express a conclusion on these condensed consolidated interim financial statements based on our review.

Scope of review

We conducted our review in accordance with 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 are not prepared, in all material respects, in accordance with IAS 34.

PricewaterhouseCoopers
31 October 2018

Mohamed ElBorno
Registered Auditor Number 946
Dubai, United Arab Emirates

PrricewaterhouseCoopers (Dubai Branch), License no. 102451
Emaar Square, Building 4, Level 8, P O Box 11987, Dubai - United Arab Emirates

T: +971 (0)4 304 3100, F: +971 (0)4 346 9150, www.pwc.com/me

Dubai Investments PJSC and its subsidiaries
Condensed consolidated interim statement of profit or loss

		Three month period ended 30 September		**Nine month period ended 30 September**	
		2018	2017	**2018**	2017
		AED 000	AED 000	**AED 000**	AED 000
	Note	**(Reviewed)**	(Reviewed)	**(Reviewed)**	(Reviewed)
Sale of goods and services		**396,523**	206,943	**1,038,922**	629,631
Rental income		**235,775**	232,132	**700,017**	691,055
Contract revenue		**48,379**	94,999	**214,650**	266,094
Sale of properties		**17,562**	-	**49,320**	-
Gain on fair valuation of investment properties		**152,185**	219,375	**152,185**	441,645
Loss on fair valuation of investments		**(12,034)**	(15,106)	**(80,664)**	(17,360)
(Loss)/gain on sale of investment properties		-	(125)	**-**	924
(Loss)/gain on sale of investments – (net)	*23*	**(186)**	(933)	**18,622**	325
Share of (loss)/profit from equity accounted investees		**(7,045)**	7,479	**(22,480)**	10,298
Dividend income		**10,165**	4,444	**17,498**	10,100
Gain on fair valuation of existing interest prior to acquisition of a controlling stake	*22*	-	-	**228,916**	-
Bargain purchase gain	*22*	-	-	**104,263**	-
Total income		**841,324**	749,208	**2,421,249**	2,032,712
Direct operating costs	*6*	**(507,388)**	(324,226)	**(1,317,493)**	(997,779)
Administrative and general expenses	*7*	**(114,728)**	(79,550)	**(377,441)**	(256,518)
Finance expenses		**(41,953)**	(25,455)	**(133,624)**	(69,431)
Finance income		**7,220**	15,054	**36,232**	40,534
Other income	*8*	**16,201**	4,711	**40,096**	45,121
Profit for the period		**200,676**	339,742	**669,019**	794,639
Profit attributable to:					
Owners of the Company		**233,290**	350,364	**724,334**	830,250
Non-controlling interests		**(32,614)**	(10,622)	**(55,315)**	(35,611)
Profit for the period		**200,676**	339,742	**669,019**	794,639
Earnings per share					
Basic and diluted earnings per share (AED)	*16*	**0.05**	0.08	**0.17**	0.20

	Three month period ended 30 September		Nine month period ended 30 September	
	2018	2017	**2018**	2017
	AED'000	AED'000	**AED'000**	AED'000
	(Reviewed)	(Reviewed)	**(Reviewed)**	(Reviewed)
Profit for the period	**200,676**	339,742	**669,019**	794,639
Other comprehensive income ('OCI'):				
Items that will not be reclassified to profit or loss				
Net change in fair value of investments at fair value through OCI	**(34)**	(4,432)	**(37,157)**	(2,589)
Total other comprehensive income for the period	**(34)**	(4,432)	**(37,157)**	(2,589)
Total comprehensive income for the period	**200,642**	335,310	**631,862**	792,050
Attributable to:				
Owners of the Company	**233,256**	345,932	**689,509**	827,055
Non-controlling interests	**(32,614)**	(10,622)	**(57,647)**	(35,005)
Total comprehensive income for the period	**200,642**	335,310	**631,862**	792,050

Dubai Investments PJSC and its subsidiaries

Condensed consolidated interim statement of financial position

	Note	30 September 2018 AED'000 (Reviewed)	31 December 2017 AED'000 (Audited)	30 September 2017 AED'000 (Reviewed)
Non-current assets				
Property, plant and equipment	*9*	**3,203,084**	1,241,855	1,261,890
Goodwill and intangible assets	*22*	**326,645**	98,840	98,643
Investment properties	*10*	**8,210,121**	7,704,980	7,451,460
Investments at fair value through other comprehensive income	*11*	**144,631**	209,827	235,750
Investments in equity accounted investees	*22*	**195,478**	606,677	654,768
Rent receivable		**49,820**	40,520	42,165
Finance lease receivable		**2,160**	2,950	4,050
Inventories	*12*	**1,597,098**	1,884,145	1,778,198
Trade receivables	*13*	**69,459**	229,439	145,308
Due from related parties and other receivables		**45,649**	64,385	41,442
Total non-current assets		**13,844,145**	12,083,618	11,713,674
Current assets				
Inventories	*12*	**1,423,263**	872,257	845,593
Investments at fair value through profit or loss	*11*	**1,476,335**	1,550,224	1,714,429
Trade receivables	*13*	**1,095,821**	849,262	937,746
Due from related parties and other receivables		**847,495**	682,571	663,418
Cash at bank and in hand	*15*	**759,153**	967,021	851,211
Total current assets		**5,602,067**	4,921,335	5,012,397
Total assets		**19,446,212**	17,004,953	16,726,071
Equity				
Share capital		**4,252,018**	4,252,018	4,252,018
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		**(143,441)**	(259,489)	(252,931)
Proposed dividend/bonus shares	*19*	**-**	510,242	-
Proposed directors' fee	*19*	**-**	12,250	-
Retained earnings		**5,499,378**	4,936,167	5,417,597
Equity attributable to owners of the Company		**12,006,914**	11,850,147	11,694,133
Non-controlling interests		**397,589**	478,503	510,203
Total equity		**12,404,503**	12,328,650	12,204,336
Liabilities				
Non-current liabilities				
Bank borrowings	*17*	**2,227,104**	883,989	839,660
Sukuk notes	*18*	**-**	1,101,600	1,101,600
Other payables		**217,807**	68,847	70,782
Total non-current liabilities		**2,444,911**	2,054,436	2,012,042
Current liabilities				
Bank borrowings	*17*	**1,792,673**	1,193,445	1,154,733
Sukuk notes	*18*	**1,101,600**	-	-
Trade, due to related parties and other payables		**1,702,525**	1,428,422	1,354,960
Total current liabilities		**4,596,798**	2,621,867	2,509,693
Total liabilities		**7,041,709**	4,676,303	4,521,735
Total equity and liabilities		**19,446,212**	17,004,953	16,726,071

The condensed consolidated interim financial statements were approved by the Board of Directors on 31 October 2018 and were signed on its behalf by:

Khalid Jassim Kalban
Managing Director and Chief Executive Officer

Mushtaq Masood
Group Chief Financial Officer

The notes set out on pages 8 to 20 form part of these condensed consolidated interim financial statements.

Dubai Investments PJSC and its subsidiaries
Condensed consolidated interim statement of cash flows

	Note	Nine month period ended 30 September 2018 AED'000 (Reviewed)	2017 AED'000 (Reviewed)
Cash flows from operating activities			
Profit for the period		**669,019**	794,639
Adjustments for:			
Depreciation		**124,252**	80,497
Amortisation of intangible assets		**5,467**	1,125
Loss on disposal of property, plant and equipment		**462**	144
Gain on sale of investments – (net)		**(18,622)**	(325)
Gain on fair valuation of investment properties		**(152,185)**	(441,645)
Gain on sale of investment properties		**-**	(924)
Share of loss/(profit) from equity accounted investees		**22,480**	(10,298)
Loss on fair valuation of investments		**80,664**	17,360
Impairment of investment in equity accounted investee	*7*	**27,990**	-
Gain on fair valuation of existing interest prior to acquisition of a controlling stake		**(228,916)**	-
Bargain purchase gain		**(104,263)**	-
Operating profit before changes in working capital		**426,348**	440,573
Changes in:			
- investment at fair value through profit or loss		**42,218**	(127,605)
- trade, due from related parties and other receivables		**(127,210)**	(160,977)
- inventories		**(357,398)**	(403,952)
- trade, due to related parties and other payables		**151,520**	63,342
- Directors' fee paid	*19*	**(12,250)**	(10,000)
Net cash from/(used) in operating activities		**123,228**	(198,619)
Cash flows from investing activities			
Consideration paid for acquisition of controlling/non-controlling interests - net of cash acquired	*22*	**(405,426)**	(29,272)
Net movement in investment properties		**(254,932)**	(46,194)
Acquisition of property, plant and equipment		**(237,059)**	(22,860)
Proceeds from disposal of property, plant and equipment		**31**	637
Net movement in equity accounted investees'		**(14,617)**	19,781
Net cash used in investing activities		**(912,003)**	(77,908)
Cash flow from financing activities			
Net movement in bank borrowings		**1,139,511**	53,906
Net movement in non-controlling interests		**(17,432)**	(768)
Dividend paid	*19*	**(510,242)**	(485,945)
Net movement in deposits under lien		**(39,047)**	-
Net cash from/(used in) financing activities		**572,790**	(432,807)
Net decrease in cash and cash equivalents		**(215,985)**	(709,334)
Cash and cash equivalents at 1 January	*15*	**404,598**	946,529
Cash and cash equivalents at 30 September		**188,613**	237,195
Cash and cash equivalents comprise following:			
Cash in hand, current and call accounts with banks	*15*	**613,953**	476,808
Short term deposits with banks (excluding those under lien)	*15*	**91,820**	365,508
Bank overdrafts, trust receipt loans and bills discounted		**(517,160)**	(605,121)
		188,613	237,195

Dubai Investments PJSC and its subsidiaries

Condensed consolidated interim statement of changes in equity

For the nine month period ended 30 September 2018 (reviewed)

	Equity attributable to owners of the Company												*AED '000*
	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**	**Not-controlling interests**	**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
Total comprehensive income for the period													
Profit for the period	-	-	-	-	-	-	-	-	-	830,250	830,250	(35,611)	794,639
Other comprehensive income													
Net change in fair value of investments at fair value through OCI	-	-	-	-	-	-	(3,195)	-	-	-	(3,195)	606	(2,589)
Total OCI for the period	-	-	-	-	-	-	(3,195)	-	-	-	(3,195)	606	(2,589)
Total comprehensive income for the period	-	-	-	-	-	-	(3,195)	-	-	830,250	827,055	(35,005)	792,050
Transactions with owners, recorded directly in equity													
Contributions by and distributions to owners													
Dividend paid	-	-	-	-	-	-	-	(404,954)	-	(80,991)	(485,945)	-	(485,945)
Bonus shares issued	202,477	-	-	-	-	-	-	(202,477)	-	-	-	-	-
Dividend paid by subsidiaries	-	-	-	-	-	-	-	-	-	-	-	(2,940)	(2,940)
Total contributions by and distribution to owners	202,477	-	-	-	-	-	-	(607,431)	-	(80,991)	(485,945)	(2,940)	(488,885)
Changes in ownership interests													
On acquisitions of non-controlling interests	-	-	-	-	-	-	-	-	-	(1,207)	(1,207)	(28,065)	(29,272)
On acquisition by a subsidiary	-	-	-	-	-	-	-	-	-	-	-	1,566	1,566
Total change in ownership interests in subsidiaries	-	-	-	-	-	-	-	-	-	(1,207)	(1,207)	(26,499)	(27,706)
Total transactions with owners	202,477	-	-	-	-	-	-	(607,431)	-	(82,198)	(487,152)	(29,439)	(516,591)
Other movements													
Directors' fee paid	-	-	-	-	-	-	-	-	(10,000)	-	(10,000)	-	(10,000)
Total other movements	-	-	-	-	-	-	-	-	(10,000)	-	(10,000)	-	(10,000)
Balance at 30 September 2017	**4,252,018**	**46**	**25,502**	**975,958**	**1,253,943**	**22,000**	**(252,931)**	**-**	**-**	**5,417,597**	**11,694,133**	**510,203**	**12,204,336**

The notes on pages 8 to 20 form an integral part of this condensed consolidated interim financial information.

Dubai Investments PJSC and its subsidiaries

Condensed consolidated interim statement of changes in equity (continued)

For the nine month period ended 30 September 2018 (continued) (reviewed)

	----------Equity attributable to owners of the Company----------												*AED'000*
	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**	**Not-controlling interests**	**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 of initial application of IFRS 9 (note 3)	-	-	-	-	-	-	-	-	-	(13,050)	(13,050)	(8,153)	(21,203)
Adjustment of 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	-	-	-	-	-	-	-	-	-	724,334	724,334	(55,315)	669,019
Other comprehensive income													
Fair value reserve transferred to retained earnings on disposal of investments	-	-	-	-	-	-	150,873	-	-	(150,873)	-	-	-
Net change in fair value of investments at fair value through OCI	-	-	-	-	-	-	(34,825)	-	-	-	(34,825)	(2,332)	(37,157)
Total OCI for the period	-	-	-	-	-	-	116,048	-	-	(150,873)	(34,825)	(2,332)	(37,157)
Total comprehensive income for the period	**-**	**-**	**-**	**-**	**-**	**-**	**116,048**	**-**	**-**	**573,461**	**689,509**	**(57,646)**	**631,862**
Transactions with owners, recorded directly in equity													
Contributions by and distributions to owners													
Dividend paid	-	-	-	-	-	-	-	(510,242)	-	-	(510,242)	-	(510,242)
Total contributions by and distribution to owners	-	-	-	-	-	-	-	**(510,242)**	-	-	**(510,242)**	-	**(510,242)**
Changes in ownership interests													
On acquisition of a subsidiary (note 22)	-	-	-	-	-	-	-	-	-	-	-	4,311	4,311
Introduction of share capital in a subsidiary	-	-	-	-	-	-	-	-	-	-	-	1,481	1,481
On disposal of a subsidiary	-	-	-	-	-	-	-	-	-	-	-	(20,906)	(20,906)
Total change in ownership interests in subsidiaries	-	-	-	-	-	-	-	-	-	-	-	(15,114)	(15,114)
Total transactions with owners	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Other movements													
Directors' fee paid	-	-	-	-	-	-	-	-	(12,250)	-	(12,250)	-	(12,250)
Total other movements	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(12,250)**	**-**	**(12,250)**	**-**	**(12,250)**
Balance at 30 September 2018	**4,252,018**	**46**	**25,502**	**1,041,198**	**1,310,213**	**22,000**	**(143,441)**	**-**	**-**	**5,499,378**	**12,006,914**	**397,589**	**12,404,503**

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 nine month period ended 30 September 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 development of real estate for sale and leasing, contracting activities, manufacturing and trading of products in various sectors, district cooling, investment banking, asset management, financial investments, healthcare and education.

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 recent annual audited consolidated financial statements as at and for the year ended 31 December 2017 except as mentioned below:

Changes in accounting policies

From 1 January 2018, the Group has adopted following new International Financial Reporting Standards (IFRS's):

- **IFRS 9 - 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 1 January 2018. It replaces existing International Accounting Standard (IAS) 39 – Financial Instruments: Recognition and Measurement.

3 Significant accounting policies (continued)

Changes in accounting policies (continued)

- **IFRS 15 – Revenue from Contracts with Customers**

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

  The initial application of these standards has mainly impacted the following:

  - impairment losses recognised on financial assets
  - timing of revenue recognition from sale of properties

- 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 including related party balances.

  The adoption of new accounting policy at 1 January 2018 resulted in 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.

3 Significant accounting policies (continued)

Changes in accounting policies (continued)

- IFRS 9 Financial Instruments (continued)

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

(a) 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.

Under IFRS 15, revenue from the sale of properties is recognised 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 interim statement of financial position as at 30 September 2018 and its condensed consolidated interim statement of profit or loss for the nine month then ended for each of the line item affected. There is no significant impact on the Group's condensed consolidated interim statement of cash flows for the nine month period ended 30 September 2018.

Particulars	**Amounts without adoption of IFRS 15** AED'000	**Adjustments** AED'000	**As reported** AED'000
Inventories (current)	1,484,714	(61,451)	1,423,263
Trade receivables (current and non current)	1,131,803	33,477	1,165,280
Sale of properties	7,216	42,104	49,320
Direct operating costs	(1,279,165)	(38,328)	(1,317,493)

3 Significant accounting policies (continued)

Changes in accounting policies (continued)

- IFRS 15 - Revenue from Contracts with Customers (continued)

Revenue recognition (continued)

(b) 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 consolidated financial statements on application of revised policy.

(c) 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 comparatives have 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 have been described in note 3.

5 Financial instruments

5.1 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.

5.2 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 categorised:

	Level 1	**Level 2**	**Level 3**	**Total**
	AED'000	AED'000	AED'000	AED'000
30 September 2018				
Financial assets at fair value through profit or loss	**340,992**	**704,961**	**430,382**	**1,476,335**
Financial assets at fair value through other comprehensive income	**597**	**-**	**144,034**	**144,631**
	341,589	**704,961**	**574,416**	**1,620,966**
31 December 2017				
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

5 Financial instruments

5.3 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	**72,548**	39,841
Redeemed/ sold during the period	**(29,349)**	(7,891)
Transfer out to level 1	**-**	(84,683)
Transfer in to level 3*	**64,000**	-
Loss included in OCI		
- Net change in fair value (unrealised)	**(37,157)**	(4,460)
Gain recorded in profit and loss		
- Net change in fair value (unrealised)	**(11,309)**	4,096
As at 30 September	**574,416**	500,588

* This represents transfer from trade receivables to Level 3 investment at fair value through profit or loss. There were no transfers between Level 1, Level 2 and Level 3 fair value measurements.

5.4 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 30 September		**Nine month period ended 30 September**	
	2018 AED'000	2017 AED'000	**2018 AED'000**	2017 AED'000
These include:				
Materials consumed	**328,517**	175,292	**810,167**	564,569
Cost of properties sold	**16,251**	-	**44,528**	-
Staff costs	**31,315**	49,231	**88,703**	125,593
Factory overheads (excluding depreciation)	**48,511**	27,251	**136,962**	96,561
Depreciation and amortisation	**40,327**	17,822	**102,469**	54,818
Share of Government of Dubai in the realised profits of a subsidiary	**29,045**	29,818	**88,215**	88,993

7 Administrative and general expenses

	Three month period ended 30 September		Nine month period ended 30 September	
	2018	2017	**2018**	2017
	AED'000	AED'000	**AED'000**	AED'000
These include:				
Staff costs	**72,124**	48,447	**201,061**	150,551
Impairment of investment in equity accounted investee	**-**	-	**27,990**	-
Selling and marketing expenses	**26,675**	10,234	**70,513**	36,621
Depreciation and amortisation	**9,227**	8,964	**27,250**	25,679

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.

8 Other income

Other income mainly includes connection charges, management fee, advertisement income and income from leased operations.

9 Property, plant and equipment

During the nine month period ended 30 September 2018, the Group's additions to property, plant and equipment amounted to AED 237 million *(year ended 31 December 2017: AED 41.6 million)*, which includes a plot of land acquired by a subsidiary amounting to AED 76 million for construction of a leisure park and AED 142 million relating to plant and machinery and capital work-in progress.

Further, assets amounting to AED 1,852 million were acquired on business combination of Emicool (refer note 22).

10 Investment properties

Included in investment properties are mainly the following:

	30 September 2018	31 December 2017	30 September 2017
	AED'000	AED'000	AED'000
	(Reviewed)	(Audited)	(Reviewed)
- Infrastructure and ancillary facilities	**4,998,780**	4,828,328	5,046,896
- Plots of land for future development	**981,917**	971,424	604,426
- Residential, retail and commercial facilities	**1,558,191**	1,233,995	1,129,206
- Labor camps and warehouses	**671,233**	671,233	670,932
	8,210,121	7,704,980	7,451,460

(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, except as mentioned in 10 (iii).

10 Investment properties (continued)

(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 projects which resulted in an increase of AED 226.88 million in residential, retail and commercial facilities.

(iii) As at 30 September 2018, the Group has obtained fair values of infrastructure and ancillary facilities leased to third parties built on the land (number 598-0100 and 597-0100 located in Jebel Ali Industrial Area). 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 a discounted cash flow model. The fair valuation gain of AED 152.19 million *(nine month period ended 30 September 2017: fair valuation gain of AED 394.14 million)* has arisen due to significant change in the contractual net cash flows as per the terms of lease contracts with tenants.

(iv) During the period, the Group transferred a residential building from inventories to investment properties amounting to AED 98.02 million on account of change in use.

11 Investments

		30 September 2018 AED'000 (Reviewed)	31 December 2017 AED'000 (Audited)	30 September 2017 AED'000 (Reviewed)
Investments at fair value through other comprehensive income:				
- Unquoted equity securities		**144,631**	209,827	235,750
	(i)	**144,631**	209,827	235,750
Investments at fair value through profit or loss:				
- held for trading quoted equity securities		**340,992**	500,953	629,108
- unquoted equity securities, funds, bonds and sukuks		**1,135,343**	1,049,271	1,085,321
	(ii)	**1,476,335**	1,550,224	1,714,429
Geographical distribution of investments				
UAE		**633,073**	793,102	948,416
Other GCC countries		**479,838**	428,330	429,880
Other countries		**508,055**	538,619	571,883
	(i)+(ii)	**1,620,966**	1,760,051	1,950,179

The Group does not have any investments in The Abraaj Group ("Abraaj") or any of its projects or funds and there is no relationship between the Group and Abraaj.

12 Inventories

Inventories at 30 September 2018 include properties under development for sale in the ordinary course of business amounting to AED 2,865 million *(31 December 2017: AED 2,538 million)* and represent costs of land, expenditure incurred towards the development of properties for subsequent sale and capitalised 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.

13 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 (note 21).

14 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**	
	2018	2017	**2018**	2017
	AED'000	AED'000	**AED'000**	AED'000
Land and other lease charges	**201**	1,465	**834**	3,718
Compensation to key management personnel:				
Short term benefits	**4,545**	4,312	**13,635**	12,805
Post-employment benefits	**115**	106	**346**	311

15 Cash at bank and in hand

	30 September 2018	31 December 2017	30 September 2017
	AED'000	AED'000	AED'000
	(Reviewed)	(Audited)	(Reviewed)
Cash in hand	**1,492**	892	1,400
Cash at bank within UAE (current accounts)	**551,351**	474,257	459,159
Cash at bank outside UAE – GCC Countries (current accounts)	**6,497**	16,458	4,292
Cash at bank outside UAE – Other countries (current accounts)	**54,613**	25,212	11,957
Short term deposits (including deposits of AED 53.38 million *(31 December 2017: AED 14.3 million)* under lien with banks)	**145,200**	450,222	374,403
	759,153	967,021	851,211

16 Basic and diluted earnings per share

	Three month period ended 30 September		**Nine month period ended 30 September**	
	2018	2017	**2018**	2017
Profit attributable to Owners of the Company (AED'000)	**233,290**	350,364	**724,334**	830,250
Weighted average number of shares outstanding ('000s)	**4,252,018**	4,252,018	**4,252,018**	4,252,018
Basic and diluted earnings per share (AED)	**0.05**	0.08	**0.17**	0.20

17 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 of majority of the bank borrowings range between 0.45% to 3.5% over relevant LIBOR/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.

18 Sukuk notes

In February 2014, Dubai Investments Park Development Company LLC ("DIPDC"), a subsidiary of the Company, 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 30 September 2018.

19 Proposed dividend 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. The dividend amounting to AED 510 million was paid during the period.

(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, which was paid during the period.

20 Commitments

	30 September 2018 AED'000	31 December 2017 AED'000
Commitments – contracted and committed	**1,817,221**	1,886,894

20 Commitments (continued)

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 30 September 2018 amounts to AED 320 million *(31 December 2017: AED 334.5 million)* which will be invoiced and paid until 2029, in semi-annual instalments of AED 14.5 million each.

21 Contingent liabilities

As detailed in note 13, upon signing of the settlement agreement, the previous legal proceedings initiated by the subsidiary and the customer were closed through the Dubai Courts.

22 Acquisition of a subsidiary

With effect from 1 January 2018, the Group acquired additional 50% shares in its existing jointly controlled entity, Emirates District Cooling LLC ('EMICOOL') from the joint venture partner. Upon 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 derecognised and the entity has been consolidated on a line by line basis effective from the date of acquisition.

The following table summarises the recognised 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)**
Gain on fair valuation of existing interest in EMICOOL	
Fair value of existing 50% interest in EMICOOL at 1 January 2018	**604,262**
Less: carrying amount of interest in EMICOOL at 1 January 2018	**(375,346)**
Gain on fair valuation of existing interest prior to acquisition of controlling stake	**228,916**
Cash acquired (B)	**94,574**
Net cash outflow (A) – (B)	**(405,426)**

22 Acquisition of a subsidiary *(continued)*

The Group engaged an independent valuer to perform the fair valuation of net assets acquired. A combination of valuation techniques depending upon the nature of the asset were used for measuring the fair values of significant assets acquired and liabilities assumed. These included: depreciated replacement costs, discounted cash flows, income capitalisation 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 recognised amounts of identifiable assets and liabilities, the accounting for acquisition will be revised accordingly.

23 Disposal of a joint venture

During the current period, the Group disposed of its 50% share holding 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.

24 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:

Property	development of real estate for sale and leasing
Manufacturing, contracting and services	manufacture and sale of materials used in construction projects, executing construction contracts, production of raw and architectural glass, cooling services, production, aluminium extruded products, laboratory furniture, healthcare and education
Investments	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 such transaction are carried out on arm's length basis and are eliminated on consolidation.

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.

24 Segment reporting (continued)

Information about reportable segments

Business Segments

	Property		Manufacturing, contracting and services		Investments		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	
	2018	2017	**2018**	2017	**2018**	2017	**2018**	2017
	AED'000	AED'000	**AED'000**	AED'000	**AED'000**	AED'000	**AED'000**	AED'000
Revenue	**775,759**	718,301	**1,238,283**	873,018	**(78,157)**	(877)	**1,935,885**	1,590,442
Gain on fair valuation of existing interest prior to acquisition of a controlling stake	**-**	-	**-**	-	**228,916**	-	**228,916**	-
Bargain purchase gain	**-**	-	**-**	-	**104,263**	-	**104,263**	-
Gain on fair valuation of investments properties	**152,185**	442,270	**-**	-	**-**	-	**152,185**	442,270
Total income	**927,944**	1,160,571	**1,238,283**	873,018	**255,022**	(877)	**2,421,249**	2,032,712
Direct operating costs	**(281,247)**	(216,170)	**(1,036,246)**	(781,609)	**-**	-	**(1,317,493)**	(997,779)
Administrative and general expenses	**(44,804)**	(42,955)	**(251,825)**	(147,661)	**(80,812)**	(65,902)	**(377,441)**	(256,518)
Finance expenses	**(18,554)**	(28,203)	**(85,308)**	(28,674)	**(29,762)**	(12,554)	**(133,624)**	(69,431)
Finance income and other income	**20,238**	36,254	**24,610**	14,198	**31,480**	35,203	**76,328**	85,655
Profit/(loss) for the period	**603,577**	909,497	**(110,486)**	(70,728)	**175,928**	(44,130)	**669,019**	794,639
Profit/(loss) profit attributable to:								
Owners of the Company	**604,848**	911,087	**(63,464)**	(45,861)	**182,950**	(34,976)	**724,334**	830,250
Non – controlling interests	**(1,271)**	(1,590)	**(47,022)**	(24,867)	**(7,022)**	(9,154)	**(55,315)**	(35,611)
Profit/(loss) for the period	**603,577**	909,497	**(110,486)**	(70,728)	**175,928**	(44,130)	**669,019**	794,639
	30 September 2018	31 December 2017	**30 September 2018**	31 December 2017	**30 September 2018**	31 December 2017	**30 September 2018**	31 December 2017
Assets	**12,112,193**	11,494,663	**4,619,537**	2,797,769	**2,714,482**	2,712,517	**19,446,212**	17,004,949
Liabilities	**2,902,306**	2,491,217	**2,632,354**	1,238,735	**1,507,049**	946,351	**7,041,709**	4,676,303

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