

Dubai Investments PJSC and its subsidiaries

Condensed consolidated interim financial statements

30 September 2019

Dubai Investments PJSC and its subsidiaries

Condensed consolidated interim financial statements

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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 2019, the related condensed consolidated interim statements of profit or loss and comprehensive income for the three-month and nine-month periods then ended and the 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 information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed consolidated interim financial statements are not prepared, in all material respects, in accordance with IAS 34.

PricewaterhouseCoopers
30 October 2019

Mohamed ElBorno
Registered Auditor Number 946
Dubai, United Arab Emirates

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Dubai Investments PJSC and its subsidiaries

Condensed consolidated interim statement of profit or loss

	Note	Three month period ended 30 September		Nine month period ended 30 September	
		2019	2018	2019	2018
		AED'000 (Reviewed)	AED'000 (Reviewed)	AED'000 (Reviewed)	AED'000 (Reviewed)
Sale of goods and services		398,591	396,523	1,084,573	1,038,922
Rental income		217,361	235,775	680,616	700,017
Contract revenue		52,319	48,379	146,918	214,650
Sale of properties		8,754	17,562	35,868	49,320
Gain/(loss) on fair valuation of investments		16,102	(12,034)	60,083	(80,664)
(Loss)/gain on sale of investments	22	(562)	(186)	3,171	18,622
Gain on fair valuation of investment properties	10	-	152,185	52,251	152,185
Gain on sale of investment properties		-	-	14,142	-
Dividend income		9,865	10,165	24,260	17,498
Share of loss from equity accounted investees		(11,131)	(7,045)	(43,967)	(22,480)
Gain on fair valuation of existing interest prior to acquisition of controlling stake	20	-	-	11,506	228,916
Bargain purchase gain	20	-	-	52,324	104,263
Total income		691,299	841,324	2,121,745	2,421,249
Cost of sales	6	(445,481)	(507,388)	(1,236,262)	(1,317,493)
Administrative and general expenses	7	(101,093)	(114,728)	(299,140)	(377,441)
Finance expenses		(65,645)	(41,953)	(221,636)	(133,624)
Finance income		14,001	7,220	33,853	36,232
Other income	8	5,783	16,201	34,576	40,096
Profit for the period		98,864	200,676	433,136	669,019
Profit attributable to:					
Owners of the Company		105,491	233,290	458,734	724,334
Non-controlling interests		(6,627)	(32,614)	(25,598)	(55,315)
Profit for the period		98,864	200,676	433,136	669,019
Earnings per share					
Basic and diluted earnings per share (AED)	15	0.03	0.05	0.11	0.17

Dubai Investments PJSC and its subsidiaries

Condensed consolidated interim statement of comprehensive income

	Three month period ended 30 September		Nine month period ended 30 September	
	2019 AED'000 (Reviewed)	2018 AED'000 (Reviewed)	2019 AED'000 (Reviewed)	2018 AED'000 (Reviewed)
Profit for the period	98,864	200,676	433,136	669,019
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	(7)	(34)	(69)	(37,157)
Total other comprehensive income for the period	(7)	(34)	(69)	(37,157)
Total comprehensive income for the period	98,857	200,642	433,067	631,862
Attributable to:				
Owners of the Company	105,484	233,256	458,665	689,509
Non-controlling interests	(6,627)	(32,614)	(25,598)	(57,647)
Total comprehensive income for the period	98,857	200,642	433,067	631,862

Dubai Investments PJSC and its subsidiaries

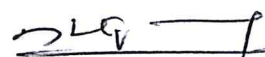
Condensed consolidated interim statement of financial position

		30 September 2019 AED'000 (Reviewed)	31 December 2018 AED'000 (Audited)	30 September 2018 AED'000 (Reviewed)
	Note			
Non-current assets				
Property, plant and equipment	9	3,628,469	3,427,431	3,203,084
Right-of-use-assets	3	283,654	-	-
Goodwill and intangible assets	20	525,797	325,040	326,645
Investment properties	10	8,483,310	8,292,108	8,210,121
Investments at fair value through other comprehensive income	11	121,760	133,586	144,631
Investments in equity accounted investees	20	140,813	246,754	195,478
Rent receivable		51,254	43,958	49,820
Finance lease receivable		1,310	1,577	2,160
Inventories	12	267,411	353,059	1,597,098
Trade receivables		52,537	67,870	69,459
Other receivables		31,092	46,107	45,649
Total non-current assets		13,587,407	12,937,490	13,844,145
Current assets				
Inventories	12	2,628,720	2,452,791	1,423,263
Investments at fair value through profit or loss	11	1,406,851	1,429,227	1,476,335
Trade receivables		1,399,969	1,137,483	1,086,323
Short-term deposits with banks		56,848	134,423	53,380
Other receivables		739,740	664,714	847,495
Cash and cash equivalents	14	816,100	798,069	705,773
Total current assets		7,048,228	6,616,707	5,592,569
Total assets		20,635,635	19,554,197	19,436,714
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		1,078,710	1,078,710	1,041,198
General reserve		1,345,510	1,345,510	1,310,213
Revaluation reserve		22,000	22,000	22,000
Fair value reserve		(144,216)	(153,281)	(143,441)
Proposed dividend	18	-	425,202	-
Proposed directors' fee	18	-	10,500	-
Retained earnings		5,198,011	4,909,632	5,491,046
Equity attributable to owners of the Company		11,777,581	11,915,839	11,998,582
Non-controlling interests		328,321	369,466	396,423
Total equity		12,105,902	12,285,305	12,395,005
Liabilities				
Non-current liabilities				
Bank borrowings	16	4,680,745	2,762,690	2,227,104
Lease liabilities	3	241,714	-	-
Other payables		191,215	161,095	217,807
Total non-current liabilities		5,113,674	2,923,785	2,444,911
Current liabilities				
Bank borrowings	16	1,557,928	1,469,216	1,792,673
Sukuk notes	17	-	1,101,600	1,101,600
Lease liabilities	3	38,623	-	-
Trade and other payables		1,819,508	1,774,291	1,702,525
Total current liabilities		3,416,059	4,345,107	4,596,798
Total liabilities		8,529,733	7,268,892	7,041,709
Total equity and liabilities		20,635,635	19,554,197	19,436,714

The condensed consolidated interim financial statements were approved by the Board of Directors on 30 October 2019 and were signed on its behalf by:



Khalid Jassim Kalban
Managing Director and Chief Executive Officer



Mushtaq Masood
Group Chief Financial Officer

Dubai Investments PJSC and its subsidiaries

Condensed consolidated interim statement of cash flows

		Nine month period ended 30 September	
		2019 AED'000 (Reviewed)	2018 AED'000 (Reviewed)
	Note		
Cash flows from operating activities			
Profit for the period		433,136	669,019
<i>Adjustments for:</i>			
Depreciation		163,213	124,252
Amortization of intangible assets		12,960	5,467
(Gain)/loss on disposal of property, plant and equipment		(381)	462
Gain on fair valuation of investment properties		(52,251)	(152,185)
Gain on sale of investment properties		(14,142)	-
(Gain)/loss on sale of investments – (net)		(3,171)	(18,622)
Share of loss from equity accounted investees		43,967	22,480
(Gain)/loss on fair valuation of investments		(60,083)	80,664
Impairment of investment in equity accounted investee	7	-	27,990
Gain on fair valuation of existing interest prior to acquisition of a controlling stake	20	(11,506)	(228,916)
Bargain purchase gain	20	(52,324)	(104,263)
Finance income		(33,853)	(36,232)
Finance expense / profit on sukuk notes		221,636	133,624
Operating cash flows before changes in working capital		647,201	523,740
<i>Changes in:</i>			
- investment at fair value through profit or loss and OCI		106,521	42,218
- trade and other receivables		(242,305)	(127,210)
- inventories		(232,470)	(357,398)
- trade and other payables		23,551	151,520
- Directors' fee paid	18	(10,500)	(12,250)
Net cash generated from operating activities		291,998	220,620
Cash flows from investing activities			
Consideration paid for acquisition of controlling - net of cash acquired	20	(115,467)	(405,426)
Consideration paid for acquisition of non-controlling interests	21	(3,503)	-
Additions to investment properties		(176,493)	(254,932)
Acquisition of property, plant and equipment		(280,084)	(237,059)
Proceeds from disposal of property, plant and equipment		799	31
Additions to intangible assets		(249)	-
Finance income received		33,853	36,232
Investments in equity accounted investees		(32,669)	(14,617)
Net cash used in investing activities		(573,813)	(875,771)
Cash flows from financing activities			
Proceeds from bank borrowings		3,245,994	1,632,592
Repayment of bank borrowings		(1,326,369)	(493,081)
Repayment of sukuk notes		(1,101,600)	-
Principal elements of lease payments		(36,417)	-
Net movement in non-controlling interests		360	(17,432)
Dividend paid	18	(425,202)	(510,242)
Net movement in short term deposits		77,575	(39,047)
Finance expense/profit on sukuk notes paid		(221,636)	(133,624)
Net cash generated from financing activities		212,705	439,166
Net decrease in cash and cash equivalents		(69,110)	(215,985)
Cash and cash equivalents at 1 January		343,016	404,598
Cash and cash equivalents at 30 September		273,906	188,613
<i>Cash and cash equivalents comprise following:</i>			
Cash in hand, current and call accounts with banks	14	565,483	613,953
Short term deposits with banks (excluding those under lien)	14	250,617	91,820
Bank overdrafts, trust receipt loans and bills discounted		(542,194)	(517,160)
		273,906	188,613

Dubai Investments PJSC and its subsidiaries
Condensed consolidated interim statement of changes in equity
For the nine month period ended 30 September 2019 (reviewed)

	-----Equity attributable to owners of the Company-----												
	Share capital AED'000	Share premium AED'000	Capital reserve AED'000	Legal reserve AED'000	General reserve AED'000	Revaluation reserve AED'000	Fair value reserve AED'000	Proposed dividend AED'000	Proposed directors' fee AED'000	Retained earnings AED'000	Sub total AED'000	Non- controlling interests AED'000	Total AED'000
Balance at 1 January 2018 – as originally reported	4,252,018	46	25,502	1,041,198	1,310,213	22,000	(259,489)	510,242	12,250	4,936,167	11,850,147	478,503	12,328,650
Adjustment on initial application of IFRS 9	-	-	-	-	-	-	-	-	-	(21,475)	(21,475)	(9,319)	(30,794)
Adjustment on initial application of IFRS 15	-	-	-	-	-	-	-	-	-	2,893	2,893	-	2,893
Adjusted balance at 1 January 2018	<u>4,252,018</u>	<u>46</u>	<u>25,502</u>	<u>1,041,198</u>	<u>1,310,213</u>	<u>22,000</u>	<u>(259,489)</u>	<u>510,242</u>	<u>12,250</u>	<u>4,917,585</u>	<u>11,831,565</u>	<u>469,184</u>	<u>12,300,749</u>
Total comprehensive income for the period													
Profit for the period	-	-	-	-	-	-	-	-	-	724,334	724,334	(55,315)	669,019
Other comprehensive income													
Transfer of loss on disposal of equity investments at fair value through other comprehensive income to retained earnings	-	-	-	-	-	-	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	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>116,048</u>	<u>-</u>	<u>-</u>	<u>573,461</u>	<u>689,509</u>	<u>(57,647)</u>	<u>631,862</u>
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	-	-	-	-	-	-	-	-	-	-	-	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	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(510,242)</u>	<u>-</u>	<u>-</u>	<u>(510,242)</u>	<u>(15,114)</u>	<u>(525,356)</u>
Other movements													
Directors' fee paid	-	-	-	-	-	-	-	-	(12,250)	-	(12,250)	-	(12,250)
Total other movements	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(12,250)</u>	<u>-</u>	<u>(12,250)</u>	<u>-</u>	<u>(12,250)</u>
Balance at 30 September 2018	<u>4,252,018</u>	<u>46</u>	<u>25,502</u>	<u>1,041,198</u>	<u>1,310,213</u>	<u>22,000</u>	<u>(143,441)</u>	<u>-</u>	<u>-</u>	<u>5,491,046</u>	<u>11,998,582</u>	<u>396,423</u>	<u>12,395,005</u>

The notes set out on pages 8 to 21 form part of these condensed consolidated interim financial statements

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Dubai Investments PJSC and its subsidiaries
Condensed consolidated interim statement of changes in equity
For the nine month period ended 30 September 2019 (reviewed) (continued)

	-----Equity attributable to owners of the Company-----												
	Share capital AED'000	Share premium AED'000	Capital reserve AED'000	Legal reserve AED'000	General reserve AED'000	Revaluation reserve AED'000	Fair value reserve AED'000	Proposed dividend AED'000	Proposed directors' fee AED'000	Retained earnings AED'000	Sub total AED'000	Non- controlling interests AED'000	Total AED'000
Balance at 1 January 2019 – as originally reported	4,252,018	46	25,502	1,078,710	1,345,510	22,000	(153,281)	425,202	10,500	4,909,632	11,915,839	369,466	12,285,305
Impact of change in accounting policy related to capitalization of borrowing costs (note 3)	-	-	-	-	-	-	-	-	-	(154,432)	(154,432)	(12,406)	(166,838)
Adjustment on initial application of IFRS 16 (note 3)	-	-	-	-	-	-	-	-	-	(3,678)	(3,678)	-	(3,678)
Adjusted balance at 1 January 2019	4,252,018	46	25,502	1,078,710	1,345,510	22,000	(153,281)	425,202	10,500	4,751,522	11,757,729	357,060	12,114,789
Total comprehensive income for the period													
Profit for the period	-	-	-	-	-	-	-	-	-	458,734	458,734	(25,598)	433,136
Other comprehensive income													
Transfer of loss on disposal of equity investments at fair value through other comprehensive income to retained earnings	-	-	-	-	-	-	9,134	-	-	(9,134)	-	-	-
Net change in fair value of investments at fair value through OCI	-	-	-	-	-	-	(69)	-	-	-	(69)	-	(69)
Total other comprehensive income for the period	-	-	-	-	-	-	9,065	-	-	(9,134)	(69)	-	(69)
Total comprehensive income for the period	-	-	-	-	-	-	9,065	-	-	449,600	458,665	(25,598)	433,067
Transactions with owners, recorded directly in equity													
Contributions by and distributions to owners													
Dividend paid	-	-	-	-	-	-	-	(425,202)	-	-	(425,202)	-	(425,202)
Dividend paid by subsidiaries	-	-	-	-	-	-	-	-	-	-	-	(1,840)	(1,840)
Total contributions by and distribution to owners	-	-	-	-	-	-	-	(425,202)	-	-	(425,202)	(1,840)	(427,042)
Changes in ownership interests													
On acquisition of non-controlling interests (refer note 21)	-	-	-	-	-	-	-	-	-	(3,111)	(3,111)	(392)	(3,503)
Reduction of share capital in a subsidiary	-	-	-	-	-	-	-	-	-	-	-	(909)	(909)
Total change in ownership interests in subsidiaries	-	-	-	-	-	-	-	-	-	(3,111)	(3,111)	(1,301)	(4,412)
Total transactions with owners	-	-	-	-	-	-	-	(425,202)	-	(3,111)	(428,313)	(3,141)	(431,454)
Other movements													
Directors' fee paid	-	-	-	-	-	-	-	-	(10,500)	-	(10,500)	-	(10,500)
Total other movements	-	-	-	-	-	-	-	-	(10,500)	-	(10,500)	-	(10,500)
Balance at 30 September 2019	4,252,018	46	25,502	1,078,710	1,345,510	22,000	(144,216)	-	-	5,198,011	11,777,581	328,321	12,105,902

Dubai Investments PJSC and its subsidiaries

Notes to the condensed consolidated interim financial statements

For the nine month period ended 30 September 2019

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 2019 ("the current period") comprise the financial statements of the Company and its subsidiaries (collectively referred to as "the Group") and the Group's interest in associates and joint arrangements.

The Group is primarily involved in the development of real estate for sale and leasing, contracting activities, manufacturing and trading of products in various sectors, district cooling, investment banking, asset management, 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 2018.

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 2018 except as mentioned below:

Changes in accounting policies

During the current period, the Group has adopted the following new International Financial Reporting Standard ("IFRS"):

– IFRS 16 – Leases

The Group has adopted IFRS 16 'Leases' ("IFRS 16") from its mandatory adoption date of 1 January 2019. IFRS 16 introduced a single, on-balance sheet model for lessees. As a result, the Group, as a lessee, has recognized right-of-use assets representing its right to use underlying assets and lease liabilities representing its obligation to make lease payments. Lessor accounting remains similar to previous accounting policies.

In accordance with the transition provisions in IFRS 16, the Group has recognized the cumulative effect of initial application of the standard in retained earnings at 1 January 2019. Accordingly, the comparative information presented for 2018 has not been restated. The details of the changes in accounting policies are described below:

A. Definition of lease

Previously, the Group determined at contract inception whether an arrangement was or contained a lease under IAS 17 *Leases* ("IAS 17") and IFRIC 4 *Determining Whether an Arrangement contains a Lease* ("IFRIC 4"). The Group now assesses whether a contract is or contains a lease based on the new definition of a lease. Under IFRS 16, a contract is or contains, a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration.

Dubai Investments PJSC and its subsidiaries

Notes to the condensed consolidated interim financial statements

For the nine month period ended 30 September 2019 (continued)

3. Significant accounting policies (continued)

Changes in accounting policies (continued)

– IFRS 16 – Leases (continued)

A. Definition of lease (continued)

On transition to IFRS 16, the Group elected to apply the practical expedient to grandfather the assessment of which transactions are leases i.e. it applied IFRS 16 only to those contracts that were previously identified as leases. Contracts that were not identified as leases under IAS 17 and IFRIC 4 have not been reassessed. Therefore, the definition of a lease under IFRS 16 has been applied only to contracts entered into or changed after 1 January 2019.

B. As a lessee

The Group leases offices, labour camps, warehouses, equipment, vehicles, land from Government of Dubai and a sewerage water treatment plant.

As a lessee, the Group previously classified leases as operating or finance leases based on its assessment of whether lease transferred substantially all of the risks and rewards of ownership. Under IFRS 16, the Group recognizes right-of-use assets and lease liabilities at the date at which the leased asset is available for the use by the Group. This excludes low value and short term leases.

The Group leases land from the Government of Dubai for a period of 99 years. The Group was exempted to pay the lease rentals for the first ten years and thereafter, starting 1 February 2009, rental payments that are based on variable payment terms being 20% of the share of realised profit is payable to the Government of Dubai. As the lease payments are variable, no lease liability has been recognised for this lease. The Group has recognized the right-of-use asset as an investment property and is being carried at fair value in line with its accounting policy.

The recognized right-of-use assets relate to the following major class of assets:

	Land and building AED'000	Plant and machinery AED'000	Total AED'000
At 1 January 2019	139,932	153,205	293,137
At 30 September 2019	151,969	131,685	283,654

(i) Accounting policies

Right-of-use assets are initially measured at cost comprising the following:

- The amount of the initial measurement of lease liability;
- Any lease payments made at or before the commencement date less any lease incentives received;
- Any initial direct costs; and
- Restoration costs.

Right-of-use assets are subsequently measured at cost less accumulated depreciation and impairment losses, if any. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Dubai Investments PJSC and its subsidiaries

Notes to the condensed consolidated interim financial statements

For the nine month period ended 30 September 2019 (continued)

3. Significant accounting policies (continued)

Changes in accounting policies (continued)

– IFRS 16 – Leases (continued)

B. As a lessee (continued)

(i) *Accounting policies* (continued)

Lease liabilities include, the net present value of the following lease payments:

- Fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- Variable lease payment that are based on an index or a rate;
- Amounts expected to be payable by the lessee under residual value guarantees;
- The exercise price of a purchase option if the lessee is reasonably certain to exercise that option; and
- Payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined, the lessee's incremental borrowing rate is used, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

Lease liability is subsequently increased by the finance expense on the lease liability and decreased by lease payments made.

Each lease payment is allocated between the liability and finance cost. The finance expense is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Short-term leases are leases with a lease term of 12 months or less. Low-value assets are items that are considered to be insignificant for the condensed consolidated interim statement of financial position for the Group as a whole. Payments for short-term leases and leases of low-value assets are recognised on a straight-line basis in the condensed consolidated interim statement of profit or loss.

The Group has applied judgement to determine the lease term for some lease contracts in which it is a lessee that include renewal and termination options (note 4). The assessment of whether the Group is reasonably certain to exercise such options impacts lease term, which significantly affects the amount of lease liabilities and right-of-use assets recognized.

Dubai Investments PJSC and its subsidiaries

Notes to the condensed consolidated interim financial statements

For the nine month period ended 30 September 2019 (continued)

3. Significant accounting policies (continued)

Changes in accounting policies (continued)

– IFRS 16 – Leases (continued)

B. As a lessee (continued)

(ii) Transition

At transition, the associated right-of-use assets are measured at the amount equal to the lease liability, adjusted by the amount of any prepayments relating to that lease recognised in the condensed consolidated interim statement of financial position as of 1 January 2019. In applying IFRS 16 for the first time, the Group has used the following practical expedients permitted by the standard:

- the use of a single discount rate to a portfolio of leases with reasonably similar characteristics. The weighted average rate applied ranges from 6.5% to 7%;
- the accounting for operating leases with a remaining lease term of less than 12 months as at 1 January 2019 as short-term leases;
- the exclusion of initial direct costs for the measurement of the right-of-use asset at the date of initial application;
- the use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease; and
- the election, by class of underlying asset, not to separate non-lease components from lease components, and instead account for each lease component and any associated non-lease components as a single lease component.

C. As a lessor

Accounting policies applicable to the Group as a lessor are not different from those under IAS 17. The Group is not required to make any adjustments on transition to IFRS 16 for leases in which it acts as a lessor.

D. Impacts on financial statements

(i) Impact on transition

On transition to IFRS 16, the Group recognized right-of-use assets with regards to lease liabilities and recognized the resultant difference in retained earnings. The impact on transition is summarized as below:

	At 1 January 2019 AED'000
Right-of-use assets	293,137
Lease liabilities	(296,815)
Retained earnings	3,678

(ii) Impact for the period

In relation to leases under IFRS 16, the Group has recognized depreciation and interest expense, instead of operating lease expenses. During the nine month period ended 30 September 2019, the Group recognized AED 33.5 million of depreciation charge and AED 14.3 million of interest expense on these leases.

Dubai Investments PJSC and its subsidiaries

Notes to the condensed consolidated interim financial statements

For the nine month period ended 30 September 2019 (continued)

3. Significant accounting policies (continued)

Changes in accounting policies (continued)

– Capitalization of borrowing costs

In line with the International Financial Reporting Interpretations Committee agenda decision on ‘Over Time Transfer of Constructed Goods (IAS 23 Borrowing Costs)’ issued in March 2019, the Group has changed its accounting policy in respect of capitalizing borrowing costs in relation to the construction of the real estate development for sale. Borrowing costs relating to real estate development for sale during the accounting period is accounted for as a finance expense in the condensed consolidated interim statement of profit or loss.

Previously such borrowing costs were capitalized within the cost of real estate development.

In accordance with IAS 8 ‘Accounting Policies, Changes in Accounting Estimates and Errors’, change in accounting policy has been applied retrospectively.

Impact of this change in accounting policy on 1 January 2019 is as below:

	At 1 January 2019 AED’000
Inventories	(166,838)
Retained earnings	154,432
Non-controlling interest	12,406

As the effects of the change in accounting policy prior to the year ended 31 December 2017 were not significant, management has elected not to restate the comparatives.

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 2018 except for new significant judgments and key sources of estimation uncertainty related to the application of IFRS 16, which is described below.

In determining the lease term, management considers all facts and circumstances that create an economic incentive to continue and/or terminate lease. The assessment is reviewed if a significant event or a significant change in circumstances occurs which affects this assessment and that is within the control of the Group as a lessee.

Dubai Investments PJSC and its subsidiaries

Notes to the condensed consolidated interim financial statements

For the nine month period ended 30 September 2019 (continued)

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 2018.

– 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 2019	Level 1 AED'000	Level 2 AED'000	Level 3 AED'000	Total AED'000
Financial assets at fair value through profit or loss	202,023	815,105	389,723	1,406,851
Financial assets at fair value through other comprehensive income	576	-	121,184	121,760
	202,599	815,105	510,907	1,528,611
31 December 2018	Level 1 AED'000	Level 2 AED'000	Level 3 AED'000	Total AED'000
Financial assets at fair value through profit or loss	349,971	699,513	379,743	1,429,227
Financial assets at fair value through other comprehensive income	645	-	132,941	133,586
	350,616	699,513	512,684	1,562,813

Dubai Investments PJSC and its subsidiaries

Notes to the condensed consolidated interim financial statements
For the nine month period ended 30 September 2019 (continued)

5. Financial instruments (continued)

– Reconciliation of Level 3 fair value measurements of financial assets

	2019 AED'000	2018 AED'000
As at 1 January	512,684	515,683
Purchased during the period	2,204	72,548
Redeemed/sold during the period	(18,411)	(29,349)
Transfer in to level 3 *	-	64,000
Loss included in OCI		
- Net change in fair value (unrealised)	-	(37,157)
Loss recorded in profit and loss		
- Net change in fair value (unrealised)	14,430	(11,309)
As at 30 September	<u>510,907</u>	<u>574,416</u>

* 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 for the nine-month period ended 30 September 2019.

– 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 2018.

6. Cost of sales

	Three month period ended 30 September		Nine month period ended 30 September	
	2019 AED'000	2018 AED'000	2019 AED'000	2018 AED'000
These include:				
Materials consumed	251,593	328,517	684,974	810,167
Cost of properties sold	6,333	16,251	31,008	44,528
Staff costs	37,282	31,315	107,213	88,703
Factory overheads (excluding depreciation)	39,476	48,511	118,969	136,962
Depreciation and amortization	49,442	40,327	143,852	102,469
Share of Government of Dubai in the realised profits of a subsidiary	25,970	29,045	80,852	88,215
Infrastructure and development works cost sharing with RTA	7,270	7,270	21,810	21,810

Dubai Investments PJSC and its subsidiaries

Notes to the condensed consolidated interim financial statements

For the nine month period ended 30 September 2019 (continued)

7. Administrative and general expenses

	Three month period ended 30 September 2019		Nine month period ended 30 September 2019	
	AED'000	2018 AED'000	AED'000	2018 AED'000
These include:				
Staff costs	61,566	72,124	186,954	201,061
Impairment of investment in equity accounted investee (refer (i) below)	-	-	-	27,990
Selling and marketing expenses	17,020	26,675	49,449	70,513
Depreciation and amortization	8,656	9,227	32,321	27,250

- (i) During the previous 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 had been computed using discounted cash flow projections.

8. Other income

Other income mainly includes management fees, advertisement income and miscellaneous income from leased operations.

9. Property, plant and equipment

During the nine month period ended 30 September 2019, the Group's additions to property, plant and equipment amounted to AED 280.1 million (year ended 31 December 2018: AED 323.4 million). Further, assets amounting to AED 51.2 million were acquired on business combination of Global pharma Co. LLC (note 20).

10. Investment properties

Included in investment properties are mainly the following:

	30 September 2019 AED'000 (Reviewed)	31 December 2018 AED'000 (Audited)	30 September 2018 AED'000 (Reviewed)
Infrastructure and ancillary facilities	5,131,599	5,042,369	4,998,780
Plots of land for future development	944,649	944,649	981,917
Residential, retail and commercial facilities	1,751,132	1,649,160	1,558,191
Labor camps and warehouses	655,930	655,930	671,233
	8,483,310	8,292,108	8,210,121

- i) The valuation basis and assumptions used for valuation of investments properties remains consistent with the methodology adopted as at 31 December 2018 and were last valued as at that date, except as mentioned in 10 (ii).
- ii) During the period, the Group 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. A fair valuation gain of AED 65 million (nine month period ended 30 September 2018: fair valuation gain of AED 152.2 million) has arisen due to significant changes in the contractual net cash flows as per the terms of lease contracts with tenants.

Dubai Investments PJSC and its subsidiaries

Notes to the condensed consolidated interim financial statements

For the nine month period ended 30 September 2019 (continued)

10. Investment properties (continued)

- iii) During the nine month period ended 30 September 2019, additions to investment properties amounted to AED 176.5 million (year ended 31 December 2018: AED 284.5 million). Furthermore, during the nine month period ended 30 September 2019, disposals of investment properties amounted to AED 37.5 million (year ended 31 December 2018: AED Nil).

11. Financial investments

	30 September 2019 AED'000 (Reviewed)	31 December 2018 AED'000 (Audited)	30 September 2018 AED'000 (Reviewed)
Investments at fair value through other comprehensive income:			
- unquoted equity securities (i)	121,760	133,586	144,631
Investments at fair value through profit or loss:			
- quoted equity securities	209,429	355,280	340,992
- unquoted equity securities, funds, bonds and sukus	1,197,422	1,073,947	1,135,343
(ii)	1,406,851	1,429,227	1,476,335
Geographical distribution of investments			
UAE	765,779	600,550	633,073
Other GCC countries	372,066	448,899	479,838
Other countries	390,766	513,364	508,055
(i)+(ii)	1,528,611	1,562,813	1,620,966

12. Inventories

Inventories at 30 September 2019 include properties under development for sale in the ordinary course of business amounting to AED 2,630 million (31 December 2018: AED 2,560 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 or short term based on expected completion/future development plans.

13. Related party transactions

Significant related party transactions during the period were as follows:

	Three month period ended 30 September 2019 AED'000		Nine month period ended 30 September 2019 AED'000	
	2018 AED'000		2018 AED'000	
Land and other lease charges	-	201	-	834
Compensation to key management personnel:				
Short term benefits	7,044	4,545	21,132	13,635
Post-employment benefits	115	115	346	346

Dubai Investments PJSC and its subsidiaries

Notes to the condensed consolidated interim financial statements

For the nine month period ended 30 September 2019 (continued)

14. Cash and cash equivalents

	30 September 2019 AED'000 (Reviewed)	31 December 2018 AED'000 (Audited)	30 September 2018 AED'000 (reviewed)
Cash in hand	2,364	1,374	1,492
Cash at bank within UAE (current accounts)	500,040	544,056	551,351
Cash at bank outside UAE – GCC Countries (current accounts)	2,069	6,369	6,497
Cash at bank outside UAE – Other countries (current accounts)	61,010	31,094	54,613
Short term deposits within UAE having maturity of less than 3 months	250,617	215,176	91,820
	816,100	798,069	705,773

15. Basic and diluted earnings per share

	Three month period ended 30 September 2019		Nine month period ended 30 September 2019	
	2019	2018	2019	2018
Profit attributable to Owners of the Company (AED'000)	105,491	233,290	458,734	724,334
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)	0.03	0.05	0.11	0.17

There is no significant impact on earnings per share on adoption of the new accounting standard/interpretations in the current period.

Dubai Investments PJSC and its subsidiaries

Notes to the condensed consolidated interim financial statements

For the nine month period ended 30 September 2019 (continued)

16. Bank borrowings

The terms of the bank borrowings vary from three to ten years. These are secured by a combination of the Company's corporate guarantee, mortgages over certain investment properties, inventories, trade receivables, property, plant and equipment, assignment of receivables and insurance policies over assets of the Group and lien on bank deposits. The interest rate of majority of the bank borrowings range between 0.45% to 3.5% over relevant EIBOR/LIBOR 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.

During the current period, a subsidiary of the Company, namely Dubai Investment Park Development Company LLC ("DIPDC"), obtained bilateral term loan facilities of USD 500 million from local financial institutions. Terms of these borrowings vary from three to five years. The term loan proceeds were partially used to repay the USD 300 million Sukuk notes which matured in February 2019 (note 17).

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 was structured as a Wakala and was listed on NASDAQ Dubai and Irish Stock Exchanges. The terms of the arrangement included 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 remained in control of DIPDC and continued to be serviced by DIPDC. In case of any shortfall in cash flows, DIPDC had provided an undertaking to make good on such shortfall to the sukuk certificate holders. The sukuk certificate holders had no recourse to the assets. These sukuk certificates had a fixed profit rate of 4.291% p.a. payable semi-annually. The issuer serviced the profit from returns generated from the Wakala assets.

On maturity date in February 2019, the sukuk notes have been repaid in full by obtaining bilateral loan facilities from local financial institutions as explained in note 16.

18. Proposed dividend and directors' fee

- (i) At the Annual General Meeting held on 17 April 2019, the shareholders approved 10% cash dividend proposed by the Board of Directors. The dividend amounting to AED 425 million was paid during the period.
- (ii) At the Annual General Meeting held on 17 April 2019, the shareholders approved the proposed Directors' fee amounting to AED 10.5 million for the year ended 31 December 2018, which was paid during the period.

19. Commitments

	30 September 2019 AED'000	31 December 2018 AED'000
Commitments – contracted and committed	1,294,876	1,634,381

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 2019 amounts to AED 291 million (31 December 2018: AED 305.5 million) which will be invoiced and paid until 2029, in semi-annual installments of AED 14.5 million each.

Dubai Investments PJSC and its subsidiaries

Notes to the condensed consolidated interim financial statements

For the nine month period ended 30 September 2019 (continued)

20. Acquisition of subsidiaries

- (i) With effect from 7 March 2019, the Group acquired the additional 66% shares in its existing associate entity, Globalpharma Co. LLC (“Globalpharma”). Upon acquisition of the additional interest, Globalpharma has become a wholly owned subsidiary of the Group. Accordingly, the investment in the equity accounted investee has been derecognized and the entity has been consolidated on a line by line basis effective from the date of acquisition.

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

% interest acquired	66%
Fair value of assets and liabilities acquired:	AED'000
Non-current assets (excluding intangible assets)	60,444
Intangible assets (product registration, licence etc)	213,467
Current assets (excluding cash and bank balances)	60,430
Cash in hand and at bank	32,322
Total assets	366,663
Non-current liabilities	(14,464)
Current liabilities	(45,937)
Total liabilities	(60,401)
Total identifiable net assets acquired	306,262
Purchase consideration – (A)	147,789
Fair value of previously held equity interest	106,149
Total consideration	253,938
Less: fair value of identifiable net assets acquired	(306,262)
Bargain purchase gain	(52,324)
Gain on fair valuation of existing interest in Globalpharma	
Fair value of existing 34% interest in Globalpharma at 7 March 2019	106,149
Less: carrying amount of interest in Globalpharma at 7 March 2019	(94,643)
Gain on fair valuation of existing interest prior to acquisition of controlling stake	11,506
Cash acquired (B)	32,322
Net cash outflow (A) – (B)	(115,467)

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 capitalization and comparable market value, whichever was most relevant.

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

Dubai Investments PJSC and its subsidiaries

Notes to the condensed consolidated interim financial statements

For the nine month period ended 30 September 2019 (continued)

20. Acquisition of subsidiaries (continued)

- (ii) On 1 January 2018, the Group acquired additional 50% interest in its existing jointly controlled entity, Emirates District Cooling LLC (Emicool) from the joint venture partner. Gain on fair valuation of existing interest prior to acquisition of controlling stake of AED 228.9 million and Bargain purchase gain of AED 104.3 million was recognized during the nine month period ended 30 September 2018.

21. Acquisition of non-controlling interests

During the current period, the Group acquired additional 40% and 24.3% equity interest in its existing subsidiaries Aquacool- Metering LLC and Lumiglass LLC respectively. Upon acquisition, these companies have become 100% subsidiaries of the Group.

22. Disposal of a joint venture

During the previous period, the Group disposed of its 50% shareholding 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 of the previous period.

23. Segment reporting

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

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

Information regarding the operations of each segment is included hereafter. Performance is measured based on segment revenue and profit as management believes that profit is the most relevant factor in evaluating the results of certain segments relative to other entities that operate within these industries. There are a few transactions between the segments and such transaction are carried out on arm's length basis and are eliminated on consolidation.

Dubai Investments PJSC and its subsidiaries

Notes to the condensed consolidated interim financial statements

For the nine month period ended 30 September 2019 (continued)

23. 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	
	2019	2018	2019	2018	2019	2018	2019	2018
	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000
Sales of goods and services (at a point of time)	28,169	26,017	1,045,964	1,002,483	10,440	10,422	1,084,573	1,038,922
Rental income	680,616	700,017	-	-	-	-	680,616	700,017
Contract revenue (over time)	-	-	146,918	214,650	-	-	146,918	214,650
Sale of properties (over time)	35,868	49,320	-	-	-	-	35,868	49,320
Gain/(loss) on fair valuation of investment	-	-	-	-	60,083	(80,664)	60,083	(80,664)
Gain on fair valuation of investment properties	52,251	152,185	-	-	-	-	52,251	152,185
Gain on sale of investment properties	14,656	-	-	-	-	-	14,656	-
Gain on fair valuation of existing interest prior to acquisition of a controlling stake	-	-	-	-	11,506	228,916	11,506	228,916
Bargain purchase gain	-	-	-	-	52,324	104,263	52,324	104,263
Others	-	405	-	21,150	(17,050)	(7,915)	(17,050)	13,640
Total income	811,560	927,944	1,192,882	1,238,283	117,303	255,022	2,121,745	2,421,249
Cost of sales	(276,426)	(281,247)	(959,836)	(1,036,246)	-	-	(1,236,262)	(1,317,493)
Administrative and general expenses	(54,973)	(44,804)	(173,415)	(251,825)	(70,752)	(80,812)	(299,140)	(377,441)
Finance expenses	(104,013)	(18,554)	(80,079)	(85,308)	(37,544)	(29,762)	(221,636)	(133,624)
Finance income and other income	12,325	20,238	26,959	24,610	29,145	31,480	68,429	76,328
Profit/(loss) for the period	388,473	603,577	6,511	(110,486)	38,152	175,928	433,136	669,019
Profit/(loss) attributable to:								
Owners of the Company	393,382	604,848	26,967	(63,464)	38,385	182,950	458,734	724,334
Non – controlling interests	(4,909)	(1,271)	(20,456)	(47,022)	(233)	(7,022)	(25,598)	(55,315)
Profit/(loss) for the period	388,473	603,577	6,511	(110,486)	38,152	175,928	433,136	669,019
	30 September	31 December	30 September	31 December	30 September	31 December	30 September	31 December
	2019	2018	2019	2018	2019	2018	2019	2018
Assets	12,875,131	12,306,030	5,312,660	4,685,454	2,447,844	2,562,713	20,635,635	19,554,197
Liabilities	4,321,529	3,023,584	2,937,244	2,713,597	1,270,960	1,531,711	8,529,733	7,268,892

The Group's revenue is mainly earned from transactions carried out in UAE and other countries. The impact of IFRS 16 on the segment assets and segment liabilities relating to property is AED 151.4 million and AED 146.5 million respectively; relating to manufacturing, contracting and services is AED 130.0 million and AED 132.2 million respectively; and investments is AED 1.4 million and AED 1.6 million respectively.