Dubai Investments PJSC and its subsidiaries

Consolidated financial statements
for the year ended 31 December 2018

Dubai Investments PJSC and its subsidiaries

Directors' report and consolidated financial statements
for year ended 31 December 2018

Directors' Report

The Board of Directors ("the Board") of Dubai Investments PJSC ("the Company") is pleased to present their report along with the audited consolidated financial statements of the Company and its subsidiaries (together, "the Group") for the year ended 31 December 2018.

Principal Activities

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.

Financial Performance

The Group has reported profit attributable to the shareholders of the Company of AED 651.4 million for the year ended 31 December 2018 as compared to AED 1,001.6 million in the previous year.

The Group has reported comparatively lower profits as compared to the previous year on account of lower fair valuation of investment properties and loss on fair valuation of financial investments caused by current market conditions.

Total assets of the Group have increased by AED 2.55 billion and stands at AED 19.55 billion as of 31 December 2018 (2017: AED 17.0 billion). The increase in total assets is mainly attributable to acquisition of additional 50% interest in Emirates District Cooling LLC during the year.

Proposed Dividend

In line with its commitment to provide enhanced returns to shareholders, the Board propose to distribute cash dividend of 10% to the shareholders of the Company.

Proposed Appropriations

The Directors propose the following appropriation from the Company's retained earnings:

	AED'000
Transfer to legal reserve	37,512
Transfer to general reserve	35,297
Proposed cash dividend	425,202
Proposed Directors' fee	10,500

Outlook 2019

The Group's outlook for the year 2019 is positive. The recent announcements and initiatives taken by the UAE Government together with ongoing development works for EXPO 2020 is expected to bolster economic growth. The Group is looking forward to complete and execute phased handover of the Mirdiff Hills development commencing Q4-2019. Further, the Group is progressing with its diversification strategy in financial, education and healthcare sectors with several proposals under active consideration.

Directors' Report (continued)

Subsequent to 31st December 2018, a subsidiary of the Company namely Dubai Investments Park Development Company LLC repaid its five year US$ 300 million Sukuk notes matured on 20th February 2019. The Sukuk notes were refinanced through a competitive bilateral loan facility obtained from a financial institution.

Directors

The Board of Directors comprises:

Mr. Sohail Faris Ghanim Ateish Al Mazrui - Chairman
Mr. Hussain Mahyoob Sultan Al Junaidy - Vice Chairman
Mr. Ali Fardan Ali Al Fardan
Mr. Mohammed Saif Darwish Ahmed Al Kebti
Mr. Khalid Jassim Mohammed Bin Kalban
H.E. Abdulrahman Ghanem Abdulrahman Almutaiwee
Mr. Khaled Mohammed Ali Al Kamda

Auditors

PricewaterhouseCoopers (PwC) were appointed as the auditors of Dubai Investments PJSC for the year ended 31 December 2018. The Board propose to appoint PwC for the audit for the year ending 31st December 2019.

Acknowledgment

The Board would like to express their gratitude and appreciation to all its shareholders, client and business partners whose continued support has been a source of great strength and encouragement.

The Board would also like to place on record their commendation for the hard work and efforts put in by Group management and staff as well as their loyalty and perseverance for the benefit of the Company and its shareholders.

On behalf of the Board
Sohail Faris Ghanim Ateish Al Mazrui
Chairman
Dated: 12th March 2019

Independent auditor's report to the shareholders of Dubai Investments PJSC

Report on the audit of the consolidated financial statements

Our opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Dubai Investments PJSC (the "Company") and its subsidiaries (together the "Group") as at 31 December 2018, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards.

What we have audited

The Group's consolidated financial statements comprise:

- the consolidated statement of profit or loss for the year ended 31 December 2018;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of financial position as at 31 December 2018;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and the ethical requirements that are relevant to our audit of the consolidated financial statements in the United Arab Emirates. We have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

Our audit approach

Overview

Key Audit Matters	• Valuation of investment properties • Valuation of properties under development / held for sale • Accounting for a business acquisition

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the consolidated financial statements. In particular, we considered where management made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the consolidated financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industry in which the Group operates.

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pwc

Independent auditor's report to the shareholders of Dubai Investments PJSC (continued)

Our audit approach (continued)

Key audit matters

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

Key audit matter	How our audit addressed the Key audit matter
Valuation of investment properties The Group's investment property portfolio primarily comprises of land and associated infrastructure and ancillary facilities, residential, retail and commercial facilities, labour camps and warehouses. The Group's accounting policy is to state its investments properties at fair value at each reporting date. The property portfolio is valued at AED 8.3bn. The net fair value gain recorded in the consolidated statement of profit or loss amounted to AED 102m. The valuation of the Group's investment property portfolio is inherently subjective due to, among other factors, the individual nature of each property, its location, the expected future rentals and associated rental yields for the properties valued under the 'income approach' and comparable selling prices and comparable rental rates for the properties that have been valued using the 'sales comparison approach'. The valuations were carried out by professionally qualified external valuers (the "Valuers"). The Valuers were engaged by Management and performed their work in accordance with the Royal Institution of Chartered Surveyors ('RICS') Valuation – Professional Standards and taking into account the requirements of IFRS 13 – Fair Value Measurements. The property portfolio is valued by using a combination of an income capitalisation approach and income valuation approach (together the 'income approach') and sales comparison approach. In determining a property's valuation, the Valuers take into account property-specific information such as the current contracted tenancy agreements and forecast operating expenses. They apply assumptions for capitalisation yield rates and estimated market rent, which are influenced by prevailing market yields and comparable market transactions, and discount rates which are influenced by specific characteristics, such as property location and occupancy rate of each property in the portfolio, to arrive at the final valuation. The significance of the estimates and judgements involved in the valuations warranted specific audit focus in this area as any significant variation in determining the valuation inputs could have a material impact on the value of the Group's investment properties and fair value gain or loss recognised in respect of these investment properties. Refer to notes 12 and 41 to the consolidated financial statements.	We assessed the Valuers' qualifications and expertise to evaluate whether they have the appropriate professional qualifications to perform the valuations. We assessed their independence to determine whether there are any matters that might have affected their objectivity or may have imposed scope limitations upon their work. We obtained the valuation reports for a sample of properties valued by the Valuers and our internal real estate valuation specialists assessed whether the valuation approach is appropriate for determining the fair value of the investment properties for the purpose of the consolidated financial statements. We carried out our audit procedures, to test on a sample basis the completeness and accuracy of the property specific inputs supplied to the Valuers by management. We also involved our internal real estate valuation specialists in discussing the valuations and key assumptions therein with the Valuers and management and assessed the reasonableness of those key assumptions used in the valuation models with reference to historical actual performance and assessment of appropriateness of market comparable data used. We tested the sensitivities of the key assumptions used in the valuation models including the capitalisation yields, future rental cash inflows and market rental rates, outgoing costs, market transactions for sales rates, discount rates and void periods to assess the potential impact on the resulting valuations. We assessed the adequacy of the disclosures in the consolidated financial statements.
Valuation of properties under development / held for sale The Group's properties under development / held for sale ("PHDS") primarily comprises of residential projects and land ear-marked for residential projects and are stated at the lower of cost and net realisable value ("NRV"). The Group engages with Valuers to assist management in determining the net realisable value of the PHDS, as at the reporting date. The valuation of the Group's PHDS portfolio is inherently subjective due to, among other factors, the individual nature of each project, its location, costs of construction and comparable selling prices. For determining the valuation of the PHDS that are either under development or complete, the Valuers use feasibility studies and indicative pricing studies. For the PHDS that are yet to commence construction works, the Valuers use the sales comparison approach. The significance of the estimates and judgements involved including the Group's estimate of the sale price and construction cost for each development, warrants specific audit focus in this area as any significant change in these estimates could have a material impact on the carrying value of the Group's PHDS. Refer to notes 18 and 41 to the consolidated financial statements.	We assessed the Valuers' qualifications and expertise to evaluate whether they have the appropriateprofessional qualifications to perform the valuations. We assessed their independence to determine whether there are any matters that might have affected their objectivity or may have imposed scope limitations upon their work. We involved our internal real estate valuation specialists to to assess whether the valuation methodologies and underlying assumptions are appropriate in determining the NRV of the PHDS. We performed audit procedures to assess whether the source data used for the valuations is reasonable by comparing the source data used in the valuations to management reports on a sample basis, including the testing of costs incurred to date and recent sale prices for units sold. We also performed other procedures including assessing the appropriateness of the comparable market transactions used by comparing those to readily available market data and estimated costs to complete through our discussions with management and testing on a sample basis of awarded contracts and relevant management reports. We assessed the adequacy of the disclosures in the consolidated financial statements.

Independent auditor's report to the shareholders of Dubai Investments PJSC (continued)

Our audit approach (continued)

Key audit matters (continued)

Key audit matter	How our audit addressed the Key audit matter
Accounting for a business acquisition With effect from 1 January 2018, the Group acquired 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 acquisition was completed for a consideration of AED 500,000,000, resulting in a bargain purchase gain of AED 104,263,000. An independent external consultant was engaged by the Group to perform the purchase price allocation exercise, fair valuation of acquired assets and liabilities, and identification and valuation of intangible assets of EMICOOL through their use of the multi-period excess earnings and depreciated replacement cost methods. We considered this to be a key audit matter because of the significant judgement and use of assumptions in the allocation of the purchase price to the assets and liabilities acquired, in the determination of the fair value of those assets and liabilities including the identification and valuation of the intangible assets as part of the purchase price allocation exercise. In addition, the bargain purchase gain combined with the gain on fair valuation of the existing interest prior to the acquisition of the controlling stake amounting to AED 333,179,000 accounts for a significant portion of the total consolidated profit for the year ended 31 December 2018. Refer to notes 39 and 41 to the consolidated financial statements.	We assessed the external consultant's qualifications and expertise to evaluate whether they were appropriately professionally qualified to perform the valuations. We assessed their independence to determine whether there are any matters that might have affected their objectivity or may have imposed scope limitations upon their work. We involved our internal valuation specialists to evaluate the methodologies and assumptions used by the external consultant. This included an assessment of the appropriateness of the valuation methodologies used and underlying key assumptions such as discount rate, forecast cash flows and growth rates in arriving at the purchase price allocation to the identifiable assets and liabilities acquired by the Group. We inspected the supporting documents for the purchase consideration paid and tested the accuracy of management's computation of gain of AED 333,179,000 recorded for this business acquistion. We assessed the adequacy of the disclosures in the consolidated financial statements.

Other information

Management is responsible for the other information. The other information comprises the Directors' Report (but does not include the consolidated financial statements and our auditor's report thereon), which we obtained prior to the date of this auditor's report, and the Annual Corporate Governance Report, which is expected to be made available to us after that date.

Our opinion on the consolidated financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon. In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard. When we read the Annual Corporate Governance Report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance and take appropriate actions in accordance with ISAs.

Responsibilities of management and those charged with governance for the consolidated financial statements

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

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

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

Auditor's responsibilities for the audit of the consolidated financial statements

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

Independent auditor's report to the shareholders of Dubai Investment PJSC (continued)

Auditor's responsibilities for the audit of the consolidated financial statements (continued)

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

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

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit. We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

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

Report on other legal and regulatory requirements

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

i) we have obtained all the information we considered necessary for the purposes of our audit;
ii) the consolidated financial statements have been prepared and comply, in all material respects, with the applicable provisions of the UAE Federal Law No. (2) of 2015;
iii) the Group has maintained proper books of account;
iv) the financial information included in the Directors' Report is consistent with the books of account of the Group;
v) as disclosed in notes 14, 15 and 39 to the consolidated financial statements, the Group has purchased or invested in shares during the year ended 31 December 2018;
vi) note 37 to the consolidated financial statements discloses material related party transactions and the terms under which they were conducted;
vii) based on the information that has been made available to us, nothing has come to our attention which causes us to believe that the Group has contravened during the year ended 31 December 2018 any of the applicable provisions of the UAE Federal Law No. (2) of 2015 or in respect of the Company, its Articles of Association, which would materially affect its activities or its financial position as at 31 December 2018; and
viii) note 7 to the consolidated financial statements discloses the social contributions made during the year ended 31 December 2018.

PricewaterhouseCoopers
12 March 2019

Mohamed ElBorno
Registered Auditor Number 946
Dubai, United Arab Emirates

Dubai Investments PJSC and its subsidiaries

Consolidated statement of profit or loss

	Note	For the year ended 31 December **2018** **AED'000**	 2017 AED'000
Sale of goods and services		**1,428,951**	887,078
Rental income		**926,654**	910,670
Contract revenue		**305,186**	324,526
Sale of properties		**89,596**	-
Gain on fair valuation of investment properties	12	**101,897**	645,551
Loss on fair valuation of investments	14	**(153,306)**	(30,458)
Gain on sale of investment properties		**17**	899
Gain on sale of investments	40	**18,266**	12,454
Share of (loss)/profit from equity accounted investees	15(iii)	**(29,152)**	18,397
Dividend income		**25,069**	15,168
Gain on fair valuation of existing interest prior to acquisition of controlling stake	39b	**228,916**	-
Bargain purchase gain	39b	**104,263**	-
Total income		**3,046,357**	2,784,285
Cost of sales	6	**(1,911,907)**	(1,417,381)
Administrative and general expenses	7	**(454,395)**	(373,288)
Impairment of investment in equity accounted investee'	15(ii)	**(27,990)**	(82,868)
Finance expenses	8	**(142,055)**	(98,861)
Net impairment losses on financial and contract assets	42	**(31,843)**	(23,661)
Finance income	8	**47,468**	79,646
Other income	9	**44,564**	63,398
Profit for the year		**570,199**	931,270
Profit attributable to:			
Owners of the Company		**651,431**	1,001,597
Non-controlling interests		**(81,232)**	(70,327)
Profit for the year		**570,199**	931,270
Earnings per share			
Basic and diluted earnings per share (AED)	33	**0.15**	0.24

Consolidated statement of comprehensive income

	Note	For the year ended 31 December 2018 AED'000	2017 AED'000
Profit for the year		**570,199**	931,270
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 - refer note 14 (c)		**(48,205)**	(21,060)
Total other comprehensive income for the year		**(48,205)**	(21,060)
Total comprehensive income for the year		**521,994**	910,210
Attributable to:			
Owners of the Company		**606,766**	982,963
Non-controlling interests		**(84,772)**	(72,753)
Total comprehensive income for the year		**521,994**	910,210

Dubai Investments PJSC and its subsidiaries

Consolidated statement of financial position

	Note	As at 31 December 2018 AED'000	2017 AED'000
ASSETS			
Non-current assets			
Property, plant and equipment	10	**3,427,431**	1,241,855
Goodwill and intangible assets	11	**325,040**	98,840
Investment properties	12	**8,292,108**	7,704,980
Investment at fair value through other comprehensive income	14(i)	**133,586**	209,827
Investment in equity accounted investees'	15	**246,754**	606,677
Rent receivable	16	**43,958**	40,520
Finance lease receivable	17	**1,577**	2,950
Inventories	18	**353,059**	1,884,145
Trade receivables	19	**67,870**	229,439
Due from related parties and other receivables	20	**46,107**	64,385
		12,937,490	12,083,618
Current assets			
Inventories	18	**2,452,791**	872,257
Investment at fair value through profit or loss	14(ii)	**1,429,227**	1,550,224
Trade receivables	19	**1,137,483**	849,262
Due from related parties and other receivables	20	**664,714**	682,571
Short-term deposits with banks	21	**134,423**	26,676
Cash and cash equivalents	21	**798,069**	940,345
		6,616,707	4,921,335
Total assets		**19,554,197**	17,004,953
EQUITY AND LIABILITIES			
EQUITY			
Share capital	26	**4,252,018**	4,252,018
Share premium	26	**46**	46
Capital reserve	27	**25,502**	25,502
Legal reserve	28	**1,078,710**	1,041,198
General reserve	28	**1,345,510**	1,310,213
Revaluation reserve	29	**22,000**	22,000
Fair value reserve	30	**(153,281)**	(259,489)
Proposed dividend	31	**425,202**	510,242
Proposed directors' fee	32	**10,500**	12,250
Retained earnings		**4,909,632**	4,936,167
Equity attributable to owners of the Company		**11,915,839**	11,850,147
Non-controlling interests	38	**369,466**	478,503
Total equity		**12,285,305**	12,328,650

Dubai Investments PJSC and its subsidiaries

Consolidated statement of financial position *(continued)*

		As at 31 December	
		2018	2017
		AED'000	AED'000
LIABILITIES			
Non-current liabilities			
Long-term bank borrowings	22	**2,762,690**	883,989
Sukuk notes	23	**-**	1,101,600
Other payables	25	**161,095**	68,847
		2,923,785	2,054,436
Current liabilities			
Bank borrowings	24	**1,469,216**	1,193,445
Sukuk notes	23	**1,101,600**	-
Trade and other payables	25	**1,774,291**	1,428,422
		4,345,107	2,621,867
Total liabilities		**7,268,892**	4,676,303
Total equity and liabilities		**19,554,197**	17,004,953

These consolidated financial statements were authorised for issue by the Board of Directors on 12th March 2019 and signed on its behalf by:

....	....	....
Sohail Faris Ghanim Al Mazrui	Hussain Mahyoob Sultan	Khalid Jassim Bin Kalban
Chairman	Vice Chairman	Managing Director and Chief Executive Officer

Dubai Investments PJSC and its subsidiaries

Consolidated statement of changes in equity

	---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/ bonus shares 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 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 year													
Profit for the year	-	-	-	-	-	-	-	-	-	1,001,597	1,001,597	(70,327)	931,270
Other comprehensive income													
Net change in fair value of investments at fair value through OCI	-	-	-	-	-	-	(18,634)	-	-	-	(18,634)	(2,426)	(21,060)
Total other comprehensive income for the year	-	-	-	-	-	-	(18,634)	-	-	-	(18,634)	(2,426)	(21,060)
Total other comprehensive income for the year	**-**	**-**	**-**	**-**	**-**	**-**	(18,634)	-	-	1,001,597	982,963	(72,753)	910,210
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)	-	-	-	-	-
Proposed dividend	-	-	-	-	-	-	-	510,242	-	(510,242)	-	-	-
Dividend/distributions by subsidiaries	-	-	-	-	-	-	-	-	-	-	-	(2,895)	(2,895)
Others	-	-	-	-	-	-	-	-	-	7	7	-	7
Total contributions by and distributions to owners	202,477	-	-	-	-	-	-	(97,189)	-	(591,226)	(485,938)	(2,895)	(488,833)
Changes in ownership interests in subsidiaries													
On acquisitions of non-controlling interests	-	-	-	-	-	-	-	-	-	(1,207)	(1,207)	(28,065)	(29,272)
On acquisition by a subsidiary	-	-	-	-	-	-	-	-	-	-	-	7,668	7,668
Transfer on disposal of investments at fair value through OCI	-	-	-	-	-	-	8,881	-	-	(8,881)	-	-	-
Total changes in ownership interests in subsidiaries	-	-	-	-	-	-	8,881	-	-	(10,088)	(1,207)	(20,397)	(21,604)
Total transactions with owners	202,477	-	-	-	-	-	8,881	(97,189)	-	(601,314)	(487,046)	(23,391)	(510,437)
Other movements													
Transfer to reserves	-	-	-	65,240	56,270	-	-	-	-	(121,411)	99	(99)	-
Directors' fees paid	-	-	-	-	-	-	-	-	(10,000)	-	(10,000)	-	(10,000)
Proposed directors' fee	-	-	-	-	-	-	-	-	12,250	(12,250)	-	-	-
Total other movements	-	-	-	65,240	56,270	-	-	-	2,250	(133,661)	(9,901)	(99)	(10,000)
Balance at 31 December 2017	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

Consolidated statement of changes in equity *(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/ bonus shares 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 (note 3)	-	-	-	-	-	-	-	-	-	(21,475)	(21,475)	(9,319)	(30,794)
Adjustment on initial application of IFRS 15 (note 3a)	-	-	-	-	-	-	-	-	-	2,893	2,893	-	2,893
Adjusted balance as at 1 January 2018	**4,252,018**	**46**	**25,502**	**1,041,198**	**1,310,213**	**22,000**	**(259,489)**	**510,242**	**12,250**	**4,917,585**	**11,831,565**	**469,184**	**12,300,749**
Total comprehensive income for the year													
Profit for the year	-	-	-	-	-	-	-	-	-	651,431	651,431	(81,232)	570,199
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	-	-	-	-	-	-	(44,665)	-	-	-	(44,665)	(3,540)	(48,205)
Total other comprehensive income for the year	-	-	-	-	-	-	106,208	-	-	(150,873)	(44,665)	(3,540)	(48,205)
Total comprehensive income for the year	**-**	**-**	**-**	**-**	**-**	**-**	**106,208**	**-**	**-**	**500,558**	**606,766**	**(84,772)**	**521,994**
Transactions with owners, recorded directly in equity													
Contributions by and distributions to owners													
Dividend paid	-	-	-	-	-	-	-	(510,242)	-	-	(510,242)	-	(510,242)
Proposed dividend (refer note 31)	-	-	-	-	-	-	-	425,202	-	(425,202)	-	-	-
Total contributions by and distributions to owners	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(85,040)**	**-**	**(425,202)**	**(510,242)**	**-**	**(510,242)**
Changes in ownership interests													
On disposal of a subsidiary	-	-	-	-	-	-	-	-	-	-	-	(20,870)	(20,870)
Introduction of share capital in a subsidiary	-	-	-	-	-	-	-	-	-	-	-	1,514	1,514
On acquisition by a subsidiary	-	-	-	-	-	-	-	-	-	-	-	4,311	4,311
Total changes in ownership interests in subsidiaries	-	-	-	-	-	-	-	-	-	-	-	(15,045)	(15,045)
Total transactions with owners	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(85,040)**	**-**	**(425,202)**	**(510,242)**	**(15,045)**	**(525,287)**
Other movements													
Transfer to reserves	-	-	-	37,512	35,297	-	-	-	-	(72,809)	-	99	99
Directors' fees paid	-	-	-	-	-	-	-	-	(12,250)	-	(12,250)	-	(12,250)
Proposed directors' fee (refer note 32)	-	-	-	-	-	-	-	-	10,500	(10,500)	-	-	-
Total other movements	-	-	-	37,512	35,297	-	-	-	(1,750)	(83,309)	(12,250)	99	(12,151)
Balance at 31 December 2018	**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**

The notes on pages 15 to 73 are an integral part of these financial statements.

Consolidated statement of cash flows

	For the year ended 31 December	
	2018	2017
	AED'000	AED'000
Cash flows from operating activities		
Profit for the year	**570,199**	931,270
Adjustments for:		
Depreciation	**166,621**	107,096
Amortization of intangible assets	**7,291**	1,112
Impairment loss on property, plant and equipment	**86**	2,587
Gain on disposal of property, plant and equipment	**(44)**	(8,824)
Gain on sale of investments	**(18,266)**	(12,454)
Gain on fair valuation of investment properties	**(101,897)**	(645,551)
Gain on sale of investment properties	**(17)**	(899)
Share of loss/(profit) from equity accounted investees'	**29,152**	(18,397)
Impairment of investment in equity accounted investee	**27,990**	82,868
Loss on fair valuation of investments	**153,306**	30,458
Provision for write down of inventories to net realizable value	**73,290**	60,230
Gain on fair valuation of existing interest prior to acquisition of controlling stake	**(228,916)**	-
Bargain purchase gain	**(104,263)**	-
Interest income	**(45,991)**	(56,655)
Interest expense/profit on sukuk notes	**135,745**	84,965
Operating profit before changes in working capital	**664,286**	557,806
Changes in:		
Investments at fair value through profit or loss and OCI	**17,534**	46,115
Trade, due from related parties and other receivables	**(57,385)**	(195,975)
Inventories	**(498,536)**	(596,793)
Trade and other payables	**229,373**	136,804
Directors' fee paid	**(12,250)**	(10,000)
Net cash from/(used in) operating activities	**343,022**	(62,043)
Cash flows from investing activities		
Consideration paid for acquisition of controlling/ non-controlling interests- net of cash acquired (refer note 39b)	**(405,426)**	(29,272)
Proceeds from sale of investment properties	**4,332**	27,301
Additions to investment properties	**(291,320)**	(123,134)
Acquisition of property, plant and equipment	**(323,439)**	(41,587)
Proceeds from disposal of property, plant and equipment	**605**	19,181
Net movement in equity accounted investees'	**(72,565)**	(6,897)
Net additions to intangible assets	**(219)**	(184)
Net cash used in investing activities	**(1,088,032)**	(154,592)

Consolidated statement of cash flows *(continued)*

	For the year ended 31 December	
	2018	2017
	AED'000	AED'000
Cash flows from financing activities		
Proceeds from bank borrowings and payables	**2,002,393**	914,797
Repayment of bank borrowings and payables	**(645,356)**	(722,752)
Net movement in non-controlling interests	**(22,895)**	2,354
Dividend paid	**(510,242)**	(485,945)
Net movement in deposits under lien	**(50,718)**	(5,439)
Interest income received	**45,991**	56,655
Interest expense/profit on sukuk notes paid	**(135,745)**	(84,965)
Net cash from/(used in) financing activities	**683,428**	(325,295)
Net decrease in cash and cash equivalents	**(61,582)**	(541,930)
Cash and cash equivalents at 1 January	**404,598**	946,528
Cash and cash equivalents at 31 December	**343,016**	404,598
Cash and cash equivalents comprise the following:		
Cash in hand, current and call account with banks – refer note 21	**582,893**	516,799
Short term deposits with banks (excluding those under lien) – refer note 21	**215,174**	435,888
Bank overdraft, trust receipt loans and bills discounted – refer note 24	**(455,051)**	(548,089)
	343,016	404,598

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. The consolidated financial statements for the year ended 31 December 2018 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.

At 31 December 2018 the Company had approximately 16,751 shareholders (2017: 16,913 shareholders).

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

2 Basis of preparation

2.1 Statement of compliance

The consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards ("IFRSs") and the requirements of UAE Federal Law No. (2) of 2015.

2.2 Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis, except for the following which are measured at fair value:

- land included under property, plant and equipment;
- investment properties;
- investments at fair value through other comprehensive income;
- investments at fair value through profit or loss; and
- derivative financial instruments

2.3 Functional and presentation currency

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

2.4 Use of judgments and estimates

In preparing these consolidated financial statements, management has made judgments, estimates and assumptions that affect the application of Group's accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

2 Basis of preparation (continued)

2.4 Use of judgments and estimates (continued)

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognized prospectively.

Information about judgments in applying accounting policies, assumptions and estimation uncertainties that have the most significant effect on the amounts recognized in the consolidated financial statements is included in note 41.

2.5 Measurement of fair values

A number of the Group's accounting policies and disclosures require the determination of fair values, for both financial and non-financial assets and liabilities.

The Group has an established control framework with respect to the measurement of fair values. This includes a management team that has overall responsibility for overseeing all significant fair value measurements, including Level 3 fair values. The management team regularly reviews significant unobservable inputs and valuation adjustments.

If third party information, such as broker quotes or pricing services, is used to measure fair values, then the management team assesses the evidence obtained from the third parties to support the conclusion that such valuations meet the requirements of IFRS, including the level in the fair value hierarchy in which such valuations should be classified.

Significant valuation issues are reported to the Audit Committee.

When measuring the fair value of an asset or liability, the Group uses market observable data as far as possible. Fair values are categorized into different levels in a fair value hierarchy based on the inputs used in valuation techniques as follows:

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

If the inputs used to measure the fair value of an asset or liability might be categorized in different levels of the fair value hierarchy, then the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

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

Further information about the significant assumptions made in measuring fair values is included in the following notes:

- Note 12 – Investment properties;
- Note 14 – Financial investments;
- Note 15 – Investment in equity accounted investees;
- Note 18 – Inventories; and
- Note 39 – Investment in subsidiaries

3 Changes in significant accounting policies

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

IFRS 9 (2014) - Financial Instruments

IFRS 9 replaces the provisions of IAS 39 that relate to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting.

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

IFRS 15 – Revenue from Contracts with Customers

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

Amendment to IAS 40, Investment Property

The amendment clarified that to transfer to, or from, investment properties there must be a change in use. To conclude if a property has changed use there should be an assessment of whether the property meets the definition. This change must be supported by evidence. A change in intention, in isolation, is not enough to support a transfer.

The Group adopted the amendments to IAS 40 using the prospective application method permitted by the standard. The Group has assessed the impact of the amendment to IAS 40 on the classification of existing property as at 1 January 2018 and has concluded that no reclassifications are required on adoption of the amendment.

The initial application of new standards has mainly impacted the significant accounting policies relating to the following:

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

This note explains the impact of the adoption of IFRS 9, Financial Instruments, and IFRS 15, Revenue from Contracts with Customers, on the Group’s consolidated financial statements.

IFRS 9 – Financial Instruments

The adoption of IFRS 9, Financial Instruments, from 1 January 2018 resulted in changes in accounting policies and adjustments to the amounts recognised in the consolidated financial statements. The new accounting policies are set out in note 45. In accordance with the transitional provisions in IFRS 9, comparative figures have not been restated.

3 Changes in significant accounting policies (continued)

IFRS 9 – Financial Instruments (continued)

Impairment of financial assets

The Group has the following significant types of financial assets that are subject to IFRS 9's new expected credit loss (ECL) model

- Trade receivables;
- Due from customers for contract work;
- Due from related parties;
- Rent receivables;
- Retention receivables;
- Short-term deposits with banks; and
- Cash and cash equivalents

For trade receivables, due from customers for contract work and rent receivables, the Group applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognised from initial recognition of these receivables.

To measure the expected credit losses, the operating subsidiaries group their receivables for each significant line of business, based on their shared credit risk characteristics and the days past due. The Group has established a provision matrix that is based on the Group's historical credit loss experience, which is adjusted for factors that are specific to the debtors, general economic conditions, forward looking macroeconomic data including time value of money and expected cash flows from the realization of collateral, if any.

The due from customers for contract work relates to unbilled work in progress and have substantially the same risk characteristics as the trade receivables for the same types of contracts. The Group has therefore concluded that the expected loss rates for trade receivables are a reasonable approximation of the loss rates for the due from customers for contract work.

Financial assets are written-off, in whole or in part, when the Group has exhausted all practical recovery efforts and has concluded that there is no reasonable expectation of recovery. Subsequent recoveries of amounts previously written off are credited against the same line item.

While short-term deposits with banks and cash and cash equivalents are also subject to the impairment requirements of IFRS 9, the identified impairment loss was immaterial.

Other financial assets include related party balances and other receivables. The Group monitors all financial assets to assess whether there has been a significant increase in credit risk since initial recognition. If there has been a significant increase in credit risk the Group measures the loss allowance based on lifetime expected credit loss model.

In assessing whether the credit risk on a financial statements has increased significantly since initial recognition, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information.

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.

3 Changes in significant accounting policies (continued)

IFRS 9 – Financial Instruments (continued)

Transition (continued)

The total impact on the Group's retained earnings as at 1 January 2018 is as follows:

	2018 AED'000
Opening retained earnings as originally presented	**4,936,167**
Change in accounting policy brought by IFRS 9:	
- Increase in impairment provision based on ECL model	(21,475)
Restated retained earnings as at 1 January	**4,914,692**

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

IFRS 15 - Revenue from Contracts with Customers

The Group has adopted IFRS 15, Revenue from Contracts with Customers, from 1 January 2018, which resulted in changes in accounting policies and adjustments to the amounts recognised in the consolidated financial statements.

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 Group has opted for modified retrospective application permitted by IFRS 15 upon application of the new standard. Accordingly, the standard has been applied to the year ended 31 December 2018 only (i.e. the initial application period). Modified retrospective application also requires the recognition of the cumulative impact of adoption on all contracts not yet complete as at 1 January 2018 in the form of an adjustment to the opening balance of retained earnings as at 1 January 2018. The details of adjustments to opening retained earnings and other account balances are detailed below:

Consolidated statement of financial position	**31 December 2017 AED'000**	**IFRS 15 Adjustment AED'000**	**1 January 2018 AED'000**
Assets			
Trade receivables (current)	849,262	2,543	851,805
Inventories	1,884,145	(23,123)	1,861,022
Liabilities			
Trade and other payables	1,428,422	(23,473)	1,404,949
Equity			
Retained earnings	4,936,167	2,893	4,939,060

3 Changes in significant accounting policies (continued)

IFRS 15 - Revenue from Contracts with Customers (continued)

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

Particulars	Amounts without adoption of IFRS 15 AED'000	IFRS 15 Adjustments AED'000	As reported AED'000
Inventories (current)	2,550,624	(97,833)	2,452,791
Trade receivables (current)	1,063,259	74,224	1,137,483
Sale of properties	7,216	82,380	89,596
Cost of sales	(1,836,393)	(75,514)	(1,911,907)

(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 2.9 million has been adjusted in the opening retained earnings and comparatives have not been adjusted.

4 Standards issued but not yet effective

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning on or after 1 January 2019, and earlier application is permitted, however, the Group has not early adopted the new or amended standards in preparing these consolidated financial statements.

None of those standards that are not yet effective, are expected to have a significant effect on the consolidated financial statements of the Group, except for the following:

IFRS 16 – Leases

IFRS 16 was issued in January 2016. It will result in almost all leases being recognized on the statement of financial position by lessees, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognized. Practical expedients are available for short-term and low-value leases. Lessors continue to classify leases as operating or finance, with IFRS 16's approach to lessor accounting substantially unchanged from its predecessor, IAS 17 Leases.

4 Standards issued but not yet effective (continued)

IFRS 16 – Leases (continued)

The Group will apply the standard from its mandatory adoption date of 1 January 2019. The Group intends to apply the simplified transition approach and will not restate comparative amounts for the year prior to first adoption. Therefore, the cumulative effect of adopting IFRS 16 (if any) will be recognized as an adjustment to the opening balance of retained earnings at 1 January 2019. Right of-use assets will be measured at the amount of the lease liability on adoption (adjusted for any prepaid or accrued lease expenses).

Leases in which the Group is a lessee

For lease commitments (excluding non-lease components, short-term and low-value leases) the Group will recognize lease liabilities, representing the present value of the future minimum lease payments discounted at a rate appropriate to the operation in which the leases arise, on 1 January 2019, and corresponding right-of-use assets in respect of these leases, adjusted for prepayments and accrued lease payments recognized as at 31 December 2018.

On adoption of IFRS 16 operating lease costs (other than short-term and low value leases) will no longer be recognized as part of operating expenses. The Group will determine a threshold for assessing what constitutes low value leases.

The Group will recognize depreciation on the right-of-use assets and interest on the lease liabilities over the lease term in profit or loss. The treatment is expected to have a net positive impact on cash generated from operating activities. Correspondingly, cash used in financing activities will increase, as the capital portion of lease liability repayments will be included within repayment of borrowings.

Leases in which the Group is a lessor

No significant impact is expected for leases in which the Group is a lessor. However, some additional disclosures will be required in the next reporting period.

5 Financial risk management

Overview

The Group has exposure to the following risks arising from financial instruments:

- credit risk
- liquidity risk
- market risk

Risk management framework

The Company's Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework. The Board of Directors has established the Group's risk management function which is responsible for developing and monitoring the Group's risk management policies. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities.

5 Financial risk management (continued)

The Group's Audit Committee oversees how management monitors compliance with the Group's risk management policies and procedures, and reviews the adequacy of risk management framework in relation to the risks faced by the Group. The Audit Committee is assisted in its oversight role by the Internal Audit. Internal Audit undertakes both regular and ad-hoc reviews of risk management controls and procedures, the results of which are reported to the Audit Committee.

Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's trade receivables, contract work-in-progress, due from related parties, retention receivables, rent receivables, investments in debt securities, short-term deposits with banks and cash and cash equivalents.

(a) Trade receivables, due from customers for contract work, retention receivables, rent receivables and due from related parties

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. However, management also considers the demographics of the Group's customer base, including the default risk of the industry and country in which customers operate, as these factors may have an influence on credit risk.

The Group seeks to limit its credit risk with respect to customers by reviewing credit to individual customers by tracking their historical business relationship and default risk. Subsidiaries operating in the property segment sell its properties subject to retention of title clauses, so that in the event of non-payment the Group may have a secured claim. Advances are received at the time of signing of lease terms and all construction, renovation or any kind of work to be carried out at the leased premises needs prior approval from the Group. Furthermore, lease cannot be transferred to another tenant without prior approval of the Group. The risk of default in instalment is thereby mitigated as the customer (tenant) has incurred significant capital expenditure on the leased premises which can be taken over by the Group in the event of default. In monitoring customer credit risk, customers are grouped according to their credit characteristics, history with the entity and existence of previous financial difficulties.

(b) Investments in debt securities

The Group limits its exposure to credit risk by investing only in liquid debt securities and only with counterparties that have credible market reputation. The Group's management does not expect any counterparty to fail to meet its obligations.

The Group monitors changes in credit risk by tracking published external credit ratings. To determine whether published ratings remain up to date and to assess whether there has been a significant increase in credit risk at the reporting date that has not been reflected in published ratings, the Group supplements this by reviewing changes in bond yields.

(c) Cash and cash equivalents and short-term deposits

Cash is placed with local and international banks of good credit reputation. The Group considers that its cash and cash equivalents have low credit risk based on the external credit ratings of the counterparties. The cash and cash equivalents at the balance sheet date is placed with local banks having credit ratings A2 to Baa1.

5 Financial risk management (continued)

Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when they are due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The Group aims to maintain the level of cash and cash equivalents and other liquid investments at an amount in excess of expected cash outflows on financial liabilities. This excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters.

Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Group's income or the value of its financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

The Group uses derivatives in order to manage market risks, however, the Group does not apply hedge accounting.

(a) Currency risk

The Group is exposed to currency risk on sales and purchases that are denominated in a currency other than the respective functional currencies of the Group entities, primarily United State Dollar ("USD") and Euro. The Group does not face any foreign currency risk on transactions denominated in USD as AED is pegged to USD.

The Group manages its exposure in foreign currency exchange rates by the use of derivative instruments.

In respect of other monetary assets and liabilities denominated in foreign currencies, the Group policy is to ensure that its net exposure is kept to an acceptable level by buying and selling foreign currencies at spot rate when necessary to address short term imbalances.

(b) Interest rate risk

Interest rate risk arises from the possibility that changes in interest rates will affect the net finance expense of the Group.

Financial assets and liabilities that are subject to fair value risk are the ones with fixed interest rate. Financial assets and liabilities that are subject to cash flow rate risk are the ones with floating interest rate.

Sukuk notes amounting to USD 300 million issued by a Group's subsidiary in 2014 (maturing in February 2019) carries fixed interest rate of 4.291% p.a.

The long-term loans attract varying rates of interest, which are, in general, varied with reference to the base lending rates of the banks at regular intervals.

5 Financial risk management (continued)

Market risk (continued)

(c) Other market price risk

Price risk arises from marketable securities measured at fair value. Management of the Group monitors the mix of debt and equity securities in investments portfolio to maximize investment returns, which is the primary goal of the Group's investment strategy. In accordance with this strategy certain investments are designated as fair value through profit or loss because their performance is actively monitored and they are managed on a fair value basis.

Capital management

The Group's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Board of Directors monitors the return on capital, which is defined as profit for the year attributable to equity holders of the Company divided by total shareholders' equity. The Board of Directors also monitors the level of dividend to ordinary shareholders.

The Board of Directors seeks to maintain a balance between the higher returns that might be possible with higher levels of borrowing and the advantages and security afforded by a sound capital position. The Board has defined the Company's gearing ratio to be maintained below 1:2 level. This ratio is calculated as net debt divided by total equity plus net debt. Net debt is calculated as the total bank borrowings plus sukuk notes less cash and cash equivalents and investments classified as Level 1 and Level 2. Total equity is calculated as shown in the statement of financial position.

6 Cost of sales

	2018	2017
	AED'000	AED'000
These mainly include:		
Materials consumed	**1,075,193**	747,536
Cost of properties sold	**81,714**	-
Staff costs	**143,667**	122,545
Depreciation and amortization	**138,007**	74,308
Factory overheads (excluding depreciation)	**188,580**	186,532
Provision for write down of inventories to net realizable value (refer note 18)	**73,290**	60,230
Share of Government of Dubai in the realized profits of a subsidiary (refer note 12)	**115,358**	116,183
Infrastructure and development works cost sharing with RTA (refer note 34)	**29,077**	29,077

7 Administrative and general expenses

	2018	2017
	AED'000	AED'000
These mainly include:		
Staff costs	**255,305**	207,137
Selling and marketing expenses	**50,716**	71,417
Depreciation and amortization	**35,905**	36,487

Selling and marketing expenses include an amount of AED 1 million (2017: AED 1.4 million) incurred towards charity and social contributions.

8 Finance income and expenses

	2018	2017
	AED'000	AED'000
Interest income	**45,991**	56,655
Unwinding of discount on financial assets measured at amortized cost	**1,477**	19,794
Reversal of impairment loss on trade receivables	**-**	3,197
Finance income	**47,468**	79,646
Interest expense/profit on sukuk notes	**(135,745)**	(84,965)
Unwinding of discount on financial liabilities measured at amortized cost	**1,805**	(1,244)
Bank charges	**(21,242)**	(12,128)
Foreign exchange gain/(loss) - net	**4,239**	(524)
Finance expenses	**(150,943)**	(98,861)

9 Other income

	2018	2017
	AED'000	AED'000
Other income mainly includes:		
Provision no longer required written back	**9,526**	3,263
Service charges	**5,413**	5,775
Management fee	**4,678**	3,529
Advertisement income	**4,510**	2,518
Sale of scrap	**3,167**	4,356
Income from leased operations	**1,397**	2,333
Gain on disposal of property, plant and equipment	**44**	8,824
Insurance claim received	**-**	17,123

10 Property, plant and equipment

	Building AED'000	Plant and equipment AED'000	Office equipment and furniture AED'000	Motor vehicles AED'000	Capital work-in- progress AED'000	Total AED'000
Cost/valuation						
At 1 January 2017	925,715	1,272,304	96,767	24,618	73,693	2,393,097
Additions	518	9,007	6,070	1,333	24,659	41,587
Disposals and write-offs	(389)	(1,946)	(2,216)	(2,965)	(8,924)	(16,440)
Transfers	12,156	15,739	(2,381)	-	(25,514)	-
At 31 December 2017	938,000	1,295,104	98,240	22,986	63,914	2,418,244
Additions (refer (i) below)	**84,103**	**37,787**	**10,775**	**861**	**189,913**	**323,439**
Transfer from inventories (refer (ii) below)	**-**	**-**	**-**	**-**	**180,485**	**180,485**
Disposals and write-offs	**-**	**(1,392)**	**(715)**	**(869)**	**(23)**	**(2,999)**
Acquisition through business combination (refer note 39)	**167,371**	**1,595,385**	**10,309**	**168**	**372,555**	**2,145,788**
Transfers	**2,963**	**97,105**	**506**	**467**	**(101,041)**	**-**
At 31 December 2018	**1,192,437**	**3,023,989**	**119,115**	**23,613**	**705,803**	**5,064,957**
Accumulated depreciation and impairment losses						
At 1 January 2017	308,939	652,355	79,947	20,840	10,708	1,072,789
Charge for the year	33,851	64,909	7,083	1,253	-	107,096
On disposals and write-offs	-	(1,819)	(2,216)	(2,048)	-	(6,083)
Impairment loss	-	2,587	-	-	-	2,587
At 31 December 2017	342,790	718,032	84,814	20,045	10,708	1,176,389
Charge for the year	**40,261**	**115,317**	**9,593**	**1,450**	**-**	**166,621**
On disposals and write-offs	**-**	**(1,052)**	**(664)**	**(722)**	**-**	**(2,438)**
On acquisition through business combination (refer note 39)	**18,616**	**271,386**	**6,698**	**168**	**-**	**296,868**
Impairment loss	**-**	**86**	**-**	**-**	**-**	**86**
At 31 December 2018	**401,667**	**1,103,769**	**100,441**	**20,941**	**10,708**	**1,637,526**
Net book value						
At 31 December 2017	595,210	577,072	13,426	2,941	53,206	1,241,855
At 31 December 2018	**790,770**	**1,920,220**	**18,674**	**2,672**	**695,095**	**3,427,431**

10 Property, plant and equipment (continued)

(i) Additions to Capital work-in-progress represents costs incurred by subsidiaries for expanding their manufacturing facilities and constructing district cooling plants.

Included in capital work-in-progress at 31 December 2018 is an amount of AED 53.4 million (2017: AED 53.4 million) for which a subsidiary has decided to temporarily put the expansion of manufacturing facility on hold. Based on review of the carrying values, an impairment loss of AED 10.7 million was recorded for this capital work-in-progress in previous years.

(ii) During the year, the Group commenced construction of two hotels on plots of land classified within inventories in the earlier years. Accordingly, an amount of AED 180.5 has been reclassified from inventories to property, plant and equipment during the current year.

(iii) Buildings, plant and machinery with a net book value of AED 1,990 million (2017: AED 831 million) are mortgaged as security against term loans obtained from banks. In certain instances, the insurance over buildings and plant and machinery is also assigned in favor of the banks against facilities availed.

11 Goodwill and intangible assets

	Goodwill AED'000	Patent and trade mark AED'000	Customer contracts AED'000	Other intangible assets AED'000	Total AED'000
Cost					
As at 1 January 2017	124,085	7,445	-	18,491	150,021
Additions	-	-	-	184	184
As at 31 December 2017	124,085	7,445	-	18,675	150,205
Additions (refer note 39b)	-	-	233,272	219	233,491
As at 31 December 2018	**124,085**	**7,445**	**233,272**	**18,894**	**383,696**
Accumulated amortization and impairment losses					
At 1 January 2017	(29,659)	(7,445)	-	(13,149)	(50,253)
Amortization	-	-	-	(1,112)	(1,112)
As at 31 December 2017	(29,659)	(7,445)	-	(14,261)	(51,365)
Amortization	-		(5,981)	(1,310)	(7,291)
As at 31 December 2018	**(29,659)**	**(7,445)**	**(5,981)**	**(15,571)**	**(58,656)**
Carrying amount					
31 December 2017	94,426	-	-	4,414	98,840
31 December 2018	**94,426**	**-**	**227,291**	**3,323**	**325,040**

The Group tests whether goodwill has suffered any impairment on an annual basis. For the 2018 and 2017 reporting period, the recoverable amount of the cash generating units (CGUs) was determined based on value-in-use calculations which require the use of assumptions. The calculations use cash flow projections based on financial budgets approved by management covering a five-year period. Cash flows beyond the five-year period are extrapolated using the estimated growth rates stated below. These growth rates are consistent with forecasts included in industry reports specific to the industry in which each CGU operates. The goodwill mainly relates to manufacturing and service operations of the Group and has been tested using the value in use model.

11 Goodwill and intangible assets (continued)

The calculation of valuation in use was sensitive to the following assumptions:

Management has determined the values assigned to each of the above key assumptions as follows:

Assumption	**Approach used to determining values**
Budgeted gross margin	Based on past performance and management's expectations for the future.
Long-term growth rate	This is the weighted average growth rate used to extrapolate cash flows beyond the budget period. The management prepared a five-year budget based on their expectation of future results, thereafter a growth rate of 2% - 5% (2017: 2% - 5%) was assumed.
Discount rates	Reflect specific risks relating to the relevant segments and the countries in which they operate. The management estimated that such discount rate to be used should be between 7% - 10% (2017: 6% - 9%).

Customer contracts

Customer contracts represents the value of rights that arise from contractual agreements. These represents long term contracts spanning over a period of 20 years with individual and corporate customers with a renewal option available.

The contracts have been valued using Multi period Excess Earnings Method ("MEEM") under the income approach.

The MEEM approach involves the valuation of the net residual income stream derived from the customer contracts after deduction of an appropriate Contributory Asset Charges ("CAC") to reflect returns attributable to all other assets, both tangible and intangible, employed in supporting customer contracts related intangible asset.

The underlying cash flows have been discounted using WACC of 11% - 13%.

The customer contracts are being amortized over the life of associated infrastructure which is approximately 39 years.

12 Investment properties

	2018	2017
	AED'000	AED'000
At 1 January	**7,704,980**	6,731,697
Additions	**284,468**	331,630
Transferred from inventories (refer note 18)	**199,895**	-
Transferred from development properties (refer note 13)	**5,183**	22,504
Sale of investment properties	**(4,315)**	(26,402)
Gain on fair valuation (net)	**101,897**	645,551
At 31 December	**8,292,108**	7,704,980

- Additions during the year represents development work in progress on certain plots of land.
- During the year based on change of use, the Group reclassified land and building under construction from inventories to investment properties.

12 Investment properties (continued)

Investment properties comprises the following:	**2018**	2017
	AED'000	AED'000
Infrastructure and ancillary facilities	**5,042,369**	4,828,328
Plots of land for future development	**944,649**	971,424
Residential, retail and commercial facilities	**1,649,160**	1,233,995
Labor camps and warehouses	**655,930**	671,233
	8,292,108	7,704,980

Valuation processes

The Group's investment properties were valued at 31 December 2018 by independent registered valuers in accordance with the RICS Appraisal and Valuation Manual issued by the Royal Institute of Chartered Surveyors taking into account requirements of IFRS 13 'Fair value measurements'. For all investment properties, their current use equates to the highest and best use. Management review the valuations performed by the independent valuers for financial reporting purposes which among other things include:

- provision and verification of all major inputs to the independent valuation reports;
- assessment of property valuation movements when compared to the prior year valuation report; and
- discussions with the independent valuers.

(a) Infrastructure and ancillary facilities:

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

As at 31 December 2018, the Group has obtained fair values of all phases, and the valuations were carried out using the income valuation approach, after taking into consideration the cash outflows resulting from the estimated 20% share of the net realized profits due to the Government of Dubai. The fair valuation gain of AED 250 million (2017: AED 604 million) has arisen due to a significant change in the net cash flows as per the terms of the lease contracts with tenants.

Since the valuation of all completed phases by the independent registered valuer is based on future net cash flows, the adjustment has been made for rent accrued on the straight line basis as per IAS 17. Similarly, the unearned rent received in advance and recognized liabilities for 20% share of the Government of Dubai at the valuation date have been included in the valuation of investment properties. The reconciliation of valuation of investment properties carried out by the independent registered valuer and the adjusted valuation included in the consolidated financial statements is as follows:

	2018	2017
	AED'000	AED'000
Fair valuation of completed phases and ancillary facilities as per independent registered valuation reports	**4,791,661**	4,586,663
Less: adjustment for rent receivable for completed phases (note 16)	**(43,958)**	(40,520)
Add: adjustment for unearned rent for completed phases* (note 25)	**179,308**	166,002
Add: adjustment for recognized liabilities (included in other payable and accrued expenses (refer notes 6 and 25)	**115,358**	116,183
	5,042,369	4,828,328

* Unearned rent represents receipt of lease rentals in advance from some of the tenants.

12 Investment properties (continued)

(a) Infrastructure and ancillary facilities:

Significant unobservable inputs in the fair value measurement mainly includes: future market rental cash inflows (in line with contracts entered with tenants), outgoing costs and risk adjusted discount rates.

(b) Plots of land for future development comprises of:

(i) a plot of land received by a subsidiary as a grant from the Government of Fujairah; and

(ii) other plots of land for residential cum commercial development

As at 31 December 2018, the fair valuation of the plots of land has been carried out using the sales comparison approach resulting in a net fair valuation loss of AED 16 million (2017: fair valuation gain of AED 67 million).

Significant unobservable inputs in the fair value measurement mainly includes market sales rates.

(c) Residential, retail and commercial facilities comprises of:

(i) An office cum residential building constructed on a plot of land granted by Government of Dubai in 2001 which has been leased on operating leases;

(ii) Residential units held for rentals amounting to AED 923 million (2017: AED 874.7 million); and

(iii) Other retail and commercial facilities on operating leases.

The residential, retail and commercial facilities have been valued using the sales comparison and income capitalization approach, whichever relevant, resulting in a net fair valuation loss of AED 116.6 million (2017: fair valuation gain of AED 27 million).

Significant unobservable inputs in the fair value measurement mainly includes: future market rental cash inflows, capitalisation yield rates and void periods and market sales rates.

Residential properties amounting to AED 457 million (2017: AED 424.1 million) are mortgaged against facilities obtained from a bank. Further, the insurance over these properties is also assigned in favor of the bank.

(d) Labor camps and warehouses:

The fair valuation of labor camps and warehouses at the reporting date has been determined by using an income capitalization resulting in a net fair valuation loss of AED 15.5 million (2017: AED 2 million).

Significant unobservable inputs in the fair value measurement mainly includes: future market rental cash inflows, capitalisation yield rates and void periods.

Fair value hierarchy

The fair value of investment properties is classified under level 3 fair value hierarchy.

12 Investment properties (continued)

Fair value hierarchy (continued)

The following table shows reconciliation from the opening balances to the closing balances for Level 3 fair values.

	2018	2017
	AED'000	AED'000
Balance at 1 January	**7,704,980**	6,731,697
Additions	**284,468**	331,630
Transfers from development properties	**5,183**	22,504
Transfers from inventories	**199,895**	-
Sale of investment properties	**(4,315)**	(26,402)
Changes in fair value (unrealized)	**101,897**	645,551
Balance at 31 December	**8,292,108**	7,704,980

Valuation techniques underlying management's estimation of fair value

The valuations were determined using the income valuation, income capitalisation approach and sales comparison approach based on significant unobservable inputs such that the fair value measurement was clarified as level 3.The property portfolio is valued by using a combination of an income capitalization approach and income valuation approach (together the 'income approach') and sales comparison approach. In determining a property's valuation, the valuer take into account property specific information such as the current contracted tenancies agreement and forecast operating expenses. They apply assumption for capitalization yield rates and estimated market rent, which are influenced by specific characteristics, such as property location, income return and occupancy of each property in the portfolio, to arrive at the final valuation.

These inputs include:

Future rental cash inflows	based on the actual location, type and quality of the properties and supported by the terms of any existing lease, such as market rental growth and rent-free periods. If rental rates were 10% higher or lower, the valuation would have been AED 614 million higher or AED 624 million lower.
Capitalisation yield rates	reflecting the current property return yields. If capitalisation yield rates were 1% higher/lower, the valuation would have been AED 55.2 million higher or AED 48.4 million lower respectively.
Void rates	reflecting the rate of void or vacancy period during the reversionary period life. If void rates were 10% higher/lower, the valuation would have been AED 4.1 million higher or AED 7.9 million lower respectively.
Discount rates	reflecting current market assessments of the uncertainty in the amount and timing of cash flows. If discount rates were 1% higher/lower, the valuation would have been decreased by AED 517 million if higher or increased by AED 677 million if lower.

12 Investment properties (continued)

Valuation techniques underlying management's estimation of fair value (continued)

Outgoing expenses	including necessary investments to maintain functionality of the property for its expected useful life. If maintenance and operating costs were 10% higher/lower, the valuation would have been AED 112 million higher or AED 111 million lower respectively.

The valuation basis and assumptions used for valuation of investments properties remains consistent with the methodology adopted as at 31 December 2017.

There were no changes to the valuation techniques during the year.

13 Development properties

	2018	2017
	AED'000	AED'000
Additions	**5,183**	22,504
Transferred to investment properties (refer note 12)	**(5,183)**	(22,504)
At 31 December	**-**	-

14 Financial investments

	2018	2017
	AED'000	AED'000
(i) Investments at fair value through other comprehensive income - refer note 14 (a)		
Equity securities	**133,586**	209,827
(ii) Investments at fair value through profit or loss - refer note 14 (b)		
Held for trading quoted equity securities	**355,280**	500,953
Unquoted equity securities, funds, bonds and sukuks	**1,073,947**	1,049,271
	1,429,227	1,550,224
Geographical distribution of investments:		
UAE	**730,775**	793,102
Other GCC countries	**351,243**	428,330
Other countries	**480,795**	538,619
	1,562,813	1,760,051

14 Financial investments (continued)

Investments in unquoted equity securities, funds and bonds with a fair value of AED 682 million (2017: AED 580 million) are pledged in favor of banks against borrowings availed (refer note 24).

Sensitivity analysis – equity price risk

The Group's investments in quoted equity securities are listed on various MENA stock exchanges. For such investments classified as at fair value through profit or loss, a 10 % increase/(decrease) in the equity prices at the reporting date would have increased/(decreased) profit by AED 31.5 million (2017: AED 48.9 million).

(a) Investments at fair value through other comprehensive income

This mainly includes:

The Group holds 5% shareholding in First Energy Bank, which is a Sharia'a compliant bank based in the Kingdom of Bahrain focused on investment, financing and service needs of the energy sector.

(b) Investments at fair value through profit or loss

The major investments in unquoted equity securities, funds, bonds and sukuks are in bonds and managed funds.

The Group has invested USD 162.5 million (2017: USD 174.3 million) in diversified fixed income bonds portfolio and USD 23.2 million (2017: USD 26 million) in managed equity funds by utilizing a related leverage facility of USD 116 million (2017: USD 127.9 million). Most of these bonds have counterparty credit rating of investment grade and the portfolio has an average maturity of 3 years.

(c) Measurement of fair values

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: Quoted market price (unadjusted) in an active market. The fair values are based on market price at the valuation date. The Group's investment in held for trading quoted equity securities are classified in this category.

Level 2: Valuation techniques based on observable inputs, 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 active; broker quotes; or other valuation techniques where all significant inputs are directly or indirectly observable from market data. The Group's investment in structured funds, sukuks and bonds are classified in this category.

Level 3: Valuation techniques using significant unobservable inputs. This category includes all instruments where the valuation techniques include 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.

In certain cases, the valuation is also determined based on fund manager valuation reports and project progress reports. The Group's investment in unquoted equity securities and managed funds are classified in this category. Generally, a change in underlying comparative data used for estimating fair value is accompanied by a change in the fair value.

14 **Financial investments** (continued)

(c) Measurement of fair values (continued)

The Group has reviewed the fair value of investments classified as fair value through profit or loss and accordingly, a loss of AED 153.3 million has been recorded in profit or loss during the current year (2017: loss of AED 30.5 million). The loss has arisen mainly due to marked to market of held for trading equity securities and decline in fair value of certain unquoted equity securities, funds and bonds.

The Group has reviewed the fair value of investments in unquoted equity securities classified as fair value through other comprehensive income and accordingly, a loss of AED 48.2 million has been recorded in other comprehensive income during the current year (2017: loss of AED 21.1 million).

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:

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**

31 December 2017	Level 1 AED'000	Level 2 AED'000	Level 3 AED'000	Total AED'000
Financial assets at fair value through profit or loss	500,953	742,679	306,592	1,550,224
Financial assets at fair value through other comprehensive income	736	-	209,091	209,827
	501,689	742,679	515,683	1,760,051

Reconciliation of Level 3 fair values measurements of investments

	2018 AED'000	2017 AED'000
As at 1 January	**515,683**	553,685
Additions during the year	**95,659**	80,843
Redeemed/ sold during the year	**(32,187)**	(17,198)
Transfer out (refer below)	**-**	(84,683)
Loss recorded in OCI		
- Net change in fair value (unrealized)	**(48,205)**	(21,060)
(Loss)/gain recorded in profit or loss		
- Net change in fair value (unrealized)	**(18,266)**	4,096
As at 31 December	**512,684**	515,683

14 Financial investments (continued)

(c) Measurement of fair values (continued)

During the previous year, the Group swapped its investment in Energy City Navi Mumbai Investment Company and Mumbai IT Telecom City (both unquoted) with the shares of Gulf Finance House (GFH) (quoted). Consequently, the investment was transferred from Level 3 to Level 1.

Investments sold during the year represents sale of investment in unquoted equity securities with a carrying value of AED 26.3 million classified as fair value through other comprehensive income. Upon sale of investment, the related fair value reserve amounting to AED 150.8 million has been transferred to retained earnings.

Sensitivity analysis

Investments classified as Level 3, a 10 % increase/(decrease) in the NAV value at the reporting date would have increased/(decreased) profit by AED 51.3 million (2017: AED 51.6 million).

15 Investment in equity accounted investees'

	2018	2017
	AED'000	AED'000
Investment in joint ventures (refer (i) below)	**9,441**	431,494
Investment in associates (refer (ii) below)	**237,313**	175,183
Total investment in equity accounted investees	**246,754**	606,677

(i) Joint ventures

- Effective 1 January 2018, the Company acquired additional 50% stake in its existing joint venture namely Emirates District Cooling LLC (Emicool). Post-acquisition of the additional interest, EMICOOL has become a wholly owned subsidiary of the Company and has been consolidated on a line-by-line basis in these consolidated financial statements (refer note 39b).
- During the year, the Group divested its stake in its joint venture entity namely Dubai International Driving Center LLC (refer note 40).

The following are the investments in joint ventures held by the Group as at 31 December 2018:

QDI Sport Management Company LLC (QDI)

QDI is a joint venture between the Group and Al Qudra Sports Management LLC. The principal activities of the joint venture are to engage in sports clubs and facilities management and other sports related activities. The Group effectively owns 50% equity in this entity.

Palisades Development Company LLC

This is a limited liability company registered in the UAE. The principal activities of the entity is management and administration of a project undertaken on plots of land located in Dubai Investments Park.

15 Investment in equity accounted investees' (continued)

The following table summarizes the financial information of joint ventures as included in their own financial statements. The table also reconciles the summarized financial information to the carrying amount of the Group's interest in joint ventures.

	2018	2017
	AED'000	AED'000
Non-current assets	258	1,797,296
Current assets	62,356	304,568
Non-current liabilities	(32,542)	(990,816)
Current liabilities	(11,190)	(272,610)
Net assets (100%)	18,882	838,438
Group's share of net assets	9,441	419,219
Goodwill	-	12,275
Carrying amount of interest in joint ventures	9,441	431,494
Income	58,236	473,378
Depreciation and amortization	-	(45,956)
Interest expense	-	(28,263)
Other expenses	(57,002)	(318,031)
Profit for the year (100%)	1,234	81,128
Group's share of profit	617	40,564
Group's share of other comprehensive income	-	-
Group's share of total comprehensive income	617	40,564
Dividends received by the Group	-	20,000

(ii) Associates

These mainly includes the following entities:

	2018	2017
	AED'000	AED'000
Associate		
Globalpharma LLC	34	34
Emirates Aluminium Rolling ("Emiroll") LLC	30	30
KCH Healthcare LLC	26.75	26.75
Clemenceau Medical Center FZ ("CMC Dubai")	20	20
Africa Crest Education ("ACE")	32	-
Mojavi 4 Limited (*)	40	40
Mojavi 9 Limited (*)	55	55
Mojavi 10 Limited (*)	36	36
Mojavi 20 Limited (*)	20	25
Mojavi 11 Limited (*)	-	55
Mojavi 15 Limited (*)	-	55
Al Mal MENA Income Fund (*)	-	19

* Percentage ownership reflects the direct ownership through subsidiaries and is not the effective ownership of the Group.

15 Investment in equity accounted investees' (continued)

The following table summarizes the financial information of associates, adjusted for fair value adjustments at recognition and differences in accounting policies. The table also reconciles the summarized financial information to the carrying amount of the Group's interest in associates as at 31 December 2018.

	2018	2017
	AED'000	AED'000
Total assets	**1,300,445**	652,907
Total liabilities	**(751,336)**	(352,097)
Net assets (100%)	**549,109**	300,810
Group's share of net assets	**172,421**	82,303
Fair value adjustment of retained interest upon initial recognition	**175,748**	175,748
Impairment of investment in equity accounted investee	**(110,856)**	(82,868)
Carrying amount of interest in associates	**237,313**	175,183
Income	**126,341**	131,127
Expenses	**(234,272)**	(217,077)
Loss for the year (100%)	**(107,931)**	(85,950)
Group's share of loss	**(29,769)**	(22,167)
Group's share of other comprehensive income	**-**	-
Group's share of total comprehensive income	**(29,769)**	(22,167)

During the year, 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 28.0 million (2017: AED 82.9 million). Fair value less costs of disposal has been computed using discounted cash flow projections. Key assumptions include: discount rate of 8.9% and terminal growth rate of 1%.

(iii) The movement in investment in equity accounted investees' is as follows:

	2018	2017
	AED'000	AED'000
At 1 January	**606,677**	664,251
Group's share of (loss)/profit for the year	**(29,152)**	18,397
Dividends received during the year	**-**	(20,000)
Impairment of investment in equity accounted investee	**(27,990)**	(82,868)
On acquisition of controlling interest in a joint venture (refer note 39b)	**(375,346)**	-
Disposal of entities	**(13,849)**	(20,503)
Investments made during the year	**86,414**	47,400
At 31 December	**246,754**	606,677

16 Rent receivable

Rent receivable represents the differential between the amount billed to tenants and the amount recognized as rental income on a straight line basis over the term of the lease, including the option to renew the lease at the end of the initial lease term, as required by IAS 17 – Leases. The difference principally arises due to an initial rent free period allowed and the rent increase agreed after the expiry of the initial term of the lease. Rent received in advance from lessees is netted off in determining the net rent receivable as at the reporting date.

17 Finance lease receivable

The Group has the following interest in finance leases:

	2018 **AED'000**	2017 AED'000
Gross investment	**3,181**	4,769
Unearned finance income	**(217)**	(395)
Net investment	**2,964**	4,374
Less: amount due in less than one year classified under other receivables (refer note 20)	**(1,387)**	(1,424)
Non-current portion	**1,577**	2,950

The finance leases receivable by the Group are as follows:

	Minimum lease payments 2018 AED'000	**Interest 2018 AED'000**	**Principal 2018 AED'000**	Minimum lease payments 2017 AED'000	Interest 2017 AED'000	Principal 2017 AED'000
Less than one year	**1,435**	**48**	**1,387**	1,538	114	1,424
Between one and five years	**1,746**	**169**	**1,577**	3,231	281	2,950
	3,181	**217**	**2,964**	4,769	395	4,374

The Group's interest in finance leases represents the lease of land let out on long term leases, whereby, the present value of the residual interest at the end of the lease term is estimated to be negligible. These leases are therefore accounted for as finance leases under IAS 17 Leases. The terms of payment range from 2 to 5 years. No contingent rent is receivable.

18 Inventories

	2018	2017
	AED'000	AED'000
Raw materials, work-in-progress and spares (net of provision for old and slow moving inventories)	**183,685**	164,153
Finished goods	**60,015**	51,498
Goods in transit	**2,417**	2,738
Properties under development/ held for sale (net of provision for write down to net realizable value)	**2,559,733**	2,538,013
	2,805,850	2,756,402
Less: properties under development for sale classified as non-current (net of provision for write down to net realizable value)	**(353,059)**	(1,884,145)
	2,452,791	872,257
Inventories carried at net realizable value	**1,006,031**	1,013,656

Properties under development for sale represent cost 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 certain properties as long term based on future development plans.

Net realizable values for properties under development for sale have been estimated by independent registered valuers in accordance with the RICS Appraisal and Valuation Manual issued by the Royal Institute of Chartered Surveyors using a combination of valuation techniques including the sales comparison approach, feasibility studies and indicative pricing studies. Based on these valuations, a decline in net realizable value of AED 73.3 million has been recognized during the current year (2017: AED 60.2 million). Net realizable value estimates are subjective in nature and involve uncertainties and matters of significant judgment and therefore, cannot be determined with precision.

As at 31 December 2018, the Group is carrying a provision of AED 149.5 million (2017: AED 76.2 million) against properties under development for sale.

Borrowing costs capitalized on properties under development for sale amounted to AED 77.5 million for the year ended 31 December 2018 (2017: AED 33 million). Borrowing costs were capitalised at the weighted average rate of its borrowings of 5% (31 December 2017: 5%).

Inventories amounting to AED 1,117 million (2017: AED 1,147 million) are mortgaged against facilities obtained from banks. In certain instances, the insurance over inventories is also assigned in favor of banks.

During the year, the management based on a change in use of properties under development for sale to lease to third parties, reclassified inventories with a carrying value of AED 199.9 million to investment properties (refer note 12).

Further during the year, the Group commenced construction of two hotels on plots of land classified as inventories in the earlier years. Accordingly, an amount of AED 180.5 million has been reclassified from inventories to property, plant and equipment in the current year (refer Note 10).

19 Trade receivables

Trade receivables are stated net of provision for doubtful debts amounting to AED 165.3 million (2017: AED 125.3 million). Trade receivables that are expected to be realized after twelve months from the reporting date have been classified as non-current. Refer Note 42.

Trade receivables amounting to AED 45.64 million are assigned against the facilities availed from the banks as at 31 December 2018 (2017: AED 91 million).

20 Due from related parties and other receivables

	2018	2017
	AED'000	AED'000
Non – current		
Capital advance	**24,846**	27,878
Other receivables	**21,261**	12,776
Due from related parties	**-**	23,731
	46,107	64,385
Current		
Other receivables and prepayments		
- retentions receivable	**90,924**	63,201
- receivable from customers for use of margin facilities	**155,339**	167,872
- advances paid to suppliers	**168,735**	125,350
- prepayments	**42,660**	40,880
- others	**141,846**	156,743
Current portion of net investment in finance leases (refer note 17)	**1,387**	1,424
Due from related parties	**578**	26,332
Due from customers for contract work (refer (ii) below)	**63,245**	100,769
	664,714	682,571

(i) Other receivables that are expected to be realized after twelve months from the reporting date have been classified as non-current.

(ii) Movement in due from customers for contract work is as follows:

	2018	2017
	AED'000	AED'000
Contract costs incurred	**820,579**	734,521
Recognized profits less recognized losses	**(60,414)**	6,909
	760,165	741,430
Progress billings	**(696,920)**	(640,661)
Due from customers for contract work	**63,245**	100,769

	2018	2017
	AED'000	AED'000
Balance at the beginning of the year	**100,769**	142,433
Additions during the year	**659,396**	590,033
Progress billings	**(696,920)**	(631,697)
Balance at the ending of the year	**63,245**	100,769

21 Short term deposits and cash and cash equivalents

	2018	2017
	AED'000	AED'000
Short term deposits		
Short term deposits with banks having maturity of more than 3 months	**69,373**	12,376
Short term deposits within UAE under lien with banks	**65,050**	14,300
	134,423	26,676
Cash and cash equivalents:		
Cash in hand	**1,374**	892
Cash at bank within UAE (current accounts)	**544,056**	474,237
Cash at bank outside UAE – GCC Countries (current accounts)	**6,369**	16,458
Cash at bank outside UAE – Other countries (current accounts)	**31,094**	25,212
Short term deposits within UAE having maturity of less than 3 months	**215,176**	423,546
Total cash and cash equivalents	**798,069**	940,345

22 Long-term bank borrowings

	2018	2017
	AED'000	AED'000
Long-term borrowings	**3,043,553**	998,982
Less: Current portion of long term bank borrowings (Note 24)	**(280,863)**	(114,993)
Non-current portion of long-term bank borrowings	**2,762,690**	883,989

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 1.5% to 3.5% over 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.

A subsidiary of the Company namely Dubai Investments Real Estate LLC has signed a long term loan facility of AED 1,080 million with the banks to finance the construction of a real estate development project. The facility has a term of 10 years with the available utilization period of up to 4 years. The repayment will commence immediately after the completion of the utilization period and will be through semi-annual instalments.

The facility consists of the following covenants which needs to be complied with by the Guarantor (i.e. the Company) and the Borrower (i.e. the subsidiary).

For Guarantor:

- Minimum tangible net worth of AED 8 billion
- Net debt/EBITDA not to exceed 5 times
- Debt/equity 1:1 or below
- Total debt/tangible net worth of 1:1 or lower
- Unencumbered assets to total unsecured debt of 2:1 or higher

22 Long-term bank borrowings (continued)

For Borrower:

- Debt service coverage ratio of 1.2X to EBITDA
- Loan to value of the project not to exceed 50%

As at 31 December 2018, the subsidiary has utilized AED 505.5 million from the loan facility (2017: AED 52.7 million). The Group has complied with all covenants.

23 Sukuk notes

	2018 AED'000	2017 AED'000
Sukuk notes (300,000 notes of USD 1,000 each)	**1,101,600**	1,101,600

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

Sukuk notes contains the following covenants which need to be complied with by DIPDC during the full tenure of the notes:

- Negative pledge: Absolute prohibition on assigning security on lease assets;
- Gross debt to EBITDA not to exceed 4x;
- EBITDA to profit not less than 2.5x; and
- Investment properties value not less than AED 3 billion.

Subsequent to the balance sheet date i.e. on 20 February 2019, DIPDC repaid the Sukuk notes by obtaining a bilateral loan facility from a local financial institution.

24 Bank borrowings

	2018 AED'000	2017 AED'000
Bank overdraft, trust receipt loans and bills discounted	**455,051**	548,089
Short term loans	**733,302**	530,363
Current portion of long term bank borrowings	**280,863**	114,993
	1,469,216	1,193,445

The bank borrowings are secured by a combination of mortgages and corporate guarantees. Where there is a corporate guarantee, the Group's liability is mostly restricted to its percentage of equity interest in the borrowing entity.

24 Bank borrowings (continued)

Short term loans amounting to AED 426.2 million (2017: AED 469.7 million) have been obtained for investments in bonds, funds and structured products and are secured against the pledge of those investments in favor of banks (refer note 14).

The following table sets out an analysis of net debt as of the reporting period end:

	2018	2017
	AED'000	AED'000
Cash and cash equivalents	**798,069**	940,345
Short-term deposits with banks	**134,423**	26,676
Liquid investments*	**1,050,129**	1,244,368
	1,982,621	2,211,389
Sukuk notes	**(1,101,600)**	(1,101,600)
Borrowings - repayable within one year (including overdraft)	**(1,469,216)**	(1,193,445)
Borrowings - repayable after one year	**(2,762,690)**	(883,989)
Net debt	**(3,350,885)**	(967,645)

* Liquid investments comprise investments classified as Level 1 and Level 2 (refer Note 14 (c)).

The Group had access to undrawn banking facilities of AED 1,688.9 million as at 31 December 2018 (2017: AED 1,776.3 million).

25 Trade and other payables

	2018	2017
	AED'000	AED'000
Non-current		
Other payables	**161,095**	68,847
Current		
Trade payables	**612,371**	519,863
Payable to Government of Dubai for their share of realized profit of a subsidiary (refer note 12)	**115,358**	116,183
Unearned rent (refer note 12)	**179,308**	166,002
Advances received from customers / due to customers	**118,864**	114,327
Other payables and accrued expenses	**748,390**	512,047
	1,774,291	1,428,422

26 Share capital and share premium

	2018 **AED'000**	2017 AED'000
Authorized:		
8,000 million shares of AED 1/- each (2017: 8,000 million shares of AED 1 each)	**8,000,000**	8,000,000
Issued and paid up:		
4,252.02 million shares of AED 1/- each (2017: 4,252.02 million shares of AED 1 each)	**4,252,018**	4,252,018

In the year 1998, 5,474 unallocated shares were sold at the prevailing market price to a shareholder, at a premium of AED 46,000.

27 Capital reserve

Capital reserve comprises the net gain on sale of the Company's own shares (treasury shares) by a subsidiary of the Company in the earlier years.

28 Legal and general reserve

In accordance with the Articles of Association of entities within the Group, Article 103 and Article 239 of the UAE Federal Law No. (2) of 2015, 10% of the profit for the year of the individual entities, to which the law is applicable, is to be transferred to the legal reserve. Such transfer may be discontinued when the legal reserve equals 50% of the paid up share capital of the respective individual entities. This reserve is non-distributable except in certain circumstances as mentioned in the above-mentioned law.

Further, in accordance with the Articles of Association of certain entities within the Group, 10% of the profit for the year is required to be transferred to a general reserve. However, as per the Articles of Association of these entities, the transfer may be discontinued upon a resolution passed at the Ordinary General Meeting if proposed by the Board of Directors.

Accordingly, the companies within the Group, where applicable, have transferred amounts to legal and general reserve.

29 Revaluation reserve

In prior years, a plot of land was granted to the Company by the Government of Dubai (refer note 12(c)) which was recorded as property, plant and equipment at a nominal value. Upon construction of an office cum residential building in 2001 on the granted land for the purposes of leasing, the land was transferred from property, plant and equipment to investment properties at fair value in prior years. The resulting gain on fair valuation of AED 20 million was credited to a non-distributable revaluation reserve at the time of transfer.

30 Fair value reserve

The fair value reserve comprises the cumulative net change in the fair value of investments classified as fair value through other comprehensive income (refer note 14).

31 Proposed dividend/bonus shares

For the year 2018, the Board of Directors have proposed a cash dividend of 10% to the shareholders of the Company.

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 510.2 million was paid during the current year.

32 Proposed directors' fee

Proposed directors' fees amounting to AED 10.5 million (2017: AED 12.3 million), represents compensation for professional services rendered by the Directors.

33 Basic and diluted earnings per share

The calculation of basic and diluted earnings per share is based on the profit attributable to Owners of the Company and a weighted average number of ordinary shares outstanding calculated as follows:

	2018	2017
Profit attributable to Owners of the Company (AED '000)	**651,431**	1,001,597
Weighted average number of shares outstanding ('000s)	**4,252,018**	4,252,018
Basic and diluted earnings per share (AED)	**0.15**	0.24

There is no significant impact on earnings per share on adoption of new accounting standards in the current year.

34 Commitments

	2018 **AED'000**	2017 AED'000
Capital commitments – contracted and committed	**1,634,381**	1,886,894

Capital commitments mainly includes the following:

- value of construction contracts awarded to contractors for real estate projects under development.

- a subsidiary of the Company namely Dubai Investments Park Development Company LLC has signed an agreement with Roads and Transport Authority to share in the cost of infrastructure and development works of the adjoining areas. Total outstanding commitment as at 31 December 2018 amounts to AED 305.5 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.

35 Contingent liabilities

No significant contingent liabilities exist as at 31 December 2018.

36 Lease rentals

Leases as lessor

The Group leases out its investment properties under operating lease. The minimum lease payments receivable under non-cancelable leases are as follows:

	2018 **AED'000**	2017 AED'000
Less than one year	**458,512**	491,563
Between one to five years	**1,817,005**	1,715,995
More than five years	**2,263,342**	2,296,012
	4,538,859	4,503,570

37 Related party transactions

The Group, in the normal course of business, carries out transactions with other business enterprises that fall within the definition of related parties contained in International Accounting Standard 24. Related party transactions are entered at mutually agreed terms.

The aggregate value of significant transactions with related parties during the year was as follows:

	2018 **AED'000**	2017 AED'000
Land and other lease charges	**1,382**	5,670
Purchase of an investment property	**-**	39,000

Compensation to key management personnel, including Directors' fees is as follows:

Short-term benefits (including proposed Directors' fees)	**28,525**	29,468
Post-employment benefits	**462**	415

38 Non-controlling interests

The Group does not have any individually material non-controlling interests in any of its subsidiaries as at 31 December 2018. Also refer note 39(a).

39 Investment in subsidiaries

(a) The following are the investments in subsidiaries held by the Company as at 31 December 2018:

Entity	Incorporated in	Ownership %
Dubai Investments Park Development Co. LLC	UAE	100
Dubai Investment Real Estate Company LLC	UAE	100
Emirates District Cooling LLC (Emicool)*	UAE	100
Al Taif Investment Company LLC	UAE	60
Dubai Investments Industries LLC	UAE	100
Glass LLC	UAE	100
Masharie LLC	UAE	75.63
Dubai Investments International Limited	UAE	100
Al Mal Capital PSC	UAE	66.61
Properties Investment LLC	UAE	70

(i) Dubai Investment Real Estate Company LLC owns 100% equity interest in a subsidiary, Al Mujamma Real Estate LLC.

(ii) The following are the investments in subsidiaries held by Dubai Investments Industries LLC as at 31 December 2018:

Emirates Building Systems Company LLC	UAE	100
The Edible Oil Company (Dubai) LLC	UAE	100
Dubai Cranes and Technical Services LLC	UAE	80
Emirates Extruded Polystyrene LLC	UAE	51
Techsource LLC	UAE	100
DIID Management DMCC	UAE	90
University of Balamand Dubai (Branch)*	UAE	100

(iii) The following are the investments in subsidiaries held by Glass LLC as at 31 December 2018:

Emirates Glass LLC	UAE	100
Lumi Glass Industries LLC	UAE	76.5
Emirates Float Glass LLC	UAE	100
Saudi American Glass Company Limited	KSA	100
Emirates Insolaire LLC	UAE	51

(iv) The following are the investments in subsidiaries held by Masharie LLC as at 31 December 2018:

Emirates Extrusion Factory LLC	UAE	100
White Aluminum Extrusion LLC	UAE	51
Folcra Beach Industrial Co LLC	UAE	80
Gulf Dynamic Services LLC	UAE	70
Labtech Interiors LLC	UAE	70
Gulf Dynamic Switchgears Company LLC	UAE	100
Gulf Metal Craft LLC	UAE	100
Technological Laboratory Furniture - Manufacturers (Labtech) LLC	UAE	70
Lite Tech Industries LLC	UAE	54

39 Investment in subsidiaries (continued)

(v) The following are the investments in subsidiaries held by Al Mal Capital PSC as at 31 December 2018:

Al Mal Real Estate Fund	UAE	64
Al Mal MENA Equity Fund	Bahrain	36
Al Mal Capital Partners Fund	UAE	32
Al Fares Private Equity Fund	UAE	31
Al Mal Direct Equity 1 Ltd.	UAE	100
Al Mal Capital (Mauritius) Ltd.	Mauritius	100
Saqer Investments Limited	Cayman Islands	100
Al Mal MENA Income Fund	Cayman Islands	100
Al Mal Fund Company BSC	Bahrain	99

Although, Al Mal Capital PSC owns less than 50% of Al Mal MENA Equity Fund, Al Mal Capital Partners Fund and Al Fares Private Equity Fund, these have been consolidated as the investors are not able to remove the fund manager without cause. In addition, the Group is exposed to significant variability in returns from its involvement and has the power and the rights to affect the amounts of its returns.

* Became subsidiary during the current year

(b) 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. Taking control of EMICOOL will enable the Group to implement its strategic plans and increase the intrinsic value of the business. 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.

39 Investment in subsidiaries (continued)

(b) Acquisition of a subsidiary (continued)

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)**

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.

40 Disposal of a joint venture

During the current year, the Group disposed its 50% shareholding in 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.

41 Accounting estimates and judgments

Management has reviewed the development, selection and disclosure of the Group's critical accounting policies and estimates and the application of these policies and estimates. The following are the critical accounting estimates and judgment used by management in the preparation of these consolidated financial statements:

(a) Valuation of investment properties

The Group fair values its investment properties. External, independent valuation companies, having the appropriate recognized professional qualification value majority of the properties annually. Note 12 contains information about the valuation methodology considered by the third party valuers.

(b) Net Realisable Value (NRV) assessment of property under development / held for sale

The Group reviews its inventories to assess any loss on account of diminution in the value of real estate inventories on a regular basis i.e. NRV assessment. A significant portion of the Group's inventories comprise property under development for sale. For certain properties under development / held for sale, NRV has been estimated with assistance from independent registered valuer. There are significant estimates and judgements involved including the Group's estimate of the sale price and construction cost for properties under development, which due to inherent nature of estimates, cannot be determined with precision.

(c) Revenue recognition from sale of properties under development

(i) Satisfaction of performance obligations for property and land sales

The Group is required to assess each of its contracts with customers and apply judgment in order to determine whether performance obligations are satisfied over time or at a point in time in order to determine the appropriate method of recognising revenue.

Revenue from the sale of property and land is recognised over time where any of the following criteria is determined to be met:

- The Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or
- The Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance obligations completed to date.

Where none of the above conditions are met, revenue is recognised at a point in time.

(i) Cost to complete of the properties under development

The Group uses the percentage-of-completion method in accounting for its revenue from sale of properties held for development and sale. Use of the percentage-of-completion method requires the Group to estimate the cost incurred to date as a proportion of the total estimated project cost. The amount of revenue recognised for the period is in proportion to the percentage of cost incurred.

Using the proportion of cost incurred to date to the estimated cost of the project method requires the Group to estimate the obligations performed to date as a proportion of the total obligations to be performed under contracts with customers for sale of properties held for development and sale. These estimates include the cost of providing infrastructure, potential claims by contractors as evaluated by the project consultant and the cost of meeting other contractual obligations to the customers.

41 Accounting estimates and judgments (continued)

(d) Impairment of goodwill and other assets

Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses (refer accounting policy on impairment). Testing for impairment requires management to estimate the recoverable amount of the cash generating unit to which the goodwill is allocated.

Furthermore, other assets such as property, plant and equipment, investments in equity accounted investees are tested for impairment whenever there is an indication of impairment. Testing for impairment of these assets requires management to estimate the recoverable amount of the cash generating unit.

(e) Contract revenue - cost-to cost (input method) to measure progress of construction contracts

The Group uses the cost-to-cost (input method) in accounting for its construction contracts. At each reporting date, the Group is required to estimate the stage of completion and costs to complete on its construction contracts. This requires the Group to make estimates of future costs to be incurred, based on work to be performed beyond the reporting date. These estimates also include the cost of potential claims by subcontractors and the cost of meeting other contractual obligations to the customers. Effects of any revision to these estimates are reflected in the period in which the estimates are revised. When the expected contract costs exceeds the total anticipated contract revenue, the total expected loss is recognised immediately, as soon as foreseen, whether or not work has commenced on these contracts. The Group uses its commercial team to estimate the costs to complete of construction contracts. Factors such as delays in expected completion date, changes in the scope of work, changes in material prices, labour costs and other costs are included in the construction cost estimates based on best estimates updated on a regular basis.

(f) Determining fair values of financial investments

The determination of fair value for financial investments for which there is no observable market price requires the use of valuation techniques as described in Note 14. For financial investments that trade infrequently and have little price transparency, fair value is less objective, and requires varying degrees of judgment depending on liquidity, concentration, uncertainty of market factors, pricing assumptions and other risks affecting the specific instrument.

(g) Accounting for a business combination

With effect from 1 January 2018, the Group acquired 50% shares in its existing jointly controlled entity, Emirates District Cooling LLC ("EMICOOL") from the joint venture partner. The Group engaged an external independent valuer to perform the purchase price allocation exercise, the fair valuation of acquired assets and liabilities, and the identification and valuation of intangible assets acquired in the business. This valuation therefore required significant judgement and use of assumptions in performing this exercise. Note 39 contains information about the valuation methodology considered by the third party valuers.

42 Financial instruments

Credit risk

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

	2018 AED'000	2017 AED'000
Investments in bonds, sukuks and structured funds	**597,089**	683,362
Rent receivable	**43,958**	40,520
Finance lease receivable	**1,577**	2,950
Trade receivables (net)	**1,205,353**	1,078,701
Due from related parties and other receivables	**474,580**	553,327
Short-term deposits with bank	**134,423**	26,676
Cash and cash equivalents	**798,069**	940,345
Carrying amount	**3,255,049**	3,325,881

The maximum exposure to credit risk for trade receivables and finance lease receivables at the reporting date by geographic region was:

	2018 AED'000	2017 AED'000
Domestic	**1,060,688**	927,298
Other GCC countries	**106,830**	112,509
Other regions	**39,412**	41,844
	1,206,930	1,081,651

The maximum exposure to credit risk for trade receivables and finance lease receivables at the reporting date by type of customer was:

	2018 AED'000	2017 AED'000
Contracting	**265,327**	122,426
Real estate	**327,694**	589,262
Others	**613,909**	369,963
	1,206,930	1,081,651

42 Financial instruments (continued)

Credit risk (continued)

The Group applies the IFRS 9 simplified approach on trade receivables, retention receivables, rent receivables and due from customers for contract work to measure the expected credit losses which uses a lifetime expected loss allowance for all trade receivables and contract assets.

To measure the expected credit losses, trade receivables and contract assets have been grouped based on shared credit risk characteristics and the days past due. The expected loss rates are based on the historical credit losses experienced. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The Group has identified the gross domestic product of the countries in which it sells its goods and services to be the most relevant factors, and accordingly adjusts the historical loss rates based on expected changes in these factors.

Based on existing credit risk management practices, the default definition has been determined which aptly captures the gradual deterioration of the receivables under consideration.

The collateral get factored through loss given default estimates and hence are not used to adjust exposure while computing expected credit loss. The Group limits its exposure to credit risk by investing with counterparties that have credible market reputation. The Group's management does not expect any significant counterparty to fail to meet its obligations.

The movement in the allowance for impairment in respect of trade receivables during the year was as follows:

	Total 2018 AED'000
1 January: Opening impairment provision under IAS 39	**125,331**
Impact on adoption of adoption of IFRS 9	30,794
Opening impairment provision as at 1 January 2018 under IFRS 9	**156,125**
Impairment loss recognized	9,174
31 December - closing impairment provision	**165,299**

Further, an impairment provision of AED 22.67 million is recognised on due from customers for contract work at 31 December 2018 (2017: AED Nil).

42 Financial instruments (continued)

Credit risk (continued)

The impairment provision as at 31 December 2018 and 1 January 2018 (on adoption of IFRS 9) was determined for the trade receivables within the real estate business, as follows, based on management assessment of default period being 180 days from the date the counter party fails to make contractual payment:

				AED' 000
31 December 2018	**Current**	**More than 180 days overdue**	**More than 365 days overdue**	**Total**
Expected loss rate	1%	1%	16%	
Gross carrying amount – trade receivables	250,780	145,532	266,878	663,190
Loss allowance	1,632	947	43,490	46,069
1 January 2018	**Current**	**More than 180 days overdue**	**More than 365 days overdue**	**Total**
Expected loss rate	1%	1%	7%	
Gross carrying amount – trade receivables	104,665	129,409	396,535	630,609
Loss allowance	1,353	1,165	27,473	29,991

In addition to above loss allowance, the Group has recognised specific impairment provision of AED 8.7 million (2017: AED 14.2 million).

The impairment provision as at 31 December 2018 and 1 January 2018 (on adoption of IFRS 9) was determined for the trade receivables within the manufacturing and services business, as follows, based on management assessment of default period being 90 days from the date the counter party fails to make contractual payment:

				AED' 000
31 December 2018	**Current**	**More than 90 days overdue**	**More than 180 days overdue**	**Total**
Expected loss rate	5%	12%	15%	
Gross carrying amount – trade receivables	311,562	117,690	193,714	622,966
Loss allowance	15,431	13,592	28,532	57,555
1 January 2018	**Current**	**More than 90 days overdue**	**More than 180 days overdue**	**Total**
Expected loss rate	5%	11%	14%	
Gross carrying amount – trade receivables	237,729	81,852	143,391	462,972
Loss allowance	12,946	8,749	20,150	41,845

In addition to above loss allowance, the Group has recognised specific impairment provision of AED 20.8 million (2017: AED 26.3 million).

42 Financial instruments (continued)

Credit risk (continued)

The impairment provision as at 31 December 2018 and 1 January 2018 (on adoption of IFRS 9) was determined for the contract assets within the contracting business, as follows, based on management assessment of default period being 365 days from the date the counter party fails to make contractual payment:

				AED'000
31 December 2018	**Current**	**Upto 365 days overdue**	**More than 365 days overdue**	**Total**
Expected loss rate	6%	10%	66%	
Gross carrying amount – trade receivables	29,462	18,233	36,801	84,496
Loss allowance	1,883	1,864	24,206	27,953
1 January 2018	**Current**	**Upto 365 days overdue**	**More than 365 days overdue**	**Total**
Expected loss rate	7%	9%	47%	
Gross carrying amount – trade receivables	63,204	38,472	51,423	153,098
Loss allowance	4,152	3,592	23,977	31,720

In addition to above loss allowance, the Group has recognised specific impairment provision of AED 4.2 million (2017: AED 12.1 million).

Cash and cash equivalents, short term deposits and due from related parties are also subject to the impairment requirements of IFRS 9. For cash and cash equivalents, short term deposits and due from related parties probability of default is derived from benchmarking and default rate studies conducted by external rating agencies. Loss given default estimate is taken from Basel guidelines. The identified impairment loss on cash and cash equivalents, short term deposits and due from related parties were insignificant.

There is no significant concentration of credit risk with respect to cash and cash equivalents, as the Group holds cash accounts in a number of diversified financial institutions.

Liquidity risk

The following are the contractual maturities of financial liabilities, including estimated interest payments and excluding the impact of netting agreement

42 **Financial instruments** (continued)

Liquidity risk (continued)

	Carrying amount AED'000	Contractual cash flows AED'000	Within 1 year AED'000	1-2 years AED'000	2-3 years AED'000	More than 3 years AED'000
31 December 2018						
Non-derivative financial liabilities						
Loans and borrowings (including sukuk notes)	**5,333,506**	**(5,911,954)**	**(2,749,255)**	**(394,371)**	**(389,732)**	**(2,378,595)**
Trade and other payables	**1,472,634**	**(1,472,634)**	**(1,472,634)**	**-**	**-**	**-**
Other long term liabilities	**161,095**	**(161,095)**	**(130,826)**	**(1,133)**	**(1,133)**	**(28,004)**
	6,967,235	**(7,545,683)**	**(4,352,715)**	**(395,504)**	**(390,865)**	**(2,406,599)**
31 December 2017						
Non-derivative financial liabilities						
Loans and borrowings (including sukuk notes)	3,179,034	(3,447,024)	(1,289,589)	(1,275,244)	(161,158)	(721,033)
Trade and other payables	1,076,855	(1,076,855)	(1,076,855)	-	-	-
Other long term liabilities	56,149	(56,149)	(14,439)	(23,819)	(1,787)	(16,104)
	4,312,038	(4,580,028)	(2,380,883)	(1,299,063)	(162,945)	(737,137)

42 **Financial instruments** (continued)

Market risk

Currency risk

	2018 **Euro'000**	2017 Euro'000
Trade and other receivables	**951**	2,913
Cash at bank	**1,125**	11
Trade and other payables	**(4,669)**	(4,834)
Others	**4,499**	-
Gross exposure	**1,906**	(1,910)
Net exposure	**1,906**	(1,910)

The following exchange rates were applied during the year:

	Average rate		**Spot rate**	
	2018 **AED**	2017 AED	**2018** **AED**	2017 AED
Euro	**4.30**	4.14	**4.20**	4.41

Sensitivity analysis

A limited fluctuation of AED against Euro at 31 December would not have any significant impact on profit or loss.

Interest rate risk

The Group is exposed to interest rate risk on its interest bearing assets and liabilities. The Group manages its exposure arising due to fluctuations in interest rates by the use of derivative instruments when appropriate.

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

	2018 **AED'000**	2017 AED'000
Fixed rate instruments		
Financial assets	**946,624**	1,403,658
Financial liabilities	**(1,144,044)**	(1,113,551)
Variable rate instruments		
Financial assets	**155,339**	5,406
Financial liabilities	**(4,189,462)**	(2,065,483)

42 **Financial instruments** (continued)

Interest rate risk (continued)

Fair value sensitivity analysis for fixed rate instruments

The Group accounts for certain fixed rate financial assets at fair value through profit or loss. The Group does not designate derivatives as hedging instruments under a fair value hedge accounting model.

An increase of 100 basis points ("bps") in interest rates at the reporting date would have decreased profit by AED 9.5 million (2017: AED 14 million). A corresponding decrease of 100 bps in interest rate at the reporting date would have caused increase in profit by the same amount. This analysis assumes that all other variables, in particular foreign currency rates, remain constant

Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points ("bp") in interest rates at the reporting date would have increased/(decreased) profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is performed on the same basis for 2017.

	Profit or (loss)	
Effect in AED'000	**100 bp increase**	**100 bp decrease**
31 December 2018	**(40,341)**	**40,341**
31 December 2017	(20,601)	20,601

Fair value of financial assets and liabilities measured at amortized costs

The fair value of financial assets and liabilities measured at amortized costs approximate its carrying value at 31 December 2018.

43 Subsequent events

Subsequent to the balance sheet date, the Group acquired additional 66% equity interest in its existing associate, Globalpharma LLC (refer note 15). Upon acquisition of additional interest, Globalpharma LLC has become a wholly owned subsidiary of the Group.

The Group is currently in the process of allocating the Purchase Price over the fair value of net identifiable assets acquired and liabilities assumed.

44 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 consolidated financial statements.

44 Segment reporting (continued)

Information about reportable segments

Business Segments	Property		Investments		Manufacturing contracting and services		Total	
	2018	2017	**2018**	2017	**2018**	2017	**2018**	2017
	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)	**39,795**	35,354	**14,061**	18,222	**1,375,095**	833,502	**1,428,951**	887,078
Contract revenue (over time)	**-**	-	**-**	-	**305,186**	324,526	**305,186**	324,526
Sales of properties (over time)	**89,596**	-	**-**	-	**-**	-	**89,596**	-
Rental income	**926,654**	910,670		-		-	**926,654**	910,670
Gain on fair valuation of investment properties	**101,897**	645,551		-	**-**	-	**101,897**	645,551
Gain/(loss) on fair valuation of investments			**(153,306)**	(30,458)			**(153,306)**	(30,458)
Gain on fair valuation of existing interest prior to acquisition of controlling interest			**228,916**	-	**-**	-	**228,916**	-
Bargain purchase gain			**104,263**	-	**-**	-	**104,263**	-
Others	**634**	2,579	**13,566**	24,618	**-**	19,721	**14,200**	46,918
Total income	**1,158,576**	1,594,154	**207,500**	12,382	**1,680,281**	1,177,749	**3,046,357**	2,784,285
Direct operating costs	**(472,677)**	(365,185)	**-**	-	**(1,439,230)**	(1,052,196)	**(1,911,907)**	(1,417,381)
Administrative and general expenses	**(67,098)**	(61,678)	**(89,993)**	(108,810)	**(297,304)**	(179,139)	**(454,395)**	(349,627)
Finance expenses	**(28,405)**	(37,745)	**(40,883)**	(36,278)	**(72,767)**	(48,499)	**(142,055)**	(122,522)
Finance income and other income	**30,621**	69,507	**43,184**	45,549	**18,227**	27,988	**92,032**	143,044
Impairment of investment in equity accounted investee'	**-**	-	**(27,990)**	(82,868)	**-**	-	**(27,990)**	(82,868)
Net impairment losses on financial and contract assets	**(877)**	-	**-**	-	**(30,966)**	(23,661)	**(31,843)**	(23,661)
Profit/(loss) for the year	**620,140**	1,199,053	**91,818**	(170,025)	**(141,759)**	(97,758)	**570,199**	931,270
Profit/(loss) attributable to:								
Owners of the Company	**632,078**	1,214,124	**104,530**	(152,670)	**(85,177)**	(59,857)	**651,431**	1,001,597
Non – controlling interests	**(11,938)**	(15,071)	**(12,712)**	(17,355)	**(56,582)**	(37,901)	**(81,232)**	(70,327)
Profit/(loss) for the year	**620,140**	1,199,053	**91,818**	(170,025)	**(141,759)**	(97,758)	**570,199**	931,270
Assets	**12,306,030**	11,494,663	**2,562,713**	2,712,517	**4,685,454**	2,797,769	**19,554,197**	17,004,949
Liabilities	**3,023,584**	2,491,217	**1,531,711**	946,351	**2,713,597**	1,238,735	**7,268,892**	4,676,303

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

45 Significant accounting policies

The Group has consistently applied the following accounting policies to all periods presented in these consolidated financial statements except as mentioned in note 3:

Certain comparative amounts have been reclassified to conform to the current year's presentation.

45.1 Basis of consolidation

(a) Business combinations

The Group accounts for business combinations using the acquisition method when the control is transferred to the Group. The consideration transferred in the acquisition is generally measured at fair value, as are the identifiable net assets acquired.

The Group measures goodwill at the acquisition date as:

- the fair value of the consideration transferred; plus
- the recognized amount of any non-controlling interests in the acquiree; plus
- if the business combination has been achieved in stages, the fair value of the existing equity interest in the acquiree, less
- the net recognized amount (generally fair value) of the identifiable assets acquired and liabilities assumed. Any gain on bargain purchase is recognized in profit or loss.

Transaction costs are expensed as incurred except if related to the issue of debt or equity securities.

Any goodwill that arises is tested annually for impairment.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts generally are recognized in profit or loss.

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

45 Significant accounting policies (continued)

45.1 Basis of consolidation (continued)

(b) Subsidiaries

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

(c) Non-controlling interests

Non-controlling interests are measured at their proportionate share of the acquiree's identifiable net assets at the acquisition date.

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

(d) Loss of control

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

(e) Interests in equity-accounted investees

The Group's interests in equity-accounted investees comprise interests in associates and joint ventures.

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

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

The carrying amount of equity-accounted investments are reviewed for impairment whenever events or changes in circumstances indicate that the carrying value may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of the asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows ("cash generating units"). Non-financial assets that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

45 Significant accounting policies (continued)

45.1 Basis of consolidation (continued)

(f) Transactions eliminated on consolidation

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

45.2 Revenue

The Group recognises revenue from contracts with customers based on a five step model as set out in IFRS 15:

Step 1. Identify the contract(s) with a customer: A contract is defined as an agreement between two or more parties that creates enforceable rights and obligations and sets out the criteria for every contract that must be met.

Step 2. Identify the performance obligations in the contract: A performance obligation is a promise in a contract with a customer to transfer a good or service to the customer.

Step 3. Determine the transaction price: The transaction price is the amount of consideration to which the Group expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties.

Step 4. Allocate the transaction price to the performance obligations in the contract: For a contract that has more than one performance obligation, the Group will allocate the transaction price to each performance obligation in an amount that depicts the amount of consideration to which the Group expects to be entitled in exchange for satisfying each performance obligation.

Step 5. Recognise revenue when (or as) the entity satisfies a performance obligation.

The Group satisfies a performance obligation and recognises revenue over time, if one of the following criteria is met:

1. The customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs; or
2. The Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or
3. The Group's performance does not create an asset with an alternative use to the Group and the entity has an enforceable right to payment for performance completed to date.

For performance obligations where one of the above conditions are not met, revenue is recognised at the point in time at which the performance obligation is satisfied.

When the Group satisfies a performance obligation by delivering the promised goods or services it creates a contract asset based on the amount of consideration earned by the performance. Where the amount of consideration received from a customer exceeds the amount of revenue recognised this gives rise to a contract liability.

45 Significant accounting policies (continued)

45.2 Revenue (continued)

Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes and duty. The Group assesses its revenue arrangements against specific criteria to determine if it is acting as principal or agent. The Group has concluded that it is acting as a principal in all of its revenue arrangements.

Revenue is recognised in the statement of comprehensive income to the extent that it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably.

The sales commission paid where applicable, is recognised as prepaid commission and is amortised to the statement of comprehensive income over time upon fulfilment of the related performance obligation.

(a) Revenue from sale of goods

Revenue from sale of goods and properties in the course of ordinary activities is measured at the fair value of the consideration received or receivable, net of returns, trade discounts and volume rebates. No element of financing is deemed present as the sales are made with a credit term of 30-60 days, which is consistent with market practice. A receivable is recognised when the goods are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

(b) Revenue from sale of properties

The performance obligation with regards to sale of properties is satisfied over time, as and when construction progresses.

The revenue from sale of properties is a multiple of management's total estimated cost for the construction and a percentage of completion confirmed by external consultant for each individual project.

Management estimates the cost to complete for construction of the project in order to determine the cost attributable to revenue being recognised. These estimates include the cost of constructing property, potential claims by contractors and the cost of meeting other contractual obligations to the customers.

Infrastructure cost allocated to each project is released to the consolidated statement of profit or loss, as cost of properties sold within 'cost of sales', based on the percentage of construction completed confirmed by external consultants for each project and percentage of infrastructure cost incurred at each period end to the total estimated infrastructure cost.

45 **Significant accounting policies** (continued)

45.2 **Revenue** (continued)

(c) Revenue from services rendered

Revenue from services rendered is recognised in the accounting period in which control of the services are passed to the customer, which is when the service is rendered. For certain service contracts, revenue is recognised based on the actual service provided during the reporting period as a proportion of the total services to be provided because the customer receives and uses the benefits simultaneously.

For supply of chilled water, revenue comprises of available capacity and variable output provided to customer and is recognised when services are provided. Connection fee is recognised on straight line basis over the term of respective customer contract, unless it represents a separately unidentifiable service and satisfies the criteria for upfront recognition in statement of profit or loss.

(d) Rental income

Rental income from operating leases is recognised on a straight-line basis over the lease term. When the Group provides incentives to its tenants, the cost of the incentives is recognised over the lease term, on a straight-line basis, as a reduction of rental income.

(e) Contract revenue

Contract revenue from construction of building facades, installation and erection of heavy machineries and steel fabrication is measured at the transaction price agreed under the contract. Revenue is recognised over time based on the cost-to cost method. The related costs are recognised in profit or loss when they are incurred. Advances received are included in contract liabilities.

(f) Dividend income

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

45.3 **Government grant**

Government grant is initially recognized at fair value when there is a reasonable assurance that:

(a) the Group will comply with the conditions associated to them; and
(b) the grants will be received.

Government grant that compensates the Group for expenses incurred are recognized in profit or loss on a systematic basis over the periods necessary to match them with the related costs which they are intended to compensate. An unconditional government grant in the form of non-depreciable, non-monetary assets is recognized in profit or loss when the grant becomes receivable.

45 Significant accounting policies (continued)

45.4 Finance income and expense

The Group's finance income and expense comprises of the following:

- interest income;
- unwinding of discount on financial assets measured at amortized cost;
- foreign exchange gains and losses on financial assets and liabilities;
- interest expenses/profit on sukuk notes;
- unwinding of discount on financial liabilities measured at amortized cost;
- change in fair value of derivative financial instruments; and
- bank charges

Borrowing costs that are not directly attributable to the acquisition, construction or production of qualifying assets are recognized as expense in profit or loss using the effective interest method. However, borrowing costs that are directly attributable to the acquisition, construction or production of qualifying assets are capitalized as part of the cost of that asset. The capitalization of borrowing costs commences from the date of incurring of expenditure relating to the qualifying asset and ceases when all the activities necessary to prepare the qualifying asset for its intended use or sale are complete. Borrowing costs relating to the period after acquisition, construction or production are expensed. Capitalization of borrowing costs is suspended during the extended period in which the active development of a qualifying asset has ceased.

Foreign currency gain or losses are represented on a net basis either as finance income or finance expense depending on whether foreign currency movements are in a net gain or net loss position.

45.5 Property, plant and equipment

(a) Recognition and measurement

Except for land which is carried at a revalued amount, the Group's property, plant and equipment are stated at historical cost, less accumulated depreciation and accumulated impairment losses.

Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labor, any other costs directly attributable to bringing the assets to a working condition for its intended use and capitalized borrowing costs.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Gains and losses on disposal of an item of property, plant and equipment (calculated as the difference between the net proceeds from disposal and the carrying amount of the item) is recognized in profit or loss. When revalued assets are sold, the amounts included in the revaluation reserve are transferred to retained earnings.

(b) Reclassification to investment property

When the use of a property changes from owner-occupied to investment property, the property is re-measured to fair value and reclassified as investment property. Any gain arising on re-measurement is recognized in profit or loss to the extent the gain reverses a previous impairment loss on the specific property, with any remaining gain recognized in the revaluation reserve directly in other comprehensive income and presented in the revaluation reserve in equity. Any loss is recognized in other comprehensive income and presented in the revaluation reserve in equity to the extent that an amount had previously been included in the comprehensive income relating to the specific property, with any remaining loss recognized immediately in profit or loss.

45 Significant accounting policies (continued)

45.5 Property, plant and equipment (continued)

(c) Subsequent costs

Subsequent expenditure is capitalized only when it is probable that the future economic benefits associated with the expenditure will flow to the Group. The costs of day-to-day servicing of property, plant and equipment is expensed as incurred.

(d) Depreciation

Depreciation is calculated over the depreciable amount, which is the cost of an asset, or other amount substituted for cost, less its residual value. Depreciation is recognized in profit or loss on a straight-line basis over the estimated useful lives of each component, since this mostly reflects the expected pattern of consumption of the future economic benefits embodied in the asset. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term.
Land is not depreciated.

Depreciation of an asset begins when it is available for use, i.e. when it is in the location and condition necessary for it to be capable of operating in the manner intended by management.

The estimated useful lives for the current and comparative years of significant items of property, plant and equipment are as follows:

	Years
Buildings	15-33
Plant and equipment	3-22
Office equipment and furniture	3-10
Motor vehicles	3- 7

Depreciation methods, useful lives and residual values are reviewed at each reporting period and adjusted if appropriate.

(e) Leased assets

Leases in terms of which the Group assumes all the risks and rewards of ownership are classified as finance leases. Assets acquired by way of finance lease is stated at an amount equal to the lesser of the asset's fair value and the present value of the minimum lease payment at inception of the lease, less accumulated depreciation and impairment losses (if any).

45.6 Intangible assets

(a) Subsequent measurement

Goodwill is tested annually for impairment and is carried at cost less accumulated impairment losses.

(b) Other intangible assets

Other intangible assets including technical know-how, product distribution rights, patents and trademarks and customer contracts that have finite useful lives are stated at cost less accumulated amortization and accumulated impairment losses. These are amortized as per management's estimate of their useful life, which is between 5 to 39 years.

45.6 Intangible assets (continued)

(c) Subsequent expenditure

Subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognized in profit or loss as incurred.

Amortization methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

(d) Customer contracts

Contract based intangible assets represents the value of rights that arise from contractual agreements. The Group enters into a long term contracts spanning over a period of 20 years with individual and corporate customers with a renewal option available.

45.7 Investment properties

Investment properties are properties held either to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, use in the production or supply of goods or services or for administration purposes. Where the Group provides ancillary services to the co-occupants of a property, it treats such a property as investment property if the services are a relatively insignificant component in the arrangement as a whole.

An investment property is measured at cost on initial recognition and subsequently at fair value with any changes therein are recognized in profit or loss.

Cost includes expenditure that is directly attributable to the acquisition of the investment property. The cost of self-constructed investment property includes the cost of materials and direct labour, any other costs directly attributable to bringing the investment property to a working condition for their intended use and capitalized borrowing costs.

The fair value adjustments on investment properties are included in profit or loss as investment returns in the period in which these gains or losses arise. In determining the carrying amount of investment properties, the Group does not double count assets or liabilities that have already been recognized as separate assets or liabilities.

When the use of a property changes such that it is reclassified as property, plant and equipment, its fair value at the date of reclassification becomes its cost for subsequent accounting.

Any gain or loss on disposal of an investment property (calculated as the difference between the net proceeds from disposal and the carrying amount of the property) is recognized in profit or loss. When an investment property that was previously classified as property, plant and equipment is sold, any related amount included in the revaluation reserve is transferred to retained earnings.

45.8 Inventories

Inventories comprise finished goods, raw materials, work-in-progress, spares and properties under development/ held for sale.

(a) Finished goods, raw materials, work-in-progress and spares

Inventories are measured at lower of cost and net realizable value. The cost of raw materials and spares are based on the weighted average cost method and includes expenditure incurred in acquiring the inventories and bringing them to their existing location and condition. Finished goods are stated at cost of raw material and also include an appropriate proportion of overheads. Work-in-progress is stated at cost of raw materials and directly attributable overheads. Net realizable value is the estimated selling price in the ordinary course of business less estimated selling expenses.

(b) Properties under development/held for sale

Properties under development/held for sale are classified as inventories and stated at the lower of cost and net realizable value. Cost includes the aggregate cost of development, borrowing costs capitalized and other direct expenses. Net realizable value is estimated by the management, taking into account the expected price which can be ultimately achieved, based on prevailing market conditions and the anticipated costs to completion.

The amount of any write down of properties under development/held for sale is recognized as an expense in the period the write down or loss occurs. Any reversal of write down arising from an increase in net realizable value is recognized in profit or loss in the period in which the increase occurs.

45.9 Construction work-in-progress

Construction work-in-progress represents the gross unbilled amount expected to be collected from customers for contract work performed to date. It is measured at contract cost incurred plus profits recognized to date less progress billing and less recognized losses. Construction work-in-progress is presented as part of other receivables in the statement of financial position for all contracts in which costs incurred plus recognized profits exceed progress billings. If progress billings exceed costs incurred plus recognized profits, then the difference is presented as part of other payables in the statement of financial position.

45.10 Financial instruments

(a) Non-derivative financial assets

The Group initially recognizes financial assets on the trade date at which the Group becomes a party to the contractual provisions of the instrument.

Financial assets are initially measured at fair value. If the financial asset is not subsequently measured at fair value through profit or loss, the initial measurement includes transaction costs that are directly attributable to the asset’s acquisition or origination. The Group subsequently measures financial assets at either amortized cost or fair value.

The Group derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows in a transaction when substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in such transferred financial asset that is created or retained by the Group is recognized as a separate asset or liability.

45 Significant accounting policies (continued)

45.10 Financial instruments (continued)

(a) Non-derivative financial assets (continued)

(i) Financial assets measured at fair value

A financial asset is subsequently measured at amortized cost using the effective interest method and net of any impairment loss, if:

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

Financial assets measured at amortized cost comprise trade receivables, due from related parties, other receivables, cash and cash equivalents, rent receivables and finance lease receivables.

Financial assets other than those classified as financial assets measured at amortized cost are subsequently measured at fair value with all changes in fair value recognized in profit or loss.

However, for investments in equity instruments that are not held for trading, the Group may elect at initial recognition to present gains and losses in other comprehensive income on an instrument by instrument basis. For instruments measured at fair value through other comprehensive income, gains and losses are never reclassified to profit or loss and no impairments are recognized in profit or loss. Dividends earned from such investments are recognized in profit or loss unless the dividends clearly represent a recovery of part of the cost of the investment.

Cash and cash equivalents

Cash and cash equivalents comprise cash and bank balances and fixed deposits (with maturity of less than three months). Bank overdrafts, trust receipts and bills discounted that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose of the consolidated statement of cash flows.

(b) Non-derivative financial liabilities

The Group initially recognizes debt securities issued and subordinated liabilities on the date that they originated. All other financial liabilities (including liabilities designated as fair value through profit or loss) are recognized initially on the trade date at which the Group becomes a party to the contractual provisions of the instrument. The Group derecognizes a financial liability when its contractual obligations are discharged or cancelled or expire.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group has a legal right to offset the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

Non-derivative financial liabilities comprise loans and borrowings, sukuk notes and trade and other payables. Such financial liabilities are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortized cost using the effective interest method.

45 Significant accounting policies (continued)

45.11 Foreign currency

(a) Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortized cost in the functional currency at the beginning of the year, adjusted for effective interest and payments during the year, and the amortized cost in foreign currency translated at the exchange rate at the end of the reporting year.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Non- monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Foreign currency differences arising on retranslation are recognized in profit or loss.

(b) Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated to AED at the exchange rates at the reporting date. The income and expenses of foreign operations are translated to AED at the average exchange rates for current year. Foreign exchange differences arising on translation are recognized in other comprehensive income and presented in the foreign currency translation reserve in equity. When a foreign operation is disposed of such that control, significant influence or joint control is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to profit or loss as part of gain or loss on disposal. When the Group disposes of only part of its interest in a subsidiary that includes a foreign operation while retaining control, the relevant proportion of the cumulative amount is reattributed to the non-controlling interests. When the Group disposes of only part of its interest in joint venture or an associate that includes a foreign operation while retaining significant influence, the relevant proportion of the cumulative amount is reclassified to profit or loss.

45.12 Provisions

A provision is recognized if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. When the effect of time value of money is material, provisions are determined by discounting the expected future cash flows at a rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognized as finance expenses.

45.13 Impairment

(a) Non-derivative financial assets

A financial asset not carried at fair value is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

Objective evidence that financial assets are impaired can include default or delinquency by a debtor, restructuring of an amount due to the Group on terms that the Group would not consider otherwise, indications that a debtor or issuer will enter bankruptcy, economic conditions that correlated with defaults, adverse changes in the payment status of borrower or issuer, the disappearance of an active market for a security, or observable data indicating that there is a measurable decrease in expected cash flows for a group of financial assets.

45 Significant accounting policies (continued)

45.13 Impairment (continued)

(b) Financial assets measured at amortized cost

The Group considers evidence of impairment for these assets at both an individual asset and a collective level. All individually significant assets are individually assessed for specific impairment. Those found individually not to be impaired are then collectively assessed for any impairment that has been incurred but not yet individually identified. Assets that are not individually significant are collectively assessed for impairment by grouping together receivables with similar risk characteristics.

In assessing collective impairment, the Group uses historical information on the timing of recoveries and the amount of loss incurred and makes an adjustment if current economic and credit conditions are such that the actual losses are likely to be greater or lesser than suggested by historical trends.

An impairment loss is calculated as the difference between an asset's carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognized in profit or loss and reflected in an allowance account. When the Group considers that there are no realistic prospects of recovery of the asset, the related amount are written off. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

(c) Equity-accounted investees

An impairment loss in respect of an equity accounted investee is measured by comparing the recoverable amount of the investment with its carrying amount. An impairment loss is recognized in profit or loss, and is reversed if there has been a favorable change in the estimates used to determine the recoverable amount.

(d) Non- financial assets

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

For goodwill and intangible assets that have indefinite useful lives or that are not available for use are tested annually for impairment.

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGU's. Goodwill arising from business combination is allocated to CGU or group of CGU's that are expected to benefit from the synergies of the combination.

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

An impairment loss is recognized if the carrying amount of an asset or its cash generating unit (CGU) exceeds its estimated recoverable amount.

45 Significant accounting policies (continued)

45.13 Impairment (continued)

(d) Non- financial assets (continued)

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

An impairment loss in respect of goodwill is not reversed. Impairment losses, other than in respect of goodwill is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

45.14 Staff terminal benefits

Staff terminal benefits obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognized for the amount expected to be paid if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

In accordance with Federal Labour Law No.7 of 1999 for pension and social security, employers are required to contribute 12.5% of the 'contribution calculated on salary' of those employees who are UAE nationals. These employees are also required to contribute 5% of the 'contribution calculated on salary' to the scheme. The Group's contribution is recognized as an expense in profit or loss as incurred. The employees and employers' contribution, to the extent remaining unpaid at the reporting date, has been shown under other liabilities.

45.15 Leases

(a) As lessee – operating lease

Leases of assets under which the lessor effectively retains all the risks and rewards of ownership are classified as operating leases. Payments made under operating lease are recognized in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognized as an integral part of the total lease expense, over the term of the lease.

(b) As lessee – finance lease

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of return on the remaining balance of the liability

45.16 Earnings per share

The Group presents basic earnings per share (EPS) data for its shares. Basic EPS is calculated by dividing the profit attributable to shareholders of the Company by the weighted average number of shares outstanding during the year. Weighted average number of shares outstanding is retrospectively adjusted to include the effect of any increase in the number of shares without a corresponding change in resources.

45.17 Segment reporting

Segment results that are reported to the Board of Directors (Chief Operating Decision Maker) include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.