

Dubai Investments PJSC and its subsidiaries

Condensed consolidated interim financial statements
31 March 2019

Dubai Investments PJSC and its subsidiaries

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<i>Contents</i>	<i>Pages</i>
Review report on condensed consolidated interim financial statements to the shareholders	1
Condensed consolidated interim statement of profit or loss	2
Condensed consolidated interim statement of comprehensive income	3
Condensed consolidated interim statement of financial position	4
Condensed consolidated interim statement of cash flows	5
Condensed consolidated interim statement of changes in equity	6 - 7
Notes to the condensed consolidated interim financial statements	8 - 21



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

Introduction

We have reviewed the accompanying condensed consolidated interim statement of financial position of Dubai Investments PJSC (the 'Company') and its subsidiaries (together the 'Group') as at 31 March 2019 and the related condensed consolidated interim statements of profit or loss, comprehensive income, changes in equity and cash flows for the three-month period then ended and other explanatory notes. Management is responsible for the preparation and presentation of these condensed consolidated interim financial statements in accordance with International Accounting Standard 34, 'Interim Financial Reporting' ('IAS 34'). Our responsibility is to express a conclusion on these condensed consolidated interim financial statements based on our review.

Scope of review

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

Conclusion

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

PricewaterhouseCoopers
2 May 2019

Mohamed ElBorno
Registered Auditor Number 946
Dubai, United Arab Emirates

Dubai Investments PJSC and its subsidiaries

Condensed consolidated interim statement of profit or loss

		Three month period ended 31 March	
		2019	2018
		AED 000	AED 000
		(Reviewed)	(Reviewed)
	<i>Note</i>		
Sale of goods and services		315,520	315,960
Rental income		225,394	215,180
Contract revenue		54,143	74,705
Sale of properties		17,998	13,424
Gain/(loss) on fair valuation of investments		34,706	(45,206)
(Loss)/gain on sale of investments – (net)	21	(1,056)	22,616
Share of loss from equity accounted investees		(5,061)	(10,014)
Dividend income		9,057	7,315
Gain on fair valuation of existing interest prior to acquisition of controlling stake	20	11,506	228,916
Bargain purchase gain	20	43,700	104,263
Total income		705,907	927,159
Cost of sales	6	(372,545)	(399,304)
Administrative and general expenses	7	(88,652)	(109,415)
Impairment of investment in equity accounted investee		-	(27,990)
Finance expenses		(71,639)	(53,993)
Net impairment losses on financial and contract assets		(5,518)	-
Finance income		10,898	12,144
Other income	8	17,602	9,259
Profit for the period		196,053	357,860
Profit attributable to:			
Owners of the Company		202,029	361,913
Non-controlling interests		(5,976)	(4,053)
Profit for the period		196,053	357,860
Earnings per share			
Basic and diluted earnings per share (AED)	15	0.05	0.09

Dubai Investments PJSC and its subsidiaries

Condensed consolidated interim statement of comprehensive income

	Three month period ended 31 March	
	2019	2018
	AED'000	AED'000
	(Reviewed)	(Reviewed)
Profit for the period	196,053	357,860
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	(16)	(34)
Total other comprehensive income for the period	(16)	(34)
Total comprehensive income for the period	196,037	357,826
Attributable to:		
Owners of the Company	202,013	361,879
Non-controlling interests	(5,976)	(4,053)
Total comprehensive income for the period	196,037	357,826

Dubai Investments PJSC and its subsidiaries
Condensed consolidated interim statement of financial position

		31 March 2019 AED'000 (Reviewed)	31 December 2018 AED'000 (Audited)	31 March 2018 AED'000 (Reviewed)
Non-current assets				
Property, plant and equipment	9	3,538,012	3,427,431	3,092,831
Right-of-use-assets	3	290,250	-	-
Goodwill and intangible assets	20	536,661	325,040	331,749
Investment properties	10	8,346,346	8,292,108	7,786,802
Investments at fair value through other comprehensive income	11	133,570	133,586	209,791
Investments in equity accounted investees	20	152,373	246,754	188,794
Rent receivable		41,513	43,958	41,576
Finance lease receivable		1,408	1,577	2,494
Inventories	12	267,291	353,059	1,996,777
Trade receivables		60,757	67,870	229,439
Other receivables		30,684	46,107	47,329
Total non-current assets		13,398,865	12,937,490	13,927,582
Current assets				
Inventories	12	2,489,551	2,452,791	892,740
Investments at fair value through profit or loss	11	1,390,461	1,429,227	1,539,860
Trade receivables		1,248,096	1,137,483	1,028,333
Other receivables		675,493	664,714	622,046
Short-term deposits with banks		138,537	134,423	172,320
Cash and cash equivalents	14	767,941	798,069	1,002,040
Total current assets		6,710,079	6,616,707	5,257,339
Total assets		20,108,944	19,554,197	19,184,921
Equity				
Share capital		4,252,018	4,252,018	4,252,018
Share premium		46	46	46
Capital reserve		25,502	25,502	25,502
Legal reserve		1,078,710	1,078,710	1,041,198
General reserve		1,345,510	1,345,510	1,310,213
Revaluation reserve		22,000	22,000	22,000
Fair value reserve		(153,297)	(153,281)	(259,523)
Proposed dividend	18	425,202	425,202	510,242
Proposed directors' fee	18	10,500	10,500	12,250
Retained earnings		4,953,551	4,909,632	5,279,498
Equity attributable to owners of the Company		11,959,742	11,915,839	12,193,444
Non-controlling interests		350,075	369,466	491,871
Total equity		12,309,817	12,285,305	12,685,315
Liabilities				
Non-current liabilities				
Long-term bank borrowings	16	3,891,051	2,762,690	2,053,407
Lease liabilities	3	258,702	-	-
Other payables		175,586	161,095	94,283
Total non-current liabilities		4,325,339	2,923,785	2,147,690
Current liabilities				
Bank borrowings	16	1,615,212	1,469,216	1,595,777
Sukuk notes	17	-	1,101,600	1,101,600
Lease liabilities	3	40,443	-	-
Trade and other payables		1,818,133	1,774,291	1,654,539
Total current liabilities		3,473,788	4,345,107	4,351,916
Total liabilities		7,799,127	7,268,892	6,499,606
Total equity and liabilities		20,108,944	19,554,197	19,184,921

The condensed consolidated interim financial statements were approved by the Board of Directors on 2 May 2019 and were signed on its behalf by:



Khalid Jassim Bin Kalban
Managing Director and Chief Executive Officer



Mushtaq Masood
Group Chief Financial Officer

Dubai Investments PJSC and its subsidiaries

Condensed consolidated interim statement of cash flows

		Three month period ended 31 March	
		2019	2018
		AED'000	AED'000
Note		(Reviewed)	(Reviewed)
Cash flows from operating activities			
	Profit for the period	196,053	357,860
	<i>Adjustments for:</i>		
	Depreciation	53,257	39,968
	Amortization of intangible assets	1,846	316
	(Gain)/loss on disposal of property, plant and equipment	(11)	518
	Loss/(gain) on sale of investments – (net)	1,056	(22,616)
	Share of loss from equity accounted investees	5,061	10,014
	(Gain)/loss on fair valuation of investments	(34,706)	45,206
	Impairment of investment in equity accounted investee	-	27,990
	Gain on fair valuation of existing interest prior to acquisition of a controlling stake	(11,506)	(228,916)
	Bargain purchase gain	(43,700)	(104,263)
	Finance income	(10,898)	(12,144)
	Finance expense/profit on sukuk notes	71,639	34,716
	Operating profit before changes in working capital	228,091	148,649
	<i>Changes in:</i>		
	- investment at fair value through profit or loss	72,416	(12,224)
	- trade receivables and other receivables	(56,571)	25,695
	- inventories	(93,181)	(151,746)
	- trade and other payables	(25,641)	107,854
	Net cash generated from operating activities	125,114	118,228
Cash flows from investing activities			
	Consideration paid for acquisition of controlling/non-controlling interests - net of cash acquired	(101,081)	(405,426)
20	Additions to investment properties	(54,238)	(81,822)
	Acquisition of property, plant and equipment	(101,360)	(42,815)
	Proceeds from disposal of property, plant and equipment	187	273
	Net additions to intangible assets	-	47
	Finance income received	10,898	12,144
	Net movement in equity accounted investees	(5,323)	4,533
	Net cash used in investing activities	(250,917)	(513,066)
Cash flow from financing activities			
	Proceeds from bank borrowings	1,402,877	1,049,177
	Repayment of bank borrowings and other payables	(148,744)	(343,709)
	Repayment of sukuk notes	(1,101,600)	-
	Principal elements of lease payments	(6,285)	-
	Net movement in non-controlling interests	(1,009)	22,429
	Net movement in short term deposits	(4,114)	(157,986)
	Finance expense/profit on sukuk notes paid	(71,639)	(34,716)
	Net cash generated from financing activities	69,486	535,195
	Net (decrease)/increase in cash and cash equivalents	(56,317)	140,357
	Cash and cash equivalents at 1 January	343,016	404,598
14	Cash and cash equivalents at 31 March	286,699	544,955
<i>Cash and cash equivalents comprise following:</i>			
	Cash in hand, current and call accounts with banks	528,855	846,481
15	Short term deposits with banks (excluding those under lien)	239,086	155,559
15	Bank overdrafts, trust receipt loans and bills discounted	(481,242)	(457,085)
		286,699	544,955

Dubai Investments PJSC and its subsidiaries

Condensed consolidated statement of changes in equity (*continued*)

For the three month period ended 31 March 2019 (reviewed)

	-----Equity attributable to owners of the Company-----											AED 000	
	Share capital	Share premium	Capital reserve	Legal reserve	General reserve	Revaluation reserve	Fair value reserve	Proposed dividend	Proposed directors' fee	Retained earnings	Sub total	Non-controlling interests	Total
Balance at 1 January 2018 – as originally reported	4,252,018	46	25,502	1,041,198	1,310,213	22,000	(259,489)	510,242	12,250	4,936,167	11,850,147	478,503	12,328,650
Adjustment on initial application of IFRS 9	-	-	-	-	-	-	-	-	-	(21,475)	(21,475)	(9,319)	(30,794)
Adjustment on initial application of IFRS 15	-	-	-	-	-	-	-	-	-	2,893	2,893	-	2,893
Adjusted balance at 1 January 2018	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 period													
Profit for the period	-	-	-	-	-	-	-	-	-	361,913	361,913	(4,053)	357,860
Other comprehensive income													
Net change in fair value of investments at fair value through OCI	-	-	-	-	-	-	(34)	-	-	-	(34)	-	(34)
Total other comprehensive income for the period	-	-	-	-	-	-	(34)	-	-	-	(34)	-	(34)
Total comprehensive income for the period	-	-	-	-	-	-	(34)	-	-	361,913	361,879	(4,053)	357,826
Changes in ownership interests													
On acquisitions of a subsidiary	-	-	-	-	-	-	-	-	-	-	-	4,311	4,311
Introduction of share capital in a subsidiary	-	-	-	-	-	-	-	-	-	-	-	25,036	25,036
Reduction of share capital in a subsidiary	-	-	-	-	-	-	-	-	-	-	-	(2,607)	(2,607)
Total change in ownership interests in subsidiaries	-	-	-	-	-	-	-	-	-	-	-	26,740	26,740
Total transactions with owners	-	-	-	-	-	-	-	-	-	-	-	26,740	26,740
Balance at 31 March 2018	4,252,018	46	25,502	1,041,198	1,310,213	22,000	(259,523)	510,242	12,250	5,279,498	12,193,444	491,871	12,685,315

Dubai Investments PJSC and its subsidiaries

Condensed consolidated interim statement of changes in equity (continued)

For the three month period ended 31 March 2019 (reviewed) (continued)

	Equity attributable to owners of the Company											AED'000	
	Share capital	Share premium	Capital reserve	Legal reserve	General reserve	Revaluation reserve	Fair value reserve	Proposed dividend	Proposed directors' fee	Retained earnings	Sub total	Not-controlling interests	Total
Balance at 1 January 2019 – as originally reported	4,252,018	46	25,502	1,078,710	1,345,510	22,000	(153,281)	425,202	10,500	4,909,632	11,915,839	369,466	12,285,305
Impact of change in accounting policy related to capitalization of borrowing cost (note 3)	-	-	-	-	-	-	-	-	-	(154,432)	(154,432)	(12,406)	(166,838)
Adjustment on initial application of IFRS 16 (note 3)	-	-	-	-	-	-	-	-	-	(3,678)	(3,678)	-	(3,678)
Adjusted balance at 1 January 2019	4,252,018	46	25,502	1,078,710	1,345,510	22,000	(153,281)	425,202	10,500	4,751,522	11,757,729	357,060	12,114,789
Total comprehensive income for the period													
Profit for the period	-	-	-	-	-	-	-	-	-	202,029	202,029	(5,976)	196,053
Other comprehensive income													
Net change in fair value of investments at fair value through OCI	-	-	-	-	-	-	(16)	-	-	-	(16)	-	(16)
Total OCI for the period	-	-	-	-	-	-	(16)	-	-	-	(16)	-	(16)
Total comprehensive income for the period							(16)	-	-	202,029	202,013	(5,976)	196,037
Transactions with owners, recorded directly in equity													
<i>Changes in ownership interests</i>													
Reduction of share capital in a subsidiary	-	-	-	-	-	-	-	-	-	-	-	(1,009)	(1,009)
Total change in ownership interests in subsidiaries	-	-	-	-	-	-	-	-	-	-	-	(1,009)	(1,009)
Total transactions with owners	-	-	-	-	-	-	-	-	-	-	-	(1,009)	(1,009)
Balance at 31 March 2019	4,252,018	46	25,502	1,078,710	1,345,510	22,000	(153,297)	425,202	10,500	4,953,551	11,959,742	350,075	12,309,817

The notes on pages 8 to 21 form an integral part of this condensed consolidated interim financial information.

(7)

Dubai Investments PJSC and its subsidiaries

Notes to the condensed consolidated interim financial statements

for the three month period ended 31 March 2019

1 Reporting entity

Dubai Investments PJSC (“the Company”) was incorporated in the United Arab Emirates by Ministerial Resolution No. 46 of 1995, on 16 July 1995. These condensed consolidated interim financial statements as at and for the three month period ended 31 March 2019 (“the current period”) comprise the financial statements of the Company and its subsidiaries (collectively referred to as “the Group”) and the Group’s interest in associates and joint arrangements.

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

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

2 Statement of compliance

The condensed consolidated interim financial statements have been prepared in accordance with the International Accounting Standard (“IAS”) 34, *Interim Financial Reporting*. The condensed consolidated interim financial statements does not include all of the information required for full annual consolidated financial statements, and should be read in conjunction with the consolidated financial statements of the Group for the year ended 31 December 2018.

3 Significant accounting policies

The accounting policies applied in the preparation of these condensed consolidated interim financial statements are consistent with those applied by the Group in its recent annual audited consolidated financial statements as at and for the year ended 31 December 2018 except as mentioned below:

Changes in accounting policies

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

3.1 IFRS 16 – Leases

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

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

Dubai Investments PJSC and its subsidiaries

Notes to the condensed consolidated interim financial statements

for the three month period ended 31 March 2019 (continued)

3 Significant accounting policies (continued)

Changes in accounting policies (continued)

3.1 IFRS 16 – Leases (continued)

A. Definition of lease

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

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

B. As a lessee

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

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

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

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

	Land and building AED'000	Plant and machinery AED'000	Total AED'000
At 1 January 2019	139,932	153,205	293,137
At 31 March 2019	144,798	145,452	290,250

Dubai Investments PJSC and its subsidiaries

Notes to the condensed consolidated interim financial statements

for the three month period ended 31 March 2019 (continued)

3. Significant accounting policies (continued)

Changes in accounting policies (continued)

3.1 IFRS 16 – Leases (continued)

B. As a lessee (continued)

(i) Accounting policies

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

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

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

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

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

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

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

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

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

Dubai Investments PJSC and its subsidiaries

Notes to the condensed consolidated interim financial statements

for the three month period ended 31 March 2019 (continued)

3. Changes in accounting policies (continued)

3.1 IFRS 16 – Leases (continued)

B. As a lessee (continued)

(i) Accounting policies (continued)

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

(ii) Transition

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

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

C. As a lessor

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

D. Impacts on financial statements

i Impact on transition

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

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

Dubai Investments PJSC and its subsidiaries

Notes to the condensed consolidated interim financial statements

for the three month period ended 31 March 2019 (continued)

3 Significant accounting policies (continued)

Changes in accounting policies (continued)

3.1 IFRS 16 – Leases (continued)

D. Impacts on financial statements (continued)

ii Impact for the period

In relation to leases under IFRS 16, the Group has recognized depreciation and interest expense, instead of operating lease expenses. During the three month period ended 31 March 2019, the Group recognized AED 7.8 million of depreciation charge and AED 5 million of interest expense on these leases.

3.2 Capitalization of borrowing costs

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

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

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

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

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

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

Dubai Investments PJSC and its subsidiaries

Notes to the condensed consolidated interim financial statements

for the three month period ended 31 March 2019 (continued)

4 Use of estimates and judgments

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

The significant judgments made by the management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that were applied in preparation of the consolidated financial statements of the Group as at and for the year ended 31 December 2018 except for new significant judgments and key sources of estimation uncertainty related to the application of IFRS 16, which is described below.

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

5 Financial instruments

5.1 Financial risk management

The Group's financial risk management objectives and policies are consistent with those disclosed in the consolidated financial statements as at and for the year ended 31 December 2018.

5.2 Valuation of financial instruments

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

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

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

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

Dubai Investments PJSC and its subsidiaries

Notes to the condensed consolidated interim financial statements

for the three month period ended 31 March 2019 (continued)

5 Financial instruments (continued)

5.2 Valuation of financial instruments (continued)

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

	Level 1 AED'000	Level 2 AED'000	Level 3 AED'000	Total AED'000
31 March 2019				
Financial assets at fair value through profit or loss	380,229	630,489	379,743	1,390,461
Financial assets at fair value through other comprehensive income	629	-	132,941	133,570
	380,858	630,489	512,684	1,524,031
31 December 2018				
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

5.3 Reconciliation of Level 3 fair value measurements of financial assets

	2019 AED'000	2018 AED'000
As at 1 January	512,684	515,683
Purchased during the period	-	62,579
Loss recorded in profit and loss		
- Net change in fair value (unrealised)	-	(11,477)
As at 31 March	512,684	566,785

5.4 Valuation techniques

The fair values of Level 3 financial instruments have been determined on the same basis and assumptions as for the year ended 31 December 2018.

6 Cost of sales

	Three month period ended 31 March	
	2019 AED'000	2018 AED'000
<i>These include:</i>		
Materials consumed	195,097	229,937
Cost of properties sold	16,536	12,227
Staff costs	34,103	32,977
Factory overheads (excluding depreciation)	37,791	43,156
Depreciation and amortization	42,888	31,584
Share of Government of Dubai in the realised profits of a subsidiary	25,535	26,259
Infrastructure and development works cost sharing with RTA	7,270	7,270

Dubai Investments PJSC and its subsidiaries
Notes to the condensed consolidated interim financial statements
for the three month period ended 31 March 2019 (continued)

7 Administrative and general expenses

	Three month period ended 31 March	
	2019	2018
	AED'000	AED'000
<i>These include:</i>		
Staff costs	57,993	63,126
Selling and marketing expenses	13,291	13,393
Depreciation and amortization	12,215	8,700

8 Other income

Other income mainly includes collection of certain old outstanding receivables, connection charges, management fee, advertisement income and income from leased operations.

9 Property, plant and equipment

During the three month period ended 31 March 2019, the Group's additions to property, plant and equipment amounted to AED 101.4 million (year ended 31 December 2018: AED 323.4 million). Further, assets amounting to AED 51.2 million were acquired on business combination of Globalpharma Co. LLC (refer note 20).

10 Investment properties

Included in investment properties are mainly the following:

	31 March 2019	31 December 2018	31 March 2018
	AED'000	AED'000	AED'000
	(Reviewed)	(Audited)	(Reviewed)
Infrastructure and ancillary facilities	5,047,599	5,042,369	4,834,709
Plots of land for future development	944,649	944,649	981,917
Residential, retail and commercial facilities	1,698,168	1,649,160	1,298,943
Labor camps and warehouses	655,930	655,930	671,233
	8,346,346	8,292,108	7,786,802

- (i) The valuation basis and assumptions used for valuation of investments properties is consistent with the methodology adopted as at 31 December 2018 and were last valued as at that date.
- (ii) During the three month period ended 31 March 2019, additions to investment properties amounted to AED 54.2 million (year ended 31 December 2018: AED 284.5 million).

Dubai Investments PJSC and its subsidiaries
Notes to the condensed consolidated interim financial statements
for the three month period ended 31 March 2019 (continued)

11 Investments

	31 March 2019 AED'000 (Reviewed)	31 December 2018 AED'000 (Audited)	31 March 2018 AED'000 (Reviewed)
<i>Investments at fair value through other comprehensive income:</i>			
- Unquoted equity securities	133,570	133,586	209,791
	(i) 133,570	133,586	209,791
<i>Investments at fair value through profit or loss:</i>			
- quoted equity securities	380,229	355,280	461,290
- unquoted equity securities, funds, bonds and sukus	1,010,232	1,073,947	1,078,570
	(ii) 1,390,461	1,429,227	1,539,860
<i>Geographical distribution of investments</i>			
UAE	606,616	600,550	680,270
Other GCC countries	450,188	448,899	484,565
Other countries	467,227	513,364	584,816
	(i)+(ii) 1,524,031	1,562,813	1,749,651

12 Inventories

Inventories at 31 March 2019 include properties under development for sale in the ordinary course of business amounting to AED 2,499 million (31 December 2018: AED 2,560 million) and represent costs of land and expenditure incurred towards the development of properties for subsequent sale. The Group intends to develop these properties for sale and has classified these properties as long term or short term based on completion/future development plans.

13 Related party transactions

Significant related party transactions during the period were as follows:

	Three month period ended 31 March	
	2019	2018
	AED'000	AED'000
Land and other lease charges	-	305
Compensation to key management personnel:		
Short term benefits	7,038	7,608
Post-employment benefits	115	115

Dubai Investments PJSC and its subsidiaries

Notes to the condensed consolidated interim financial statements

for the three month period ended 31 March 2019 (continued)

14 Cash and cash equivalents

	31 March 2019 AED'000 (Reviewed)	31 December 2018 AED'000 (Audited)	31 March 2018 AED'000 (Reviewed)
Cash in hand	1,726	1,374	1,857
Cash at bank within UAE (current accounts)	483,550	544,056	809,193
Cash at bank outside UAE – GCC Countries (current accounts)	6,369	6,369	26,195
Cash at bank outside UAE – Other countries (current accounts)	37,210	31,094	9,236
Short term deposits within UAE having maturity of less than 3 months	239,086	215,176	155,559
	767,941	798,069	1,002,040

15 Basic and diluted earnings per share

	Three month period ended 31 March	
	2019	2018
Profit attributable to Owners of the Company (AED'000)	202,029	361,913
Weighted average number of shares outstanding ('000s)	4,252,018	4,252,018
Basic and diluted earnings per share (AED)	0.05	0.09

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

16 Bank borrowings

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

During the current period, a subsidiary of the Company, namely Dubai Investment Park Development Company LLC ("DIPDC"), obtained a five year bilateral term loan facility of USD 300 million from a local financial institution. The term loan proceeds were used to repay the USD 300 million Sukuk notes which matured in February 2019.

Dubai Investments PJSC and its subsidiaries

Notes to the condensed consolidated interim financial statements

for the three month period ended 31 March 2019 (continued)

17 Sukuk notes

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

The sukuk notes on maturity date in February 2019 have been repaid in full by obtaining a bilateral loan facility from a local financial institution as explained in note 16.

18 Proposed dividend and directors’ fee

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

19 Commitments

	31 March 2019 AED’000	31 December 2018 AED’000
Commitments – contracted and committed	1,358,843	1,634,381

Commitments mainly include the following:

- value of construction contracts awarded to contractors for real estate projects under development.
- a subsidiary of the Company namely Dubai Investments Park Development Company LLC has signed an agreement with Roads and Transport Authority to share in the cost of infrastructure and development works of the adjoining areas. Total outstanding commitment as at 31 March 2019 amounts to AED 305.5 million (31 December 2018: AED 305.5 million) which will be invoiced and paid until 2029, in semi-annual instalments of AED 14.5 million each.

20 Acquisition of subsidiaries

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

Dubai Investments PJSC and its subsidiaries
Notes to the condensed consolidated interim financial statements
for the three month period ended 31 March 2019 (continued)

20 Acquisition of subsidiaries (continued)

- (i) The following table summarises the recognised amounts of assets acquired and liabilities assumed at the date of acquisition:

% interest acquired	66%
Fair value of assets and liabilities acquired:	AED'000
Non-current assets (excluding intangible assets)	60,444
Intangible assets (product registration, licence etc)	213,467
Current assets (excluding cash and bank balances)	55,117
Cash in hand and at bank	32,322
Total assets	361,350
Non-current liabilities	(14,464)
Current liabilities	(45,937)
Total liabilities	(60,401)
Total identifiable net assets acquired	300,949
Purchase consideration – (A)	151,100
Fair value of previously held equity interest	106,149
Total consideration	257,249
Less: fair value of identifiable net assets acquired	(300,949)
Bargain purchase gain	(43,700)
 <i>Gain on fair valuation of existing interest in Globalpharma</i>	
Fair value of existing 34% interest in Globalpharma at 7 March 2019	106,149
Less: carrying amount of interest in Globalpharma at 7 March 2019	(94,643)
Gain on fair valuation of existing interest prior to acquisition of controlling stake	11,506
Cash acquired (B)	32,322
Purchase consideration payable at 31 March 2019 included under trade and other payables (C)	17,697
Net cash outflow (A) – (B) – (C)	(101,081)

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

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

- (ii) On 1 January 2018, the Group acquired additional 50% interest in its existing jointly controlled entity, Emirates District Cooling LLC (Emicool) from the joint venture partner. Gain on fair valuation of existing interest prior to acquisition of controlling stake of AED 228.9 million and Bargain purchase gain of AED 104.3 million was recognised during the three month period ended 31 March 2018.

Dubai Investments PJSC and its subsidiaries

Notes to the condensed consolidated interim financial statements

for the three month period ended 31 March 2019 (continued)

21 Disposal of a joint venture

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

22 Segment reporting

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

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

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

Dubai Investments PJSC and its subsidiaries
Notes to the condensed consolidated interim financial statements
for the three month period ended 31 March 2019 (continued)

22 Segment reporting (continued)
Information about reportable segments

<i>Business Segments</i>	Property		Manufacturing, contracting and services		Investments		Total	
	Three month period ended 31 March		Three month period ended 31 March		Three month period ended 31 March		Three month period ended 31 March	
	2019	2018	2019	2018	2019	2018	2019	2018
	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000
Sales of goods and services (at a point of time)	9,816	11,972	300,970	300,189	4,734	3,799	315,520	315,960
Rental income	225,394	215,180	-	-	-	-	225,394	215,180
Contract revenue (over time)	-	-	54,143	74,705	-	-	54,143	74,705
Sale of properties (over time)	17,998	13,424	-	-	-	-	17,998	13,424
Gain/(loss) on fair valuation of investment	-	-	-	-	34,706	(45,206)	34,706	(45,206)
Gain on fair valuation of existing interest prior to acquisition of a controlling stake	-	-	-	-	11,506	228,916	11,506	228,916
Bargain purchase gain	-	-	-	-	43,700	104,263	43,700	104,263
Others	-	-	-	21,150	2,940	(1,233)	2,940	19,917
Total income	253,208	240,576	355,113	396,044	97,586	290,539	705,907	927,159
Cost of sales	(93,849)	(88,690)	(278,696)	(310,614)	-	-	(372,545)	(399,304)
Administrative and general expenses	(19,802)	(13,542)	(43,762)	(73,088)	(25,088)	(50,775)	(88,652)	(137,405)
Finance expenses	(32,674)	(8,082)	(26,048)	(38,748)	(12,917)	(7,163)	(71,639)	(53,993)
Net impairment loss on financial and contract assets	-	-	(5,518)	-	-	-	(5,518)	-
Finance income and other income	3,984	6,039	14,047	4,023	10,469	11,341	28,500	21,403
Profit/(loss) for the period	110,867	136,301	15,136	(22,383)	70,050	243,942	196,053	357,860
Profit/(loss) attributable to:								
Owners of the Company	112,604	135,983	20,497	(16,409)	68,928	242,339	202,029	361,913
Non – controlling interests	(1,737)	318	(5,361)	(5,974)	1,122	1,603	(5,976)	(4,053)
Profit/(loss) for the period	110,867	136,301	15,136	(22,383)	70,050	243,942	196,053	357,860
	31 March 2019	31 December 2018	31 March 2019	31 December 2018	31 March 2019	31 December 2018	31 March 2019	31 December 2018
Assets	12,500,007	12,306,030	5,203,823	4,685,454	2,405,114	2,562,713	20,108,944	19,554,197
Liabilities	3,355,996	3,023,584	2,753,573	2,713,597	1,689,558	1,531,711	7,799,127	7,268,892

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

The impact on adoption of IFRS 16 on the segment assets and segment liabilities relating to Property is AED 165.7 million and AED 172.6 million respectively; relating to manufacturing, contracting and services is AED 122.6 million and AED 124.3 million respectively; and investments is AED 1.9 million and AED 2.2 million respectively.