

**Dubai Investments PJSC
and its subsidiaries**

Consolidated financial statements
31 December 2016

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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 ("the Group") for the year ended 31 December 2016.

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, investment banking, asset management and financial investments.

Financial Performance

The Group has reported net profit attributable to the shareholders of the Company of AED 1,218.3 million for the year ended 31 December 2016 as compared to AED 1,109.8 million in the previous year.

The increase in profit as compared to the previous year is mainly attributable to gain on disposal of subsidiaries i.e. Marmum Dairy Farm LLC and United Sales Partners amounting to AED 186.6 million.

Total assets of the Group have increased by AED 861 million and stands at AED 16.1 billion as of 31 December 2016 (2015: AED 15.3 billion).

Proposed Dividend

In line with its commitment to provide enhanced returns to shareholders, the Directors propose to distribute cash dividend of 10% and issue of 5% bonus shares to the shareholders of the Company.

Proposed Appropriations

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

| | AED'000 |
|----------------------------------|---------------------------------|
| - Transfer to legal reserve | 85,202 |
| - Transfer to general reserve | 79,224 |
| - Proposed cash dividend | 404,954 |
| - Proposed issue of bonus shares | 202,477 |
| - Directors' fee | 10,000 |
| | <u><u> </u></u> |

Directors' Report *(continued)*

Outlook 2017

The year 2016 was challenging for businesses across the UAE and the region amid economic slowdown in various sectors due to lower oil prices and strengthening of dollar. This however, did not significantly affect the Group due to diversity of its operations and long-term nature of its contracts.

The year 2017 has started on a positive note with oil prices remaining stable and various announcements made by Government of Dubai for commencement of infrastructure and EXPO 2020 related projects. The Group is well positioned to take advantage of the emerging opportunities and is undertaking various real estate projects whilst diversifying into new sectors like education and healthcare.

The Group outlook remains positive and its upcoming projects and investments is expected to add significant value to shareholders.

Directors

The Board of Directors comprises:

- Mr. Sohail Faris Ghanim Al Mazrui Chairman
- Mr. Hussain Mahyoob Sultan Vice Chairman
- Mr. Ali Fardan Al Fardan
- Mr. Mohammed Saif Al Ketbi
- Mr. Khalid Jassim Bin Kalban

Auditors

KPMG were appointed the auditors of Dubai Investments PJSC for the year ended 31 December 2016. KPMG are eligible for re-appointment and have expressed their willingness to continue in office.

Acknowledgements

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

The Board of Directors would also like to place on record their commendation of the efforts of the Group management and their staff for their loyalty, perseverance and hard work that has been put by them for the benefit of the Company and its shareholders.



On behalf of the Board
Sohail Faris Ghanim Al Mazrui
Chairman
Dated: 8th March 2017



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Independent Auditors' Report

To the Shareholders of Dubai Investments PJSC

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Dubai Investments PJSC ("the Company") and its subsidiaries ("the Group"), which comprise the consolidated statement of financial position as at 31 December 2016, the consolidated statements of profit or loss, comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2016, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

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 *Auditors' Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with International Ethics Standards Board for Accountants Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of the consolidated financial statements in the United Arab Emirates, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.



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.

Valuation of investment properties

Refer to note 12 to the consolidated financial statements

Key audit matter

The Group's accounting policy is to state its investment properties (primarily comprising infrastructure and ancillary facilities, plots of land, residential, retail and commercial facilities, labor camps and warehouses) at fair value at each reporting date. The property portfolio is valued at AED 6,732 million. The net fair value gain recorded in the consolidated statement of profit or loss amounted to AED 560 million.

The Group engages professionally qualified external valuers to fair value 97% of its property portfolio. The valuers performed their work in accordance with the Royal Institution of Chartered Surveyors ('RICS') Valuation – Professional Standards.

The property portfolio is valued by using a combination of discounted cash flows model, income capitalisation approach and market valuation approach. Key inputs into the valuation process are discount rates, yield rates, contracted lease rent and forecasted operating expenses, which are influenced by prevailing market forces and the specific characteristics, such as property location, income return, growth rate and occupancy rate of each property in the portfolio. Comparable transactions are also a key input.

The valuation of the portfolio is a significant judgment area and is underpinned by a number of assumptions. The existence of significant estimation uncertainty warrants specific audit focus in this area as any error in determining the fair value could have a material impact on the value of the Group's investment properties and the fair value gain or loss recognized in respect of these investment properties.

How our audit addressed the key audit matter

Our audit procedures included:

- We assessed the competence, independence and integrity of the external valuers and read their terms of engagement with the Group to determine whether there were any matters that might have affected their objectivity or may have imposed scope limitations on their work.
- We obtained the external valuation reports for all properties valued by the valuers and assessed the valuation approach used by the valuers in determining the fair value of the properties.
- We carried out procedures to test whether property specific data supplied to the external valuers by management reflected the underlying property records.
- We assessed that management has not double-counted any asset or any liability, in relation to the property, that are recognised separately, whilst determining the carrying amount of properties.



Key audit matters *(continued)*

Valuation of investment properties *(continued)*

How our audit addressed the key audit matter *(continued)*

- We met the external valuers of the portfolio to discuss the results of their work. We discussed and evaluated the valuation process, overall performance of the portfolio and the significant assumptions used in valuations.
- Based on the outcome of our evaluation we assessed the adequacy of the disclosure in the consolidated financial statements.

Valuation of properties under development for sale and properties held for sale

Properties under development for sale and properties held for sale are included under inventories and represent 12% of the Group's total assets. Refer to note 18 to the consolidated financial statements.

Key audit matter

Net realizable value for properties under development for sale and properties held for sale is determined based on valuations provided by the same independent third party valuers as for the valuation of investment properties noted above. The Group involved external property valuers for 96% of its properties under development for sale and properties held for sale. The estimation of cost and net realizable value is a complex process as a change in the Group's estimate of sales price and construction cost could have a material impact on the carrying value of properties under development for sale in the Group's consolidated financial statements.

How our audit addressed the key audit matter

Our audit procedures included:

- We assessed the competence, independence and integrity of the external valuers and read their terms of engagement with the Group to determine whether there were any matters that might have affected their objectivity or may have imposed scope limitations on their work.
- We assessed the appropriateness of the valuation methodologies and assumptions used by the external property valuers in the valuation process.
- We undertook discussions with the external valuers and evaluated underlying assumptions with the assistance of market data where available and applicable.
- We performed testing over source documentation used by the valuers or provided by the Group to the external valuers on a sample basis. In respect of properties under development for sale, we performed testing over cost incurred and assessed the appropriateness of costs to complete information.
- Based on the outcome of our evaluation we assessed the adequacy of the disclosures in the consolidated financial statements.



Key audit matters (continued)

Valuation of trade receivables

Refer to notes 19 and 41 to the consolidated financial statements.

Key audit matter

The Company has significant trade receivables amounting to 8% of the Group's total assets and there is a risk over the recoverability of these balances, some of which are overdue. Determination of the recoverable amount of certain trade receivables can incorporate significant judgments based on various assumptions.

How our audit addressed the key audit matter

Our audit procedures included:

- We tested the Group's credit control procedures, including the controls around credit terms, verifying cash collections subsequent to the year end and reviewing the payment history.
- We analysed receivables, particularly those aged over one year, which were not provided for by the Group to determine whether there were any indicators of impairment.
- We inspected arrangements and/or correspondences with external parties to assess the recoverability of significant and/or long outstanding receivables.
- We obtained the Group's legal advisors' confirmation of the status of pending cases in order to assess the probability and estimate of the recoverability of receivables.
- We assessed the adequacy of the disclosures in the consolidated financial statements.

Disposal of subsidiaries

Refer to note 39(c) to the consolidated financial statements

Key audit matter

During the current year, the Group reached an agreement with related authorities to relocate the operations of Marmum Dairy Farm LLC and its distribution arm United Sales Partners LLC ("the subsidiaries") for a consideration of another plot of land of equivalent value. Furthermore, subsequent to that the Group disposed its interest in the subsidiaries.

The accounting for disposal involves estimating the fair value of consideration at disposal date and determination of gain or loss on disposal of the subsidiaries. Significant judgement is involved in relation to the timing of the disposal and estimating the fair value of consideration.



Key audit matters *(continued)*

Disposal of subsidiaries *(continued)*

How our audit addressed the key audit matter

Our audit procedures included:

- We reviewed the agreements and supporting documents underpinning the transaction.
- We assessed the accounting entries used to record the disposal of subsidiaries, the disposal date assets and liabilities of the subsidiaries and consideration received.
- We assessed whether the fair value of the consideration recorded by the Group was appropriate.
- We reperformed the calculation including verification of the completeness and mathematical accuracy of the consideration, net assets, disposal costs and recycling of revaluation reserve.
- 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 which we obtained prior to the date of this auditors' 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 auditors' 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 IFRS, 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.

Auditors' 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 auditors' 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.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism 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.



Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

(continued)

- 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 auditors' 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 auditors' 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 auditors' 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 and explanations 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, in so far as it relates to these consolidated financial statements, 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 shares during the year ended 31 December 2016;
- 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 financial year ended 31 December 2016 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 consolidated financial position as at 31 December 2016; and
- viii) note 7 to the consolidated financial statements discloses the social contributions made during the year.

KPMG Lower Gulf Limited



Fawzi AbuRass
Registration No.: 968
Dubai, United Arab Emirates
Date: 8 March 2017

Dubai Investments PJSC and its subsidiaries

Consolidated statement of profit or loss for the year ended 31 December 2016

| | <i>Note</i> | 2016 AED'000 | 2015 AED'000 |
|---|-------------|-------------------------------|-----------------|
| Sale of goods and services | | 883,768 | 925,583 |
| Rental income | | 874,731 | 740,325 |
| Contract revenue | | 483,691 | 416,570 |
| Sale of properties | | 2,175 | 23,031 |
| Gain on fair valuation of investment properties | <i>12</i> | 560,410 | 559,262 |
| Gain/(loss) on fair valuation of investments | <i>14</i> | 19,978 | (81,985) |
| Gain on sale of investment properties | | 6,119 | - |
| (Loss)/ gain on sale of investments - (net) | | (9,167) | 12,630 |
| Share of profit from equity accounted investees | <i>15</i> | 30,303 | 59,832 |
| Dividend income | | 12,307 | 21,250 |
| Gain/(loss) on disposal of subsidiaries | <i>39c</i> | 186,632 | (4,833) |
| Total income | | 3,050,947 | 2,671,665 |
| Direct operating costs | <i>6</i> | (1,438,823) | (1,201,152) |
| Administrative and general expenses | <i>7</i> | (441,587) | (400,737) |
| Finance expenses | <i>8</i> | (125,535) | (104,763) |
| Finance income | <i>8</i> | 62,989 | 69,569 |
| Other income | <i>9</i> | 98,679 | 70,600 |
| Profit for the year | | 1,206,670 | 1,105,182 |
| Profit attributable to: | | | |
| Owners of the Company | | 1,218,324 | 1,109,836 |
| Non-controlling interests | | (11,654) | (4,654) |
| Profit for the year | | 1,206,670 | 1,105,182 |
| Earnings per share | | | |
| Basic earnings per share (AED) | <i>33</i> | 0.30 | 0.27 |

The notes set out on pages 17 to 64 form part of these consolidated financial statements.

The independent auditors' report is set out on pages 3 to 10.

Dubai Investments PJSC and its subsidiaries

Consolidated statement of comprehensive income for the year ended 31 December 2016

| | 2016 | 2015 |
|--|------------------|-----------|
| | AED'000 | AED'000 |
| Profit for the year | 1,206,670 | 1,105,182 |
| Other comprehensive income: | | |
| <i>Items that will never be reclassified to profit or loss</i> | | |
| Net change in fair value of investments at fair value through other comprehensive income (OCI) (refer note 14 (c)) | (69,442) | (51,098) |
| | ----- | ----- |
| Total other comprehensive income for the year | (69,442) | (51,098) |
| | ----- | ----- |
| Total comprehensive income for the year | 1,137,228 | 1,054,084 |
| | ===== | ===== |
| Attributable to: | | |
| Owners of the Company | 1,156,148 | 1,066,716 |
| Non-controlling interests | (18,920) | (12,632) |
| | ----- | ----- |
| Total comprehensive income for the year | 1,137,228 | 1,054,084 |
| | ===== | ===== |

The notes set out on pages 17 to 64 form part of these consolidated financial statements.

The independent auditors' report is set out on pages 3 to 10.

Dubai Investments PJSC and its subsidiaries

Consolidated statement of financial position

| | <i>Note</i> | 31 December 2016 AED 000 | 31 December 2015 AED 000 |
|--|-------------|---|--------------------------------|
| Assets | | | |
| Non-current assets | | | |
| Property, plant and equipment and biological assets | 10 | 1,320,308 | 1,367,073 |
| Goodwill and intangible assets | 11 | 99,768 | 102,313 |
| Investment properties | 12 | 6,731,697 | 4,990,408 |
| Investments at fair value through other comprehensive income | 14 | 246,272 | 387,400 |
| Investment in equity accounted investees | 15 | 664,251 | 874,709 |
| Rent receivable | 16 | 44,093 | 48,878 |
| Finance lease receivable | 17 | 6,878 | 129,019 |
| Inventories | 18 | 1,603,905 | 1,457,540 |
| Trade receivables | 19 | 143,030 | 218,901 |
| Other receivables | 20 | 41,751 | 84,909 |
| Total non-current assets | | 10,901,953 | 9,661,150 |
| Current assets | | | |
| Inventories | 18 | 615,934 | 749,141 |
| Investments at fair value through profit or loss | 14 | 1,596,532 | 1,688,287 |
| Trade receivables | 19 | 1,163,265 | 1,169,542 |
| Due from related parties and other receivables | 20 | 505,135 | 485,155 |
| Cash at bank and in hand | 21 | 1,331,997 | 1,500,855 |
| Total current assets | | 5,212,863 | 5,592,980 |
| Total assets | | 16,114,816 | 15,254,130 |
| Equity | | | |
| Share capital | 26 | 4,049,541 | 4,049,541 |
| Share premium | 26 | 46 | 46 |
| Capital reserve | 27 | 25,502 | 25,502 |
| Legal reserve | 28 | 975,958 | 890,756 |
| General reserve | 28 | 1,253,943 | 1,174,719 |
| Revaluation reserve | 29 | 22,000 | 67,000 |
| Fair value reserve | 30 | (249,736) | (191,097) |
| Proposed dividend/bonus | 31 | 607,431 | 485,945 |
| Proposed directors' fee | 32 | 10,000 | 8,000 |
| Retained earnings | | 4,669,545 | 4,201,404 |
| Equity attributable to owners of the Company | | 11,364,230 | 10,711,816 |
| Non-controlling interests | 38 | 574,647 | 487,567 |
| Total equity | | 11,938,877 | 11,199,383 |
| Liabilities | | | |
| Non-current liabilities | | | |
| Long-term bank borrowings | 22 | 522,078 | 430,166 |
| Sukuk notes | 23 | 1,101,600 | 1,101,600 |
| Other payables | 25 | 77,819 | 54,680 |
| Total non-current liabilities | | 1,701,497 | 1,586,446 |
| Current liabilities | | | |
| Bank borrowings | 24 | 1,182,824 | 1,222,858 |
| Trade, related parties and other payables | 25 | 1,291,618 | 1,245,443 |
| Total current liabilities | | 2,474,442 | 2,468,301 |
| Total liabilities | | 4,175,939 | 4,054,747 |
| Total equity and liabilities | | 16,114,816 | 15,254,130 |

These consolidated financial statements were authorized for issue on behalf of the Board of Directors on 8 March 2017.

The notes set out on pages 17 to 64 form part of these consolidated financial statements.


Sohail Faris Ghanim Al Mazrui
Chairman


Hussain Mahyood Sultan
Vice Chairman


Khalid Jassim Bin Kalban
MD & CEO

The independent auditors' report is set out on pages 3 to 10.

Dubai Investments PJSC and its subsidiaries

Consolidated statement of cash flows

for the year ended 31 December

| | 2016 AED'000 | 2015 AED'000 |
|--|------------------|------------------|
| Cash flows from operating activities | | |
| Profit | 1,206,670 | 1,105,182 |
| <i>Adjustments for:</i> | | |
| Depreciation | 113,823 | 107,123 |
| Amortization/impairment of intangible assets | 2,610 | 1,471 |
| Impairment loss on property, plant and equipment | - | 11,721 |
| Gain on disposal of property, plant and equipment | (506) | (5,461) |
| Loss/ (gain) on sale of investments - (net) | 9,167 | (12,630) |
| Gain on fair valuation of investment properties | (560,410) | (559,262) |
| Gain on sale of investment properties | (6,119) | - |
| Share of profit from equity accounted investees | (30,303) | (59,832) |
| (Gain)/loss on fair valuation of investments | (19,978) | 81,985 |
| (Gain)/loss on disposal of subsidiaries | (186,632) | 4,833 |
| Gain on fair valuation of existing interest prior to acquisition of a subsidiary (refer note 39b) | (7,275) | - |
| Reversal of provision for write down of inventories to net realizable value (refer note 6) | - | (178,000) |
| Bargain purchase gain | - | (27,613) |
| | ----- | ----- |
| Operating profit before changes in working capital | 521,047 | 469,517 |
| <i>Changes in:</i> | | |
| - investments at fair value through profit or loss and at fair value through OCI | 174,244 | 76,490 |
| - trade and other receivables | 352,120 | 545,986 |
| - inventories | (227,033) | (44,978) |
| - trade and other payables | (122,557) | (160,278) |
| Directors' fee paid | (8,000) | (8,000) |
| | ----- | ----- |
| Net cash from operating activities | 689,821 | 878,737 |
| | ----- | ----- |
| Cash flows from investing activities | | |
| Cash paid/acquired for acquisition of controlling interests- net of consideration acquired/paid (refer note 39b) | (65,205) | 53,599 |
| Consideration paid for acquisition of non-controlling interest | (28,607) | (40,000) |
| Consideration agreed on disposal of subsidiaries (refer note 39c) | 54,286 | 32,757 |
| Net movement in investment properties | (251,538) | (19,530) |
| Acquisition of property, plant and equipment | (76,090) | (70,788) |
| Proceeds from disposal of property, plant and equipment | 15,167 | 50,632 |
| Net additions to intangible assets | (65) | - |
| Net movement in equity accounted investees | 992 | 35,000 |
| | ----- | ----- |
| Net cash used in investing activities | (351,060) | 41,670 |
| | ----- | ----- |
| Cash flows from financing activities | | |
| Net movement in bank borrowings and payables | (72,934) | (120,038) |
| Net movement in non-controlling interests | (23,059) | (9,418) |
| Dividend paid | (485,945) | (458,439) |
| Net movement in deposits under lien | 11,214 | 10,281 |
| | ----- | ----- |
| Net cash used in financing activities | (570,724) | (577,614) |
| | ----- | ----- |
| Net (decrease)/increase in cash and cash equivalents | (231,963) | 342,793 |
| Cash and cash equivalents at 1 January | 1,178,491 | 835,698 |
| | ----- | ----- |
| Cash and cash equivalents at 31 December | 946,528 | 1,178,491 |
| | ----- | ----- |
| Cash and cash equivalents comprise the following: | | |
| Cash in hand, current and call account with banks – refer note 21 | 527,745 | 483,013 |
| Short term deposits with banks (excluding those under lien) – refer note 21 | 795,357 | 997,733 |
| Bank overdraft, trust receipt loans and bills discounted – refer note 24 | (376,574) | (302,255) |
| | ----- | ----- |
| | 946,528 | 1,178,491 |
| | ===== | ===== |

The notes set out on pages 17 to 64 form part of these consolidated financial statements.

The independent auditors' report is set out on page 3 to 10.

Dubai Investments PJSC and its subsidiaries

Consolidated statement of changes in equity

for the year ended 31 December

| | -----Equity attributable to owners of the Company----- | | | | | | | | | | | Non-controlling interests | AED '000 Total |
|---|--|---------------|-----------------|---------------|-----------------|---------------------|--------------------|-------------------------|-------------------------|-------------------|------------|---------------------------|-------------------|
| | Share capital | Share premium | Capital reserve | Legal reserve | General reserve | Revaluation reserve | Fair value reserve | Proposed dividend/bonus | Proposed directors' fee | Retained earnings | Sub total | | |
| Balance at 1 January 2015 | 3,820,322 | 46 | 25,502 | 775,730 | 1,061,561 | 67,000 | (147,977) | 687,658 | 8,000 | 3,807,468 | 10,105,310 | 432,520 | 10,537,830 |
| Total comprehensive income for the year | | | | | | | | | | | | | |
| Profit for the year | - | - | - | - | - | - | - | - | - | 1,109,836 | 1,109,836 | (4,654) | 1,105,182 |
| Other comprehensive income | | | | | | | | | | | | | |
| Net change in fair value of investments at fair value through OCI | - | - | - | - | - | - | (43,120) | - | - | - | (43,120) | (7,978) | (51,098) |
| Total other comprehensive income for the year | - | - | - | - | - | - | (43,120) | - | - | - | (43,120) | (7,978) | (51,098) |
| Total comprehensive income for the year | - | - | - | - | - | - | (43,120) | - | - | 1,109,836 | 1,066,716 | (12,632) | 1,054,084 |
| Transactions with owners, recorded directly in equity | | | | | | | | | | | | | |
| <i>Contributions by and distributions to owners</i> | | | | | | | | | | | | | |
| Dividend paid | - | - | - | - | - | - | - | (458,439) | - | - | (458,439) | - | (458,439) |
| Bonus shares issued | 229,219 | - | - | - | - | - | - | (229,219) | - | - | - | - | - |
| Dividend paid by subsidiaries | - | - | - | - | - | - | - | - | - | - | - | (9,418) | (9,418) |
| Proposed dividend/bonus | - | - | - | - | - | - | - | 485,945 | - | (485,945) | - | - | - |
| Transfer to reserves | - | - | - | 115,026 | 113,158 | - | - | - | - | (228,184) | - | - | - |
| Total contributions by and distributions to owners | 229,219 | - | - | 115,026 | 113,158 | - | - | (201,713) | - | (714,129) | (458,439) | (9,418) | (467,857) |
| <i>Changes in ownership interests in subsidiaries</i> | | | | | | | | | | | | | |
| On acquisitions and disposals of subsidiaries | - | - | - | - | - | - | - | - | - | - | - | 103,489 | 103,489 |
| On acquisitions of non-controlling interests | - | - | - | - | - | - | - | - | - | 6,229 | 6,229 | (26,392) | (20,163) |
| Total changes in ownership interests in subsidiaries | - | - | - | - | - | - | - | - | - | 6,229 | 6,229 | 77,097 | 83,326 |
| Total transactions with owners | 229,219 | - | - | 115,026 | 113,158 | - | - | (201,713) | - | (707,900) | (452,210) | 67,679 | (384,531) |
| Other movements | | | | | | | | | | | | | |
| Directors' fee paid | - | - | - | - | - | - | - | - | (8,000) | - | (8,000) | - | (8,000) |
| Proposed directors' fee | - | - | - | - | - | - | - | - | 8,000 | (8,000) | - | - | - |
| Total other movements | - | - | - | - | - | - | - | - | - | (8,000) | (8,000) | - | (8,000) |
| Balance at 31 December 2015 | 4,049,541 | 46 | 25,502 | 890,756 | 1,174,719 | 67,000 | (191,097) | 485,945 | 8,000 | 4,201,404 | 10,711,816 | 487,567 | 11,199,383 |

Dubai Investments PJSC and its subsidiaries

Consolidated statement of changes in equity (continued)

for the year ended 31 December

| | Equity attributable to owners of the Company | | | | | | | | | | | Non-controlling interests | Total |
|---|--|---------------|-----------------|----------------|------------------|---------------------|--------------------|-------------------------|-------------------------|-------------------|-------------------|---------------------------|-------------------|
| | Share capital | Share premium | Capital reserve | Legal reserve | General reserve | Revaluation reserve | Fair value reserve | Proposed dividend/bonus | Proposed directors' fee | Retained earnings | Sub total | | |
| Balance at 1 January 2016 | 4,049,541 | 46 | 25,502 | 890,756 | 1,174,719 | 67,000 | (191,097) | 485,945 | 8,000 | 4,201,404 | 10,711,816 | 487,567 | 11,199,383 |
| Total comprehensive income for the year | | | | | | | | | | | | | |
| Profit for the year | - | - | - | - | - | - | - | - | - | 1,218,324 | 1,218,324 | (11,654) | 1,206,670 |
| Other comprehensive income | | | | | | | | | | | | | |
| Net change in fair value of investments at fair value through OCI | - | - | - | - | - | - | (62,176) | - | - | - | (62,176) | (7,266) | (69,442) |
| Total other comprehensive income for the year | - | - | - | - | - | - | (62,176) | - | - | - | (62,176) | (7,266) | (69,442) |
| Total comprehensive income for the year | - | - | - | - | - | - | (62,176) | - | - | 1,218,324 | 1,156,148 | (18,920) | 1,137,228 |
| Transactions with owners, recorded directly in equity | | | | | | | | | | | | | |
| <i>Contributions by and distributions to owners</i> | | | | | | | | | | | | | |
| Dividend paid | - | - | - | - | - | - | - | (485,945) | - | - | (485,945) | - | (485,945) |
| Proposed dividend/bonus | - | - | - | - | - | - | - | 607,431 | - | (607,431) | - | - | - |
| Transfer to reserves | - | - | - | 85,202 | 79,224 | - | - | - | - | (164,426) | - | - | - |
| Dividend/distributions by subsidiaries | - | - | - | - | - | - | - | - | - | - | - | (22,106) | (22,106) |
| Total contributions by and distributions to owners | - | - | - | 85,202 | 79,224 | - | - | 121,486 | - | (771,857) | (485,945) | (22,106) | (508,051) |
| <i>Changes in ownership interests in subsidiaries</i> | | | | | | | | | | | | | |
| On acquisition of a subsidiary (refer note 39b) | - | - | - | - | - | - | - | - | - | - | - | 147,877 | 147,877 |
| On acquisitions of non-controlling interests | - | - | - | - | - | - | - | - | - | (9,789) | (9,789) | (18,818) | (28,607) |
| Total changes in ownership interests in subsidiaries | - | - | - | - | - | - | - | - | - | (9,789) | (9,789) | 129,059 | 119,270 |
| Total transactions with owners | - | - | - | 85,202 | 79,224 | - | - | 121,486 | - | (781,646) | (495,734) | 106,953 | (388,781) |
| Other movements | | | | | | | | | | | | | |
| Directors' fees paid | - | - | - | - | - | - | - | - | (8,000) | - | (8,000) | - | (8,000) |
| On disposal of land (refer note 10(i)) | - | - | - | - | - | (45,000) | - | - | - | 45,000 | - | - | - |
| On disposal of investments at fair value through OCI | - | - | - | - | - | - | 3,537 | - | - | (3,537) | - | (953) | (953) |
| Proposed directors' fee | - | - | - | - | - | - | - | - | 10,000 | (10,000) | - | - | - |
| Total other movements | - | - | - | - | - | (45,000) | 3,537 | - | 2,000 | 31,463 | (8,000) | (953) | (8,953) |
| Balance at 31 December 2016 | 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 |

The notes set out on pages 17 to 64 form part of these consolidated financial statements.

Dubai Investments PJSC and its subsidiaries

Notes

(forming part of the consolidated financial statements)

1. Reporting entity

Dubai Investments PJSC (“the Company”) was incorporated in the United Arab Emirates by Ministerial Resolution No. 46 of 1995, on 16th July 1995. The consolidated financial statements for the year ended 31 December 2016 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, investment banking, asset management and financial investments.

At 31 December 2016 the Company had approximately 17,537 shareholders *(2015: 18,198)*.

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

2. Basis of preparation

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.

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;
- biological assets;
- investment properties;
- investments at fair value through other comprehensive income;
- investments at fair value through profit or loss; and
- derivative financial instruments

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.

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.

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 amount recognized in the consolidated financial statements is included in note 40.

Dubai Investments PJSC and its subsidiaries

Notes (*continued*)

2. Basis of preparation (*continued*)

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; and
- Note 39 – Investments in subsidiaries

Dubai Investments PJSC and its subsidiaries

Notes *(continued)*

3. Significant accounting policies

The Group has consistently applied the following accounting policies to all periods presented in these consolidated financial statements.

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

Basis of consolidation

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.

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.

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.

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.

Dubai Investments PJSC and its subsidiaries

Notes *(continued)*

3. Significant accounting policies *(continued)*

Basis of consolidation *(continued)*

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.

Transactions eliminated on consolidation

Material 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.

Revenue

Goods and properties sold

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. Revenue is recognized when the significant risks and rewards of ownership have been transferred to the customer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing managerial involvement with the goods, and the amount of the revenue can be measured reliably.

The timing of the transfer of risks and rewards varies depending on the individual terms of the sales agreement.

Properties leased for several decades, wherein, the present value of the residual value at the inception of the lease is estimated to be negligible are accounted for as finance leases (i.e. treated as sold) at the lease inception date, even if at the end of the lease term title will not pass to lessees.

Contract revenue

Contract revenue 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. As soon as the outcome of a construction contract can be estimated reliably, contract revenue and expenses are recognized in profit or loss in proportion to the stage of completion of the contract.

The stage of completion is assessed by reference to surveys of work performed and in some cases by comparing the cost incurred to date with the total estimated costs of completion. When the outcome of a contract cannot be estimated reliably, contract revenue is recognized only to the extent of contract costs incurred that are likely to be recoverable. An expected loss on a contract is recognized immediately in profit or loss.

Dubai Investments PJSC and its subsidiaries

Notes (continued)

3. Significant accounting policies (continued)

Revenue (continued)

Services rendered

Revenue from services rendered is recognized in proportion to the stage of completion of the transaction at the reporting date.

Rental income

Rental income from properties on operating lease is recognized in profit or loss on a straight-line basis over the term of the lease. Lease incentives granted are recognized as an integral part of the total rental income, over the term of the lease.

Dividend income

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

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.

Finance income and expense

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

- interest income;
- reversal of impairment loss on trade receivable;
- 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;
- impairment loss on trade receivables and other financial assets;
- 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 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 a finance income or finance expenses depending on whether foreign currency movements are in a net gain or net loss position.

Dubai Investments PJSC and its subsidiaries

Notes (continued)

3. Significant accounting policies (continued)

Property, plant and equipment and biological assets

Recognition and measurement

Except for land which is carried at a revalued amount and biological assets which are carried at fair value, 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.

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.

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.

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:

| | Life (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.

Dubai Investments PJSC and its subsidiaries

Notes (continued)

3. Significant accounting policies (continued)

Property, plant and equipment and biological assets (continued)

Biological assets

The Group's biological assets comprises of dairy cattle use to produce milk and related dairy products. In accordance with IAS 41 – Agriculture, these are measured at fair value less cost to sell, with any changes therein recognized in profit or loss. Fair value of biological assets is determined by a professional independent valuer who has adequate experience to value livestock. Cost to sell includes all cost that would be necessary to sell the biological assets.

Leased assets

Leases in terms of which the Group assumes all the risks and rewards of ownership are classified as finance leases. Property, plant and equipment 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).

Intangible assets

Goodwill

Goodwill that arises on the acquisition of subsidiaries is presented with intangible assets. For the measurement of goodwill at initial recognition, see above policy on business combinations. Goodwill attributable to investment in associates and joint ventures is shown as part of the carrying value of investment in equity accounted investees'.

Subsequent measurement

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

Other intangible assets

Other intangible assets including technical know-how, product distribution rights, patents and trademarks 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 10 years.

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.

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.

Dubai Investments PJSC and its subsidiaries

Notes *(continued)*

3. Significant accounting policies *(continued)*

Investment properties *(continued)*

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.

Inventories

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

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 based on normal operating capacity. 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.

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.

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 billings 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.

Dubai Investments PJSC and its subsidiaries

Notes (continued)

3. Significant accounting policies (continued)

Financial instruments

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.

Financial assets measured at amortized cost

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 measured at fair value

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.

Non-derivative financial liabilities

The Group initially recognizes debt securities issued and subordinated liabilities on the date that they are 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.

Dubai Investments PJSC and its subsidiaries

Notes (continued)

3. Significant accounting policies (continued)

Financial instruments (continued)

Derivative financial instruments

The Group uses derivative financial instruments to economically hedge its foreign currency and interest rate exposures. At the reporting date, derivatives are marked to market and changes therein are recognized in profit or loss as the Group does not apply hedge accounting.

Foreign currency

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.

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.

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.

Dubai Investments PJSC and its subsidiaries

Notes (continued)

3. Significant accounting policies (continued)

Impairment

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.

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.

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.

Non-financial assets

At each reporting date, the Group reviews the carrying amounts of the Group's non-financial assets (other than biological assets, 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.

Dubai Investments PJSC and its subsidiaries

Notes *(continued)*

3. Significant accounting policies *(continued)*

Impairment *(continued)*

Non-financial assets (continued)

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

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.

Staff terminal benefits

Short-term employee benefit 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.

Leases

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.

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.

Dubai Investments PJSC and its subsidiaries

Notes (continued)

3. Significant accounting policies (continued)

Non-current assets held for sale and distribution

Non-current assets or disposal groups comprising assets and liabilities that are expected to be recovered primarily through sale rather than through continuing use are classified as held for sale or distribution. Immediately before classification as held for sale or distribution, the assets, or components of a disposal group, are measured in accordance with the Group's accounting policies. Thereafter, generally the assets, or disposal group, are measured at lower of their carrying amount and fair value less cost to sell. Any impairment loss on a disposal group is allocated first to goodwill, and then to remaining assets and liabilities on a pro rata basis, except that no loss is allocated to inventories, financial assets, investment properties and development properties which continue to be measured in accordance with the Group's accounting policies. Impairment losses on initial classification as held for sale or distribution and subsequent gains or losses on re-measurement are recognized in profit or loss. Gains are not recognized in excess of any cumulative impairment loss.

Intangible assets and property, plant and equipment once classified as held for sale or distribution are not amortized or depreciated. In addition, equity accounting of equity-accounted investees ceases once classified as held for sale or distribution.

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.

Segment reporting

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

4. Standards issued but not yet effective

A number of new International Financial Reporting Standards (IFRS) and amendments to standards have been issued, but are currently not effective. The standards which are expected to have a significant impact on the consolidated financial statements are the following:

IFRS 15 Revenue from Contracts with Customers

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

IFRS 15 is effective for annual reporting periods beginning on or after 1 January 2018, with early adoption permitted.

IFRS 16 Leases

IFRS 16 introduces a single, on-balance lease sheet accounting model for lessees. A lessee recognizes a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are optional exemptions for short-term leases and leases of low value items. Lessor accounting remains similar to the current standard – i.e. lessors continue to classify leases as finance or operating leases. IFRS 16 replaces existing leases guidance including IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases—Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease.

The standard is effective for annual periods beginning on or after 1 January 2019. Early adoption is permitted.

The Group is currently in the process of assessing the potential impacts on its consolidated financial statements resulting from the application of these new standards.

Dubai Investments PJSC and its subsidiaries

Notes (continued)

4. Standards issued but not yet effective (continued)

The following new or amended standards are not expected to have a significant impact on the Group's consolidated financial statements:

1. Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28).
2. IFRS 9 Financial Instruments final standard issued in July 2014.

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.

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, due from related parties and other receivables, finance lease receivables, rent receivables, investments in debt securities and cash at bank.

Trade receivables, finance lease receivables, rent receivables due from related parties and other receivables

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 installment 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.

Dubai Investments PJSC and its subsidiaries

Notes *(continued)*

5. Financial risk management *(continued)*

Credit risk *(continued)*

The Group establishes an allowance for impairment that represents its estimate of incurred losses in respect of receivables. The main components of this allowance are a specific loss component that relates to individually significant exposures, and a collective loss component established for groups of similar assets in respect of losses that have been incurred but not yet identified. The collective loss allowance is determined based on historical data of payment statistics for similar financial assets and also taking into consideration the current economic factors.

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.

Cash at bank

Cash is placed with local and international banks of good repute.

Guarantees

The Company's policy is to provide financial guarantees to its subsidiaries, joint ventures and associates in proportion to its holding. In the event, financial guarantee is issued in excess of the Company's proportionate holding; usually undertaking/indemnities are obtained from the other partners.

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 holdings of 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.

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. The Group economically hedges, as appropriate, its foreign currency exposure in respect of trade receivables and trade payables. The Group uses forward exchange contracts to hedge its currency risk, most with a maturity of less than one year from the reporting date. When necessary, forward exchange contracts are rolled over at maturity.

Dubai Investments PJSC and its subsidiaries

Notes *(continued)*

5. Financial risk management *(continued)*

Market risk *(continued)*

Currency risk *(continued)*

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.

Interest rate risk

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

The Group hedged its exposure to certain floating rate long term loans by entering into structured interest rate swaps / swaptions with banks. As at 31 December 2016, there no outstanding swaps / swaptions (2015: AED Nil).

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.

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 Board'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 shareholders.

The Board seeks to maintain a balance between the higher returns that might be possible with higher levels of borrowings and the advantages of security afforded by a sound capital position. There were no changes in the Group's approach to capital management during the year.

The Company and its subsidiaries have various borrowing arrangements with banks, some of which require it to maintain net worth, leverage and debt equity ratios.

Dubai Investments PJSC and its subsidiaries

Notes (continued)

6. Direct operating costs

| | 2016 AED'000 | 2015 AED'000 |
|---|-----------------|-----------------|
| <i>These include:</i> | | |
| Materials consumed | 806,399 | 824,365 |
| Cost of properties sold | 1,995 | 16,491 |
| Factory overheads (excluding depreciation) | 160,151 | 160,153 |
| Staff costs | 136,637 | 139,250 |
| Depreciation and amortization | 77,136 | 79,143 |
| Share of Government of Dubai in the realized profits of a subsidiary (refer note 12) | 114,514 | 95,458 |
| Reversal of provision for write down of inventories to net realizable value (refer note 18) | - | (178,000) |
| | ===== | ===== |

7. Administrative and general expenses

| | 2016 AED'000 | 2015 AED'000 |
|---|-----------------|-----------------|
| <i>These include:</i> | | |
| Staff costs | 215,468 | 208,063 |
| Selling and marketing expenses | 68,756 | 61,836 |
| Depreciation, impairment and amortization | 39,297 | 41,172 |
| | ===== | ===== |

(a) During the year, Dubai International Arbitration Center (DIAC) awarded judgment against a subsidiary to pay AED 78.76 million plus interest charge of AED 0.44 million. The award related to a dispute between the subsidiary and the contractor for cost overruns of a residential development completed in the year 2012. Administrative and general expenses includes an amount of AED 42.9 million relating to the award and the balance amount has been capitalized under investment properties.

(b) Selling and marketing expenses includes an amount of AED 1.29 million (2015: AED 1.05 million) incurred towards charity and social contributions.

8. Finance income and expenses

| | 2016 AED'000 | 2015 AED'000 |
|--|-----------------|-----------------|
| Interest income | 49,900 | 57,662 |
| Reversal of impairment loss on trade receivables | 10,112 | 8,592 |
| Unwinding of discount on financial assets measured at amortized cost | 2,977 | 2,638 |
| Foreign exchange gain – net | - | 677 |
| | ----- | ----- |
| Finance income | 62,989 | 69,569 |
| | ===== | ===== |
| Interest expense/profit on sukuk notes | (65,181) | (74,368) |
| Impairment loss on other financial assets * | (38,646) | (3,585) |
| Impairment loss on trade receivables | (10,497) | (17,781) |
| Bank charges | (10,055) | (8,509) |
| Foreign exchange loss - net | (1,156) | - |
| Change in fair value of derivative financial instruments | - | (520) |
| | ----- | ----- |
| Finance expenses | (125,535) | (104,763) |
| | ===== | ===== |

* Impairment loss on other financial assets represents impairment losses on retention receivables and amount due from customers for contract work-in-progress.

Dubai Investments PJSC and its subsidiaries

Notes (continued)

9. Other income

| | 2016 | 2015 |
|---|----------------|---------|
| | AED'000 | AED'000 |
| <i>These include:</i> | | |
| Provisions no longer required written back – refer (a) below | 49,545 | - |
| Penalty charges for late/default in payments from customers | 10,078 | 3,183 |
| Income from leased operations | 9,670 | 6,178 |
| Insurance claim received by a subsidiary | 8,702 | - |
| Gain on fair valuation of existing interest prior to acquisition of a subsidiary (refer note 39(b)) | 7,275 | - |
| Sale of scrap | 4,477 | 3,348 |
| Bargain purchase gain | - | 27,613 |
| Gain on transfer of leasehold rights | - | 13,995 |
| Gain on disposal of property, plant and equipment | 506 | 5,461 |
| | ===== | ===== |

- (a) In continuation of note 7(a) above, another subsidiary had a receivable from the same contractor. The management negotiated and signed an Agreement of Settlement and Assignment of Right to set off the award amount against receivable by a subsidiary from the contractor to the extent of the award amount. Accordingly, provision created earlier by the subsidiary against advances paid to the contractor has been reversed.

Dubai Investments PJSC and its subsidiaries

Notes (continued)

10. Property, plant and equipment and biological assets

| | Land and buildings AED'000 | Biological assets AED'000 | Plant & equipment AED'000 | Office equipment & furniture AED'000 | Motor vehicles AED'000 | Capital work-in- progress AED'000 | Total AED'000 |
|---|----------------------------------|---------------------------------|---------------------------------|--|------------------------------|--|------------------|
| Cost/valuation | | | | | | | |
| At 1 January 2015 | 907,721 | 26,034 | 1,366,993 | 59,979 | 40,553 | 65,306 | 2,466,586 |
| Additions | 1,101 | 7,316 | 26,163 | 5,404 | 2,886 | 27,918 | 70,788 |
| Disposals and write-offs | (5,918) | (8,545) | (58,092) | - | (3,785) | (18,830) | (95,170) |
| On acquisition of subsidiaries | 15,318 | - | - | 8,905 | 73 | - | 24,296 |
| On disposal of subsidiaries | (19,707) | - | (21,759) | (3,510) | (2,988) | (4,014) | (51,978) |
| Transfer to investment properties | (39,416) | - | - | - | - | (10,591) | (50,007) |
| | ----- | ----- | ----- | ----- | ----- | ----- | ----- |
| At 31 December 2015 | 859,099 | 24,805 | 1,313,305 | 70,778 | 36,739 | 59,789 | 2,364,515 |
| | ----- | ----- | ----- | ----- | ----- | ----- | ----- |
| At 1 January 2016 | 859,099 | 24,805 | 1,313,305 | 70,778 | 36,739 | 59,789 | 2,364,515 |
| Additions | 6,757 | 6,348 | 20,588 | 23,015 | 2,728 | 16,654 | 76,090 |
| Disposals and write-offs | (16,381) | (7,042) | (19,553) | (6,538) | (2,332) | (923) | (52,769) |
| On acquisition of a subsidiary (refer note 39(b)) | 155,753 | - | - | 15,866 | 1,217 | - | 172,836 |
| On disposal of subsidiaries (refer note 39(c)) | (79,365) | (24,111) | (42,973) | (6,354) | (13,734) | (1,038) | (167,575) |
| Transfers | (148) | - | 937 | - | - | (789) | - |
| | ----- | ----- | ----- | ----- | ----- | ----- | ----- |
| At 31 December 2016 | 925,715 | - | 1,272,304 | 96,767 | 24,618 | 73,693 | 2,393,097 |
| | ----- | ----- | ----- | ----- | ----- | ----- | ----- |
| Accumulated depreciation and impairment losses | | | | | | | |
| At 1 January 2015 | 228,709 | - | 627,137 | 58,956 | 32,855 | - | 947,657 |
| Charge for the year | 33,119 | - | 66,839 | 4,924 | 2,241 | - | 107,123 |
| Impairment loss | - | - | 1,013 | - | - | 10,708 | 11,721 |
| On disposals and write-offs | (4,334) | - | (42,004) | - | (3,661) | - | (49,999) |
| On acquisition of subsidiaries | 9,224 | - | - | 6,888 | 38 | - | 16,150 |
| On disposal of subsidiaries | (4,675) | - | (12,068) | (3,279) | (2,019) | - | (22,041) |
| Transfer to investment properties | (13,169) | - | - | - | - | - | (13,169) |
| | ----- | ----- | ----- | ----- | ----- | ----- | ----- |
| At 31 December 2015 | 248,874 | - | 640,917 | 67,489 | 29,454 | 10,708 | 997,442 |
| | ----- | ----- | ----- | ----- | ----- | ----- | ----- |
| At 1 January 2016 | 248,874 | - | 640,917 | 67,489 | 29,454 | 10,708 | 997,442 |
| Charge for the year | 34,039 | - | 66,995 | 10,411 | 2,378 | - | 113,823 |
| On disposals and write-offs | (10,951) | - | (19,064) | (5,904) | (2,189) | - | (38,108) |
| On acquisition of a subsidiary (refer note 39(b)) | 58,406 | - | - | 13,352 | 1,174 | - | 72,932 |
| On disposal of subsidiaries (refer note 39(c)) | (21,429) | - | (36,493) | (5,401) | (9,977) | - | (73,300) |
| | ----- | ----- | ----- | ----- | ----- | ----- | ----- |
| At 31 December 2016 | 308,939 | - | 652,355 | 79,947 | 20,840 | 10,708 | 1,072,789 |
| | ----- | ----- | ----- | ----- | ----- | ----- | ----- |
| Net book value | | | | | | | |
| At 31 December 2015 | 610,225 | 24,805 | 672,388 | 3,289 | 7,285 | 49,081 | 1,367,073 |
| | ===== | ===== | ===== | ===== | ===== | ===== | ===== |
| At 31 December 2016 | 616,776 | - | 619,949 | 16,820 | 3,778 | 62,985 | 1,320,308 |
| | ===== | ===== | ===== | ===== | ===== | ===== | ===== |

Dubai Investments PJSC and its subsidiaries

Notes *(continued)*

10. Property, plant and equipment and biological assets *(continued)*

- (i) The Group had purchased a plot of land costing AED 5 million in 1996. In 1997, the Government of Dubai gifted another plot of land adjacent to the existing land to the Group, which was accounted for at nominal value by the Group. These plots of land were earlier revalued by a professional firm of independent property valuers and a revaluation surplus of AED 45 million was credited to non-distributable revaluation reserve.

During the year, the Group reached an agreement with related authorities to relocate the operations of Marmum Dairy Farm and United Sales Partners ("the Subsidiaries") and return the plots of land. In compensation, the Company received a new plot of land valuing AED 236.6 million which has been classified under investment properties (refer note 12). Accordingly, the related revaluation reserve amounting to AED 45 million has also been credited directly to retained earnings (refer note 29). Furthermore, on 21 November 2016, the Group disposed 100% shareholding of the Subsidiaries with the underlying assets and liabilities (refer note 39c).

- (ii) Capital work in progress includes cost incurred by a subsidiary for expanding its manufacturing facilities. The management of the 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 in the previous year.
- (iii) Buildings, plant and machinery with a net book value of AED 958 million (*2015: AED 887 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.
- (iv) In the previous year, the Group, due to change of use, reclassified a building, including capital work in progress relating to the building, with a carrying value of AED 36.8 million to investment properties (refer note 12).

Dubai Investments PJSC and its subsidiaries

Notes (continued)

11. Goodwill and intangible assets

| | <i>AED'000</i> | | | |
|---|-----------------|--------------------------------------|--|-----------------|
| | Goodwill | Patent and trade mark | Other intangible assets | Total |
| Cost | | | | |
| As at 1 January 2015 | 127,234 | 9,941 | 18,426 | 155,601 |
| On acquisition of subsidiaries | 3,658 | - | - | 3,658 |
| On disposal of subsidiaries | (6,807) | (2,496) | - | (9,303) |
| | ----- | ----- | ----- | ----- |
| As at 31 December 2015 | 124,085 | 7,445 | 18,426 | 149,956 |
| | ----- | ----- | ----- | ----- |
| As at 1 January 2016 | 124,085 | 7,445 | 18,426 | 149,956 |
| Additions | - | - | 65 | 65 |
| | ----- | ----- | ----- | ----- |
| As at 31 December 2016 | 124,085 | 7,445 | 18,491 | 150,021 |
| | ----- | ----- | ----- | ----- |
| Accumulated amortization and impairment losses | | | | |
| At 1 January 2015 | (28,802) | (7,006) | (10,364) | (46,172) |
| Amortization | - | (359) | (1,112) | (1,471) |
| | ----- | ----- | ----- | ----- |
| As at 31 December 2015 | (28,802) | (7,365) | (11,476) | (47,643) |
| | ----- | ----- | ----- | ----- |
| At 1 January 2016 | (28,802) | (7,365) | (11,476) | (47,643) |
| Amortization | - | (80) | (1,673) | (1,753) |
| Impairment | (857) | - | - | (857) |
| | ----- | ----- | ----- | ----- |
| As at 31 December 2016 | (29,659) | (7,445) | (13,149) | (50,253) |
| | ----- | ----- | ----- | ----- |
| Carrying amount | | | | |
| 31 December 2015 | 95,283 | 80 | 6,950 | 102,313 |
| | ===== | == | ===== | ===== |
| 31 December 2016 | 94,426 | - | 5,342 | 99,768 |
| | ===== | == | ===== | ===== |

12. Investment properties

| | 2016 AED'000 | 2015 AED'000 |
|--|-------------------------|-------------------------|
| At 1 January | 4,990,408 | 4,098,639 |
| Additions | 266,312 | 5,100 |
| Plot of land received in compensation (refer note 39c) | 236,632 | - |
| On acquisition of a subsidiary (refer note 39b) | 187,380 | 204,939 |
| Transferred from inventories (refer note (c) below) | 499,210 | 71,200 |
| Transferred from property, plant and equipment (refer note 10(iv)) | - | 36,838 |
| Transferred from development properties (refer note 13) | 12,665 | 14,430 |
| Sale of investment properties | (21,320) | - |
| Gain on fair valuation | 560,410 | 559,262 |
| | ----- | ----- |
| At 31 December 2016 | 6,731,697 | 4,990,408 |
| | ===== | ===== |

Dubai Investments PJSC and its subsidiaries

Notes (continued)

12. Investment properties (continued)

Included in investment properties are mainly the following:

| | 2016 | 2015 |
|---|------------------|-----------|
| | AED'000 | AED'000 |
| - Infrastructure and ancillary facilities | 4,302,293 | 3,897,005 |
| - Plots of land for future development | 604,426 | 260,000 |
| - Residential, retail and commercial facilities | 1,156,078 | 202,932 |
| - Labor camps and warehouses | 668,900 | 630,471 |
| | 6,731,697 | 4,990,408 |
| | ----- | ----- |

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 31st December 2016, the Group has obtained fair values of all phases. The valuation was carried out by an independent registered valuer in accordance with the RICS Appraisal and Valuation Manual issued by the Royal Institute of Chartered Surveyors using discounted net cash flow model after taking into consideration the cash outflows resulting from the estimated 20% share of the net realized profits due to the Government of Dubai. The fair valuation gain of AED 400 million (2015: AED 369 million) has arisen due to significant change in the net cash flows as per the terms of lease contracts with tenants.

Since, valuation of all completed phases by 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:

| | 2016 | 2015 |
|--|------------------|----------------|
| | AED'000 | AED'000 |
| Fair valuation of completed phases and ancillary facilities as per independent registered valuation reports | 4,076,046 | 3,714,833 |
| Less: adjustment for rent receivable for completed phases | (44,093) | (48,878) |
| Add: adjustment for unearned rent for completed phases* | 155,826 | 135,592 |
| Add: adjustment for recognized liabilities (included in other payable and accrued expenses (refer notes 6 and 25)) | 114,514 | 95,458 |
| | 4,302,293 | 3,897,005 |
| | ----- | ----- |
| | ===== | ===== |

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

Significant unobservable inputs in the fair value measurement mainly includes: market rental growth (in line with contracts entered with tenants), rent-free periods (1 year on new leases) and risk adjusted discount rate (average of 7.5%). The estimated fair value would increase/decrease based on changes in the significant unobservable inputs.

Dubai Investments PJSC and its subsidiaries

Notes (continued)

12. Investment properties (continued)

Included in investment properties are mainly the following (continued):

- b) **Plots of land for future development**, it comprises:
- (i) a plot of land received as compensation in lieu of return of plots of land upon which operations of subsidiaries were situated (refer note 10 and 39c)
 - (ii) a plot of land received by a subsidiary as a grant from the Government of Fujairah
 - (iii) other plots of land for residential cum commercial development

As at 31st December 2016, the fair valuation of the plots of land has been carried out by independent registered valuers in accordance with the RICS Appraisal and Valuation Manual issued by the Royal Institute of Chartered Surveyors using market valuation approach resulting in a net fair valuation gain of AED 14 million.

- c) **Residential, retail and commercial facilities**, it comprises:
- (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 transferred from inventories to investment properties during the year based on change of use of from sale to operating leases to third parties amounting AED 499.2 million (2015: AED 71.2 million)
 - (iii) other retail, residential and commercial facilities on operating leases

As at 31st December 2016, residential, retail and commercial facilities (apart from (i) above which has been valued internally using market capitalization approach) have been valued by independent registered valuers in accordance with the RICS Appraisal and Valuation Manual issued by the Royal Institute of Chartered Surveyors using market valuation and income capitalization approach, whichever, relevant resulting in a net fair valuation gain of AED 135 million.

- d) **labor camps and warehouses:**

The fair valuation of labor camps and warehouses at the reporting date has been determined by independent registered valuers in accordance with the RICS Appraisal and Valuation Manual issued by the Royal Institute of Chartered Surveyors using combination of income capitalization and market valuation approach resulting a net fair valuation gain of AED 11 million.

Dubai Investments PJSC and its subsidiaries

Notes (continued)

12. Investment properties (continued)

Fair value hierarchy

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

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

| | 2016 | 2015 |
|--|------------------|-----------|
| | AED'000 | AED'000 |
| Balance at 1 January | 4,990,408 | 4,098,639 |
| Additions | 502,944 | 5,100 |
| Transfers from property, plant and equipment, development properties and inventories | 511,875 | 122,468 |
| Sale of investment properties | (21,320) | - |
| On acquisition of a subsidiary (refer note 39b) | 187,380 | 204,939 |
| Changes in fair value (unrealized) | 560,410 | 559,262 |
| | ----- | ----- |
| Balance at 31 December 2016 | 6,731,697 | 4,990,408 |
| | ===== | ===== |

13. Development properties

| | 2016 | 2015 |
|--|-----------------|----------|
| | AED'000 | AED'000 |
| Additions | 12,665 | 14,430 |
| Transferred to investment properties (refer note 12) | (12,665) | (14,430) |
| | ----- | ----- |
| At 31 December | - | - |
| | ===== | ===== |

14. Financial investments

| | 2016 | 2015 |
|--|------------------|-----------|
| | AED'000 | AED'000 |
| (i) Investments at fair value through other comprehensive income - refer note 14 (a) | | |
| - equity securities | 246,272 | 387,400 |
| | ----- | ----- |
| | 246,272 | 387,400 |
| | ===== | ===== |
| (ii) Investments at fair value through profit or loss refer note 14 (b) | | |
| - held for trading quoted equity securities | 417,087 | 379,447 |
| - unquoted equity securities, funds, bonds and sukuk | 1,179,445 | 1,308,840 |
| | ----- | ----- |
| | 1,596,532 | 1,688,287 |
| | ===== | ===== |

Dubai Investments PJSC and its subsidiaries

Notes (continued)

14. Financial investments (continued)

Geographical distribution of investments:

| | 2016 AED'000 | 2015 AED'000 |
|---------------------|------------------|-----------------|
| UAE | 828,942 | 818,719 |
| Other GCC countries | 412,045 | 468,634 |
| Other countries | 601,817 | 788,334 |
| | ----- | ----- |
| (i) + (ii) | 1,842,804 | 2,075,687 |
| | ===== | ===== |

Investments in unquoted equity securities, funds and bonds with a fair value of AED 542.8 million (2015: AED 745 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 the Dubai Financial Market (DFM), Nasdaq Dubai, Abu Dhabi Securities Market (ADSM), Saudi Stock Exchange (Tadawul) and Khartoum Stock Exchange (Sudan). For such investments classified as at fair value through profit or loss, a 10 % increase/(decrease) in all of these stock exchanges at the reporting date would have increased profit/(decreased profit) by AED 15.67 million (2015: AED 43.74 million).

(a) Investments at fair value through other comprehensive income

The major investments under this category are:

Thuraya Satellite Telecommunications Company (Thuraya) (unquoted equity security):

The Company was a founder shareholder in this project and holds 5.39% of the equity of Thuraya.

First Energy Bank (unquoted equity security):

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.

Takaful Re Limited (unquoted equity security):

The Company holds 10% interest in Takaful Re Limited, an Islamic Re-insurance Company promoted by ARIG.

(b) Investments at fair value through profit or loss

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

Bonds and managed funds:

The Company has invested USD 209.9 million (2015: USD 260.3 million) in diversified fixed income bonds portfolio and USD 26.0 million (2015: USD 21.4 million) in managed equity funds by utilizing related leverage facility of USD 147.7 million (2015: USD 202.7 million). Most of these bonds have counterparty credit rating of investment grade and the portfolio has an average maturity of 2 years.

Energy City Navi Mumbai Investment Company:

The Group holds investment in Energy City Navi Mumbai Investment Company, which is registered in Cayman Islands with its head office in India. The company is established for developing commercial buildings and residential accommodations.

Tunisia Bay Investment Company:

The Company holds investment in Tunis Bay Investment Company, registered in Cayman Islands. The company is established for development of a financial harbour in Tunis Bay, comprising commercial, residential, tourism, medical, educational and leisure components.

Others:

The Group holds 15% stake in a company incorporated and registered in Kingdom of Saudi Arabia. The principal activities of the investee is specialized electromechanical contracting.

Dubai Investments PJSC and its subsidiaries

Notes (continued)

14. Financial investments (continued)

(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, sukuk 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 funds are classified in this category. Generally, a change in underlying comparative data used for estimating fair value is accompanied by change in the fair value.

The Group has reviewed the fair value of investments classified as fair value through profit or loss and accordingly, a gain of AED 19.98 million has been recorded in profit or loss during the current year (2015: loss of AED 81.99 million).

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 69.44 million has been recorded in other comprehensive income during the current year (2015: loss of AED 51.10 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:

| <i>31 December 2016</i> | Level 1 AED'000 | Level 2 AED'000 | Level 3 AED'000 | Total AED'000 |
|---|------------------------------------|------------------------------------|------------------------------------|--------------------------------------|
| Financial assets at fair value through profit or loss | 417,087 | 871,369 | 308,076 | 1,596,532 |
| Financial assets at fair value through other comprehensive income | 663 | - | 245,609 | 246,272 |
| | ----- 417,750 ===== | ----- 871,369 ===== | ----- 553,685 ===== | ----- 1,842,804 ===== |

Dubai Investments PJSC and its subsidiaries

Notes (continued)

14. Financial investments (continued)

(c) Measurement of fair values (continued)

| 31 December 2015 | Level 1 AED'000 | Level 2 AED'000 | Level 3 AED'000 | Total AED'000 |
|---|--------------------|--------------------|--------------------|------------------|
| Financial assets at fair value through profit or loss | 379,447 | 1,051,775 | 257,065 | 1,688,287 |
| Financial assets at fair value through other comprehensive income | 11,310 | - | 376,090 | 387,400 |
| | ----- | ----- | ----- | ----- |
| | 390,757 | 1,051,775 | 633,155 | 2,075,687 |
| | ===== | ===== | ===== | ===== |

There were no transfers between Level 1, 2 and 3 during the current year as well as in the previous year.

Reconciliation of Level 3 fair values measurements of investments

| | 2016 AED'000 | 2015 AED'000 |
|--|-----------------|-----------------|
| As at 1 January | 633,155 | 542,553 |
| Additions upon acquisition of a subsidiary | - | 75,276 |
| Purchased during the year | 60,619 | 103,684 |
| Redeemed/ sold during the year | (68,386) | (38,305) |
| Transfer out of Level 3 on acquisition of a subsidiary | - | (2,320) |
| Loss recorded in OCI | | |
| - Net change in fair value (unrealized) | (69,442) | (51,098) |
| Loss/gain recorded in profit or loss | | |
| - Net change in fair value (unrealized) | (2,261) | 3,365 |
| | ----- | ----- |
| As at 31 December | 553,685 | 633,155 |
| | ===== | ===== |

Sensitivity analysis

Since the valuation of Level 3 investments is based on various unobservable inputs, the potential impact on the valuation due to effects of changes in these inputs cannot be estimated with precision.

Dubai Investments PJSC and its subsidiaries

Notes (continued)

15. Investment in equity accounted investees

| | 2016 AED'000 | 2015 AED'000 |
|--|------------------|------------------|
| Investment in joint ventures (refer (i) below) | 391,877 | 619,532 |
| Investment in associates (refer (ii) below) | 272,374 | 255,177 |
| | ----- | ----- |
| Total investment in equity accounted investees | 664,251 ===== | 874,709 ===== |

(i) Joint ventures

The following are the investments in joint ventures held by the Group as at 31 December 2016:

Emirates District Cooling LLC (Emicool)

Emicool is a joint venture between the Company and Union Properties PJSC. The principal activity of this entity is to distribute and sell chilled water for use in district cooling systems. The Company owns 50% equity in this entity.

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.

Dubai International Driving Center LLC

This is a limited liability company registered in the UAE, the principal activities of the entity are to impart, train and teach driving skills and to provide services of auto general repairing, vehicle maintenance and related services. The Group effectively owns 37.8% equity in this entity.

Masharie Al Arif Real Estate Development Company LLC

This is a limited liability company registered in the UAE, the principal activities of the entity is real estate development. The Group effectively owns 37.8% 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 the plot of land located in Dubai Investments Park. Also refer note 19.

During the year, the Company acquired additional 20% stake in its existing joint venture namely Properties Investment LLC (PI). Upon acquisition of additional interest, PI has become a subsidiary of the Group (refer note 39b).

Dubai Investments PJSC and its subsidiaries

Notes (continued)

15. Investment in equity accounted investees (continued)

(i) Joint ventures (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.

| | 2016 AED'000 | 2015 AED'000 |
|--|-----------------|-----------------|
| Non-current assets | 1,640,694 | 2,171,899 |
| Current assets | 379,724 | 357,468 |
| Non-current liabilities | (937,774) | (949,786) |
| Current liabilities | (323,440) | (365,068) |
| | ----- | ----- |
| Net assets (100%) | 759,204 | 1,214,513 |
| | ----- | ----- |
| Group's share of net assets | 379,602 | 607,257 |
| Goodwill | 12,275 | 12,275 |
| | ----- | ----- |
| Carrying amount of interest in joint ventures | 391,877 | 619,532 |
| | ===== | ===== |
| Income | 440,562 | 482,304 |
| Expenses | (361,288) | (352,546) |
| | ----- | ----- |
| Profit for the year (100%) | 79,274 | 129,758 |
| | ----- | ----- |
| Group's share of profit | 39,637 | 64,879 |
| Group's share of other comprehensive income | - | - |
| | ----- | ----- |
| Group's share of total comprehensive income | 39,637 | 64,879 |
| | ===== | ===== |
| Dividends received by the Group | 20,000 | 35,000 |
| | ===== | ===== |

During the previous year a joint venture recorded a fair valuation gain on its investment properties amounting to AED 39.7 million. During the year, upon acquisition of additional interest, the joint venture has become a subsidiary of the Company (refer note 39b).

(ii) Associates

The following are the investment in associates held by the Group as at 31 December 2016:

| Associate | 2016 % | 2015 % |
|--|-----------|-----------|
| Globalpharma LLC | 34 | 34 |
| Emirates Aluminium Rolling ("Emiroll") LLC | 30 | 30 |
| KCH Healthcare LLC | 26.75 | 26.75 |
| Mojavi 4 Limited (*) | 40 | 40 |
| Mojavi 9 Limited (*) | 55 | 55 |
| Mojavi 10 Limited (*) | 36 | 36 |
| Mojavi 11 Limited (*) | 55 | 55 |
| Mojavi 12 Limited (*) | 55 | 55 |
| Mojavi 13 Limited (*) | - | 55 |
| Mojavi 15 Limited (*) | 55 | 55 |
| Mojavi 20 Limited (*) | 25 | 25 |
| Al Mal MENA Income Fund | 19 | 19 |

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

Dubai Investments PJSC and its subsidiaries

Notes (continued)

15. Investment in equity accounted investees' (continued)

(ii) Associates (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 2016.

| | 2016 AED'000 | 2015 AED'000 |
|---|-----------------|-----------------|
| Total assets | 396,015 | 328,799 |
| Total liabilities | (107,363) | (68,113) |
| | ----- | ----- |
| Net assets (100%) | 288,652 | 260,686 |
| | ----- | ----- |
| Group's share of net assets | 96,626 | 79,429 |
| Fair value adjustment of retained interest upon initial recognition | 175,748 | 175,748 |
| | ----- | ----- |
| Carrying amount of interest in associates | 272,374 | 255,177 |
| | ===== | ===== |
| Income | 128,155 | 110,438 |
| Expenses | (164,094) | (125,348) |
| | ----- | ----- |
| Loss for the year (100%) | (35,939) | (14,910) |
| | ----- | ----- |
| Group's share of loss | (9,334) | (5,047) |
| Group's share of other comprehensive income | - | - |
| | ----- | ----- |
| Group's share of total comprehensive income | (9,334) | (5,047) |
| | ===== | ===== |

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

| | 2016 AED'000 | 2015 AED'000 |
|---|-----------------|-----------------|
| At 1 January | 874,709 | 935,110 |
| Group's share of profit for the year | 30,303 | 59,832 |
| Dividends received during the year | (20,000) | (35,000) |
| On acquisition of controlling interest in an equity accounted investee (refer note 39b) | (239,769) | (137,612) |
| On acquisition of a subsidiary | - | 36,329 |
| Investments made during the year | 19,008 | 16,050 |
| | ----- | ----- |
| At 31 December | 664,251 | 874,709 |
| | ===== | ===== |

Dubai Investments PJSC and its subsidiaries

Notes (continued)

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:

| | 2016 AED'000 | 2015 AED'000 |
|---|-------------------------------|-----------------|
| Gross investment | 17,461 | 159,169 |
| Unearned finance income | (1,510) | (13,247) |
| | ----- | ----- |
| Net investment | 15,951 | 145,922 |
| Less: amount due in less than one year classified under other receivables (refer note 20) | (9,073) | (16,903) |
| | ----- | ----- |
| Non-current portion | 6,878 | 129,019 |
| | ===== | ===== |

The finance leases receivable by the Group are as follows:

| | Minimum lease payments 2016 AED'000 | | | Minimum lease payments 2015 AED'000 | | |
|----------------------------|--|---|---------------------------------|--|---------------------------|--|
| | Interest 2016 AED'000 | Principal 2016 AED'000 | Interest 2015 AED'000 | Interest 2015 AED'000 | Principal 2015 AED'000 | |
| Less than one year | 1,122 | 9,073 | 553 | 17,456 | 16,903 | |
| Between one and five years | 388 | 6,878 | 12,694 | 141,713 | 129,019 | |
| | ----- | ----- | ----- | ----- | ----- | |
| | 1,510 | 15,951 | 13,247 | 159,169 | 145,922 | |
| | ===== | ===== | ===== | ===== | ===== | |

The Group's interest in finance leases represents 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.

Included in the non-current portion of the finance lease receivable is an amount of AED Nil receivable from a related party (2015: AED 122 million). Refer note 39b.

Dubai Investments PJSC and its subsidiaries

Notes (continued)

18. Inventories

| | 2016 AED'000 | 2015 AED'000 |
|--|-----------------|-----------------|
| Raw materials, work-in-progress and spares (net of provision for old and slow moving inventories) | 164,536 | 176,374 |
| Finished goods | 46,941 | 59,799 |
| Goods in transit | 145 | 3,396 |
| Properties under development/ held for sale (net of provision for write down to net realizable value) | 2,008,217 | 1,967,112 |
| | ----- | ----- |
| | 2,219,839 | 2,206,681 |
| Less: properties under development for sale classified as non-current (net of provision for write down to net realizable value) | (1,603,905) | (1,457,540) |
| | ----- | ----- |
| | 615,934 | 749,141 |
| | ===== | ===== |
| Inventories carried at net realizable value | 91,236 | 91,236 |
| | ===== | ===== |

As at 31 December 2016, the Group is carrying a provision of AED 16 million (2015: AED 16 million) against properties under development for sale. In the previous year, the management based on a review of the net realizable value of properties under development for sale had reversed a provision of AED 178 million created in the earlier years.

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 completion/future development plans.

Net realizable values for properties under development for sale have been estimated by an independent registered valuers in accordance with the RICS Appraisal and Valuation Manual issued by the Royal Institute of Chartered Surveyors using combination of market valuation and residual value approach. Net realizable value estimates are subjective in nature and involve uncertainties and matters of significant judgment and therefore, cannot be determined with precision.

Borrowing costs capitalized on properties under development for sale amounted to AED 27.4 million for the year ended 31st December 2016 (2015: AED 19.6 million).

Inventories amounting to AED 776 million (2015: AED 434 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 of use of properties from sale to leases to third parties, have reclassified inventories with a carrying value of AED 499.2 million (2015: AED 71.2 million) to investment properties (refer note 12).

19. Trade receivables

Trade receivables are stated net of provision for doubtful debts amounting to AED 96.96 million (2015: AED 96.58 million). Trade receivables that are expected to be realized after twelve months from the reporting date have been classified as non-current.

Trade receivables as at 31 December 2016 includes an amount of AED 222 million (2015: AED 222 million) representing balance of the consideration receivable in respect of the sale by Dubai Investments Park Development Company LLC ("the subsidiary") to a customer ("the customer") for a 90 year usufruct right in a plot of land located in Dubai Investments Park. The subsidiary initiated legal proceedings against the customer to recover the outstanding balance and the Dubai Court of First Instance had issued a judgment in subsidiary's favor. The customer filed an appeal with the Dubai Court of Appeal.

Dubai Investments PJSC and its subsidiaries

Notes (continued)

19. Trade receivables (continued)

The Company and the customer has agreed an out-of-court settlement and established a joint venture entity namely Palisades Development Company LLC (refer note 15) for the purposes of management and administration of a project being undertaken on the subject land. The joint venture is being managed by the Company and it has been agreed that the outstanding receivables will be settled through cash flows generated from the sale of the project.

Accordingly, legal proceedings have been adjourned. Also refer note 35.

Trade receivables amounting to AED 93 million are assigned against the facilities availed from banks as at 31 December 2016 (2015: AED 59 million).

20. Due from related parties and other receivables

| | 2016 AED'000 | 2015 AED'000 |
|---|-----------------|-----------------|
| <i>Non - current</i> | | |
| Capital advance | 25,029 | 25,696 |
| Other receivables | 16,722 | 59,213 |
| | ----- | ----- |
| | 41,751 | 84,909 |
| | ===== | ===== |
| <i>Current</i> | | |
| Other receivables and prepayments (refer (i) below) | 303,636 | 326,305 |
| Current portion of net investment in finance leases (refer note 17) | 9,073 | 16,903 |
| Due from related parties | 47,907 | 21,380 |
| Due from customers for contract work (refer (ii) below) | 144,519 | 120,567 |
| | ----- | ----- |
| | 505,135 | 485,155 |
| | ===== | ===== |

(i) Other receivables include retention receivables amounting to AED 55.8 million (2015: AED 91.8 million), receivable from customers for use of margin facilities amounting to AED 58.0 million (2015: AED 21.1 million) and receivable from Dubai Electricity and Water Authority of AED Nil (2015: AED 42.5 million) for sub-stations constructed on its behalf in Dubai Investments Park. Other receivables that are expected to be realized after twelve months from the reporting date have been classified as non-current.

(ii) Movement in construction work-in-progress is as follows:

| | 2016 AED'000 | 2015 AED'000 |
|---|-----------------|-----------------|
| Contract costs incurred | 654,516 | 615,053 |
| Recognized profits less recognized losses | 49,026 | 44,043 |
| | ----- | ----- |
| | 703,542 | 659,096 |
| Progress billings | (559,023) | (538,529) |
| | ----- | ----- |
| | 144,519 | 120,567 |
| | ===== | ===== |

Dubai Investments PJSC and its subsidiaries

Notes (continued)

21. Cash at bank and in hand

| | 2016 AED'000 | 2015 AED'000 |
|---|------------------|------------------|
| Cash in hand | 1,638 | 1,517 |
| Cash at bank within UAE (current accounts) | 441,289 | 396,269 |
| Cash at bank outside UAE – GCC Countries (current accounts) | 35,155 | 24,505 |
| Cash at bank outside UAE – Other countries (current accounts) | 49,663 | 60,722 |
| Short term deposits within UAE (including deposits of AED 8.89 million (2015: AED 20.11 million) under lien with banks) | 804,252 | 1,017,842 |
| | <u>1,331,997</u> | <u>1,500,855</u> |

22. Long-term bank borrowings

The terms of the bank borrowings vary from three to nine years. These are secured by a combination of the Company's corporate guarantee, mortgages over certain inventories, trade receivables, property, plant and equipment, assignment of insurance policies over assets of the Group and lien on bank deposits. The interest rate of majority of the bank borrowings range between 2.25% to 2.75% over EIBOR p.a.. Where there is a corporate guarantee, the Company's liability is generally restricted to its percentage of equity interest in the borrowing entity.

23. Sukuk notes

| | 2016 AED'000 | 2015 AED'000 |
|---|------------------|------------------|
| Sukuk notes (300,000 notes of USD 1,000 each) | <u>1,101,600</u> | <u>1,101,600</u> |

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.

Dubai Investments PJSC and its subsidiaries

Notes (continued)

24. Bank borrowings

| | 2016 AED'000 | 2015 AED'000 |
|--|------------------|-----------------|
| Bank overdraft, trust receipt loans and bills discounted | 376,574 | 302,255 |
| Short term loans | 722,752 | 826,549 |
| Current portion of long term bank borrowings | 83,498 | 94,054 |
| | ----- | ----- |
| | 1,182,824 | 1,222,858 |
| | ===== | ===== |

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

Short term loans amounting to AED 626.5 million (2015: AED 826.6 million) have been obtained for investments in bonds, funds and structured products and are secured against pledge of those investments in favor of banks (refer note 14).

25. Trade and other payables

| | 2016 AED'000 | 2015 AED'000 |
|---|------------------|-----------------|
| Non-current | | |
| Other payables | 77,819 | 54,680 |
| | ===== | ===== |
| <i>Current</i> | | |
| Trade payables | 372,315 | 351,077 |
| Payable to Government of Dubai for their share of realized profit of a subsidiary (refer note 12) | 114,514 | 95,458 |
| Unearned rent (refer note 12) | 155,826 | 135,592 |
| Advances received from customers / due to customers | 165,129 | 121,950 |
| Other payables and accrued expenses | 483,834 | 541,366 |
| | ----- | ----- |
| | 1,291,618 | 1,245,443 |
| | ===== | ===== |

Dubai Investments PJSC and its subsidiaries

Notes (continued)

26. Share capital and share premium

| | 2016 AED'000 | 2015 AED'000 |
|---|--------------------|--------------------|
| Authorized: | | |
| 8,000 million shares of AED 1 each (2015: 4,049.5 million shares of AED 1 each) | 8,000,000 ===== | 4,049,541 ===== |
| Issued and paid up: | | |
| 4,049.5 million shares of AED 1 each (2015: 4,049.5 million shares of AED 1 each) | 4,049,541 ===== | 4,049,541 ===== |

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 and Article 103 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

The Group had purchased a plot of land costing AED 5 million in 1996. In 1997, the Government of Dubai gifted another plot of land adjacent to the existing land to the Group, which was accounted for at a nominal value by the Group. These plots of land were earlier revalued by a professional firm of independent property valuers and a revaluation surplus of AED 45 million was credited to non-distributable revaluation reserve. During the year, the Group reached an agreement with related authorities to relocate the operations of Marmum Dairy Farm LLC and its distribution arm United Sales Partners LLC and return the plots of land (refer note 10). Accordingly, the related revaluation reserve amounting to AED 45 million has been credited directly to retained earnings.

In prior years, a plot of land was granted to the Company by the Government of Dubai (refer note 12(b)) 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.

Dubai Investments PJSC and its subsidiaries

Notes (continued)

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.

31. Proposed dividend/bonus

For the year 2016, the Board of Directors have proposed a cash dividend of 10 % and issue of 6% bonus shares (2015: 12% cash dividend) to the shareholders of the Company.

32. Proposed directors' fee

Proposed directors' fees amounting to AED 10 million (2015: AED 8 million), represents compensation for professional services rendered by the Directors.

33. Basic earnings per share

The calculation of basic 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:

| | 2016 | 2015 |
|---|-----------|-----------|
| Net profit attributable to Owners of the Company (AED '000) | 1,218,324 | 1,109,836 |
| Weighted average number of shares outstanding ('000s) | 4,049,541 | 4,049,541 |
| | ===== | ===== |
| Basic earnings per share (AED) | 0.30 | 0.27 |
| | === | === |

34. Commitments

| | 2016 | 2015 |
|--|-----------|---------|
| | AED'000 | AED'000 |
| Capital commitments – contracted and committed | 1,968,240 | 31,000 |
| | ===== | ===== |

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 amounts to AED 363.5 million which will be invoiced and paid over the next 13 years.

35. Contingent liabilities

The Company has issued corporate guarantee to commercial bank for credit facilities granted to a joint venture amounting to AED Nil (31 December 2015: AED 252.50 million).

With reference to the legal proceedings initiated by the subsidiary against a customer as mentioned in Note 19, the customer filed an application to the Dubai Court of First Instance alleging that the subsidiary has breached its contractual obligations under the agreement and as a result of which it had suffered substantial losses, being significantly in excess of the purchase price for the usufruct right in the land. The subsidiary also separately made a counter-claim against the customer for damages suffered as a result of alleged breaches by the customer of its obligations under the relevant agreement.

The Company and the customer has agreed an out-of-court settlement and established a joint venture entity namely Palisades Development Company LLC (refer note 15) for the purposes of management and administration of a project being undertaken on the subject land. The joint venture is being managed by the Company and it has been agreed that the outstanding receivables will be settled through cash flows generated from the sale of the project.

Accordingly, legal proceedings have been adjourned. Also refer note 19.

Dubai Investments PJSC and its subsidiaries

Notes (continued)

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:

| | 2016 | 2015 |
|---------------------------|------------------|-----------|
| | AED'000 | AED'000 |
| Less than one year | 451,348 | 421,715 |
| Between one to five years | 1,793,597 | 1,687,522 |
| More than five years | 2,254,686 | 2,202,279 |
| | ----- | ----- |
| | 4,499,631 | 4,311,516 |
| | ===== | ===== |

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:

| | 2016 | 2015 |
|--|----------------|---------|
| | AED'000 | AED'000 |
| Land and other lease charges | 6,590 | 14,447 |
| Sale of property, plant and equipment | - | 14,000 |
| | ===== | ===== |
| Compensation to key management personnel, including directors is as follows: | | |
| Short-term benefits (including proposed Directors' fees) | 26,400 | 23,582 |
| Post-employment benefits | 409 | 353 |
| | ===== | ===== |

38. Non-controlling interests

The Group does not have any individually material non-controlling interests in any of its subsidiaries as at 31 December 2016. Also refer note 39(a).

Dubai Investments PJSC and its subsidiaries

Notes (continued)

39. Investment in subsidiaries

a) Subsidiaries

The following are the investments in subsidiaries held by the Company as at 31 December 2016:

| Entity | Incorporated in | Ownership % |
|--|-----------------|-------------|
| Dubai Investments Park Development Co. LLC | UAE | 100 |
| Dubai Investment Real Estate Company LLC | 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 (refer note (vi) below) | UAE | 64.76 |
| Properties Investment LLC (refer note (b) below) | UAE | 70 |

(i) Dubai Investment Real Estate Company 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 2016:

| | | |
|---|-----|-----|
| 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 |
| Gaussin Middle East LLC | UAE | 51 |
| Techsource LLC | UAE | 100 |
| DIID Management DMCC | UAE | 90 |

(iii) The following are the investments in subsidiaries held by Glass LLC as at 31 December 2016:

| | | |
|--|-----|-------|
| Emirates Glass LLC | UAE | 100 |
| Lumi Glass Industries LLC | UAE | 76.5 |
| Emirates Float Glass LLC (refer note 42) | UAE | 87.43 |
| 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 2016:

| | | |
|--|-----|-----|
| Emirates Extrusion Factory LLC | UAE | 100 |
| Gulf Dynamic Switchgears Company LLC | UAE | 100 |
| Gulf Metal Craft LLC | UAE | 100 |
| Emirates Thermostone Factory LLC | UAE | 100 |
| Folcra Beach Industrial Co LLC | UAE | 80 |
| Gulf Dynamic Services LLC | UAE | 70 |
| Labtech Interiors LLC | UAE | 70 |
| Technological Laboratory Furniture - Manufacturers (Labtech) LLC | UAE | 70 |
| National Insulated Blocks Industry (Insulite) LLC | UAE | 52 |
| White Aluminum Extrusion LLC | UAE | 51 |
| Integrated Commercial Investments LLC | UAE | 55 |
| Lite Tech Industries LLC | UAE | 54 |
| IntlSys LLC | UAE | 100 |

Dubai Investments PJSC and its subsidiaries

Notes (continued)

39. Investments in subsidiaries (continued)

a) Subsidiaries (continued)

- (v) The following are the investments in subsidiaries held by Al Mal Capital PSC as at 31 December 2016:

| Entity | Incorporated in | Ownership % |
|-----------------------------------|-----------------|-------------|
| Al Mal Real Estate Fund | UAE | 64 |
| Al Mal MENA Equity Fund | Bahrain | 70 |
| Al Mal Capital Partners Fund | UAE | 32 |
| Al Fares Private Equity Fund | UAE | 31 |
| Al Mal Direct Equity 1 Ltd. | UAE | 100 |
| Al Mal Special Opportunity I Ltd. | UAE | 100 |
| Al Mal Capital (Mauritius) Ltd. | Mauritius | 100 |
| Blue Line India Opportunities | Mauritius | 100 |
| Pearl India Opportunities | Mauritius | 100 |
| Index Global | Cayman Islands | 100 |
| Al Mal Capital / Falcon One | Cayman Islands | 100 |
| Saqer Investments Limited | Cayman Islands | 100 |
| Emerging Equity Ventures | 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 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.

- (vi) During the current year, the Company acquired additional 3.90% stake in its existing subsidiary Al Mal Capital PSC. Post-acquisition of additional interest, the Company's shareholding in Al Mal Capital PSC has increased to 64.76%. Also refer note 42.
- (vii) During the current year, the Company acquired additional 3.58% stake in its existing subsidiary Masharie LLC from another subsidiary of the Group. Post-acquisition of additional interest, the Group's effective shareholding in this subsidiary has increased from 73.65% to 75.63%.

Dubai Investments PJSC and its subsidiaries

Notes (continued)

39. Investments in subsidiaries (continued)

b) Acquisition of a subsidiary

With effect from 12 April 2016, the Group acquired additional 20% interest in its existing jointly controlled entity, Properties Investments LLC (PI) from the joint venture partner. Upon acquisition of additional interest, PI has become a subsidiary of the Group and hence the investment in equity accounted investee has been derecognized and has been consolidated on a line by line basis. The acquisition had the following effect on the consolidated financial statements on the date of acquisition:

| | |
|---|-----------------------------------|
| Entity acquired | Properties Investments LLC |
| % interest acquired | 20% |
| Fair value of assets and liabilities acquired: | AED'000 |
| Non-current assets | 601,341 |
| Current assets | 147,305 |
| Non-current liabilities | (74,998) |
| Current liabilities | (180,729) |
| | ----- |
| Fair value of net assets acquired | 492,919 |
| | ===== |
| Purchase consideration – (A) | 98,000 |
| Add: carrying value of existing interest | 239,769 |
| | ----- |
| Total consideration | 337,769 |
| Less: Group's share in the fair value of net assets acquired | (345,044) |
| | ----- |
| Gain on fair valuation of existing interest prior to acquisition (included in other income) | 7,275 |
| | ===== |
| Cash acquired (B) | 32,795 |
| | ----- |
| Net cash outflow (A) – (B) | (65,205) |
| | ===== |

For the period from the date of acquisition to 31 December 2016, PI contributed revenue of AED 41.3 million and a profit of AED 38.1 million to the Group's results. If the acquisition had occurred on 1st January 2016, management estimates that consolidated revenue would have been higher by AED 7.8 million and consolidated profit for the year would have been lower by AED 0.3 million.

Combination of valuation techniques depending upon the nature of the asset were used for measuring the fair values of significant assets acquired. These included: comparable market values, discounted cash flows and income capitalization, whichever, relevant.

Dubai Investments PJSC and its subsidiaries

Notes (continued)

39. Investments in subsidiaries (continued)

c) Disposal of subsidiaries

During the current year, the Group reached an agreement with related authorities to relocate the operations of Marmum Dairy Farm LLC and its distribution arm United Sales Partners LLC ("the Subsidiaries") within an agreed timeframe and return the plot of land. Accordingly, the authorities agreed to a compensation comprising value of land, plant and equipment and loss of profits. The compensation amount has been settled by transfer of a land of equivalent value which has been recorded under investment properties. Furthermore, on 21 November 2016, the Group disposed 100% shareholding of the Subsidiaries with the underlying assets and liabilities.

Disposal of the Subsidiaries had the following effect on the Group's assets and liabilities at the date of disposal.

| | 2016 |
|--|------------------|
| | AED'000 |
| Non-current assets (including the plot of land) | 94,275 |
| Current assets | 45,690 |
| | ----- |
| Total assets | 139,965 |
| Less: current liabilities | (35,716) |
| Less: non-current liabilities | (295) |
| | ----- |
| Net assets at the date of disposal | 103,954 |
| | ----- |
| Consideration agreed for sale of 100% shareholding of the Subsidiaries | 54,286 |
| Compensation by related authorities | 236,632 |
| Less: net assets disposed | (103,954) |
| Less: estimated expenses on disposal | (332) |
| | ----- |
| Gain on disposal of subsidiaries | 186,632 |
| | ===== |

Dubai Investments PJSC and its subsidiaries

Notes (continued)

40. 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:

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.

Valuation of real estate inventories (properties held for sale and properties under development 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. A significant portion of the Group's inventories comprise property under development for sale. For the properties under development for sale, net realizable values have been estimated by an independent registered valuer in accordance with the RICS Appraisal and Valuation Manual issued by the Royal Institute of Chartered Surveyors using combination of market valuation and residual value approach. Net realizable value estimates are subjective in nature and involve uncertainties and matters of significant judgment and therefore, cannot be determined with precision.

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 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.

Contract revenue

Revenue from contracts is recognized in profit or loss when the outcome of the contract can be reliably estimated. The measurement of contract revenue is affected by a variety of uncertainties that depend on the outcome of future events. The estimates often need to be revised as events occur and uncertainties are resolved. Therefore, the amount of contract revenue may increase or decrease from period to period.

Contingency provisions in project accruals

In order to recognize cost of properties sold, management needs to make an estimate of the total cost of the project considering the fact that all the project accounts may not be finalized as at the reporting date. These contingency provisions are initially made as a percentage of the total anticipated project cost and later adjusted based on judgment as the project progresses.

Other estimates and judgments

Management of the Group exercises significant judgment in estimating the recoverability of trade and other receivables.

Also refer note 14c for measurement of fair values of Level 3 financial investments and note 39a (v) for de-facto control over subsidiaries.

It is reasonably possible based on existing knowledge that the current assessment and judgments used by management as discussed above, could be subject to material adjustment in the next financial year due to changes in estimates and assumptions underlying such assessments. Should these estimates and underlying assumptions vary, statement of profit or loss and statement of financial position in the following years could be significantly impacted.

Dubai Investments PJSC and its subsidiaries

Notes (continued)

41. 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:

| | 2016 | 2015 |
|---|------------------|-----------|
| | AED'000 | AED'000 |
| Investments in bonds, sukuks and structured funds | 788,791 | 956,229 |
| Rent receivable | 44,093 | 48,878 |
| Finance lease receivable | 6,878 | 129,019 |
| Trade receivables (net) | 1,306,295 | 1,388,443 |
| Due from related parties and other receivables | 407,198 | 495,136 |
| Cash at bank | 1,330,359 | 1,499,338 |
| | ----- | ----- |
| Carrying amount | 3,883,614 | 4,517,043 |
| | ===== | ===== |

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

| | 2016 | 2015 |
|---------------------|------------------|-----------|
| | AED'000 | AED'000 |
| Domestic | 1,132,978 | 1,409,198 |
| Other GCC countries | 146,369 | 77,339 |
| Other regions | 33,826 | 30,925 |
| | ----- | ----- |
| | 1,313,173 | 1,517,462 |
| | ===== | ===== |

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

| | 2016 | 2015 |
|-------------|------------------|-----------|
| | AED'000 | AED'000 |
| Contracting | 477,292 | 502,184 |
| Real estate | 412,089 | 503,621 |
| Others | 423,792 | 511,657 |
| | ----- | ----- |
| | 1,313,173 | 1,517,462 |
| | ===== | ===== |

The age of trade receivables at the reporting date was:

| | 2016 | 2016 | 2015 | 2015 |
|---------------------|------------------|-------------------|-----------|------------|
| | Gross | Impairment | Gross | Impairment |
| | AED'000 | AED'000 | AED'000 | AED'000 |
| Current 0 - 30 days | 263,061 | (248) | 238,640 | - |
| 31 - 90 days | 158,654 | - | 258,406 | - |
| 91 - 180 days | 123,370 | - | 138,526 | (155) |
| 180 - 365 days | 138,939 | (282) | 146,606 | (2,803) |
| More than one year | 719,233 | (96,432) | 702,842 | (93,619) |
| | ----- | ----- | ----- | ----- |
| | 1,403,257 | (96,962) | 1,485,020 | (96,577) |
| | ===== | ===== | ===== | ===== |

Dubai Investments PJSC and its subsidiaries

Notes (continued)

41. Financial instruments (continued)

Credit risk (continued)

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

| | 2016 AED'000 | 2015 AED'000 |
|-------------------------------|-----------------|-----------------|
| Balance at 1 January | 96,577 | 87,388 |
| Impairment loss recognized | 10,497 | 17,781 |
| Reversal of impairment loss | (10,112) | (8,592) |
| Balance at 31 December | 96,962 | 96,577 |

The allowance account in respect of trade receivables is used to record impairment losses unless the Group is satisfied that no recovery of the amount owing is possible; at that point the amount considered irrecoverable is written off.

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.

Cash is placed with local and international banks of good repute.

Liquidity risk

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

31 December 2016

| <i>In AED '000</i> | Carrying amount | Contractual cash flows | Within 1 year | 1-2 years | 2-5 years | More than 5 years |
|--|--------------------|---------------------------|--------------------|------------------|--------------------|----------------------|
| <i>Non-derivative financial liabilities</i> | | | | | | |
| Loans and borrowings (including sukuk notes) | 2,806,502 | (2,996,445) | (1,244,150) | (142,038) | (1,244,263) | (365,994) |
| Trade and other payables | 970,663 | (970,663) | (970,663) | - | - | - |
| Other long term liabilities | 61,348 | (61,348) | (12,876) | (18,480) | (1,587) | (28,405) |
| | 3,838,513 | (4,028,456) | (2,227,689) | (160,518) | (1,245,850) | (394,399) |

31 December 2015

| <i>In AED '000</i> | Carrying amount | Contractual cash flows | Within 1 year | 1-2 years | 2-5 years | More than 5 years |
|--|--------------------|---------------------------|--------------------|------------------|--------------------|----------------------|
| <i>Non-derivative financial liabilities</i> | | | | | | |
| Loans and borrowings (including sukuk notes) | 2,754,624 | (3,061,981) | (1,302,966) | (161,750) | (1,382,666) | (214,599) |
| Trade and other payables | 1,060,211 | (1,060,211) | (1,060,211) | - | - | - |
| Other long term liabilities | 54,680 | (55,058) | (11,434) | (12,276) | (16,084) | (15,264) |
| | 3,869,515 | (4,177,250) | (2,374,611) | (174,026) | (1,398,750) | (229,863) |

Dubai Investments PJSC and its subsidiaries

Notes (continued)

41. Financial instruments (continued)

Market risk

Currency risk

Exposure to currency risk

The Group's exposure to foreign currency risk is as follows based on notional amounts:

| | 2016 | 2015 |
|-----------------------------|-----------------|----------|
| | Euro'000 | Euro'000 |
| Trade and other receivables | 2,934 | 2,952 |
| Cash at bank | 5 | 61 |
| Trade and other payables | (3,484) | (3,280) |
| | ----- | ----- |
| Gross exposure | (545) | (267) |
| | ----- | ----- |
| Net exposure | (545) | (267) |
| | ===== | ===== |

The following exchange rates were applied during the year:

| | Average rate | | Spot rate | |
|------|---------------------|------|------------------|------|
| | 2016 | 2015 | 2016 | 2015 |
| | AED | AED | AED | AED |
| Euro | 3.93 | 4.22 | 3.86 | 3.99 |
| | ===== | ==== | ===== | ==== |

Sensitivity analysis

A limited fluctuation of AED against Euro at 31 December would not have any material 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:

| | Carrying amount | |
|----------------------------------|------------------------|-------------|
| | 2016 | 2015 |
| | AED'000 | AED'000 |
| Fixed rate instruments | | |
| Financial assets | 1,592,801 | 1,974,071 |
| Financial liabilities | (1,113,444) | (1,117,500) |
| | ===== | ===== |
| Variable rate instruments | | |
| Financial assets | 62,506 | - |
| Financial liabilities | (1,693,058) | (1,637,124) |
| | ===== | ===== |

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 15.92 million (2015: AED 19.74 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.

Dubai Investments PJSC and its subsidiaries

Notes (continued)

41. Financial instruments (continued)

Market risk (continued)

Interest rate risk (continued)

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 2015.

| Effect in AED’000 | Profit or (loss) | |
|-------------------|--------------------|--------------------|
| | 100 bp increase | 100 bp decrease |
| 31 December 2016 | (16,306) | 16,306 |
| 31 December 2015 | (16,371) | 16,371 |
| | ===== | ===== |

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 2016.

42. Subsequent events

Subsequent to the balance sheet date,

- the Group acquired additional 12.57% equity interest in its existing subsidiary Emirates Float Glass LLC. Upon acquisition, Emirates Float Glass LLC has become 100% subsidiary of the Group.
- the Company acquired additional 1.5% equity interest in existing subsidiary Al Mal Capital PSC, increasing its shareholding to 66.26%.

43. 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 required different strategies. The following summary describes the operation in each of the Group’s reportable segments:

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

Information regarding the operations of each segment is included below. Performance is measured based on segment results as management believes that operating results are the most relevant factor in evaluating the segments relative to other entities that operate within these industries. There are few transactions between the segments and any such transaction is priced on arm’s length basis.

43. Segment reporting (continued)

Information about reportable segments

| <i>Business Segments</i> | AED'000 | | | | | | | |
|---|-------------------------------|-------------|------------------|-----------|-------------------|-----------|--------------------|-------------|
| | Manufacturing and contracting | | Investments | | Property | | Total | |
| | 2016 | 2015 | 2016 | 2015 | 2016 | 2015 | 2016 | 2015 |
| Revenue | 1,388,879 | 1,367,636 | 41,657 | (40,805) | 873,369 | 790,405 | 2,303,905 | 2,117,236 |
| Gain on fair valuation of investment properties | - | - | - | - | 560,410 | 559,262 | 560,410 | 559,262 |
| Gain/(loss) on disposal of subsidiaries | 186,632 | (4,833) | - | - | - | - | 186,632 | (4,833) |
| Total income | 1,575,511 | 1,362,803 | 41,657 | (40,805) | 1,433,779 | 1,349,667 | 3,050,947 | 2,671,665 |
| Direct operating costs | (1,145,241) | (1,160,734) | - | - | (293,582) | (40,418) | (1,438,823) | (1,201,152) |
| Administrative and general expenses | (253,539) | (255,840) | (91,962) | (105,451) | (96,086) | (39,446) | (441,587) | (400,737) |
| Finance expenses | (75,157) | (58,658) | (18,487) | (9,518) | (31,891) | (36,587) | (125,535) | (104,763) |
| Finance income and other income | 30,767 | 40,706 | 55,039 | 56,150 | 75,862 | 43,313 | 161,668 | 140,169 |
| Profit for the year | 132,341 | (71,723) | (13,753) | (99,624) | 1,088,082 | 1,276,529 | 1,206,670 | 1,105,182 |
| Profit attributable to: | | | | | | | | |
| Owners of the Company | 166,414 | (42,080) | (14,334) | (124,613) | 1,066,244 | 1,276,529 | 1,218,324 | 1,109,836 |
| Non – controlling interests | (34,073) | (29,643) | 581 | 24,989 | 21,838 | - | (11,654) | (4,654) |
| Profit for the year | 132,341 | (71,723) | (13,753) | (99,624) | 1,088,082 | 1,276,529 | 1,206,670 | 1,105,182 |
| Assets | 3,050,023 | 3,000,778 | 3,001,759 | 3,409,948 | 10,063,034 | 8,843,404 | 16,114,816 | 15,254,130 |
| Liabilities | 1,239,232 | 1,311,570 | 867,883 | 1,059,422 | 2,068,824 | 1,683,755 | 4,175,939 | 4,054,747 |

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