

**Emaar Malls Group PJSC and its  
subsidiaries**  
**(Formerly known as Emaar Malls Group LLC)**  
**CONSOLIDATED FINANCIAL STATEMENTS**  
**31 DECEMBER 2014**

**REVIEW REPORT TO THE SHAREHOLDERS OF  
EMAAR MALLS GROUP PJSC AND ITS SUBSIDIARIES (Formerly known as Emaar Malls  
Group LLC)**

We have reviewed the accompanying consolidated financial statements of Emaar Malls Group PJSC and its subsidiaries (formerly known as Emaar Malls Group LLC), (the “Group”), that comprise the consolidated statement of financial position as at 31 December 2014, and the consolidated income statement, consolidated statement of other comprehensive income, consolidated statement of cash flows and consolidated statement of changes in equity for the year then ended and other explanatory information.

*Management's Responsibility for the Financial Statements*

Management is responsible for the preparation and presentation of these consolidated financial statements. International Standard on Review Engagements (ISRE) 2400 (Revised), Engagements to Review Historical Financial Statements requires us to conclude whether anything has come to our attention that causes us to believe that the financial statements, taken as a whole, are not prepared in all material respects in accordance with international financial reporting standards. This Standard also requires us to comply with relevant ethical requirements.

A review of consolidated financial statements in accordance with ISRE 2400 (Revised) is a limited assurance engagement. The practitioner performs procedures, primarily consisting of making inquiries of management and others within the entity, as appropriate, and applying analytical procedures, and evaluates the evidence obtained.

The procedures performed in a review are substantially less than those performed in an audit conducted in accordance with International Standards on Auditing. Accordingly, we do not express an audit opinion on these consolidated financial statements.

*Basis for Qualified Conclusion*

The Group has not consolidated its investments in operating subsidiaries as at 31 December 2013 or for the years ended 31 December 2014 and 31 December 2013 and instead accounted for them at cost, which is not in compliance with International Financial Reporting Standards (IFRSs), which requires the Group to consolidate all material subsidiaries. Historically, the Group was not required to consolidate its investments in subsidiaries as the Group is a part of a Group that publicly issues consolidated financial statements. As a listed entity, the Group is no longer exempt from this requirement of IFRSs. Had the subsidiaries been consolidated, a number of elements in the consolidated financial statements would have been affected. As disclosed in note 10, the Group’s investments in subsidiaries were transferred to Emaar Properties PJSC (the “Parent Company”) during the year ended 31 December 2014. The consolidated financial statements were prepared without consolidating these subsidiaries as management considered that it is more useful to readers of the consolidated financial statements to see it reflected in a manner consistent with the current and future structure of the Group.



**REVIEW REPORT TO THE SHAREHOLDERS OF  
EMAAR MALLS GROUP PJSC AND ITS SUBSIDIARIES (Formerly known as Emaar Malls  
Group LLC) - continued**

*Qualified Conclusion*

Based on our review, except for the effect of the matter described in the Basis for Qualified conclusion paragraph, nothing has come to our attention that causes us to believe that the accompanying consolidated financial statements are not prepared, in all material respects, in accordance with international financial reporting standards.

A handwritten signature in blue ink that reads 'Ernest + Young'. The signature is stylized and includes a large, sweeping flourish that extends to the right.

Signed by:  
Anthony O'Sullivan  
Partner  
Registration Number 687

25 March 2015

Dubai, United Arab Emirates

Emaar Malls Group PJSC and its subsidiaries  
(Formerly known as Emaar Malls Group LLC)

CONSOLIDATED INCOME STATEMENT

For the period & year ended 31 December 2014

(US \$1.00 = AED 3.673)

		<i>1 October* 2014 to 31 December</i>		
	<i>Notes</i>	<i>2014 AED'000</i>	<i>2014 AED'000</i>	<i>2013 AED'000</i>
<b>REVENUE</b>				
Rental income	4	797,333	2,694,020	2,385,683
Other income		3,025	14,273	9,600
<b>Total revenue</b>		<b>800,358</b>	<b>2,708,293</b>	<b>2,395,283</b>
<b>EXPENSES</b>				
Operating expenses	5	(134,809)	(442,494)	(436,834)
Sales and marketing expenses		(40,499)	(65,539)	(63,752)
Depreciation of property, plant and equipment	8	(19,355)	(74,886)	(57,881)
Depreciation of investment properties	9	(63,568)	(253,994)	(249,130)
General and administrative expenses		(67,937)	(168,085)	(155,378)
Finance costs	6	(61,955)	(352,701)	(332,869)
<b>Total expenses</b>		<b>(388,123)</b>	<b>(1,357,699)</b>	<b>(1,295,844)</b>
<b>PROFIT FOR THE PERIOD/ YEAR</b>	7	<b>412,235</b>	<b>1,350,594</b>	<b>1,099,439</b>
Earnings per share (AED): basic and diluted	18	<b>0.032</b>	<b>0.25</b>	3,664,797

\* The period 1 October 2014 to 31 December 2014 is disclosed to provide additional information on the results post the initial public offering.

The attached notes 1 to 26 form part of these consolidated financial statements.

Emaar Malls Group PJSC and its subsidiaries  
(Formerly known as Emaar Malls Group LLC)

CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME

For the period & year ended 31 December 2014

(US \$1.00 = AED 3.673)

	<i>1 October*</i>		
	<i>2014 to</i>		
	<i>31 December</i>		
	<i>2014</i>	<i>2014</i>	<i>2013</i>
	<i>AED'000</i>	<i>AED'000</i>	<i>AED'000</i>
<b>Profit for the period/ year</b>	412,235	1,350,594	1,099,439
<i>Other comprehensive income to be reclassified to the consolidated income statement in subsequent period/ years:</i>			
Other comprehensive income:			
Net movement on cash flow hedges	(1,816)	31,903	10,234
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD/ YEAR</b>	<b>410,419</b>	<b>1,382,497</b>	<b>1,109,673</b>

\* The period 1 October 2014 to 31 December 2014 is disclosed to provide additional information on the results post the initial public offering.

The attached notes 1 to 26 form part of these consolidated financial statements.

Emaar Malls Group PJSC and its subsidiaries  
(Formerly known as Emaar Malls Group LLC)  
CONSOLIDATED STATEMENT OF FINANCIAL POSITION  
As at 31 December 2014

(US \$1.00 = AED 3.673)

	Notes	2014 AED'000	2013 AED'000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	8	320,779	303,207
Investment properties	9	20,464,639	7,329,802
Investment in subsidiaries	10	-	447
		<u>20,785,418</u>	<u>7,633,456</u>
<b>Current assets</b>			
Inventories		14,415	14,524
Trade receivables	11	106,708	194,312
Advances and prepayments	12	72,325	34,830
Due from related parties	13	215,000	171,854
Bank balances and cash	14	1,363,958	1,362,709
		<u>1,772,406</u>	<u>1,778,229</u>
<b>TOTAL ASSETS</b>		<u><u>22,557,824</u></u>	<u><u>9,411,685</u></u>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Share capital	15	13,014,300	300
Reserves	16	132,250	(34,712)
Retained earnings		654,127	2,993,342
<b>TOTAL EQUITY</b>		<u><u>13,800,677</u></u>	<u><u>2,958,930</u></u>
<b>Non-current liabilities</b>			
Employees' end of service benefits	19	14,757	10,852
Interest bearing loans and borrowings - long term portion	20	4,543,886	3,275,067
Sukuk	21	2,734,008	-
Due to related parties	13	-	1,825,792
Retention payable after 12 months		16,574	-
		<u>7,309,225</u>	<u>5,111,711</u>
<b>Current liabilities</b>			
Due to related parties	13	98,372	-
Interest bearing loans and borrowings - short term portion	20	-	180,000
Accounts payable and accruals	22	362,748	335,605
Advances and security deposits		521,870	448,942
Retentions payable within 12 months		4,130	-
Deferred income		460,802	376,497
		<u>1,447,922</u>	<u>1,341,044</u>
<b>TOTAL LIABILITIES</b>		<u><u>8,757,147</u></u>	<u><u>6,452,755</u></u>
<b>TOTAL EQUITY AND LIABILITIES</b>		<u><u>22,557,824</u></u>	<u><u>9,411,685</u></u>

The consolidated financial statements were authorised for issue on 25 March 2015 by Board of Directors and signed on their behalf by

  
Chairman

  
Director

The attached notes 1 to 26 form part of these consolidated financial statements.

Emaar Malls Group PJSC and its subsidiaries  
(Formerly known as Emaar Malls Group LLC)

CONSOLIDATED STATEMENT OF CASH FLOWS

For the period & year ended 31 December 2014

(US \$1.00 = AED 3.673)

		<i>1 October* 2014 to 31 December 2014</i>		
	<i>Notes</i>	<i>2014 AED'000</i>	<i>2014 AED'000</i>	<i>2013 AED'000</i>
<b>OPERATING ACTIVITIES</b>				
Profit for the period/ year		412,235	1,350,594	1,099,439
Adjustments for:				
Depreciation of property, plant and equipment	8	19,355	74,886	57,881
Depreciation of investment properties	9	63,568	253,994	249,130
(Reversal)/ provision for doubtful debts		7,327	(1,044)	2,357
Provision for employees' end of service benefits	19	880	4,298	3,685
Finance costs		61,955	352,701	332,869
Loss/ (gain) on disposal of property, plant and equipment		5	58	(40)
Liabilities no longer payable	7	-	(45,025)	-
Other income		(3,025)	(14,273)	(9,600)
		<u>562,300</u>	<u>1,976,189</u>	<u>1,735,721</u>
Working capital changes:				
Inventories		313	109	(5,376)
Trade receivables		(26,341)	88,648	41,534
Due from related parties		2,630	(43,110)	(50,545)
Advances and prepayments		14,361	(39,186)	24,999
Due to related parties		105,089	(206,076)	(245,770)
Accounts payable and accruals		(43,826)	104,479	71,101
Advances and security deposits		39,243	72,928	54,064
Retentions payable		4,680	20,704	-
Deferred income		30,566	84,305	5,622
Net cash flows from operations		<u>689,015</u>	<u>2,058,990</u>	<u>1,631,350</u>
Employees' end of service benefits paid	19	(164)	(635)	(830)
Net cash flows from operating activities		<u>688,851</u>	<u>2,058,355</u>	<u>1,630,520</u>
<b>INVESTING ACTIVITIES</b>				
Purchases of property, plant and equipment	8	(17,684)	(94,529)	(159,010)
Amounts incurred on investment properties	9	(86,551)	(375,509)	(105,251)
Interest received		2,558	15,556	6,284
Proceeds from disposal of property, plant and equipment		26	116	1,968
Deposits under lien or maturing after three months		(545,006)	(109,622)	(934,952)
Net cash flows used in investing activities		<u>(646,657)</u>	<u>(563,988)</u>	<u>(1,190,961)</u>
<b>FINANCING ACTIVITIES</b>				
Repayment of parent company loan	13	-	(1,583,493)	(418,480)
Proceeds from interest bearing loans and borrowings	20	-	4,591,250	-
Repayment of interest bearing loans and borrowings	20	-	(3,510,000)	(90,000)
Proceeds from issuance of Sukuk	21	-	2,754,750	-
Dividends paid	17	-	(3,554,750)	-
Finance cost paid		(88,263)	(300,497)	(173,273)
Net cash flows used in financing activities		<u>(88,263)</u>	<u>(1,602,740)</u>	<u>(681,753)</u>
<b>DECREASE IN CASH AND CASH EQUIVALENTS</b>				
		<u>(46,069)</u>	<u>(108,373)</u>	<u>(242,194)</u>
Cash and cash equivalents at 1 October/ 1 January		<u>94,331</u>	<u>156,635</u>	<u>398,829</u>
<b>CASH AND CASH EQUIVALENTS AT 31 DECEMBER</b>	<b>14</b>	<u><u>48,262</u></u>	<u><u>48,262</u></u>	<u><u>156,635</u></u>
<b>SUPPLEMENTAL NON-CASH INFORMATION</b>				
Transfer of land against issuance of share capital	9	-	13,014,000	-

\* The period 1 October 2014 to 31 December 2014 is disclosed to provide additional information on the results post the initial public offering.

The attached notes 1 to 26 form part of these consolidated financial statements.

Emaar Malls Group PJSC and its subsidiaries  
(Formerly known as Emaar Malls Group LLC)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the period & year ended 31 December 2014

(US \$1.00 = AED 3.673)

	<i>Share capital AED'000</i>	<i>Reserves AED'000</i>	<i>Retained earnings AED'000</i>	<i>Total AED'000</i>
<b>*1 October 2014 to 31 December 2014:</b>				
As at 1 October 2014	13,014,000	(993)	376,951	13,390,258
Profit for the period	-	-	412,235	412,235
Other comprehensive income for the period	-	(1,816)	-	(1,816)
<b>Total comprehensive income for the period</b>	<b>-</b>	<b>(1,816)</b>	<b>412,235</b>	<b>410,419</b>
Transferred to statutory reserve (note 16)	-	135,059	(135,059)	-
<b>As at 31 December 2014</b>	<b>13,014,300</b>	<b>132,250</b>	<b>654,127</b>	<b>13,800,677</b>
	<i>Share capital AED'000</i>	<i>Reserves AED'000</i>	<i>Retained earnings AED'000</i>	<i>Total AED'000</i>
As at 1 January 2013	300	(44,946)	1,893,903	1,849,257
Profit for the year	-	-	1,099,439	1,099,439
Other comprehensive income for the year	-	10,234	-	10,234
<b>Total comprehensive income for the year</b>	<b>-</b>	<b>10,234</b>	<b>1,099,439</b>	<b>1,109,673</b>
As at 31 December 2013	300	(34,712)	2,993,342	2,958,930
Profit for the year	-	-	1,350,594	1,350,594
Other comprehensive income for the year	-	31,903	-	31,903
<b>Total comprehensive income for the year</b>	<b>-</b>	<b>31,903</b>	<b>1,350,594</b>	<b>1,382,497</b>
Issuance of share capital (note 15)	13,014,000	-	-	13,014,000
Transferred to statutory reserve (note 16)	-	135,059	(135,059)	-
Dividends paid (note 17)	-	-	(3,554,750)	(3,554,750)
<b>As at 31 December 2014</b>	<b>13,014,300</b>	<b>132,250</b>	<b>654,127</b>	<b>13,800,677</b>

\* The period 1 October 2014 to 31 December 2014 is disclosed to provide additional information on the results post the initial public offering.

The attached notes 1 to 26 form part of these consolidated financial statements.



# Emaar Malls Group PJSC and its subsidiaries (Formerly known as Emaar Malls Group LLC)

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at 31 December 2014

### 1 CORPORATE INFORMATION

Emaar Malls Group Public Joint Stock Company (the "Company") and its subsidiaries (together the "Group") was established as a public joint stock company by Ministerial Decree number 922 of the year 2014 dated 30 September 2014.

The Company is a subsidiary of Emaar Properties PJSC (the "Parent Company"); a Company incorporated in the United Arab Emirates and listed on the Dubai Financial Market. During the year, the Parent Company has converted the legal status of the Company from limited liability company to public joint stock company and sold 15.37% of their shareholding in the Company through an Initial Public Offering ("IPO"). The Company is listed on the Dubai Financial Market and its shares were traded with effect from 2 October 2014.

The principal activities of the Group are retail development and management of shopping malls.

The address of the registered office of the Group is P.O. Box 191741, Dubai, United Arab Emirates.

### 2.1 BASIS OF PREPARATION

These consolidated financial statements are prepared with investments in operating subsidiaries recorded at cost. The operating subsidiaries of the Group have been transferred to the Parent Company with effect from 3 April 2014. Prior to 3 April 2014, the Group had control over the operating subsidiaries and consequently is required by IFRS 10 'Consolidated financial statements', to present consolidated financial statements. Historically, the Group was not required to prepare consolidated financial statements as the Group is part of a group that publicly issues consolidated financial statements. As the Group is now a listed entity, IFRSs requires consolidated financial statements to be prepared. However, given that the only material operating subsidiaries were transferred by the Group in April 2014, these consolidated financial statements with investments in operating subsidiaries recorded at cost are deemed to be reflective of current and future operations and therefore of more value to users.

The period 1 October 2014 to 31 December 2014 is disclosed to provide additional information on the results post the initial public offering.

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board (IASB) and applicable requirements of United Arab Emirates laws.

The consolidated financial statements have been prepared in United Arab Emirates Dirhams (AED), which is the Group's functional and presentation currency and all values are rounded to the nearest thousands except where otherwise indicated.

The consolidated financial statements have been prepared on a historical cost basis except for derivative financial instruments that have been measured at fair value. Historical cost is generally based on the fair value of the consideration given in exchange for assets.

#### **Basis of consolidation**

The consolidated financial statements comprise the financial statements of the Company and entities controlled by the Company (its subsidiaries) as at 31 December 2014. Control is achieved where all the following criteria are met:

- (a) the Company has power over an entity;
- (b) the Company has exposure, or rights, to variable returns from its involvement with the entity; and
- (c) the Company has the ability to use its power over the entity to affect the amount of the Company's returns.

When the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee
- Rights arising from other contractual arrangements
- The Group's voting rights and potential voting rights

Emaar Malls Group PJSC and its subsidiaries  
(Formerly known as Emaar Malls Group LLC)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at 31 December 2014

**2.1 BASIS OF PREPARATION (continued)**

**Basis of consolidation (continued)**

The Group re-assesses whether or not it controls an investee, if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the statement of comprehensive income from the date the Group gains control until the date the Group ceases to control the subsidiary.

*Subsidiaries*

Subsidiaries are fully consolidated from the date of acquisition or incorporation, being the date on which the Group obtains control, and continue to be consolidated until the date when such control ceases. The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. All intra-group balances, transactions, unrealised gains and losses resulting from intra-group transactions and dividends are eliminated in full.

Share of comprehensive income/ (loss) within a subsidiary is attributed to the non-controlling interest even if that results in a deficit balance.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

- Derecognises the assets (including goodwill) and liabilities of the subsidiary;
- Derecognises the carrying amount of any non-controlling interest;
- Derecognises the cumulative translation differences recorded in equity;
- Recognises the fair value of the consideration received;
- Recognises the fair value of any investment retained;
- Recognises any surplus or deficit in profit and loss;
- Reclassifies the parent's share of components previously recognized in other comprehensive income to profit and loss or retained earnings, as appropriate, as would be required if the Group had directly disposed of the related assets or liabilities.

The details of the Company's subsidiaries as at 31 December 2014 are as follows:

<i>Name of the subsidiary</i>	<i>Country of incorporation</i>	<i>Principal activity</i>	<i>Beneficial Ownership</i>	
			<i>2014</i>	<i>2013</i>
The Dubai Mall LLC	UAE	Self owned property leasing, buying and selling of real estate and management services	99%	99%
Emaar Dubai Malls LLC	UAE	Self owned property leasing, buying and selling of real estate and management services	99%	99%
Emaar International Malls LLC	UAE	Self owned property leasing, buying and selling of real estate and management services	99%	99%

*Special purpose entities*

Special purpose entities are entities that are created to accomplish a narrow and well-defined objective. The financial information of special purpose entities is included in the Group's consolidated financial statements where the substance of the relationship is that the Group controls the special purpose entity and hence, they are accounted for as subsidiaries.

Emaar Malls Group PJSC and its subsidiaries  
(Formerly known as Emaar Malls Group LLC)

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at 31 December 2014

## 2.2 CHANGES IN THE ACCOUNTING POLICIES AND DISCLOSURES

The accounting policies adopted by the Group are consistent with those of the previous financial year, except for the following new and amended IFRS and IFRIC interpretations:

### **New and revised Accounting Standards and Interpretations**

The nature and the impact of each new standard and amendment which are effective for annual periods beginning or after 1 January 2014 are described below:

#### **(a) Standards, amendments and interpretations effective from 1 January 2014 which are adopted by the Group**

##### **Investment Entities (Amendments to IFRS 10, IFRS 12 and IAS 27)**

These amendments provide an exception to the consolidation requirement for entities that meet the definition of an investment entity under IFRS 10 *Consolidated financial statements* and must be applied retrospectively, subject to certain transition relief. The exception to consolidation requires investment entities to account for subsidiaries at fair value through profit or loss. These amendments have no impact on the Group.

##### **Offsetting Financial Assets and Financial Liabilities - Amendments to IAS 32**

These amendments clarify the meaning of 'currently has a legally enforceable right to set-off' and the criteria for non-simultaneous settlement mechanisms of clearing houses to qualify for offsetting and are applied retrospectively. These amendments have no impact on the Group, as there no such offsetting arrangements.

##### **Novation of Derivatives and Continuation of Hedge Accounting – Amendments to IAS 39**

These amendments provide relief from discontinuing hedge accounting when novation of a derivative designated as a hedging instrument meets certain criteria and retrospective application is required. These amendments have no impact on the Group as the Group has not novated its derivatives during the current or prior periods.

##### **Recoverable Amount Disclosures for Non-Financial Assets – Amendments to IAS 36**

These amendments remove the unintended consequences of IFRS 13 *Fair Value Measurement* on the disclosures required under IAS 36 *Impairment of Assets*. In addition, these amendments require disclosure of the recoverable amounts for the assets or cash-generating units (CGUs) for which an impairment loss has been recognised or reversed during the period. These amendments have no impact on the Group.

##### **IFRIC 21 Levies**

IFRIC 21 clarifies that an entity recognises a liability for a levy when the activity that triggers payment, as identified by the relevant legislation, occurs. For a levy that is triggered upon reaching a minimum threshold, the interpretation clarifies that no liability should be anticipated before the specified minimum threshold is reached. Retrospective application is required for IFRIC 21. This interpretation has no impact on the Group.

##### **Annual Improvements 2010-2012 Cycle**

In the 2010-2012 annual improvements cycle, the IASB issued seven amendments to six standards, which included an amendment to IFRS 13 *Fair Value Measurement*. The amendment to IFRS 13 is effective immediately and, thus, for periods beginning at 1 January 2014, and it clarifies in the Basis for Conclusions that short-term receivables and payables with no stated interest rates can be measured at invoice amounts when the effect of discounting is immaterial. This amendment to IFRS 13 has no impact on the Group.

##### **Annual Improvements 2011-2013 Cycle**

In the 2011-2013 annual improvements cycle, the IASB issued four amendments to four standards, which included an amendment to IFRS 1 *First-time Adoption of International Financial Reporting Standards*. The amendment to IFRS 1 is effective immediately and, thus, for periods beginning at 1 January 2014, and clarifies in the Basis for Conclusions that an entity may choose to apply either a current standard or a new standard that is not yet mandatory, but permits early application, provided either standard is applied consistently throughout the periods presented in the entity's first IFRS consolidated financial statements. This amendment to IFRS 1 has no impact on the Group, since the Group is an existing IFRS preparer.

Emaar Malls Group PJSC and its subsidiaries  
(Formerly known as Emaar Malls Group LLC)

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at 31 December 2014

**2.2 CHANGES IN THE ACCOUNTING POLICIES AND DISCLOSURES (continued)**

**(a) Standards, amendments and interpretations effective from 1 January 2014 which are adopted by the Group (continued)**

**IFRS 9 Financial Instruments**

In July 2014, the IASB issued the final version of IFRS 9 *Financial Instruments* which reflects all phases of the financial instruments project and replaces IAS 39 *Financial Instruments: Recognition and Measurement* and all previous versions of IFRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting. IFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted. Retrospective application is required, but comparative information is not compulsory. Early application of previous versions of IFRS 9 (2009, 2010 and 2013) is permitted if the date of initial application is before 1 February 2015. The Group has early adopted IFRS 9 along with previous versions of IFRS 9. The adoption of IFRS 9 has an effect on the disclosures of the Group's financial assets and financial liabilities and has no impact on the classification and measurement.

**(b) Standards issued but not yet effective**

The standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Group's consolidated financial statements are disclosed below which are relevant to the Group. The Group intends to adopt these standards, if applicable, when they become effective. The standards and interpretations relevant to the Group are given below:

**Amendments to IAS 19 Defined Benefit Plans: Employee Contributions**

IAS 19 requires an entity to consider contributions from employees or third parties when accounting for defined benefit plans. Where the contributions are linked to service, they should be attributed to periods of service as a negative benefit. These amendments clarify that, if the amount of the contributions is independent of the number of years of service, an entity is permitted to recognise such contributions as a reduction in the service cost in the period in which the service is rendered, instead of allocating the contributions to the periods of service. This amendment is effective for annual periods beginning on or after 1 July 2014. It is not expected that this amendment would be relevant to the Group, as the Group has no defined benefit plans with contributions from employees or third parties.

**Annual improvements 2010-2012 Cycle**

These improvements are effective from 1 July 2014 and are not expected to have a material impact on the Group. They include:

**IFRS 8 Operating Segments**

The amendments are applied retrospectively and clarify that:

- An entity must disclose the judgements made by management in applying the aggregation criteria in paragraph 12 of IFRS 8, including a brief description of operating segments that have been aggregated and the economic characteristics (e.g., sales and gross margins) used to assess whether the segments are 'similar'
- The reconciliation of segment assets to total assets is only required to be disclosed if the reconciliation is reported to the chief operating decision maker, similar to the required disclosure for segment liabilities.

**IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets**

The amendment is applied retrospectively and clarifies in IAS 16 and IAS 38 that the asset may be revalued by reference to observable data on either the gross or the net carrying amount. In addition, the accumulated depreciation or amortisation is the difference between the gross and carrying amounts of the asset.

**IAS 24 Related Party Disclosures**

The amendment is applied retrospectively and clarifies that a management entity (an entity that provides key management personnel services) is a related party subject to the related party disclosures. In addition, an entity that uses a management entity is required to disclose the expenses incurred for management services.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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**2.2 CHANGES IN THE ACCOUNTING POLICIES AND DISCLOSURES (continued)**

**(b) Standards issued but not yet effective (continued)**

**Annual improvements 2011-2013 Cycle**

These improvements are effective from 1 July 2014 and are not expected to have a material impact on the Group. They include:

**IFRS 13 Fair Value Measurement**

The amendment is applied prospectively and clarifies that the portfolio exception in IFRS 13 can be applied not only to financial assets and financial liabilities, but also to other contracts within the scope of IFRS 9 (or IAS 39, as applicable).

**IAS 40 Investment Property**

The description of ancillary services in IAS 40 differentiates between investment property and owner-occupied property (i.e., property, plant and equipment). The amendment is applied prospectively and clarifies that IFRS 3, and not the description of ancillary services in IAS 40, is used to determine if the transaction is the purchase of an asset or business combination.

**IFRS 15 Revenue from Contracts with Customers**

IFRS 15 was issued in May 2014 and establishes a new five-step model that will apply to revenue arising from contracts with customers. Under IFRS 15 revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in IFRS 15 provide a more structured approach to measuring and recognising revenue. The new revenue standard is applicable to all entities and will supersede all current revenue recognition requirements under IFRS. Either a full or modified retrospective application is required for annual periods beginning on or after 1 January 2017 with early adoption permitted. The Group is currently assessing the impact of IFRS 15 and plans to adopt the new standard on the required effective date.

**Amendments to IAS 16 and IAS 38: Clarification of Acceptable Methods of Depreciation and Amortisation**

The amendments clarify the principle in IAS 16 and IAS 38 that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is part) rather than the economic benefits that are consumed through use of the asset. As a result, a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortise intangible assets. The amendments are effective prospectively for annual periods beginning on or after 1 January 2016, with early adoption permitted. These amendments are not expected to have any impact to the Group given that the Group has not used a revenue-based method to depreciate its non-current assets.

**Amendments to IAS 27: Equity Method in Separate Consolidated financial statements**

The amendments will allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. Entities already applying IFRS and electing to change to the equity method in its separate financial statements will have to apply that change retrospectively. For first-time adopters of IFRS electing to use the equity method in its separate financial statements, they will be required to apply this method from the date of transition to IFRS. The amendments are effective for annual periods beginning on or after 1 January 2016, with early adoption permitted. These amendments will not have any impact on the Group's consolidated financial statements.

**2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Revenue recognition**

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

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**2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Revenue recognition (continued)**

Revenue is recognised in the consolidated income statement to the extent that it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably, regardless of when the payment is being made. The specific criteria described below must also be met before revenue is recognised:

*Rental income from lease of investment property*

Rental income arising from operating leases on investment properties is recognised, net of discount, in accordance with the terms of the lease contracts over the lease term on a straight line basis.

*Revenue recognition for turnover rent*

Income from turnover rent is recognised based on the audited turnover reports submitted by the tenants. In the absence of audited reports, management makes its own assessment about the tenants achieving or exceeding the stipulated turnover in the lease contracts based on their historical performance.

*Income from late opening penalties*

Income from late opening penalties is recognised on receipt basis.

*Interest income*

Interest income is recognised as the interest accrues using the effective interest rate method, under which the rate used exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

**Borrowing costs**

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised in the consolidated income statement in the period in which they are incurred.

**Current versus non-current classification**

The Group presents assets and liabilities in consolidated statement of financial position based on current/non-current classification. An asset is current when it is:

- Expected to be realised or intended to sold or consumed in normal operating cycle
- Held primarily for the purpose of trading
- Expected to be realised within twelve months after the reporting period, or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current.

A liability is current when:

- It is expected to be settled in normal operating cycle
- It is held primarily for the purpose of trading
- It is due to be settled within twelve months after the reporting period, or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period

The Group classifies all other liabilities as non-current.

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**2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Property, plant and equipment**

Property, plant and equipment other than capital work-in-progress are stated at cost less accumulated depreciation and any impairment in value. Capital work-in-progress is not depreciated, and is stated at cost less any impairment value. Depreciation is calculated on a straight-line basis over the estimated useful lives as follows:

Buildings	10 - 45 years
Leasehold improvements	2 - 15 years
Computers and office equipments	3 - 20 years
Motor vehicles	3 - 5 years
Furniture and fixtures	2 - 10 years

No depreciation is charged on land and capital work-in-progress. The useful lives and depreciation method are reviewed periodically to ensure that the method and period of depreciation are consistent with the expected pattern of economic benefits from these assets.

Expenditure incurred to replace a component of an item of property, plant and equipment that is accounted for separately is capitalised and the carrying amount of the component that is replaced is written off. Other subsequent expenditure is capitalised only when it increases future economic benefits of the related item of property, plant and equipment. All other expenditure is recognised in the consolidated income statement as the expense is incurred.

An item of property, plant and equipment and any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the consolidated income statement when the asset is derecognised.

Property, plant and equipment are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of property, plant and equipment may not be recoverable. Whenever the carrying amount of property, plant and equipment exceeds their recoverable amount, an impairment loss is recognised in the consolidated income statement. The recoverable amount is the higher of fair value less costs to sell of property, plant and equipment and the value in use.

Reversal of impairment losses recognised in the prior years are recorded when there is an indication that the impairment losses recognised for the property, plant and equipment no longer exist or have reduced.

**Investment properties**

Properties held for rental or capital appreciation purposes are classified as investment properties. Investment properties are measured at cost less any accumulated depreciation and any accumulated impairment losses. Investment properties under construction (included within capital work in progress) are measured at cost less any impairment in value. Depreciation is charged on a straight-line basis over the estimated useful lives as follows:

Buildings	10 - 45 years
Plant and machinery	3 - 10 years
Furniture, fixtures and others	4 - 10 years

No depreciation is charged on land and capital work in progress.

The useful lives and depreciation method are reviewed periodically to ensure that the method and period of depreciation are consistent with the expected pattern of economic benefits from these assets.

Transfers are made to (or from) investment property only when there is a change in use. For a transfer from investment property to owner-occupied property, the deemed cost for subsequent accounting is the current carrying value at the date of change in use. If owner-occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at 31 December 2014

**2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Investment properties (continued)**

The Group determines at each reporting date whether there is any objective evidence that the investment properties are impaired. Whenever the carrying amount of an investment property exceeds their recoverable amount, an impairment loss is recognised in the consolidated income statement. The recoverable amount is the higher of investment property's fair value less costs of disposal and the value in use. Fair value less costs of disposal is price that would be received to sell an asset in an orderly transaction between market participants at the measurement date less related costs while value in use is the present value of estimated future cash flows expected to arise from the continuing use of the investment property and from its disposal at the end of its useful life.

Reversal of impairment losses recognised in the prior years is recorded when there is an indication that the impairment losses recognised for the investment property no longer exist or have reduced.

**Investments in subsidiaries**

Investments in operating subsidiaries are accounted for at cost, net of impairment losses, if any. The Company determines at each reporting date whether there is any objective evidence that the investments in subsidiaries are impaired.

**Inventories**

Inventories mainly represent spares and consumables. Inventories are stated at the lower of cost and net realisable value with allowance for any obsolete or slow moving items. Costs are those expenses incurred in bringing each product to its present location and condition on a weighted average cost basis. Net realisable value is based on estimated selling price in the ordinary course of business, less any further costs expected to be incurred on disposal.

**Derivative financial instruments**

The Group enters into derivative financial instruments to manage its exposure to interest rate risk and foreign exchange rate risk, including foreign exchange forward contracts. Derivatives are initially recognised at fair value at the date the derivative contract is entered into and are subsequently remeasured to their fair value at the end of each reporting date. The resulting gain or loss is recognised in the consolidated income statement immediately, unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in the consolidated income statement depends on the nature of the hedge relationship. A derivative with a positive fair value is recognised as a financial asset; a derivative with a negative fair value is recognised as a financial liability.

*Hedge accounting*

The Group designates certain hedging instruments as either fair value hedges or cash flow hedges. Hedges of interest rate risk and foreign exchange risk on firm commitments are accounted for as cash flow hedges. At the inception of the hedge relationship, the Group documents the relationship between the hedging instrument and the hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. Furthermore, at the inception of the hedge and on an ongoing basis, the Group documents whether the hedging instrument is highly effective in offsetting changes in fair values or cash flows of the hedged item. The Group currently only has cash flow hedges.

*Cash flow hedges*

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges are recognised in the consolidated other comprehensive income. The gain or loss relating to the ineffective portion is recognised immediately in the consolidated income statement. Amounts previously recognised in consolidated other comprehensive income and accumulated in equity are reclassified to the consolidated income statement in the periods when the hedged item is recognised in the consolidated income statement, in the same line of the consolidated income statement as the recognised hedged item. However, when the forecast transaction that is hedged results in the recognition of a non-financial asset or a non-financial liability, the gains and losses previously accumulated in equity are transferred from equity and included in the initial measurement of the cost of the non-financial asset or non-financial liability.

Hedge accounting is discontinued when the Group revokes the hedging relationship, when the hedging instrument expires or is sold, terminated, or exercised, or it no longer qualifies for hedge accounting. Any gain or loss accumulated in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in the consolidated income statement. When a forecast transaction is no longer expected to occur, the gain or loss accumulated in equity is recognised immediately in the consolidated income statement.



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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at 31 December 2014

**2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Financial assets**

*Initial recognition and measurement*

Financial assets are classified, at initial recognition, as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, AFS financial assets, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. All financial assets are recognised initially at fair value plus, in the case of financial assets not recorded at fair value through profit or loss, transaction costs that are attributable to the acquisition of the financial asset. All financial assets are recognised and derecognised on trade date when the purchase or sale of a financial asset is made under a contract whose terms require delivery of the financial asset within the timeframe established by the market concerned.

All recognised financial assets are subsequently measured in their entirety at either amortised cost or fair value.

The fair value of financial instruments that are actively traded in organised financial markets is determined by reference to quoted market bid prices for assets and offer prices for liabilities, at the close of business on the reporting date. If quoted market prices are not available, reference can also be made to broker or dealer price quotations.

The fair value of short term deposits with credit institutions approximates their carrying value. The carrying value is the cost of the deposit and accrued interest. The fair value of fixed interest-bearing deposits is estimated using discounted cash flow techniques. Expected cash flows are discounted at current market rates for similar instruments at the reporting date.

*Classification of financial assets*

For the purposes of classifying financial assets, an instrument is an 'equity instrument' if it is a non-derivative and meets the definition of 'equity' for the issuer (under IAS 32: Financial Instruments: Presentation) except for certain non-derivative puttable instruments presented as equity by the issuer. All other non-derivative financial assets are 'debt instruments'.

*Cash and cash equivalents*

For the purpose of the consolidated statement of cash flows, cash and cash equivalents consist of cash in hand, bank balances and short-term deposits with an original maturity of three months or less, net of outstanding bank overdrafts.

*Trade receivables*

Trade receivables are stated at original invoice amount less a provision for any uncollectible amounts. An estimate for doubtful debts is made when collection of the full amount is no longer probable. When a trade receivable is uncollectible, it is written off against provision for doubtful debts. Subsequent recoveries of amounts previously written off are credited to the consolidated income statement.

*Foreign exchange gains and losses*

The fair value of financial assets denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the end of the reporting period. The foreign exchange component forms part of its fair value gain or loss. For financial assets classified as at fair value through profit or loss, the foreign exchange component is recognised in the consolidated income statement. For financial assets designated at fair value through consolidated other comprehensive income any foreign exchange component is recognised in consolidated other comprehensive income. For foreign currency denominated debt instruments classified at amortised cost, the foreign exchange gains and losses are determined based on the amortised cost of the asset and are recognised in the 'other gains and losses' line item in the consolidated income statement.

*Derecognition of financial assets*

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- The rights to receive cash flows from the asset have expired, or
- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either:
  - the Group has transferred substantially all the risks and rewards of the asset, or
  - the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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**2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Financial assets (continued)**

*Derecognition of financial assets (continued)*

When the Group has transferred its right to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

*Impairment of financial assets*

The Group assesses at each reporting date whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and where observable data indicates that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the financial assets carrying amount and the present value of estimated future cash flows. The present value of the estimated future cash flows is discounted at the financial assets original effective interest rate. If a financial asset has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate.

For financial assets carried at amortised cost, the carrying amount is reduced through the use of an allowance account and the amount of the loss is recognised in the consolidated income statement. Interest income on such financial assets continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of finance income in the consolidated income statement. Financial assets together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Group. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or decreased by adjusting the allowance account. If a future write-off is later recovered, the recovery is credited to other income in the consolidated income statement.

**Financial liabilities and equity instruments issued by the Group**

*Initial recognition and measurement*

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs. The Group's financial liabilities include trade and other payables, loans and borrowings, sukuk, financial guarantee contracts and derivative financial instruments.

*Classification as debt or equity*

Debt and equity instruments are classified as either financial liabilities or as equity instruments in accordance with the substance of the contractual agreements. The Group determines the classification of its financial liabilities at the initial recognition.

*Equity instruments*

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Group are recorded at the proceeds received, net of direct issue costs.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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**2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Financial liabilities and equity instruments issued by the Group (continued)**

*Loans and borrowings*

Term loans are initially recognised at the fair value of the consideration received less directly attributable transaction costs.

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest rate method. Gains and losses are recognised in the consolidated income statement when the liabilities are derecognised as well as through the amortisation process.

*Sukuk*

Sukuk is stated at amortised cost using the effective interest rate method. Profit attributable to the sukuk is calculated by applying the prevailing market profit rate, at the time of issue, for similar sukuk instruments and any difference with the profit distributed is added to the carrying amount of the sukuk.

*Trade and other payables*

Liabilities are recognised for amounts to be paid in the future for goods or services received, whether billed by the supplier or not.

*Other financial liabilities*

Other financial liabilities are initially measured at fair value, net of transaction costs and are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

*Derecognition of financial liabilities*

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, then the difference in the respective carrying amounts is recognised in the consolidated income statement.

**Impairment of non-financial assets**

The Group assesses at each reporting date whether there is an indication that a non-financial asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded entities or other available fair value indicators.

Impairment losses of continuing operations are recognised in the consolidated income statement in those expense categories consistent with the function of the impaired asset, except for properties previously revalued with the revaluation taken to consolidated statement of comprehensive income. For such properties, the impairment is recognised in consolidated statement of comprehensive income up to the amount of any previous revaluation.

For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Group estimates the asset's or cash-generating unit's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the consolidated income statement unless the asset is carried at a revalued amount, in which case, the reversal is treated as a revaluation increase.

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**2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**End-of-service benefits**

The Group provides end-of-service benefits to its employees. The entitlement to these benefits is usually based upon the employees' final salary and length of service, subject to the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment.

With respect to its UAE national employees, the Group makes contributions to a pension fund established by the UAE General Pension and Social Security Authority calculated as a percentage of the employees' salaries. The Group's obligations are limited to these contributions, which are expensed when due.

**Provisions**

Provisions are recognised when the Group has a legal or constructive obligation as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and the amount can be reliably estimated. When the Group expects some or all of a provision to be reimbursed, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the consolidated income statement net of any reimbursement.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation at the end of the reporting period, using a rate that reflects current market assessments of the time value of money and the risks specific to the obligation.

Provisions are reviewed at each consolidated statement of financial position date and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of resources embodying economic benefits will be required to settle the obligation, the provision is reversed.

**Contingencies**

Contingent liabilities are not recognised in the consolidated financial statements. They are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. A contingent asset is not recognised in the consolidated financial statements but disclosed when an inflow of economic benefits is probable.

**Foreign currencies**

The Group's consolidated financial statements are presented in UAE Dirhams, which is also the currency in which significant transactions are carried out by the Group.

Transactions in foreign currencies are initially recorded by the Group at the rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency spot rate of exchange ruling at the reporting date. All differences are taken to the consolidated income statement.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The gain or loss arising on retranslation of non-monetary items is treated in line with the recognition of gain or loss on change in fair value of the item (i.e., translation differences on items whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

**Leases**

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at inception date, whether fulfillment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset, even if that right is not explicitly specified in an arrangement.

*Group as a lessee*

Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Operating lease payments are recognised as an expense in the consolidated income statement on a straight line basis over the period of the lease. Lease incentives, typically rent free period, is recognised in the same manner as operating lease rentals.

Certain leases provide for contingent rents, which are determined as a percentage of gross sales in excess of a specified level. The Group records such rent on an accrual basis, when specified levels have been achieved or when management determine that achieving the specified levels is probable during the year.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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**2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Leases (continued)**

*Group as a lessor*

The Group has entered into leases on its investment property portfolio. The Group has determined, based on an evaluation of the terms and conditions of the arrangements, that it retains all the significant risks and rewards of ownership of these properties and accounts for the contracts as operating leases. Lease income is recognised in the consolidated income statement in accordance with the terms of the lease contracts over the lease term on a straight line basis. Contingent rents are recognised as revenue in the period in which they are earned.

**Fair value measurement**

The Group measures financial instruments, such as, derivatives at fair value at each reporting date.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible to by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the consolidated financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the consolidated financial statements on a recurring basis, the Group determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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**2.4 SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS**

The preparation of the Group's consolidated financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

**Judgments**

In the process of applying the Group's accounting policies, management has made the following judgments, apart from those involving estimations, which have a significant impact on the amounts recognised in the consolidated financial statements.

*Revenue recognition for turnover rent*

The Group recognises income from turnover rent on the basis of audited turnover reports submitted by the tenants. In the absence of audited reports, management makes its own assessment about the tenants achieving or exceeding the stipulated turnover in the lease contracts based on their historical performance.

*Investment properties*

The Group has elected to adopt the cost model for investment properties. Accordingly, investment properties are carried at cost less accumulated depreciation and any accumulated impairment losses.

*Classification of investment properties*

The Group determines whether a property qualifies as investment property in accordance with IAS 40 Investment Property. In making its judgment, the Group considers whether the property generates cash flows largely independently of the other assets held by the Group.

*Operating lease commitments - Group as lessor*

The Group has entered into commercial property leases on its investment property portfolio. The Group has determined, based on an evaluation of the terms and conditions of the arrangements, such as the lease term not constituting a major part of the economic life on the commercial property and the fair value of the asset, that it retains all the significant risks and rewards of ownership of these properties and so accounts for the contracts as operating leases.

**Estimates and assumptions**

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below. The Group based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising that are beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

*Impairment of trade and other receivables*

The Group reviews its receivables to assess for impairment at least on an annual basis. The Group's credit risk is primarily attributable to its trade receivables. In determining whether impairment losses should be reported in the consolidated income statement the Group makes judgments as to whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flows. Accordingly, an allowance for impairment is made where there is an identified loss event or condition which, based on previous experience, is evidence of a reduction in the recoverability of the cash flows.

At 31 December 2014 gross trade receivables were AED 163,438 thousands (2013: AED 252,613) and provision for doubtful debts is AED 56,730 thousands (2013: AED 58,301 thousands). Any difference in the amounts actually collected in future periods and the amounts expected will be recognised in the consolidated income statement.

*Fair value measurement of financial instruments*

When the fair value of financial assets and financial liabilities recorded in the consolidated statement of financial position cannot be derived from active markets, their fair value is determined using valuation techniques including the discounted cash flow model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgment is required in establishing fair values. The judgments include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

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**2.4 SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS (continued)**

**Estimates and assumptions (continued)**

*Useful lives of property, plant and equipment and investment properties*

The Group's management determines the estimated useful lives of its property, plant and equipment and investment properties for calculating depreciation. This estimate is determined after considering the expected usage of the asset or physical wear and tear. Management reviews the residual value and useful lives annually and future depreciation charge would be adjusted where the management is of the opinion that the useful lives differ from previous estimates.

*Allocation of cost of investment properties*

The total costs incurred on the construction of investment properties have been allocated to various components such as structure, plant and machinery and furniture and fixtures based on certain percentages of the total costs as estimated by the cost consultants at the time of completion of the assets. Management is of the opinion that this method is appropriate pending determination of the final costs of the assets and settlement of contractors' claims. On conclusion of the final determination of costs on any outstanding projects, management would reassess the allocation and adjust the allocation prospectively, if necessary.

*Valuation of investment properties*

The Group hires the services of third party professionally qualified valuers to obtain estimates of the market value of investment properties using recognised valuation techniques for the purposes of their impairment review and disclosures in the consolidated financial statements.

The key assumptions used to determine the fair value of the investment properties and sensitivity analysis are disclosed in note 9.

*Impairment of non-financial assets*

The Group assesses whether there are any indicators of impairment for all non-financial assets at each reporting date. The non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. When value in use calculations are undertaken, management estimates the expected future cash flows from the asset or cash-generating unit and chooses a suitable discount rate in order to calculate the present value of those cash flows.

**3 SEGMENT INFORMATION**

Management monitors the operating results of its business segments separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on profit or loss and is measured consistently with the net profit or loss in the consolidated financial statements. During the year ended 31 December 2014, the Group has changed its segments disclosure from 2 to 5 segments due to a change in the way in which the management measures performance on an ongoing basis.

**Business segments**

For management purposes, the Group is organised into five segments, namely:

*Super Regional Malls:*

Super regional malls include shopping centres which individually hold gross leasable area of more than 800 thousands sq. ft.

*Regional Malls:*

Regional malls include shopping centres individually holds gross leasable area of more than 400 thousands sq. ft. but less than 800 thousands sq. ft.

*Community Integrated Retail:*

Community Retail includes shopping centres or retail outlets individually hold gross leasable area of less than 400 thousands sq. ft.

*Specialty Retail:*

Specialty retail includes shopping centres mainly offering specialty stores for fine and casual dining, commercial offices or retail outlets of manufacturers.

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**3 SEGMENT INFORMATION (continued)**

**Business segments (continued)**

*Others:*

Other segments include businesses that individually do not meet the criteria for a reportable segment as per IFRS 8 *Operating Segments* and head office balances.

The following tables include revenue, results and other segment information from 1 October 2014 to 31 December 2014, for the year ended 31 December 2014 and 31 December 2013. Assets and liabilities information regarding business segments are presented as at 31 December 2014 and 31 December 2013.

	<i>Super Regional Malls AED'000</i>	<i>Regional Malls AED'000</i>	<i>Community Integrated Retail AED'000</i>	<i>Specialty Retail AED'000</i>	<i>Others AED'000</i>	<i>Total AED'000</i>
<b>1 October 2014 to 31 December 2014:</b>						
<b>Revenue</b>						
Rental income	674,992	37,721	48,639	35,981	-	797,333
<b>Results</b>						
Profit for the period	444,650	17,013	26,569	16,337	(92,334)	412,235
<b>Other segment information</b>						
Capital expenditure (Property, plant and equipment and investment properties)	69,002	2,751	24,483	7,999	-	104,235
Depreciation (Property, plant and equipment and investment properties)	62,820	7,631	5,897	6,400	175	82,923
Finance costs	-	-	-	-	61,955	61,955
<b>31 December 2014:</b>						
<b>Revenue</b>						
Rental income	2,224,579	149,863	184,773	134,805	-	2,694,020
<b>Results</b>						
Profit for the year	1,442,389	72,365	119,760	67,717	(351,637)	1,350,594
<b>Other segment information</b>						
Capital expenditure (Property, plant and equipment and investment properties)	12,425,134	359,360	87,829	606,745	4,970	13,484,038
Depreciation (Property, plant and equipment and investment properties)	248,644	30,864	22,560	25,981	831	328,880
Finance costs	46,443	-	-	-	306,258	352,701
<b>Assets and liabilities</b>						
Segment assets	18,193,803	1,293,838	681,937	1,248,536	1,139,710	22,557,824
Segment liabilities	1,094,249	86,584	146,862	86,278	7,343,174	8,757,147



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**3 SEGMENT INFORMATION (continued)**

**Business segments (continued)**

	<i>Super Regional Malls AED'000</i>	<i>Regional Malls AED'000</i>	<i>Community Integrated Retail AED'000</i>	<i>Specialty Retail AED'000</i>	<i>Others AED'000</i>	<i>Total AED'000</i>
<i>31 December 2013:</i>						
<b>Revenue</b>						
Rental income	1,991,404	117,574	149,538	127,167	-	2,385,683
<b>Results</b>						
Profit for the year	1,134,691	47,557	88,408	66,800	(238,017)	1,099,439
<b>Other segment information</b>						
Capital expenditure (Property, plant and equipment and investment properties)	175,841	2,812	68,015	16,761	832	264,261
Depreciation (Property, plant and equipment and investment properties)	228,964	30,518	19,919	26,666	944	307,011
Finance costs	130,448	-	-	-	202,421	332,869
<b>Assets and liabilities</b>						
Segment assets	6,037,228	935,256	419,015	463,890	1,556,296	9,411,685
Segment liabilities	4,305,505	72,907	116,724	66,401	1,891,218	6,452,755

**4 RENTAL INCOME**

	<i>1 October 2014 to 31 December 2014</i>		
	<i>AED'000</i>	<i>2014 AED'000</i>	<i>2013 AED'000</i>
Base rent	451,595	1,690,604	1,441,278
Turnover rent	166,340	328,960	338,580
Services charges	64,867	254,256	229,675
Promotion and marketing contribution	8,709	36,973	28,605
Others	105,822	383,227	347,545
	<u>797,333</u>	<u>2,694,020</u>	<u>2,385,683</u>

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**5 OPERATING EXPENSES**

	<i>1 October 2014 to 31 December</i>		
	<i>2014</i>	<i>2014</i>	<i>2013</i>
	<i>AED'000</i>	<i>AED'000</i>	<i>AED'000</i>
Housekeeping and facility management	64,892	181,408	178,236
Direct staff costs	25,588	97,809	84,641
Utilities	23,851	96,847	99,266
Security	9,451	28,455	24,251
Others	11,027	37,975	50,440
	<u>134,809</u>	<u>442,494</u>	<u>436,834</u>

**6 FINANCE COSTS**

	<i>1 October 2014 to 31 December</i>		
	<i>2014</i>	<i>2014</i>	<i>2013</i>
	<i>AED'000</i>	<i>AED'000</i>	<i>AED'000</i>
Interest on amounts due to the parent company	-	64,140	152,360
Interest on loans and borrowings	59,809	179,304	167,715
Unamortised loan arrangement fee written off	-	50,732	-
Loss on early settlement of hedging contract	-	49,782	-
Others	2,146	8,743	12,794
	<u>61,955</u>	<u>352,701</u>	<u>332,869</u>

**7 PROFIT FOR THE PERIOD/ YEAR**

The profit for the year is stated after charging:

	<i>1 October 2014 to 31 December</i>		
	<i>2014</i>	<i>2014</i>	<i>2013</i>
	<i>AED'000</i>	<i>AED'000</i>	<i>AED'000</i>
Indirect staff costs	<u>12,557</u>	<u>41,998</u>	<u>37,458</u>
Operating leases	<u>326</u>	<u>932</u>	<u>2,362</u>
Liabilities no longer payable (note a)	<u>-</u>	<u>45,025</u>	<u>-</u>

- (a) This related to accruals for historic third party service contracts where settlements have been reached with the suppliers and the balance accruals are no longer payable.

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**8 PROPERTY, PLANT AND EQUIPMENT**

2014	Buildings AED '000	Leasehold improvements AED '000	Computers and office equipment AED '000	Motor vehicles AED '000	Furniture and fixtures AED '000	Capital work-in- progress AED '000	Total AED '000
Cost:							
At 1 January 2014	178,696	25,673	10,516	1,893	215,430	6,099	438,307
Additions	127	3,757	1,069	66	56,132	33,378	94,529
Transfer from capital work-in-progress	-	48	97	-	1,067	(1,212)	-
Transfer from/ (to) investment properties	-	391	277	-	123	(122)	669
Disposal	-	-	(11)	(251)	(4,680)	-	(4,942)
Adjustment	(2,633)	-	(3)	-	3	-	(2,633)
At 31 December 2014	176,190	29,869	11,945	1,708	268,075	38,143	525,930
Accumulated depreciation:							
At 1 January 2014	7,786	7,246	7,837	1,271	110,960	-	135,100
Depreciation charge for the year	7,811	4,616	1,998	226	60,235	-	74,886
Relating to disposal	-	-	(4)	(193)	(4,527)	-	(4,724)
Adjustment	(103)	-	-	-	(8)	-	(111)
At 31 December 2014	15,494	11,862	9,831	1,304	166,660	-	205,151
Net carrying amount:							
At 31 December 2014	160,696	18,007	2,114	404	101,415	38,143	320,779

During the period from 1 October 2014 to 31 December 2014, the Group purchased property, plant and equipment of AED 17,684 thousands and charged depreciation expense to consolidated income statement of AED 19,355 thousands.

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**8 PROPERTY, PLANT AND EQUIPMENT (continued)**

2013	Buildings AED '000	Leasehold improvements AED '000	Computers and office equipment AED '000	Motor vehicles AED '000	Furniture and fixtures AED '000	Capital work-in- progress AED '000	Total AED '000
Cost:							
At 1 January 2013	164,946	22,574	7,889	4,827	144,180	174,385	518,801
Additions	13,750	3,042	2,378	514	79,046	60,280	159,010
Adjustment	-	-	-	-	-	(1,845)	(1,845)
Transfer from/ (to) investment properties	-	57	252	-	8,065	(226,721)	(218,347)
Disposal	-	-	(3)	(3,448)	(15,861)	-	(19,312)
At 31 December 2013	178,696	25,673	10,516	1,893	215,430	6,099	438,307
Accumulated depreciation:							
At 1 January 2013	-	3,419	6,272	2,553	82,392	-	94,636
Depreciation charge for the year	7,786	3,827	1,566	258	44,444	-	57,881
Adjustment	-	-	-	-	(33)	-	(33)
Relating to disposal	-	-	(1)	(1,540)	(15,843)	-	(17,384)
At 31 December 2013	7,786	7,246	7,837	1,271	110,960	-	135,100
Net carrying amount:							
At 31 December 2013	170,910	18,427	2,679	622	104,470	6,099	303,207

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9 INVESTMENT PROPERTIES

	<i>Land</i> <i>AED'000</i>	<i>Buildings</i> <i>AED'000</i>	<i>Plant and</i> <i>machinery</i> <i>AED'000</i>	<i>Furniture,</i> <i>fixtures</i> <i>and others</i> <i>AED'000</i>	<i>Capital</i> <i>work-in-</i> <i>progress</i> <i>AED'000</i>	<i>Total</i> <i>AED'000</i>
<b>2014</b>						
Cost						
At 1 January 2014	-	8,053,760	440,088	293,392	62,344	8,849,584
Additions	13,014,000	67,468	-	-	308,041	13,389,509
Transfer from capital work-in-progress	-	8,781	-	-	(8,781)	-
Transfer from/ (to) property, plant and equipment	-	122	-	-	(791)	(669)
At 31 December 2014	13,014,000	8,130,131	440,088	293,392	360,813	22,238,424
Accumulated depreciation:						
At 1 January 2014	-	1,002,668	225,636	291,478	-	1,519,782
Depreciation charge for the year	-	210,160	43,771	63	-	253,994
Adjustment	-	9	-	-	-	9
At 31 December 2014	-	1,212,837	269,407	291,541	-	1,773,785
Net carrying amount:						
At 31 December 2014	<b>13,014,000</b>	<b>6,917,294</b>	<b>170,681</b>	<b>1,851</b>	<b>360,813</b>	<b>20,464,639</b>

During the period from 1 October 2014 to 31 December 2014, the Group has additions of AED 86,551 thousands and charged depreciation expense to consolidated income statement of AED 63,568.

	<i>Land</i> <i>AED'000</i>	<i>Buildings</i> <i>AED'000</i>	<i>Plant and</i> <i>machinery</i> <i>AED'000</i>	<i>Furniture,</i> <i>fixtures</i> <i>and others</i> <i>AED'000</i>	<i>Capital</i> <i>work-in-</i> <i>progress</i> <i>AED'000</i>	<i>Total</i> <i>AED'000</i>
<b>2013</b>						
Cost						
At 1 January 2013	-	7,774,331	436,988	314,667	-	8,525,986
Additions	-	105,251	-	-	-	105,251
Transfer from property, plant and equipment	-	156,003	-	-	62,344	218,347
Reclassifications	-	18,175	3,100	(21,275)	-	-
At 31 December 2013	-	8,053,760	440,088	293,392	62,344	8,849,584
Accumulated depreciation:						
At 1 January 2013	-	784,594	181,580	304,445	-	1,270,619
Depreciation charge for the year	-	205,296	43,771	63	-	249,130
Reclassifications	-	12,745	285	(13,030)	-	-
Adjustment	-	33	-	-	-	33
At 31 December 2013	-	1,002,668	225,636	291,478	-	1,519,782
Net carrying amount:						
At 31 December 2013	-	7,051,092	214,452	1,914	62,344	7,329,802

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**9 INVESTMENT PROPERTIES (continued)**

At 31 December 2014, the fair value of investment properties is AED 42,676,560 thousands (2013: AED 22,622,380 thousands) compared with a carrying value of AED 20,464,639 thousands (2013: AED 7,329,802 thousands).

Investment properties represent the Group's interest in land and buildings situated in the UAE.

During the year ended 31 December 2014, the Parent Company transferred legal title and beneficial ownership over plots of land related to certain investment properties held by the Group, valued at AED 13,014,000 thousands. The amount was determined based on a valuation as of 31 December 2013 carried out by third party valuer for plots within the same development. In consideration, the Company proposed to issue shares at par value to the Parent Company (note 15). Legal titles of certain other investment properties held were also transferred by the Parent Company to the Group.

The Group has no restriction on the realisability of its investment properties and no contractual obligation to purchase, construct or develop investment properties or for repairs, maintenance and enhancements.

The fair value of the freehold interest in Group's investment properties at 31 December 2014 was determined by the management based on valuations performed by independent and renowned external valuer. The valuation was performed in accordance with the RICS Valuation Standards, adopting the IFRS basis of fair value and using established valuation techniques. The value of the investment properties has been determined through analysis of the income cash flow achievable for the buildings and takes into account the projected annual expenditure. Both the contracted rent and estimated rental values have been considered in the valuation with allowances for void periods, running costs, vacancy rates and other costs. Based on the type and location of the property, the value of each of the properties has been determined by capitalising the estimated net income at an equivalent yield in the range of 9% to 10% (2013: 6% to 7%) (income capitalisation method); or assuming rental growth rates of 2.95% to 3.67%, discount rates of 9.49% to 10.77% and exit cap rates of 6.25% to 8.50% (discounted cash flow method). Where there are outstanding construction costs to complete the property these have been reflected in the valuation (residual method).

***Fair value hierarchy***

The Group uses the following hierarchy for determining and disclosing the fair value of its investment properties by valuation technique:

	<i>Total</i> <i>AED'000</i>	<i>Level 1</i> <i>AED'000</i>	<i>Level 2</i> <i>AED'000</i>	<i>Level 3</i> <i>AED'000</i>
<b>31 December 2014</b>	<b>42,676,560</b>	-	-	<b>42,676,560</b>
31 December 2013	22,622,380	-	-	22,622,380

Any significant movement in the assumptions used for the fair valuation of investment properties such as discount rates, yield, rental growth, vacancy rate etc. would result in significantly lower/ higher fair value of those assets.

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**10 INVESTMENT IN SUBSIDIARIES**

The details of the Company's subsidiaries, which are accounted at cost, are as follows:

<i>Name of the subsidiary</i>	<i>Country of incorporation</i>	<i>Principal activity</i>	<i>Beneficial Ownership</i>		<i>2014 AED'000</i>	<i>2013 AED'000</i>
			<i>2014</i>	<i>2013</i>		
Emaar Retail LLC (note a)	UAE	Leisure and entertainment activities	-	99%	-	297
Reel Entertainment LLC (note a)	UAE	Screening of any kind of motion pictures, advertisements, sale of food and beverages at the cinemas and other cinema related activities	-	100%	-	150
At 31 December					-	447

(a) During the year, the Company's investments in subsidiaries which were accounted for at cost were transferred to the Parent Company at cost.

**11 TRADE RECEIVABLES**

	<i>2014 AED'000</i>	<i>2013 AED'000</i>
Trade receivables - net	<b>106,708</b>	194,312

Trade receivables include amounts due from related parties amounting to AED 1,102 thousands (2013: AED 9,504 thousands) [note 13 (b)].

The above trade receivables are net of allowance for doubtful debts of AED 56,730 thousands (2013: AED 58,301 thousands) representing management's best estimate of doubtful trade receivables which are past due and impaired.

Movement in the allowance for doubtful debts is as follows:

	<i>2014 AED'000</i>	<i>2013 AED'000</i>
At 1 January	<b>58,301</b>	89,478
Net reversal for the year	<b>(1,044)</b>	(365)
Written off during the year	<b>(527)</b>	(30,812)
At 31 December	<b>56,730</b>	58,301

At 31 December, ageing analysis of trade receivables is as follows:

	<i>Total AED'000</i>	<i>Neither past due nor impaired AED'000</i>	<i>Past due but not impaired</i>			
			<i>Upto 30 days AED'000</i>	<i>31-60 days AED'000</i>	<i>61-90 days AED'000</i>	<i>&gt;90 days AED'000</i>
<b>2014</b>	<b>106,708</b>	<b>78,495</b>	<b>15,422</b>	<b>10,281</b>	<b>2,449</b>	<b>61</b>
2013	194,312	84,739	74,716	11,141	5,355	18,361

Unimpaired receivables are fully recoverable on the basis of past experience.

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**12 ADVANCES AND PREPAYMENTS**

	<i>2014</i> <i>AED'000</i>	<i>2013</i> <i>AED'000</i>
Advances to contractors and suppliers	<b>64,258</b>	29,363
Prepayments	<b>8,067</b>	5,467
	<u><b>72,325</b></u>	<u>34,830</u>

**13 RELATED PARTY DISCLOSURES**

- (a) During the year, the following were the significant related party transactions, which were carried out in the normal course of business (equivalent to terms those prevail in arm's length transactions) on terms agreed between the parties:

	<i>2014</i> <i>AED'000</i>	<i>2013</i> <i>AED'000</i>
<i>Rental income</i>		
Parent Company	<b>12,191</b>	3,743
Affiliated entities	<b>55,013</b>	68,122
Entities owned or controlled by Directors and other related parties	<b>87,145</b>	80,732
	<u><b>154,349</b></u>	<u>152,597</u>
<i>Operating expenses</i>		
Parent Company	<b>72,023</b>	74,303
Affiliated entities	<b>91,594</b>	95,144
Entities owned or controlled by Directors and other related parties	<b>3,678</b>	-
	<u><b>167,295</b></u>	<u>169,551</u>
<i>General and administrative expenses</i>		
Parent Company	<b>105,946</b>	86,675
Affiliated entities	<b>7,647</b>	-
Entities owned or controlled by Directors and other related parties	<b>1,439</b>	335
	<u><b>115,032</b></u>	<u>87,010</u>
<i>Finance costs</i>		
Parent Company	<b>64,140</b>	152,360
Entities owned or controlled by Directors and other related parties	<b>10,461</b>	-
	<u><b>74,601</b></u>	<u>152,360</u>



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13 RELATED PARTY DISCLOSURES (continued)

(b) Balances with related parties included in the consolidated statement of financial position are as follows:

	Bank balances and cash AED '000	Due from related parties AED '000	Trade receivables AED '000	Interest bearing loans and borrowings AED '000	Due to related parties AED '000	Deferred income AED '000	Trade payables AED '000
<b>31 December 2014</b>							
<i>Non-current</i>							
Entities owned or controlled by Directors and other related parties	-	-	-	214,258	-	-	-
	-	-	-	214,258	-	-	-
<i>Current</i>							
Parent Company - other	-	-	-	-	98,069	364	-
Affiliated entities	-	215,000	201	-	303	22,912	3,183
Entities owned or controlled by Directors and other related parties	27,196	-	901	-	-	35,260	3,149
	27,196	215,000	1,102	-	98,372	58,536	6,332

Outstanding balances at year end are secured and interest-bearing. For the years ended 31 December 2014 and 2013, the Group has not recorded any impairment of receivables relating to amounts owed by related parties.

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13 RELATED PARTY DISCLOSURES (continued)

(b) Balances with related parties included in the consolidated statement of financial position are as follows: (continued)

	Bank balances and cash AED '000	Due from related parties AED '000	Trade receivables AED '000	Interest bearing loans and borrowings AED '000	Due to related parties AED '000	Deferred income AED '000	Trade payables AED '000
<i>Non-current</i>							
Parent Company - loan (note c)	-	-	-	-	1,583,493	-	-
- interest	-	-	-	-	86,212	-	-
- other	-	-	-	-	155,785	-	-
Affiliated entities	-	-	-	-	302	-	-
Entities owned or controlled by Directors and other related parties	-	-	-	-	-	-	-
	-	-	-	-	1,825,792	-	-
<i>Current</i>							
Parent Company - loan	-	-	-	-	-	-	-
- interest	-	-	-	-	-	-	-
- other	-	-	655	-	-	-	-
Affiliated entities	-	171,854	1,027	-	-	20,032	1,051
Entities owned or controlled by Directors and other related parties	2	-	7,822	-	-	40,903	587
	2	171,854	9,504	-	-	60,935	1,638

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**13 RELATED PARTY DISCLOSURES (continued)**

- (c) In 2010, the Group reached an agreement with the Parent Company to convert an amount of AED 6,372,059 thousands, from the balance due, to a long term loan carrying interest at 8% p.a. During the year, the Group has fully repaid the loan from Parent Company. Movement in the loan balance is as follows:

	<i>2014</i> <i>AED'000</i>	<i>2013</i> <i>AED'000</i>
Balance at 1 January	1,583,493	2,001,973
Repayments made during the year	<b>(1,583,493)</b>	(418,480)
Balance at 31 December	<u>-</u>	<u>1,583,493</u>

- (d) Compensation of key management personnel

The remuneration of directors and other members of key management during the year were as follows:

	<i>2014</i> <i>AED'000</i>	<i>2013</i> <i>AED'000</i>
Short term benefits	24,030	20,746
End of service benefits	<b>1,701</b>	1,153

During the year, the number of key management personnel was 26 (2013: 20).

**14 BANK BALANCES AND CASH**

	<i>2014</i> <i>AED'000</i>	<i>2013</i> <i>AED'000</i>
Cash in hand	194	213
Bank balances:		
Current and call accounts	48,068	26,422
Deposits maturing within three months	-	130,000
Cash and cash equivalents	<b>48,262</b>	156,635
Deposits under lien (note 20)	23,550	68,542
Deposits maturing after three months	<b>1,292,146</b>	1,137,532
Balance at 31 December	<u><b>1,363,958</b></u>	<u>1,362,709</u>

Included in the bank balances and cash is an amount of AED 27,196 thousands (2013: AED 2 thousand) as balance held with related party [note 13(b)].

Cash at banks earn interest at fixed rates based on prevailing bank deposit rates. Short-term fixed deposits are made for varying periods between one day and six months, depending on the immediate cash requirements of the Group, and earn interest at the respective short-term deposit rates. Fixed deposits maturing after three months earn interest at rates between 0.9% and 1.3% per annum (2013: 1.1% and 1.7% per annum).

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**15 SHARE CAPITAL**

	<i>2014</i> <i>AED'000</i>	<i>2013</i> <i>AED'000</i>
Authorised capital – 13,014,300,000 shares of AED 1 each (2013: 300 shares of AED 1,000 each)	<b>13,014,300</b>	300
Issued and fully paid – 13,014,300,000 shares of AED 1 each (2013: 300 shares of AED 1,000 each)	<b>13,014,300</b>	300

During the year, the Company issued additional shares in the Company to the Parent Company against transfer of titles of certain plots of land for a consideration of AED 13,014,000 thousands (note 9). On 20 July 2014, the Company registered the increase in share capital with Government authorities amounting to AED 13,014,000 thousands consisting of 13,014,000 shares of AED 1,000 each through an addendum to its Memorandum of Association.

On 16 September 2014, the shareholders of the Company agreed to change the par value of the Company's shares from AED 1,000 each to AED 1 each through an amendment of the Memorandum of Association.

**16 RESERVES**

Movement in reserves is as follows:

	<i>Statutory reserve AED'000</i>	<i>Hedging reserve AED'000</i>	<i>Total AED'000</i>
As at 1 January 2013	150	(45,096)	(44,946)
Other comprehensive income for the year	-	10,234	10,234
Total comprehensive income for the year	-	10,234	10,234
As at 31 December 2013	150	(34,862)	(34,712)
Other comprehensive income for the year	-	31,903	31,903
Total comprehensive income for the year	-	31,903	31,903
Transferred to statutory reserve (note a)	135,059	-	135,059
<b>As at 31 December 2014</b>	<b>135,209</b>	<b>(2,959)</b>	<b>132,250</b>

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16 RESERVES (continued)

1 October 2014 to  
31 December 2014:

	<i>Statutory reserve AED'000</i>	<i>Hedging reserve AED'000</i>	<i>Total AED'000</i>
As at 1 October 2014	150	(1,143)	(993)
Other comprehensive income for the period	-	(1,816)	(1,816)
Total comprehensive income for the period	-	(1,816)	(1,816)
Transferred to statutory reserve (note a)	135,059	-	135,059
<b>As at 31 December 2014</b>	<b>135,209</b>	<b>(2,959)</b>	<b>132,250</b>

(a) As required by the UAE Federal Commercial Companies Law No. 8 of 1984 (as amended) and the Group's memorandum of association, 10% of the net profit for the year shall be transferred to statutory reserve until it reaches 50% of the issued share capital. Accordingly, 10% of the net profit for the year has been transferred to statutory reserves. This reserve is not available for distribution except in the circumstances stipulated by the law.

17 DIVIDENDS

During the year, the Company has paid a total of AED 3,554,750 thousands as cash dividends to its shareholders. Cash dividend of AED 2,754,750 thousands and AED 800,000 thousands were approved by shareholders of the Company on 17 June 2014 and 24 August 2014 respectively. These dividends were approved out of the retained earnings as of 31 December 2013 amounting to AED 2,993,342 thousands and 30 June 2014 amounting to AED 855,768 thousands respectively.

18 EARNINGS PER SHARE

Basic earnings per share amounts are calculated by dividing net profit or loss for the period/ year by the weighted average number of ordinary shares outstanding during the year.

Diluted earnings per share are calculated by adjusting the weighted average number of ordinary shares outstanding assuming conversion of all dilutive potential ordinary shares.

The information necessary to calculate basic and diluted earnings per share is as follows:

	<i>1 October 2014 to 31 December 2014 AED'000</i>	<i>2014 AED'000</i>	<i>2013 AED'000</i>
<b>Earnings:</b>			
Profit attributable to the shareholders	412,235	1,350,594	1,099,439
Weighted average number of ordinary shares for basic & diluted earnings per share	13,014,300,000	5,422,625,175	300
<b>Earnings per share (AED):</b>			
- basic and diluted	0.032	0.25	3,664,797

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**19 EMPLOYEES' END OF SERVICE BENEFITS**

The movement in the provision for employees' end of service benefits is as follows:

	<i>1 October 2014 to 31 December 2014 AED'000</i>	<i>2014 AED'000</i>	<i>2013 AED'000</i>
Balance as at 1 October/ 1 January	14,104	10,852	8,044
Provision during the period/ year	880	4,298	3,685
Transferred from/ (to) parent company/ related parties	(63)	242	(47)
Paid during the period/ year	(164)	(635)	(830)
Balance as at 31 December	<u>14,757</u>	<u>14,757</u>	<u>10,852</u>

Provision for employees' end of service benefits is made for the full amount due to employees for their periods of service up to the reporting date in accordance with the U.A.E. Labour Law. An actuarial valuation of the employees' end of service benefits has not been performed as in management's opinion the net impact of discount rates and future increases in benefits are not likely to be material. The benefits are un-funded.

**20 INTEREST BEARING LOANS AND BORROWINGS**

	<i>2014 AED'000</i>	<i>2013 AED'000</i>
Interest bearing loans and borrowings (a)	4,591,250	3,510,000
Less: unamortised portion of loan arrangement fee	(47,364)	(54,933)
Net interest bearing loans and borrowings	<u>4,543,886</u>	<u>3,455,067</u>

Net interest bearing loans and borrowings are repayable as follows:

Within one year (shown under current liabilities)	-	180,000
After one year (shown under non-current liabilities)	4,543,886	3,275,067
	<u>4,543,886</u>	<u>3,455,067</u>

	<i>2014 AED'000</i>	<i>2013 AED'000</i>
(a) Movement for the year:		
Balance as at 1 January	3,510,000	3,600,000
Less: Repaid during the year	(3,510,000)	(90,000)
Add: Borrowed during the year	4,591,250	-
Balance as at 31 December	<u>4,591,250</u>	<u>3,510,000</u>

During the year, the Group has fully repaid the finance facility of AED 3,600,000 thousands which was availed in 2011. The previous facility is replaced with new Syndicated Murhabha Islamic finance facility for USD 1.5 billion (AED 5,509,500 thousands) availed from the commercial banks of UAE. Out of which the Group has drawn down USD 1.25 billion (AED 4,591,250 thousands) as at 31 December 2014 and the option to further draw down has expired during the year. The new facility is unsecured and carries interest rate at 3 months LIBOR + 1.75% pa and this facility will be repaid in a single instalment in 2021. The bank has a lien on certain cash collateral amounting to AED 23,550 thousands (2013: AED 68,542 thousands) against interest payable (note 14).

As at 31 December 2014, part of interest bearing loans and borrowings amounting to USD 58,333 thousands (AED 214,258 thousands) (2013: AED Nil) is borrowed from a related party [note 13 (b)].

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**21 SUKUK**

EMG Sukuk Limited (the “Issuer”), a limited liability company registered in the Cayman Islands and a wholly-owned subsidiary of the Group, has issued trust certificates (the “Sukuk”) amounting to USD 750,000 thousands (AED 2,754,750 thousands) on 18 June 2014. The Sukuk is listed on NASDAQ Dubai and is due for repayment in 2024. The Sukuk carries a profit distribution rate of 4.564% per annum to be paid semi-annually. The carrying value of the Sukuk is as follows:

	<i>2014</i> <i>AED'000</i>
Proceeds from the issuance of the Sukuk	2,754,750
Less: Sukuk issuance cost	(21,667)
	<hr/>
Sukuk liability on initial recognition	2,733,083
Profit accrued up to year end	925
	<hr/>
Sukuk liability as at year end	<u>2,734,008</u>

**22 ACCOUNTS PAYABLE AND ACCRUALS**

	<i>2014</i> <i>AED'000</i>	<i>2013</i> <i>AED'000</i>
Trade payables	69,353	34,536
Accrued expenses	279,421	253,058
Interest payable	7,318	10,622
Other payables	6,656	37,389
	<hr/>	<hr/>
	<u>362,748</u>	<u>335,605</u>

Included in the trade payables is an amount of AED 6,332 thousands (2013: AED 1,638 thousands) due to related parties [note 13(b)].

**23 COMMITMENTS AND CONTINGENCIES**

**Commitments**

At 31 December 2014, the Group had commitments of AED 1,569,196 thousands (2013: AED 406,491 thousands) which includes project commitments of AED 1,365,521 thousands (2013: AED 180,214 thousands). This represents the value of contracts issued as at 31 December net of invoices received and accruals made as at that date.

**Operating lease commitments - Group as lessor**

The Group leases out its property under operating leases as a lessor. The future minimum lease payments receivable (base rent) under non-cancellable operating leases contracted for at the reporting date but not recognised as receivables, are as follows:

	<i>2014</i> <i>AED'000</i>	<i>2013</i> <i>AED'000</i>
Within one year	1,668,971	1,348,088
After one year but not more than five years	3,074,560	2,088,846
More than five years	194,073	264,519
	<hr/>	<hr/>
	<u>4,937,604</u>	<u>3,701,453</u>

In addition to the base rent, the Group also charges annual service charges to its tenants. The total amount of service charges for the year ended 31 December 2014 was AED 254,256 thousands (2013: AED 229,675 thousands).

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**23 COMMITMENTS AND CONTINGENCIES (continued)**

**Operating lease commitments - Group as lessee**

The Group has entered into agreement with related party to lease its office space. Future minimum rental payable under non-cancellable operating lease is as follows:

	<i>2014</i> <i>AED'000</i>	<i>2013</i> <i>AED'000</i>
Within one year	724	-
After one year but not more than five years	1,084	-
More than five years	-	-
	<u>1,808</u>	<u>-</u>

**Legal claims**

As at 31 December 2014, legal proceedings are in progress against certain tenants to recover outstanding rents amounting to AED 17,228 thousands (2013: AED 16,008 thousands). Based on the advice of legal advisors, outcome of these claims will have no adverse impact on the consolidated financial statements of the Group.

**24 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES**

The Group has exposure to the following risks from its use of financial instruments:

- a) Credit risk,
- b) Market risk, and
- c) Liquidity risk.

This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risk, and the Group's management of capital.

The Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework. The Group's senior management are responsible for developing and monitoring the risk management policies and report regularly to the Board of Directors on their activities.

The Group's current financial risk management framework is a combination of formally documented risk management policies in certain areas and informal risk management policies in others. The Group's risk management policies (both formal and informal) are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities.

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

The Group's principal financial liabilities, other than derivative, comprise loans and borrowings, sukuk, retentions payable and trade and other payables. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various financial assets such as bank balances and cash, trade receivables, due from related parties and advances and prepayments, which arises directly from its operations.

The Group also enters into derivative transactions, primarily interest rate swap contracts. The purpose is to manage the interest rate risk arising from the Group's sources of finance.

The Board of Directors reviews and agrees policies for managing each of these risks which are summarised below:



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**24 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)**

**Credit risk**

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Group is exposed to credit risk on the following:

	<i>2014</i> <i>AED'000</i>	<i>2013</i> <i>AED'000</i>
Bank balances	<b>1,363,764</b>	1,362,496
Trade receivables	<b>106,708</b>	194,312
Due from related parties	<b>215,000</b>	171,854
	<b><u>1,685,472</u></b>	<b><u>1,728,662</u></b>

Credit risk from balances with banks and financial institutions is managed by Group's treasury in accordance with the Group's policy. The Group limits its exposure to credit risk by only placing balances with international banks and local banks of good repute. Given the profile of its bankers, management does not expect any counterparty to fail to meet its obligations.

Credit risk from trade receivables is managed by setting credit limits for individual tenants, monitoring outstanding receivables and obtaining security deposits under the lease arrangements. The Group establishes an allowance for impairment at each reporting date that represents its estimate of incurred losses in respect of trade receivables.

Due from related parties relates to transactions arising in the normal course of business with minimal credit risk.

**Market risk**

Market risk is the risk that changes in market prices, such as interest rate risk and currency risk, will affect the Group's income or the value of its holdings of financial instruments. Financial instruments affected by interest rate risk include interest bearing loans and borrowings. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

*Interest rate risk*

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group is exposed to interest rate risk on its interest bearing assets and liabilities (interest bearing loans and borrowings).

The following table demonstrates the sensitivity of the consolidated income statement to reasonably possible changes in interest rates, with all other variables held constant and net of hedged instruments. The sensitivity of the consolidated income statement is the effect of the assumed changes in interest rates on the Group's profit for one year, based on the floating rate financial assets and liabilities held at reporting date.

There is no impact on the Group's equity other than the profit impact stated below.

	<i>Changes</i> <i>in basis points</i>	<i>Sensitivity of</i> <i>interest</i> <i>income/expense</i> <i>AED'000</i>
<b>2014</b>		
Bank deposits	<b>±100</b>	<b>±12,921</b>
Interest bearing loans and borrowings	<b>±100</b>	<b>±19,283</b>
		<b><u>                    </u></b>
<b>2013</b>		
Bank deposits	±100	±11,375
Interest bearing loans and borrowings	±100	±10,530
		<b><u>                    </u></b>

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**24 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)**

**Market risk (continued)**

*Foreign currency risk*

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Group's significant monetary assets and liabilities denominated in foreign currencies are either in USD or in currencies pegged to USD. As the AED is currently pegged to the USD, balances in USD and other currencies pegged to USD are not considered to represent significant currency risk.

**Liquidity risk**

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group monitors its risk to a shortage of funds using a recurring liquidity planning tool. This tool considers the maturity of both its financial investments and financial assets (e.g. trade receivables, other financial assets) and projected cash flows from operations.

The cash flows, funding requirements and liquidity of the Group are monitored on a centralised basis, under the control of Group Treasury. The objective of Group's Treasury is to optimise the efficiency and effectiveness of the management of the capital resources. The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank borrowings. The Group manages liquidity risk by maintaining adequate reserves and borrowing facilities, by continuously monitoring forecasted and actual cash flows and matching the maturity profiles of financial assets and liabilities.

The Group currently has sufficient cash on demand to meet expected operational expenses, including the servicing of financial obligations.

The table below summarises the maturities of the Group's undiscounted financial liabilities at 31 December, based on contractual payment dates and current market interest rates.

*At 31 December 2014*

	<i>Less than 3 months AED'000</i>	<i>3 to 12 months AED'000</i>	<i>1 to 5 years AED'000</i>	<i>More than 5 years AED'000</i>	<i>Total AED'000</i>
Due to related parties	25,000	73,372	-	-	98,372
Interest bearing loans and borrowings	33,082	98,169	504,661	4,723,713	5,359,625
Sukuk	-	125,727	502,907	3,320,521	3,949,155
Trade payables	20,806	48,547	-	-	69,353
Accrued expenses	111,768	167,653	-	-	279,421
Retention payable	-	4,130	16,574	-	20,704
Other payables	6,656	-	-	-	6,656
Total	197,312	517,598	1,024,142	8,044,234	9,783,286

*At 31 December 2013*

	<i>Less than 3 months AED'000</i>	<i>3 to 12 months AED'000</i>	<i>1 to 5 years AED'000</i>	<i>More than 5 years AED'000</i>	<i>Total AED'000</i>
Due to related parties	-	-	1,897,315	-	1,897,315
Interest bearing loans and borrowings	68,320	234,235	3,639,307	-	3,941,862
Trade payables	10,361	24,175	-	-	34,536
Accrued expenses	130,880	122,178	-	-	253,058
Interest payable	10,622	-	-	-	10,622
Other payables	3,385	34,004	-	-	37,389
Total	223,568	414,592	5,536,622	-	6,174,782

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**24 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)**

**Capital management**

Capital includes equity attributable to the equity holders of the Group. The Group's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The primary objective of the Group's capital management strategy is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximise shareholder's value.

The Group monitors capital using gearing ratio, which is net debt divided by equity plus net debt. The Group's policy is to keep the gearing ratio below 50%. The Group includes within net debt, interest bearing loans and borrowings and sukuk, less bank balances and cash (excluding lien with banks). Equity includes equity attributable to the owners of the Group. At 31 December 2014, the Groups' gearing ratio is 30% (31 December 2013: 42%). The Board of Directors seeks to maintain a balance between the higher returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position.

The Board of Directors also monitors the return on capital, which the Group defines as net operating income divided by total shareholders' equity. The Board of Directors also monitors the level of dividends to shareholders, the return of capital to shareholders or issuance of new shares to maintain or adjust the capital structure.

The Group manages its capital structure and makes adjustments to it, in light of changes in business conditions. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2014 and 31 December 2013 except for issuance of share capital (note 15) against purchase of land (note 9).

**25 FAIR VALUES OF FINANCIAL INSTRUMENTS**

Financial instruments comprise financial assets, financial liabilities and derivatives

Financial assets of the Group include bank balances and cash, trade receivables, advances, other receivables and due from related parties. Financial liabilities of the Group include security deposits, interest bearing loans and borrowings, sukuk, trade payables and due to related parties. Derivatives include interest rate swaps.

The fair values of the financial instruments are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The fair values of the financial instruments are not materially different from their carrying value unless stated otherwise.

**26 HEDGING ACTIVITIES**

**Cash flow hedges**

At 31 December 2014, the Group held certain interest rate swap contract designated as a hedge of expected future payments under the borrowing contracts entered by the Group for which it has firm commitments. The interest rate swap contract is being used to hedge the interest rate risk of the firm commitments. The nominal amount of these contracts is USD 725,000 thousands (AED 2,662,925 thousands) respectively (2013: AED 2,520,000 thousands).

	<i>2014</i>		<i>2013</i>	
	<i>Assets</i>	<i>Liabilities</i>	<i>Assets</i>	<i>Liabilities</i>
	<i>AED'000</i>	<i>AED'000</i>	<i>AED'000</i>	<i>AED'000</i>
<i>Interest rate swap contracts</i>				
Fair value	-	<b>2,959</b>	-	34,862

The fair values of the interest rate swaps are estimated using quotes from external sources or from the counterparty to the instruments.

The terms of the foreign currency forward contracts match the terms of the expected highly probable forecast transactions. As a result, no hedge ineffectiveness arises requiring recognition through profit or loss.

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**26 HEDGING ACTIVITIES (continued)**

**Cash flow hedges (continued)**

*Fair value hierarchy*

The Group uses the following hierarchy for determining and disclosing the fair value of cash flow hedges by valuation technique:

	<i>Total</i> <i>AED'000</i>	<i>Level 1</i> <i>AED'000</i>	<i>Level 2</i> <i>AED'000</i>	<i>Level 3</i> <i>AED'000</i>
<b>2014</b>				
Interest rate swap contracts	<u>2,959</u>	<u>-</u>	<u>2,959</u>	<u>-</u>
<b>2013</b>				
Interest rate swap contracts	<u>34,862</u>	<u>-</u>	<u>34,862</u>	<u>-</u>

**Level 1:** Fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.

**Level 2:** Fair value measurements are those derived from inputs other than quoted prices included within 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:** Fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

*Valuation technique*

The present value of interest rate swaps is computed by determining the present value of the fixed leg and the floating leg interest flows. The value of the fixed leg is given by the present value of the fixed coupon payments. The value of the floating leg is given by the present value of the floating coupon payments determined at the agreed dates of each payment. The forward rate for each floating payment date is calculated using the forward curves.