

**Emaar Malls PJSC and its
subsidiaries**

**UNAUDITED INTERIM CONDENSED
CONSOLIDATED FINANCIAL STATEMENTS**

30 JUNE 2018

REPORT ON REVIEW OF INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS TO THE SHAREHOLDERS OF EMAAR MALLS PJSC AND ITS SUBSIDIARIES

Introduction

We have reviewed the accompanying interim condensed consolidated financial statements of Emaar Malls PJSC (the “Company”) and its subsidiaries (collectively referred to as the “Group”) which comprises the interim consolidated statement of financial position as at 30 June 2018 and the related interim consolidated income statement, other comprehensive income, cash flows and changes in equity for the three and six months period then ended, and explanatory notes. Management is responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance with International Financial Reporting Standard *IAS 34 Interim Financial Reporting* (“IAS 34”). Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review.

Scope of Review

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

Conclusion

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

For Ernst & Young



Signed by:
Anthony O’Sullivan
Partner
Registration No: 687

5 August 2018

Dubai, United Arab Emirates

Emaar Malls PJSC and its subsidiaries

INTERIM CONSOLIDATED INCOME STATEMENT

For the period ended 30 June 2018 (Unaudited)

(US\$ 1.00 = AED 3.673)

		<i>1 January 2018 to 30 June 2018</i>	<i>1 January 2017 to 30 June 2017</i>	<i>1 April 2018 to 30 June 2018</i>	<i>1 April 2017 to 30 June 2017</i>
	<i>Notes</i>	<i>AED'000</i>	<i>AED'000</i>	<i>AED'000</i>	<i>AED'000</i>
Revenue	4	2,103,164	1,623,619	1,065,289	787,307
Cost of revenue	5	(490,108)	(204,881)	(264,920)	(100,588)
GROSS PROFIT		1,613,056	1,418,738	800,369	686,719
Sales and marketing expenses		(136,822)	(27,111)	(73,404)	(13,825)
General and administrative expenses		(99,581)	(87,545)	(52,213)	(46,419)
Depreciation and amortisation		(220,804)	(186,034)	(117,166)	(93,361)
OPERATING PROFIT FOR THE PERIOD		1,155,849	1,118,048	557,586	533,114
Gain on disposal of assets held for sale	15	48,877	-	48,877	-
Finance income		44,468	43,528	21,603	19,673
Finance costs	6	(159,479)	(140,828)	(81,550)	(71,172)
PROFIT FOR THE PERIOD	7	1,089,715	1,020,748	546,516	481,615
ATTRIBUTABLE TO:					
Equity holders of the parent		1,102,020	1,020,748	553,744	481,615
Non-controlling interests		(12,305)	-	(7,228)	-
		1,089,715	1,020,748	546,516	481,615
Earnings per share (AED):					
Equity holders of the parent basic and diluted	8	0.08	0.08	0.04	0.04

The attached notes 1 to 25 form part of these interim condensed consolidated financial statements.

Emaar Malls PJSC and its subsidiaries

INTERIM CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME

For the period ended 30 June 2018 (Unaudited)

(US\$ 1.00 = AED 3.673)

		<i>1 January 2018 to 30 June 2018 AED'000</i>	<i>1 January 2017 to 30 June 2017 AED'000</i>	<i>1 April 2018 to 30 June 2018 AED'000</i>	<i>1 April 2017 to 30 June 2017 AED'000</i>
	<i>Notes</i>				
Profit for the period		1,089,715	1,020,748	546,516	481,615
<i>Other comprehensive income to be reclassified to the interim consolidated income statement in subsequent period:</i>					
Other comprehensive income:					
Net movement on cash flow hedges	18	11,485	3,001	(1,056)	(4,101)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		1,101,200	1,023,749	545,460	477,514
ATTRIBUTABLE TO:					
Equity holders of the parent		1,113,505	1,023,749	552,688	477,514
Non-controlling interests		(12,305)	-	(7,228)	-
		1,101,200	1,023,749	545,460	477,514

The attached notes 1 to 25 form part of these interim condensed consolidated financial statements.

Emaar Malls PJSC and its subsidiaries

INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2018

(US\$ 1.00 = AED 3.673)

		30 June 2018 AED'000 (Unaudited)	31 December 2017 AED'000 (Audited)
ASSETS			
Non-current assets			
Property, plant and equipment	9	169,494	180,713
Investment properties	10	22,226,882	21,740,122
Goodwill and intangible assets	11	575,119	580,893
		<u>22,971,495</u>	<u>22,501,728</u>
Current assets			
Inventories		190,760	165,021
Trade and unbilled receivables	12	358,094	269,167
Advances, prepayments and other receivables		314,668	211,350
Due from related parties	13	115,267	56,627
Bank balances and cash	14	2,797,971	3,209,583
		<u>3,776,760</u>	<u>3,911,748</u>
Assets classified as held for sale	15	-	14,623
		<u>3,776,760</u>	<u>3,926,371</u>
TOTAL ASSETS		<u>26,748,255</u>	<u>26,428,099</u>
EQUITY AND LIABILITIES			
Equity			
Share capital	16	13,014,300	13,014,300
Reserves	18	854,553	843,068
Retained earnings		2,287,797	2,492,107
Equity attributable to the equity holders of the parent		16,156,650	16,349,475
Non-controlling interests		164,589	176,894
TOTAL EQUITY		<u>16,321,239</u>	<u>16,526,369</u>
Non-current liabilities			
Employees' end of service benefits		21,220	20,601
Interest bearing loans and borrowings	19	4,569,463	4,565,943
Sukuk	20	2,740,695	2,739,689
Put option over non-controlling interests	21	478,453	468,658
Retentions payable after 12 months		17,712	15,299
		<u>7,827,543</u>	<u>7,810,190</u>
Current liabilities			
Due to related parties	13	202,015	60,040
Accounts payable and accruals	22	1,129,175	694,802
Advances and security deposits		998,940	1,116,146
Retentions payable within 12 months		13,709	11,507
Deferred income		255,634	209,045
		<u>2,599,473</u>	<u>2,091,540</u>
TOTAL LIABILITIES		<u>10,427,016</u>	<u>9,901,730</u>
TOTAL EQUITY AND LIABILITIES		<u>26,748,255</u>	<u>26,428,099</u>

These interim condensed consolidated financial statements were authorised for issue on 5 August 2018 by Board of Directors and signed on their behalf by:

Chairman

Director

The attached notes 1 to 25 form part of these interim condensed consolidated financial statements.

Emaar Malls PJSC and its subsidiaries

INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS

For the period ended 30 June 2018 (Unaudited)

(US\$ 1.00 = AED 3.673)

		<i>1 January 2018 to 30 June 2018 AED'000</i>	<i>1 January 2017 to 30 June 2017 AED'000</i>
OPERATING ACTIVITIES			
Profit for the period		1,089,715	1,020,748
Adjustments for:			
Depreciation of property, plant and equipment	9	17,719	18,368
Depreciation of investment properties	10	197,311	167,666
Amortisation of intangible assets with definite useful life	11	5,774	-
Provision for doubtful debts - net	12	(6,561)	7,052
Provision for employees' end of service benefits		2,570	1,732
Finance costs	6	159,479	140,828
Gain on disposal of property, plant and equipment		(4)	(43)
Gain on disposal of assets classified as held for sale	15	(48,877)	-
Finance income		(44,468)	(43,528)
		1,372,658	1,312,823
Working capital changes:			
Inventories		(25,739)	1,567
Trade and unbilled receivables		(82,366)	4,478
Due from related parties		(58,640)	5,495
Advances, prepayments and other receivables		(37,920)	(25,034)
Due to related parties		141,896	58,986
Accounts payable and accruals		51,065	5,510
Advances and security deposits		(117,206)	52,112
Retentions payable		4,615	15,685
Deferred income		46,589	(59,435)
Net cash flows from operations		1,294,952	1,372,187
Employees' end of service benefits paid		(1,872)	(1,896)
Net cash flows from operating activities		1,293,080	1,370,291
INVESTING ACTIVITIES			
Purchases of property, plant and equipment	9	(6,500)	(3,339)
Amounts incurred on investment properties	10	(300,741)	(399,218)
Interest received		38,145	36,518
Proceeds from disposal of assets classified as held for sale		15,863	-
Proceeds from disposal of property, plant and equipment		4	43
Deposits under lien or maturing after three months		462,398	607,880
Net cash flows from investing activities		209,169	241,884
FINANCING ACTIVITIES			
Finance cost paid		(145,133)	(136,215)
Dividends paid	17	(1,301,430)	(1,301,430)
Bonus paid to Board of Directors	13(c)	(4,900)	(5,550)
Net cash flows used in financing activities		(1,451,463)	(1,443,195)
INCREASE IN CASH AND CASH EQUIVALENTS		50,786	168,980
Cash and cash equivalents at 1 January		142,626	25,164
CASH AND CASH EQUIVALENTS AT 30 JUNE	14	193,412	194,144
SUPPLEMENTAL NON-CASH INFORMATION			
Investment properties project cost accruals	10	383,162	-

The attached notes 1 to 25 form part of these interim condensed consolidated financial statements.

Emaar Malls PJSC and its subsidiaries

INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the period ended 30 June 2018 (Unaudited)

(US \$1.00 = AED 3.673)

	Equity attributable to equity holders of the Parent			
	Share capital AED '000	Reserves AED '000	Retained earnings AED '000	Total AED '000
1 January 2018 to 30 June 2018				
As at 1 January 2018 (Audited)	13,014,300	843,068	2,492,107	16,349,475
Profit / (loss) for the period	-	-	1,102,020	1,102,020
Other comprehensive income for the period	-	11,485	-	11,485
Total comprehensive income/ (loss) for the period	-	11,485	1,102,020	1,113,505
Dividends paid (note 17)	-	-	(1,301,430)	(1,301,430)
Directors' bonus [note 13(c)]	-	-	(4,900)	(4,900)
As at 30 June 2018	13,014,300	854,553	2,287,797	16,156,650
				Non-controlling interests AED '000
				176,894
				(12,305)
				1,089,715
				11,485
				1,101,200
				(1,301,430)
				(4,900)
				16,321,239

Equity attributable to equity holders of the Parent

	Equity attributable to equity holders of the Parent			
	Share capital AED '000	Reserves AED '000	Retained earnings AED '000	Total AED '000
1 January 2017 to 30 June 2017				
As at 1 January 2017 (Audited)	13,014,300	874,358	2,130,425	16,019,083
Profit for the period	-	-	1,020,748	1,020,748
Other comprehensive income for the period	-	3,001	-	3,001
Total comprehensive income for the period	-	3,001	1,020,748	1,023,749
Dividends paid (note 17)	-	-	(1,301,430)	(1,301,430)
Directors' bonus [note 13(c)]	-	-	(5,550)	(5,550)
As at 30 June 2017	13,014,300	877,359	1,844,193	15,735,852
				Non-controlling interests AED '000
				-
				-
				3,001
				1,023,749
				(1,301,430)
				(5,550)
				15,735,852

The attached notes 1 to 25 form part of these interim condensed consolidated financial statements.

Emaar Malls PJSC and its subsidiaries

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 June 2018 (Unaudited)

1 CORPORATE INFORMATION

Emaar Malls 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 ended 31 December 2014, the Parent Company converted the legal status of the Company from that of a 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 and online retail.

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

The interim condensed consolidated financial statements of the Group for the period ended 30 June 2018 have been prepared in accordance with International Accounting Standard 34, Interim Financial Reporting and applicable requirements of United Arab Emirates law.

The interim condensed consolidated financial statements do not contain all information and disclosures required for full financial statements prepared in accordance with International Financial Reporting Standards and should be read with the Group's annual consolidated financial statements as at 31 December 2017.

Results for the six-months period ended 30 June 2018 are not necessarily indicative of the results that may be expected for the year ending 31 December 2018.

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

Basis of consolidation

The consolidated interim condensed financial statements comprise the financial statements of the Company and entities controlled by the Company (its subsidiaries) as at 30 June 2018. 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

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.

Emaar Malls PJSC and its subsidiaries

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 June 2018 (Unaudited)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of consolidation (continued)

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 recognised 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 significant subsidiaries are as follows:

<i>Name of the subsidiary</i>	<i>Country of incorporation</i>	<i>Principal activity</i>	<i>Beneficial Ownership</i>	
			<i>2018</i>	<i>2017</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%
Namshi Holding Limited	UAE	Holding company for Namshi group companies engaged in online retail business and related services	51%	51%

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 interim condensed 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.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS

At 30 June 2018 (Unaudited)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(a) New standards, interpretations and amendments adopted by the Group

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2017, except for the adoption of new standards and interpretations effective as of 1 January 2018. Although these new standards and amendments apply for the first time in 2018, they do not have a material impact on the annual consolidated financial statements of the Group or the interim condensed consolidated financial statements of the Group. The nature and the impact of each new standard or amendment is described below:

IFRS 9 Financial Instruments

IFRS 9 Financial Instruments replaces IAS 39 Financial Instruments: Recognition and Measurement for annual periods beginning on or after 1 January 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement; impairment; and hedge accounting.

The Group early adopted IFRS 9- Phase 1 *Classification and Measurement of Financial Instruments* in the prior years, and adopted the other two aspects of IFRS 9 namely, Impairment and Hedge accounting from 1 January 2018 with the initial application date of 1 January 2018. With the exception of hedge accounting, which the Group applied prospectively, the Group has applied IFRS 9 - Impairment retrospectively. The effect of adopting IFRS 9 is, as follows:

Impairment

The adoption of IFRS 9 requires the Group to account for impairment losses for financial assets by replacing IAS 39's incurred loss approach with a forward-looking Expected Credit Loss (ECL) approach.

IFRS 9 requires the Group to record an allowance for ECLs for all loans and other debt financial assets not held at FVPL. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive. The shortfall is then discounted at an approximation to the asset's original effective interest rate.

For Trade and unbilled receivables and other receivables, the Group has applied the standard's simplified approach and has calculated ECLs based on lifetime expected credit losses. The Group has established a provision matrix that is based on the Group's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

For other debt financial assets (i.e., loans and investment in debt securities), the ECL is based on the 12-month ECL. The 12-month ECL is the portion of lifetime ECLs that results from default events on a financial instrument that are possible within 12 months after the reporting date. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECL.

The Group considers a financial asset in default when contractual payment are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group.

Management assessed the expected credit losses as prescribed by the requirements of IFRS 9 against trade and unbilled receivables and investment in debt securities and concluded that there was no material impact on the interim condensed consolidated financial statements.

Hedge accounting

The Group applied hedge accounting prospectively. At the date of the initial application, all of the Group's existing hedging relationships were eligible to be treated as continuing hedging relationships. Consistent with prior periods, the Group has continued to designate the change in fair value of the entire forward contract in the Group's cash flow hedge relationships and, as such, the adoption of the hedge accounting requirements of IFRS 9 had no significant impact on the Group's financial statements.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS

At 30 June 2018 (Unaudited)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(a) New standards, interpretations and amendments adopted by the Group (continued)

IFRS 9 Financial Instruments (continued)

Hedge accounting (continued)

Under IAS 39, all gains and losses arising from the Group's cash flow hedging relationships were eligible to be subsequently reclassified to profit or loss. However, under IFRS 9, gains and losses arising on cash flow hedges of forecast purchases of non-financial assets need to be incorporated into the initial carrying amounts of the non-financial assets. The Group currently only has a hedge of financial assets and liabilities. This change only applies prospectively from the date of initial application of IFRS 9 and has no impact on the presentation of comparative figures.

Other adjustments

In addition to the adjustments described above, upon adoption of IFRS 9, other items of the primary financial statements such as deferred taxes, assets held for sale and liabilities associated with them, investments in the associate and joint venture (arising from the financial instruments held by these entities), income tax expense, retained earnings and exchange differences on translation of foreign operations were adjusted as necessary. No other adjustments were required to be made to the financial statements line items on adoption of IFRS 9.

IFRIC Interpretation 22 Foreign Currency Transactions and Advance Considerations

The Interpretation clarifies that, in determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which an entity initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, then the entity must determine a date of the transactions for each payment or receipt of advance consideration. This Interpretation does not have any impact on the Group's interim condensed consolidated financial statements.

Amendments to IAS 40 Transfers of Investment Property

The amendments clarify when an entity should transfer property, including property under construction or development into, or out of investment property. The amendments state that a change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. A mere change in management's intentions for the use of a property does not provide evidence of a change in use. These amendments do not have any impact on the Group's interim condensed consolidated financial statements.

Amendments to IFRS 2 Classification and Measurement of Share-based Payment Transactions

The IASB issued amendments to IFRS 2 Share-based Payment that address three main areas: the effects of vesting conditions on the measurement of a cash-settled share-based payment transaction; the classification of a share-based payment transaction with net settlement features for withholding tax obligations; and accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash settled to equity settled. On adoption, entities are required to apply the amendments without restating prior periods, but retrospective application is permitted if elected for all three amendments and other criteria are met. The Group has no share-based payment transactions therefore; these amendments do not have any impact on the Group's interim condensed consolidated financial statements.

Amendments to IFRS 4 Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts

The amendments address concerns arising from implementing the new financial instruments standard, IFRS 9, before implementing IFRS 17 Insurance Contracts, which replaces IFRS 4. The amendments introduce two options for entities issuing insurance contracts: a temporary exemption from applying IFRS 9 and an overlay approach. These amendments do not have any impact on the Group's interim condensed consolidated financial statements.

Emaar Malls PJSC and its subsidiaries

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 June 2018 (Unaudited)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(a) New standards, interpretations and amendments adopted by the Group (continued)

Amendments to IAS 28 Investments in Associates and Joint Ventures - Clarification that measuring investees at fair value through profit or loss is an investment-by-investment choice

The amendments clarify that an entity that is a venture capital organisation, or other qualifying entity, may elect, at initial recognition on an investment-by-investment basis, to measure its investments in associates and joint ventures at fair value through profit or loss. If an entity, that is not itself an investment entity, has an interest in an associate or joint venture that is an investment entity, the entity may, when applying the equity method, elect to retain the fair value measurement applied by that investment entity associate or joint venture to the investment entity associate's or joint venture's interests in subsidiaries. This election is made separately for each investment entity associate or joint venture, at the later of the date on which: (a) the investment entity associate or joint venture is initially recognised; (b) the associate or joint venture becomes an investment entity; and (c) the investment entity associate or joint venture first becomes a parent. These amendments do not have any impact on the Group's interim condensed consolidated financial statements.

Amendments to IFRS 1 First-time Adoption of International Financial Reporting Standards - Deletion of short-term exemptions for first-time adopters

Short-term exemptions in paragraphs E3–E7 of IFRS 1 were deleted because they have now served their intended purpose. These amendments do not have any impact on the Group's interim condensed consolidated financial statements.

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 interim condensed consolidated financial statements.

Business segments

For management purposes, the Group is organised into six 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 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.

Online Retail:

Namshi, a regional online fashion portal in GCC, constitutes the online retail business segment of the Group.

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.

Emaar Malls PJSC and its subsidiaries

NOTES TO THE INTERIM CONDENSED CONSOLIDATED

FINANCIAL STATEMENTS

At 30 June 2018 (Unaudited)

3 SEGMENT INFORMATION (continued)

Business segments (continued)

The following tables include revenue, results and other segment information from 1 January 2018 to 30 June 2018, 1 April 2018 to 30 June 2018, 1 January 2017 to 30 June 2017 and 1 April 2017 to 30 June 2017. Assets and liabilities information regarding business segments are presented as at 30 June 2018 and 31 December 2017.

	<i>Super Regional Malls AED'000</i>	<i>Regional Malls AED'000</i>	<i>Community Retail AED'000</i>	<i>Specialty Retail AED'000</i>	<i>Online Retail AED'000</i>	<i>Others AED'000</i>	<i>Total AED'000</i>
<i>1 January 2018 to 30 June 2018:</i>							
Revenue:							
Rental income from leased properties	1,445,385	92,928	111,617	69,504	-	-	1,719,434
Online retail	-	-	-	-	383,730	-	383,730
Total Revenue	1,445,385	92,928	111,617	69,504	383,730	-	2,103,164
Results:							
Profit / (loss) for the period (a)	1,027,106	52,624	113,052	40,141	(24,251)	(118,957)	1,089,715
Other segment information							
<i>Capital expenditure:</i> (Property, plant and equipment and investment properties)	565,942	4,558	115,351	1,658	1,607	1,287	690,403
<i>Depreciation and amortisation:</i> (Property, plant and equipment, investment properties and intangible assets)	160,811	19,414	19,396	11,616	7,576	1,991	220,804
Finance costs	-	-	-	-	283	159,196	159,479

(a) Profit for the period of Community Retail includes a gain on disposal of assets held for sale amounting to AED 48,877 thousands (period ended 30 June 2017: Nil)

Emaar Malls PJSC and its subsidiaries

NOTES TO THE INTERIM CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS

At 30 June 2018 (Unaudited)

3 SEGMENT INFORMATION (continued)

Business segments (continued)

1 April 2018 to 30 June 2018:

	Super Regional Malls AED'000	Regional Malls AED'000	Community Retail AED'000	Specialty Retail AED'000	Online Retail AED'000	Others AED'000	Total AED'000
Revenue:							
Rental income from leased properties	727,901	44,974	51,454	32,965	-	-	857,294
Online retail	-	-	-	-	207,995	-	207,995
Total Revenue	727,901	44,974	51,454	32,965	207,995	-	1,065,289
Results:							
Profit / (loss) for the period (a)	501,666	24,783	75,098	16,812	(14,352)	(57,491)	546,516
Other segment information:							
<i>Capital expenditure</i> (Property, plant and equipment and investment properties)	179,145	2,165	76,923	435	1,330	556	260,554
<i>Depreciation and amortisation</i> (Property, plant and equipment, investment properties and intangible assets)	86,755	9,825	10,123	5,743	3,790	930	117,166
Finance costs	-	-	-	-	283	81,267	81,550
Assets and liabilities <i>As at 30 June 2018:</i>							
Segment assets	19,403,633	1,224,009	1,236,101	1,182,198	502,176	3,200,138	26,748,255
Segment liabilities	1,889,180	93,967	224,865	87,750	166,278	7,964,976	10,427,016

(a) Profit for the period of Community R etail includes a gain on disposal of assets held for sale amounting to AED 48,877 thousands (period ended 30 June 2017: Nil)

Emaar Malls PJSC and its subsidiaries

NOTES TO THE INTERIM CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS

At 30 June 2018 (Unaudited)

3 SEGMENT INFORMATION (continued)

Business segments (continued)

1 January 2017 to 30 June 2017:

	Super Regional Malls AED '000	Regional Malls AED '000	Community Retail AED '000	Specialty Retail AED '000	Online Retail AED '000	Others AED '000	Total AED '000
Revenue:							
Rental income from leased properties	1,331,550	94,105	121,952	76,012	-	-	1,623,619
Online retail	-	-	-	-	-	-	-
Total Revenue	1,331,550	94,105	121,952	76,012	-	-	1,623,619
Results:							
Profit / (loss) for the period	986,091	56,079	72,989	47,427	-	(141,838)	1,020,748
Other segment information:							
Capital expenditure (Property, plant and equipment and investment properties)	328,245	8,374	61,746	3,904	-	288	402,557
Depreciation and amortisation (Property, plant and equipment, investment properties and intangible assets)	134,526	18,807	16,759	14,125	-	1,817	186,034
Finance costs	-	-	-	-	-	140,828	140,828

Emaar Malls PJSC and its subsidiaries

NOTES TO THE INTERIM CONDENSED CONSOLIDATED

FINANCIAL STATEMENTS

At 30 June 2018 (Unaudited)

3 SEGMENT INFORMATION (continued)

Business segments (continued)

1 April 2017 to 30 June 2017:

	Super Regional Malls AED '000	Regional Malls AED '000	Community Retail AED '000	Specialty Retail AED '000	Online Retail AED '000	Others AED '000	Total AED '000
Revenue:							
Rental income from leased properties	643,840	47,145	58,413	37,909	-	-	787,307
Online retail	-	-	-	-	-	-	-
Total Revenue	643,840	47,145	58,413	37,909	-	-	787,307
Results:							
Profit / (loss) for the period	466,571	26,743	31,790	20,278	-	(63,767)	481,615
Other segment information:							
Capital expenditure (Property, plant and equipment and investment properties)	243,081	4,957	20,090	998	-	37	269,163
Depreciation and amortisation (Property, plant and equipment, investment properties and intangible assets)	67,504	9,556	8,369	7,042	-	890	93,361
Finance costs	-	-	-	-	-	71,172	71,172
Assets and liabilities As at 31 December 2017 (Audited):							
Segment assets	19,395,965	1,263,733	878,858	1,333,006	476,933	3,079,604	26,428,099
Segment liabilities	1,460,666	87,665	173,605	79,809	115,924	7,984,061	9,901,730

Emaar Malls PJSC and its subsidiaries

NOTES TO THE INTERIM CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS

At 30 June 2018 (Unaudited)

4 REVENUE

	<i>1 January 2018 to 30 June 2018 AED'000</i>	<i>1 January 2017 to 30 June 2017 AED'000</i>	<i>1 April 2018 to 30 June 2018 AED'000</i>	<i>1 April 2017 to 30 June 2017 AED'000</i>
Rental income from leased properties				
Base rent	1,291,100	1,174,925	661,926	573,283
Turnover rent	60,970	57,138	14,344	21,281
Services charges	169,201	175,397	85,571	86,297
Promotion and marketing contribution	28,553	25,147	14,912	12,475
Specialty leasing	91,308	107,010	43,188	49,793
Multimedia	32,799	35,184	17,810	17,666
Others	45,503	48,818	19,543	26,512
	<u>1,719,434</u>	<u>1,623,619</u>	<u>857,294</u>	<u>787,307</u>
Online retail	383,730	-	207,995	-
	<u><u>2,103,164</u></u>	<u><u>1,623,619</u></u>	<u><u>1,065,289</u></u>	<u><u>787,307</u></u>

5 COST OF REVENUE

	<i>1 January 2018 to 30 June 2018 AED'000</i>	<i>1 January 2017 to 30 June 2017 AED'000</i>	<i>1 April 2018 to 30 June 2018 AED'000</i>	<i>1 April 2017 to 30 June 2017 AED'000</i>
Operating cost of leasing activities				
Housekeeping and facility management	88,536	88,951	44,979	42,175
Direct staff costs	48,278	44,639	25,917	22,125
Utilities – net	23,291	29,056	15,302	17,646
Security	17,978	15,437	9,909	6,530
Others	34,290	26,798	17,329	12,112
	<u>212,373</u>	<u>204,881</u>	<u>113,436</u>	<u>100,588</u>
Cost of online retail revenue	277,735	-	151,484	-
	<u><u>490,108</u></u>	<u><u>204,881</u></u>	<u><u>264,920</u></u>	<u><u>100,588</u></u>

6 FINANCE COSTS

	<i>1 January 2018 to 30 June 2018 AED'000</i>	<i>1 January 2017 to 30 June 2017 AED'000</i>	<i>1 April 2018 to 30 June 2018 AED'000</i>	<i>1 April 2017 to 30 June 2017 AED'000</i>
Interest on loans and borrowings	145,357	136,647	74,397	69,071
Others	14,122	4,181	7,153	2,101
	<u>159,479</u>	<u>140,828</u>	<u>81,550</u>	<u>71,172</u>

Emaar Malls PJSC and its subsidiaries

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 June 2018 (Unaudited)

7 PROFIT FOR THE PERIOD

The profit for the period is stated after charging:

	<i>1 January 2018 to 30 June 2018 AED'000</i>	<i>1 January 2017 to 30 June 2017 AED'000</i>	<i>1 April 2018 to 30 June 2018 AED'000</i>	<i>1 April 2017 to 30 June 2017 AED'000</i>
Indirect staff costs	<u>40,449</u>	<u>15,333</u>	<u>19,932</u>	<u>7,284</u>

8 EARNINGS PER SHARE

Basic earnings per share amounts are calculated by dividing net profit for the period attributable to the equity shareholders of the parent by the weighted average number of ordinary shares outstanding during the period.

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 January 2018 to 30 June 2018 AED'000</i>	<i>1 January 2017 to 30 June 2017 AED'000</i>	<i>1 April 2018 to 30 June 2018 AED'000</i>	<i>1 April 2017 to 30 June 2017 AED'000</i>
Earnings:				
Profit attributable to the shareholders for basis or diluted earnings per share	<u>1,102,020</u>	<u>1,020,748</u>	<u>553,744</u>	<u>481,615</u>
No of shares:				
Weighted average number of ordinary shares for basic and diluted earnings per share	<u>13,014,300</u>	<u>13,014,300</u>	<u>13,014,300</u>	<u>13,014,300</u>
Earnings per share (AED):				
- basic and diluted	<u>0.08</u>	<u>0.08</u>	<u>0.04</u>	<u>0.04</u>

9 PROPERTY, PLANT AND EQUIPMENT

Additions and depreciation

During the period ended 30 June 2018, the Group purchased property, plant and equipment of AED 6,500 thousands (period ended 30 June 2017: AED 3,339 thousands) and charged depreciation expense to the interim consolidated income statement of AED 17,719 thousands (period ended 30 June 2017: AED 18,368 thousands).

10 INVESTMENT PROPERTIES

Additions and depreciation

During the period ended 30 June 2018, the Group had additions of AED 683,903 thousands (period ended 30 June 2017: AED 399,218 thousands) and charged depreciation expense to the interim consolidated income statement of AED 197,311 thousands (period ended 30 June 2017: AED 167,666 thousands).

Transfers within investment properties

During the current period, Capital work-in-progress amounting to AED 1,810,162 thousands (period ended 30 June 2017: AED 9,846 thousands) was transferred mainly to Buildings following the completion of construction related to the extension of The Dubai Mall and the development of New Springs Village.

Emaar Malls PJSC and its subsidiaries

NOTES TO THE INTERIM CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS

At 30 June 2018 (Unaudited)

11 GOODWILL AND INTANGIBLE ASSETS

	<i>30 June 2018 AED'000</i>	<i>31 December 2017 AED'000 (Audited)</i>
Goodwill	365,012	365,012
Other intangible assets	210,107	215,881
	<u>575,119</u>	<u>580,893</u>

During the period ended 30 June 2018, the Group charged amortisation expense to interim consolidated income statement of AED 5,774 thousands (period ended 30 June 2017: AED Nil).

12 TRADE AND UNBILLED RECEIVABLES

	<i>30 June 2018 AED'000</i>	<i>31 December 2017 AED'000 (Audited)</i>
Trade receivables – net	322,974	220,899
Unbilled receivables	35,120	48,268
	<u>358,094</u>	<u>269,167</u>

Trade receivables include amounts due from related parties amounting to AED 15,510 thousands (31 December 2017: AED 227 thousands) [note 13 (b)].

The above trade receivables are net of allowance for doubtful debts of AED 80,744 thousands (31 December 2017: AED 85,356 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>30 June 2018 AED'000</i>	<i>31 December 2017 AED'000 (Audited)</i>
Balance at 1 January	85,356	68,712
Provision / (reversal) for the period / year - net	(6,561)	23,906
Write off / adjustments during the period / year - net	1,949	(7,262)
	<u>80,744</u>	<u>85,356</u>

Emaar Malls PJSC and its subsidiaries

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 June 2018 (Unaudited)

13 RELATED PARTY DISCLOSURES

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

	<i>1 January 2018 to 30 June 2018 AED'000</i>	<i>1 January 2017 to 30 June 2017 AED'000</i>
Revenue		
<i>Rental income from leased properties</i>		
Parent Company	9,182	11,180
Affiliated entities	30,218	32,959
Entities owned or controlled by Directors and other related parties	42,296	40,746
	<u>81,696</u>	<u>84,885</u>
Cost of revenue		
<i>Operating cost of leasing activities – net</i>		
Parent Company	21,806	21,314
Affiliated entities	109,050	37,515
Entities owned or controlled by Directors and other related parties	(1,480)	(2,294)
	<u>129,376</u>	<u>66,535</u>
Sales and marketing expenses		
Parent Company	4,737	2,637
Affiliated entities	1,586	344
Entities owned or controlled by Directors and other related parties	2,150	22
	<u>8,473</u>	<u>3,003</u>
General and administrative expenses		
Parent Company	40,074	38,374
Affiliated entities	1,347	2,348
Entities owned or controlled by Directors and other related parties	705	272
	<u>42,126</u>	<u>40,994</u>
Finance income		
Entities owned or controlled by Directors and other related parties	6,981	14,329
	<u>6,981</u>	<u>14,329</u>
Capital expenditures		
Parent Company	-	1,722
Affiliated entities	3,261	9,339
	<u>3,261</u>	<u>11,061</u>

Emaar Malls PJSC and its subsidiaries

NOTES TO THE INTERIM CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS

At 30 June 2018 (Unaudited)

13 RELATED PARTY DISCLOSURES (continued)

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

	Bank balances and cash AED '000	Due from related parties AED '000	Trade and unbilled receivables AED '000	Due to related parties AED '000	Deferred income AED '000	Trade payables AED '000
<i>30 June 2018</i>						
<i>Current</i>						
Parent Company	-	-	-	132,395	5,669	-
Affiliated entities	-	115,267	-	69,620	13,331	-
Entities owned or controlled by Directors and other related parties	387,653	-	15,510	-	52,627	121
	<u>387,653</u>	<u>115,267</u>	<u>15,510</u>	<u>202,015</u>	<u>71,627</u>	<u>121</u>
<i>31 December 2017 (Audited)</i>						
<i>Current</i>						
Parent Company	-	-	-	59,774	2,612	-
Affiliated entities	-	56,627	-	266	11,594	-
Entities owned or controlled by Directors and other related parties	574,505	-	227	-	47,895	38
	<u>574,505</u>	<u>56,627</u>	<u>227</u>	<u>60,040</u>	<u>62,101</u>	<u>38</u>

For the periods ended 30 June 2018 and year ended 31 December 2017, the Group has not recorded any impairment of receivables relating to amounts owed by related parties.

Emaar Malls PJSC and its subsidiaries

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 June 2018 (Unaudited)

13 RELATED PARTY DISCLOSURES (continued)

(c) Compensation of key management personnel

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

	<i>1 January 2018 to 30 June 2018 AED'000</i>	<i>1 January 2017 to 30 June 2017 AED'000</i>
Short term benefits	12,607	10,604
End of service benefits	374	370

As at 30 June 2018, the number of key management personnel was 17 (30 June 2017: 15).

During the period, the Company has paid bonus to the members of the Board of Directors amounting to AED 650 thousands for each board member and a bonus amounting to AED 1 million to the Chairman of the Board for the year 2017 as approved by the shareholders at the Annual General Meeting of the Company held on 23 April 2018.

14 BANK BALANCES AND CASH

	<i>30 June 2018 AED'000</i>	<i>31 December 2017 AED'000 (Audited)</i>
Cash in hand	188	202
Bank balances:		
Current and call accounts	193,224	142,424
Cash and cash equivalents	193,412	142,626
Deposits under lien (note 19)	46,771	35,992
Deposits maturing after three months	2,557,788	3,030,965
Balance at period / year-end	2,797,971	3,209,583

Included in the bank balances and cash is an amount of AED 387,653 thousands (31 December 2017: AED 574,505 thousands) 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 2.65% and 3.50% per annum (31 December 2017: 2.20% and 3.20% per annum).

15 ASSETS CLASSIFIED AS HELD FOR SALE

At 31 December 2017, investment properties having a net book value of AED 14,623 thousands were classified as assets held for sale. During the period ended 30 June 2018, the Group entered into a sale and purchase agreement for the sale of these properties at a value of AED 63,500 thousands and consequently a gain of AED 48,877 thousands was recognized in the interim consolidated income statement.

Emaar Malls PJSC and its subsidiaries

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 June 2018 (Unaudited)

16 SHARE CAPITAL

	30 June 2018 AED'000	31 December 2017 AED'000 (Audited)
Authorised capital – 13,014,300,000 shares of AED 1 each (2017: 13,014,300,000 shares of AED 1 each)	13,014,300	13,014,300
Issued and fully paid – 13,014,300,000 shares of AED 1 each (2017: 13,014,300,000 shares of AED 1 each)	13,014,300	13,014,300

17 DIVIDENDS

A cash dividend of AED 0.10 per share for the year 2017 (2016: AED 0.10 per share) was approved by the shareholders of the Company at the Annual General Meeting held on 23 April 2018 and was paid during the period ended 30 June 2018.

18 RESERVES

Movement in reserves is as follows:

	<i>Statutory reserve AED'000</i>	<i>Legal reserve AED'000</i>	<i>Hedging reserve AED'000</i>	<i>Put option over non-controlling interests AED'000</i>	<i>Total AED'000</i>
1 January 2018 to 30 June 2018:					
As at 1 January 2018 (Audited)	696,854	602,868	12,004	(468,658)	843,068
Other comprehensive income for the period	-	-	11,485	-	11,485
Total comprehensive income for the period	-	-	11,485	-	11,485
As at 30 June 2018	696,854	602,868	23,489	(468,658)	854,553
1 January 2017 to 30 June 2017:					
As at 1 January 2017 (Audited)	488,271	394,285	(8,198)	-	874,358
Other comprehensive income for the period	-	-	3,001	-	3,001
Total comprehensive income for the period	-	-	3,001	-	3,001
As at 30 June 2017	488,271	394,285	(5,197)	-	877,359

As required by the UAE Federal Commercial Companies Law No. (2) of 2015 and the Article number 57 of the Company's Article of Association, 10% of the net profit for the year shall be transferred to legal reserve until it reaches 50% of the share capital. Further, 10% of the net profit for the year shall be transferred to statutory reserve until it reaches 50% of the paid-up share capital. These reserves are not available for distribution except in the circumstances stipulated by the law.

Emaar Malls PJSC and its subsidiaries

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 June 2018 (Unaudited)

19 INTEREST BEARING LOANS AND BORROWINGS

	<i>30 June 2018 AED'000</i>	<i>31 December 2017 AED'000 (Audited)</i>
Interest bearing loans and borrowings	4,591,250	4,591,250
Less: unamortised portion of loan arrangement fee	(21,787)	(25,307)
	<u>4,569,463</u>	<u>4,565,943</u>
Net interest bearing loans and borrowings	<u>4,569,463</u>	<u>4,565,943</u>
Net interest bearing loans and borrowings are repayable as follows:		
Within one year (shown under current liabilities)	-	-
After one year (shown under non-current liabilities)	4,569,463	4,565,943
	<u>4,569,463</u>	<u>4,565,943</u>

The Group has Syndicated Murabaha Islamic finance facility for USD 1.25 billion (AED 4,591,250 thousands) availed from the commercial banks of UAE. The 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 46,771 thousands (31 December 2017: AED 35,992 thousands) against interest payable (note 14).

20 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>30 June 2018 AED'000</i>	<i>31 December 2017 AED'000 (Audited)</i>
Proceeds from the issuance of the Sukuk	2,754,750	2,754,750
Less: Sukuk issuance cost	(21,587)	(21,587)
	<u>2,733,163</u>	<u>2,733,163</u>
Sukuk liability on initial recognition	2,733,163	2,733,163
Profit accrued up to period / year-end	7,532	6,526
	<u>2,740,695</u>	<u>2,739,689</u>
Sukuk liability as at period / year-end	<u>2,740,695</u>	<u>2,739,689</u>

21 PUT OPTION OVER NON-CONTROLLING INTERESTS

Pursuant to the Shareholders' Agreement which was executed between the Company and Global Fashion Group (GFG) on 16 August 2017 in relation to the acquisition of Namshi Holding Limited ("Namshi"), the Company granted a put option to GFG in respect of GFG's shareholding in Namshi. GFG has the right to require the Company to acquire GFG's entire shareholding in Namshi at the same price per share at which the Company acquired a 51% equity stake in Namshi from GFG. GFG can exercise its put option at any time during a period of one month commencing from 30 months from the date of Shareholders' Agreement.

The Company has recognised a non-current financial liability of AED 478,453 thousands in the interim consolidated statement of financial position as at 30 June 2018. This represents the present value of the estimated redemption amount payable by the Company in the event of exercise of the right by GFG. The present value of the estimated redemption amount is determined using valuation techniques, such as the discounted cash flow model. Discount rates are calculated by using the weighted average cost of capital.

Emaar Malls PJSC and its subsidiaries

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 June 2018 (Unaudited)

22 ACCOUNTS PAYABLE AND ACCRUALS

	<i>30 June 2018 AED'000</i>	<i>31 December 2017 AED'000 (Audited)</i>
Trade payables	153,288	89,146
Accrued expenses	923,542	592,336
Interest payable	9,326	9,301
Other payables	43,019	4,019
	<u>1,129,175</u>	<u>694,802</u>

Included in the trade payables is an amount of AED 121 thousands (31 December 2017: AED 38 thousands) due to related parties [note 13(b)].

23 COMMITMENTS AND CONTINGENCIES

Commitments

At 30 June 2018, the Group had commitments of AED 1,136,043 thousands (31 December 2017: AED 1,135,084 thousands) which includes project commitments of AED 717,097 thousands (31 December 2017: AED 925,082 thousands). This represents the value of contracts issued as at reporting date 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>30 June 2018 AED'000</i>	<i>31 December 2017 AED'000 (Audited)</i>
Within one year	2,533,977	3,038,897
After one year but not more than five years	5,197,752	5,381,390
More than five years	542,837	521,103
	<u>8,274,566</u>	<u>8,941,390</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 period ended 30 June 2018 was AED 169,201 thousands (period ended 30 June 2017: AED 175,397 thousands).

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>30 June 2018 AED'000</i>	<i>31 December 2017 AED'000 (Audited)</i>
Within one year	4,194	5,508
After one year but not more than five years	7,210	6,761
	<u>11,404</u>	<u>12,269</u>

Emaar Malls PJSC and its subsidiaries

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 June 2018 (Unaudited)

23 COMMITMENTS AND CONTINGENCIES (continued)

Legal claims

As at 30 June 2018, legal proceedings are in progress against certain tenants to recover outstanding rents amounting to AED 12,038 thousands (31 December 2017: AED 22,922 thousands). Based on the advice of legal advisors, outcome of these claims will have no adverse impact on the interim condensed consolidated financial statements of the Group.

Put option over non-controlling interests

Pursuant to the Shareholders' Agreement which was executed between the Company and GFG on 16 August 2017, the Company granted a put option to GFG in respect of GFG's shareholding in Namshi. GFG has the right to require the Company to acquire GFG's entire shareholding in Namshi (note 21).

24 HEDGING ACTIVITIES

Cash flow hedges

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) (31 December 2017: AED 2,662,925 thousands).

	30 June 2018		31 December 2017 (Audited)	
	Assets AED'000	Liabilities AED'000	Assets AED'000	Liabilities AED'000
<i>Interest rate swap contracts</i>				
Fair value	23,489	-	12,004	-

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 interim consolidated income statement.

Fair value hierarchy

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

	Total AED'000	Level 1 AED'000	Level 2 AED'000	Level 3 AED'000
30 June 2018				
Interest rate swap contracts	23,489	-	23,489	-
31 December 2017 (Audited)				
Interest rate swap contracts	12,004	-	12,004	-

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).

NOTES TO THE INTERIM CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS

At 30 June 2018 (Unaudited)

24 HEDGING ACTIVITIES (continued)

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.

25 OTHER SUPPLEMENTARY INFORMATION

As of 30 June 2018 the Group does not have any investments in or other exposure to Abraaj Holdings, its subsidiaries or any of the funds managed by Abraaj Holdings or any of its subsidiaries.