

**Emaar Malls PJSC and its
subsidiaries**

**UNAUDITED INTERIM CONDENSED
CONSOLIDATED FINANCIAL STATEMENTS**

30 SEPTEMBER 2017

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 statement of financial position of Emaar Malls PJSC (the “Company”) and its subsidiaries (the “Group”) as of 30 September 2017 and the related interim condensed consolidated statements of income and other comprehensive income for the three months and nine months period then ended, cash flows and changes in equity for the nine-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 Accounting Standard 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 Number 687

9 November 2017

Dubai, United Arab Emirates

Emaar Malls PJSC and its subsidiaries

INTERIM CONDENSED CONSOLIDATED INCOME STATEMENT

For the period ended 30 September 2017 (unaudited)

(US \$1.00 = AED 3.673)

		<i>1 January 2017 to 30 September 2017</i>	<i>1 January 2016 to 30 September 2016</i>	<i>1 July 2017 to 30 September 2017</i>	<i>1 July 2016 to 30 September 2016</i>
	<i>Notes</i>	<i>AED'000</i>	<i>AED'000</i>	<i>AED'000</i>	<i>AED'000</i>
Revenue	5	2,499,993	2,392,360	876,374	773,975
Cost of revenue	6	(348,008)	(342,839)	(143,127)	(122,570)
GROSS PROFIT		2,151,985	2,049,521	733,247	651,405
Sales and marketing expenses		(80,118)	(37,687)	(53,008)	(12,736)
Depreciation of property, plant and equipment	11	(27,629)	(34,889)	(9,260)	(9,982)
Depreciation of investment properties	12	(251,346)	(237,850)	(83,680)	(79,718)
General and administrative expenses		(133,237)	(165,315)	(45,692)	(61,974)
Write-off	7	-	(3,873)	-	-
Total expenses		(492,330)	(479,614)	(191,640)	(164,410)
OPERATING PROFIT FOR THE PERIOD		1,659,655	1,569,907	541,607	486,995
Finance income		59,213	58,441	15,684	18,170
Finance costs	8	(213,255)	(205,914)	(72,427)	(69,366)
PROFIT FOR THE PERIOD	9	1,505,613	1,422,434	484,864	435,799
ATTRIBUTABLE TO:					
Owners of the parent		1,506,762	1,422,434	486,013	435,799
Non-controlling interests		(1,149)	-	(1,149)	-
		1,505,613	1,422,434	484,864	435,799
Earnings per share (AED):					
Owners of the parent					
- basic and diluted	10	0.12	0.11	0.04	0.03

The attached notes 1 to 23 form part of these interim condensed consolidated financial statements.

Emaar Malls PJSC and its subsidiaries

INTERIM CONDENSED CONSOLIDATED STATEMENT OF
OTHER COMPREHENSIVE INCOME

For the period ended 30 September 2017 (unaudited)

(US \$1.00 = AED 3.673)

	<i>1 January 2017 to 30 September 2017 AED'000</i>	<i>1 January 2016 to 30 September 2016 AED'000</i>	<i>1 July 2017 to 30 September 2017 AED'000</i>	<i>1 July 2016 to 30 September 2016 AED'000</i>
Profit for the period	1,505,613	1,422,434	484,864	435,799
<i>Other comprehensive income to be reclassified to the consolidated income statement in subsequent period:</i>				
Other comprehensive income:				
Net movement on cash flow hedges	8,225	(29,631)	5,224	21,897
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	1,513,838	1,392,803	490,088	457,696
ATTRIBUTABLE TO:				
Equity holders of the Company	1,514,987	1,392,803	491,237	457,696
Non-controlling interests	(1,149)	-	(1,149)	-
	1,513,838	1,392,803	490,088	457,696

The attached notes 1 to 23 form part of these interim condensed consolidated financial statements.

Emaar Malls PJSC and its subsidiaries
**INTERIM CONDENSED CONSOLIDATED STATEMENT OF
 FINANCIAL POSITION**
 As at 30 September 2017

		<i>(US \$1.00 = AED 3.673)</i>	
		<i>30 September 2017 (Unaudited) AED'000</i>	<i>31 December 2016 (Audited) AED'000</i>
	<i>Notes</i>		
ASSETS			
Non-current assets			
Property, plant and equipment		185,993	203,555
Investment properties		21,571,599	21,218,905
Goodwill and intangibles	4	585,312	-
		<u>22,342,904</u>	<u>21,422,460</u>
Current assets			
Inventories		142,219	12,467
Trade and unbilled receivables	13	203,751	187,172
Advances, prepayments and other receivables		215,267	179,376
Due from related parties	14	51,163	55,828
Bank balances and cash	15	3,024,436	3,550,594
		<u>3,636,836</u>	<u>3,985,437</u>
TOTAL ASSETS		<u>25,979,740</u>	<u>25,407,897</u>
EQUITY AND LIABILITIES			
Equity			
Share capital	16	13,014,300	13,014,300
Reserves	18	882,583	874,358
Retained earnings		2,330,207	2,130,425
Equity attributable to equity holders of the parent		16,227,090	16,019,083
Non-controlling interests		181,757	-
TOTAL EQUITY		<u>16,408,847</u>	<u>16,019,083</u>
Non-current liabilities			
Employees' end of service benefits		18,514	14,850
Interest bearing loans and borrowings	19	4,564,006	4,558,428
Sukuk	20	2,739,191	2,737,734
Retentions payable after 12 months		13,154	46,519
		<u>7,334,865</u>	<u>7,357,531</u>
Current liabilities			
Due to related parties	14	128,743	86,883
Accounts payable and accruals	21	767,439	654,883
Advances and security deposits		1,034,761	911,593
Retentions payable within 12 months		9,014	9,575
Deferred income		296,071	368,349
		<u>2,236,028</u>	<u>2,031,283</u>
TOTAL LIABILITIES		<u>9,570,893</u>	<u>9,388,814</u>
TOTAL EQUITY AND LIABILITIES		<u>25,979,740</u>	<u>25,407,897</u>

These interim condensed consolidated financial statements were authorised for issue on 9th November 2017 by the Board of Directors and signed on their behalf by:



Chairman



Director

The attached notes 1 to 23 form part of these interim condensed consolidated financial statements.

Emaar Malls PJSC and its subsidiaries

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the period ended 30 September 2017 (unaudited)

(US \$1.00 = AED 3.673)

		<i>1 January 2017 to 30 September 2017 AED'000</i>	<i>1 January 2016 to 30 September 2016 AED'000</i>
	<i>Notes</i>		
OPERATING ACTIVITIES			
Profit for the period		1,505,613	1,422,434
Adjustments for:			
Depreciation of property, plant and equipment	11	27,629	34,889
Depreciation of investment properties	12	251,346	237,850
Provision for doubtful debts		8,951	3,525
Provision for employees' end of service benefits		2,720	2,257
Finance costs		213,255	205,914
(Gain)/ loss on disposal of property, plant and equipment		(27)	276
Finance income		(59,213)	(58,441)
Write-off		-	3,873
		<u>1,950,274</u>	<u>1,852,577</u>
Working capital changes:			
Inventories		(23,903)	2,074
Trade and unbilled receivables		12,070	11,276
Due from related parties		4,665	58,487
Advances, prepayments and other receivables		(19,344)	(89,529)
Due to related parties		41,923	(5,585)
Accounts payable and accruals		(44,871)	95,666
Advances and security deposits		123,168	22,088
Retentions payable		(33,926)	17,145
Deferred income		(78,668)	(38,991)
Net cash flows from operations		<u>1,931,388</u>	<u>1,925,208</u>
Employees' end of service benefits paid		(2,464)	(3,136)
Net cash flows from operating activities		<u>1,928,924</u>	<u>1,922,072</u>
INVESTING ACTIVITIES			
Purchases of property, plant and equipment	11	(4,509)	(10,717)
Amounts incurred on investment properties	12	(604,061)	(484,863)
Interest received		58,442	54,218
Proceeds from disposal of property, plant and equipment		64	81
Deposits under lien or maturing after three months		751,365	7,889
Acquisition of subsidiary – net of cash acquired	4	(423,230)	-
Net cash flows used in investing activities		<u>(221,929)</u>	<u>(433,392)</u>
FINANCING ACTIVITIES			
Dividends paid		(1,301,430)	(1,301,430)
Finance cost paid		(174,808)	(167,183)
Bonus paid to Board of Directors		(5,550)	(5,550)
Net cash flows used in financing activities		<u>(1,481,788)</u>	<u>(1,474,163)</u>
INCREASE IN CASH AND CASH EQUIVALENTS		225,207	14,517
Cash and cash equivalents at 1 January		<u>25,164</u>	<u>26,777</u>
CASH AND CASH EQUIVALENTS AT 30 SEPTEMBER	15	<u><u>250,371</u></u>	<u><u>41,294</u></u>

The attached notes 1 to 23 form part of these interim condensed consolidated financial statements.

Emaar Malls PJSC and its subsidiaries

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the period ended 30 September 2017 (unaudited)

	Attributable to owners of the Company					
	Share capital AED'000	Reserves AED'000	Retained earnings AED'000	Total AED'000	Non-controlling interest AED'000	Total equity AED'000
1 January 2017 to 30 September 2017:						
As at 1 January 2017	13,014,300	874,358	2,130,425	16,019,083	-	16,019,083
Acquisition of subsidiary	-	-	-	-	182,906	182,906
Profit for the period	-	-	1,506,762	1,506,762	(1,149)	1,505,613
Other comprehensive income for the period	-	8,225	-	8,225	-	8,225
Total comprehensive income/ (loss) for the period	-	8,225	1,506,762	1,514,987	(1,149)	1,513,838
Dividends paid (note 17)	-	-	(1,301,430)	(1,301,430)	-	(1,301,430)
Directors' bonus [note 14(c)]	-	-	(5,550)	(5,550)	-	(5,550)
As at 30 September 2017	13,014,300	882,583	2,330,207	16,227,090	181,757	16,408,847
1 January 2016 to 30 September 2016:						
As at 1 January 2016	13,014,300	491,419	1,937,945	15,443,664	-	15,443,664
Profit for the period	-	-	1,422,434	1,422,434	-	1,422,434
Other comprehensive income for the period	-	(29,631)	-	(29,631)	-	(29,631)
Total comprehensive income/ (loss) for the period	-	(29,631)	1,422,434	1,392,803	-	1,392,803
Dividends paid (note 17)	-	-	(1,301,430)	(1,301,430)	-	(1,301,430)
Directors' bonus [note 14(c)]	-	-	(5,550)	(5,550)	-	(5,550)
As at 30 September 2016	13,014,300	461,788	2,053,399	15,529,487	-	15,529,487

The attached notes 1 to 23 form part of these interim condensed consolidated financial statements.

Emaar Malls PJSC and its subsidiaries

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

As at 30 September 2017 (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. In 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.

During the period ended 30 September 2017, The Group acquired a 51% equity stake in Namshi Holding Company Limited ("Namshi") on 16 August 2017 and accordingly, Namshi is consolidated in these interim condensed consolidated financial statements (note 4).

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

The interim condensed consolidated financial statements of the Group for the period ended 30 September 2017 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 2016.

Results for the nine-months period ended 30 September 2017 are not necessarily indicative of the results that may be expected for the year ending 31 December 2017.

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 interim condensed consolidated financial statements comprise the financial statements of the Company and entities controlled by the Company (its subsidiaries) as at 30 September 2017. 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 period are included in the consolidated income statement 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

As at 30 September 2017 (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 subsidiaries are as follows:

<i>Name of the subsidiary</i>	<i>Country of incorporation</i>	<i>Principal activity</i>	<i>Ownership</i>	
			<i>2017</i>	<i>2016</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	Online retail (General trading)	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 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 (note 20).

NOTES TO THE INTERIM CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS

As at 30 September 2017 (unaudited)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

New standards, interpretations and amendments adopted by the Group

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements for the nine-months period ended 30 September 2017 are consistent with those used in the preparation of the Group's annual financial statements for the year ended 31 December 2016, except for the adoption of new standards and interpretations issued by the International Accounting Standard Board ("IASB") and effective for annual periods beginning on or after 1 January 2017, which do not materially impact the interim condensed consolidated financial statements of the Group for the nine-months period ended 30 September 2017.

The Group has adopted following policies during the period:

Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value. For each business combination, the acquirer measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition costs incurred are expensed.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions at fair value on the date of acquisition. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value as at the acquisition date through the interim consolidated income statement. Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability will be recognised in accordance with IAS 39: *Financial Instruments: Recognition and Measurement* in the interim consolidated statement of comprehensive income. If the contingent consideration is classified as equity, it shall not be remeasured until it is finally settled within equity.

Goodwill is initially measured at cost being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interest over the fair value of net identifiable tangible and intangible assets acquired and liabilities assumed. If the consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognised in the interim consolidated income statement. After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill forms part of a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

Goodwill is tested for impairment annually as at the reporting date and when circumstances indicate that the carrying value may be impaired.

Impairment is determined for goodwill by assessing the recoverable amount of each cash-generating unit to which the goodwill relates. When the recoverable amount of the cash-generating unit is less than the carrying amount, an impairment loss is recognised in the interim consolidated income statement. Impairment losses relating to goodwill cannot be reversed in future periods.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS

As at 30 September 2017 (unaudited)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses. Internally generated intangibles, excluding capitalised development costs, are not capitalised and the related expenditure is reflected in profit or loss in the period in which the expenditure is incurred. The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the statement of profit or loss in the expense category that is consistent with the function of the intangible assets.

Intangible assets with indefinite useful lives are not amortised, but are tested for impairment annually, either individually or at the cash-generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective except for IFRS 15 "Revenue from Contracts with Customers" and IFRS 9 "Financial Instruments" as disclosed in the annual consolidated financial statements for the year ended 31 December 2016.

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 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 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 retailer in GCC which 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

As at 30 September 2017 (unaudited)

3 SEGMENT INFORMATION (continued)

Business segments (continued)

The following tables include revenue, results and other segment information from 1 January 2017 to 30 September 2017 and 1 July 2017 to 30 September 2017. Assets and liabilities information regarding business segments are presented as at 30 September 2017 and 31 December 2016.

	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
1 January 2017 to 30 September 2017:							
Revenue:							
Revenue from leasing activities	1,972,467	139,558	181,360	115,951	-	-	2,409,336
Online retail revenue	-	-	-	-	90,657	-	90,657
Total Revenue	1,972,467	139,558	181,360	115,951	90,657	-	2,499,993
Results:							
Profit for the period	1,441,273	81,871	110,265	72,262	(2,189)	(197,869)	1,505,613
Other segment information							
Capital expenditure (Property, plant and equipment and investment properties)	479,955	10,539	111,549	5,280	181	1,066	608,570
Depreciation (Property, plant and equipment and investment properties)	201,851	28,298	25,234	20,402	467	2,723	278,975
Finance costs	-	-	-	-	-	213,255	213,255

Emaar Malls PJSC and its subsidiaries

NOTES TO THE INTERIM CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS

As at 30 September 2017 (unaudited)

3 SEGMENT INFORMATION (continued)

Business segments (continued)

	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
1 July 2017 to 30 September 2017:							
Revenue:							
Revenue from leasing activities	640,916	45,452	59,408	39,941	-	-	785,717
Online retail revenue	-	-	-	-	90,657	-	90,657
Total Revenue	640,916	45,452	59,408	39,941	90,657	-	876,374
Results:							
Profit for the period	455,182	25,792	37,275	24,835	(2,189)	(56,031)	484,864
Other segment information							
Capital expenditure (Property, plant and equipment and investment properties)	140,649	2,165	49,803	1,377	181	789	194,964
Depreciation:							
(Property, plant and equipment and investment properties)	67,324	9,490	8,475	6,278	467	906	92,940
Finance costs	-	-	-	-	-	72,427	72,427
Assets and liabilities as at 30 September 2017:							
Segment assets	19,136,482	1,273,316	1,036,393	1,348,964	507,507	2,677,078	25,979,740
Segment liabilities	1,442,496	109,006	190,849	107,670	137,028	7,583,844	9,570,893

Emaar Malls PJSC and its subsidiaries

NOTES TO THE INTERIM CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS

As at 30 September 2017 (unaudited)

3 SEGMENT INFORMATION (continued)

Business segments (continued)

1 January 2016 to 30 September 2016:

	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:							
Revenue from leasing activities	1,954,498	135,249	188,912	113,701	-	-	2,392,360
Results:							
Profit for the period	1,428,487	80,398	109,472	72,249	-	(268,172)	1,422,434
Other segment information:							
Capital expenditure (Property, plant and equipment and investment properties)	449,863	6,999	26,405	10,245	-	2,068	495,580
Depreciation: (Property, plant and equipment and investment properties)	197,961	27,301	27,902	17,421	-	2,154	272,739
Finance costs	-	-	-	-	-	205,914	205,914

Emaar Malls PJSC and its subsidiaries

NOTES TO THE INTERIM CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS

As at 30 September 2017 (unaudited)

3 SEGMENT INFORMATION (continued)

Business segments (continued)

	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
<i>1 July 2016 to 30 September 2016:</i>							
Revenue:							
Revenue from leasing activities	636,376	40,321	59,424	37,854	-	-	773,975
Results:							
Profit for the period	455,604	21,894	32,394	23,235	-	(97,328)	435,799
Other segment information:							
Capital expenditure (Property, plant and equipment and investment properties)	190,348	1,838	2,252	4,976	-	-	199,414
Depreciation (Property, plant and equipment and investment properties)	64,680	8,852	8,693	6,602	-	873	89,700
Finance costs	-	-	-	-	-	69,366	69,366
Assets and liabilities as at 30 September 2016:							
Segment assets	18,604,578	1,262,370	877,232	1,304,392	-	2,755,974	24,804,546
Segment liabilities	1,368,130	93,580	169,094	90,285	-	7,553,970	9,275,059

Emaar Malls PJSC and its subsidiaries

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

As at 30 September 2017 (unaudited)

4 BUSINESS COMBINATION

On 26 May 2017, the Group signed a share purchase agreement with Global Fashion Group SA for the acquisition of a 51% equity stake in Namshi Holding Limited ("Namshi"). This acquisition is part of the Group's strategic plan to further enhance Emaar's online presence and to allow it to undertake future expansion strategies. On 16 August 2017, the Shareholder Agreement was executed, resulting in the Group gaining control of Namshi.

The transaction represents a business combination under IFRS3 'Business Combination' and has been accounted for using the acquisition method of accounting, and accordingly, the consideration paid has been allocated based on the fair values of the assets acquired and liabilities assumed. The Group elected to measure the non-controlling interest in the acquiree at the proportionate share of its interest in the acquiree's identifiable net assets.

Assets acquired and liabilities assumed

The fair values of the identified assets and liabilities of Namshi as at the date of acquisition were:

	<i>Fair value recognised on acquisition* AED'000</i>
Assets	
Property, plant and equipment	5,574
Intangible assets	220,300
Inventories	105,849
Trade receivables	37,600
Advances, prepayments & other receivables	15,776
Bank balances & cash	132,154
Total assets	517,253
Liabilities	
Accounts payable and accruals	140,630
Employee's end of service benefits	3,345
Total liabilities	143,975
Total identifiable net assets at fair value	373,278
Controlling interests acquired (51 % of net assets at fair value)	190,372
Less: Purchase consideration transferred	555,384
Goodwill arising on acquisition	365,012

*The above purchase accounting has been completed on a provisional basis. The assets and liabilities may be subsequently adjusted with a corresponding adjustment to Goodwill within the measurement period of twelve months allowed in IFRS 3 *Business Combinations*.

As a result of the business combination, intangible assets amounting to AED 220,300 thousands and goodwill arising on acquisition amounting to AED 365,012 thousands, totaling to AED 585,312 thousands were recognized by the Group.

Analysis of cash flows on acquisition (AED in '000):

Cash paid	(555,384)
Net cash acquired with the subsidiary	132,154
Acquisition of subsidiary - net of cash acquired (<i>included in cash flows from investing activities</i>)	(423,230)
Transaction costs of the acquisition (<i>included in cash flows from operating activities</i>)	(5,278)
Net cash outflow on acquisition	(428,508)

Emaar Malls PJSC and its subsidiaries

NOTES TO THE INTERIM CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS

As at 30 September 2017 (unaudited)

5 REVENUE

	<i>1 January 2017 to 30 September 2017 AED'000</i>	<i>1 January 2016 to 30 September 2016 AED'000</i>	<i>1 July 2017 to 30 September 2017 AED'000</i>	<i>1 July 2016 to 30 September 2016 AED'000</i>
Revenue from leasing activities				
Base rent	1,740,599	1,649,841	565,674	560,528
Turnover rent	75,622	141,829	18,484	23,264
Services charges	262,166	267,047	86,769	89,415
Promotion and marketing contribution	37,842	35,919	12,695	12,153
Specialty leasing	152,854	148,041	45,844	42,397
Multimedia	48,886	64,825	13,702	20,129
Others	91,367	84,858	42,549	26,089
	<u>2,409,336</u>	<u>2,392,360</u>	<u>785,717</u>	<u>773,975</u>
Online retail revenue	90,657	-	90,657	-
	<u>2,499,993</u>	<u>2,392,360</u>	<u>876,374</u>	<u>773,975</u>

6 COST OF REVENUE

	<i>1 January 2017 to 30 September 2017 AED'000</i>	<i>1 January 2016 to 30 September 2016 AED'000</i>	<i>1 July 2017 to 30 September 2017 AED'000</i>	<i>1 July 2016 to 30 September 2016 AED'000</i>
Operating cost of leasing activities				
Housekeeping and facility management	123,561	139,850	34,610	44,892
Direct staff costs	66,143	71,647	21,503	23,685
Utilities – net	49,912	60,843	20,856	28,710
Security	22,408	23,428	6,971	7,695
Others	40,494	47,071	13,697	17,588
	<u>302,518</u>	<u>342,839</u>	<u>97,637</u>	<u>122,570</u>
Cost of online retail revenue	45,490	-	45,490	-
	<u>348,008</u>	<u>342,839</u>	<u>143,127</u>	<u>122,570</u>

7 WRITE-OFF

During the period ended 30 September 2016, the Group demolished certain Community Retail assets due to a planned redevelopment. Accordingly, the net book value of these assets were written-off from investment properties and property, plant and equipment.

Emaar Malls PJSC and its subsidiaries

NOTES TO THE INTERIM CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS

As at 30 September 2017 (unaudited)

8 FINANCE COSTS

	<i>1 January 2017 to 30 September 2017 AED'000</i>	<i>1 January 2016 to 30 September 2016 AED'000</i>	<i>1 July 2017 to 30 September 2017 AED'000</i>	<i>1 July 2016 to 30 September 2016 AED'000</i>
Interest on loans and borrowings	206,936	199,574	70,289	67,195
Others	6,319	6,340	2,138	2,171
	<u>213,255</u>	<u>205,914</u>	<u>72,427</u>	<u>69,366</u>

9 PROFIT FOR THE PERIOD

The profit for the period is stated after charging:

	<i>1 January 2017 to 30 September 2017 AED'000</i>	<i>1 January 2016 to 30 September 2016 AED'000</i>	<i>1 July 2017 to 30 September 2017 AED'000</i>	<i>1 July 2016 to 30 September 2016 AED'000</i>
Indirect staff costs	24,449	23,751	9,116	7,609

10 EARNINGS PER SHARE

Basic earnings per share amounts are calculated by dividing net profit or loss for the period 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 2017 to 30 September 2017 AED'000</i>	<i>1 January 2016 to 30 September 2016 AED'000</i>	<i>1 July 2017 to 30 September 2017 AED'000</i>	<i>1 July 2016 to 30 September 2016 AED'000</i>
Earnings:				
Profit attributable to the equity holders of the Company	1,506,762	1,422,434	486,013	435,799
No of shares:				
Weighted average number of ordinary shares for basic and diluted earnings per share (in '000)	13,014,300	13,014,300	13,014,300	13,014,300
Earnings per share (AED):				
- basic and diluted	0.12	0.11	0.04	0.03

Emaar Malls PJSC and its subsidiaries

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

As at 30 September 2017 (unaudited)

11 PROPERTY, PLANT AND EQUIPMENT

Additions and depreciation

During the period ended 30 September 2017, the Group purchased property, plant and equipment of AED 4,509 thousands (period ended 30 September 2016: AED 10,717 thousands), excluding property, plant and equipment acquired through a business combination (Note 4) and charged depreciation expense to the interim condensed consolidated income statement of AED 27,629 thousands (period ended 30 September 2016: AED 34,889 thousands).

12 INVESTMENT PROPERTIES

Additions and depreciation

During the period ended 30 September 2017, the Group had additions of AED 604,061 thousands (period ended 30 September 2016: AED 484,863 thousands) and charged depreciation expense to the interim condensed consolidated income statement of AED 251,346 thousands (period ended 30 September 2016: AED 237,850 thousands).

13 TRADE AND UNBILLED RECEIVABLES

	<i>30 September 2017 AED'000</i>	<i>31 December 2016 AED'000 (Audited)</i>
Trade receivables – net	125,777	85,207
Unbilled receivables	77,974	101,965
	<u>203,751</u>	<u>187,172</u>

Trade receivables include amounts due from related parties amounting to AED 5,065 thousands (31 December 2016: AED 2,588 thousands) [note 14 (b)].

The above trade receivables are net of allowance for doubtful debts of AED 63,083 thousands (31 December 2016: AED 68,712 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 September 2017 AED'000</i>	<i>31 December 2016 AED'000 (Audited)</i>
Balance at 1 January	68,712	55,257
Net charge for the period/ year	8,951	14,194
Written off during the period/ year	(14,580)	(739)
Balance at period/ year-end	<u>63,083</u>	<u>68,712</u>

Emaar Malls PJSC and its subsidiaries

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

As at 30 September 2017 (unaudited)

14 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 2017 to 30 September 2017 AED'000</i>	<i>1 January 2016 to 30 September 2016 AED'000</i>
<i>Revenue from leasing activities</i>		
Parent Company	12,654	11,305
Affiliated entities	51,545	50,397
Entities owned or controlled by Directors and other related parties	60,899	93,938
	<u>125,098</u>	<u>155,640</u>
<i>Operating expenses – net</i>		
Parent Company	32,004	32,032
Affiliated entities	63,664	65,052
Entities owned or controlled by Directors and other related parties	(3,399)	(3,979)
	<u>92,269</u>	<u>99,105</u>
<i>Sales and marketing expenses</i>		
Parent Company	3,938	2,080
Affiliated entities	553	452
Entities owned or controlled by Directors and other related parties	22	449
	<u>4,513</u>	<u>2,981</u>
<i>General and administrative expenses</i>		
Parent Company	59,067	53,026
Affiliated entities	1,551	3,041
	<u>60,618</u>	<u>56,067</u>
<i>Finance income</i>		
Entities owned or controlled by Directors and other related parties	18,674	17,202
	<u>18,674</u>	<u>17,202</u>
<i>Finance costs</i>		
Entities owned or controlled by Directors and other related parties	7,847	7,405
	<u>7,847</u>	<u>7,405</u>
<i>Capital expenditures</i>		
Parent Company	4,256	38,954
Affiliated entities	13,364	17,765
	<u>17,620</u>	<u>56,719</u>

Emaar Malls PJSC and its subsidiaries

NOTES TO THE INTERIM CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS

As at 30 September 2017 (unaudited)

14 RELATED PARTY DISCLOSURES (continued)

(b) Balances with related parties included in the interim condensed 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	Interest bearing loans and borrowings AED '000	Due to related parties AED '000	Deferred income AED '000	Trade payables AED '000
30 September 2017							
<i>Non-current</i>							
Entities owned or controlled by Directors and other related parties	-	-	-	214,258	-	-	-
	-	-	-	214,258	-	-	-
<i>Current</i>							
Parent Company	-	-	-	-	128,475	4,739	-
Affiliated entities	-	51,163	-	-	268	17,798	-
Entities owned or controlled by Directors and other related parties	841,439	-	5,065	-	-	30,254	1,527
	841,439	51,163	5,065	-	128,743	52,791	1,527

Outstanding balances are secured and interest-bearing. For the periods ended 30 September 2017 and year ended 31 December 2016, 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

As at 30 September 2017 (unaudited)

14 RELATED PARTY DISCLOSURES (continued)

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

	Bank balances and cash AED '000	Due from related parties AED '000	Trade and unbilled 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>31 December 2016 (Audited)</i>							
<i>Non-current</i>							
Entities owned or controlled by Directors and other related parties	-	-	-	214,258	-	-	-
	-	-	-	214,258	-	-	-
<i>Current</i>							
Parent Company	-	-	-	-	79,998	2,614	-
Affiliated entities	-	55,828	-	-	6,885	16,214	-
Entities owned or controlled by Directors and other related parties	1,107,415	-	2,588	-	-	17,669	376
	1,107,415	55,828	2,588	-	86,883	36,497	376

Emaar Malls PJSC and its subsidiaries

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

As at 30 September 2017 (unaudited)

14 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 2017 to 30 September 2017 AED'000</i>	<i>1 January 2016 to 30 September 2016 AED'000</i>
Short term benefits	14,985	16,010
End of service benefits	577	807
	<u>15,562</u>	<u>16,817</u>

As at 30 September 2017, the number of key management personnel was 20 (30 September 2016: 14).

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 (including the Vice Chairman) and a bonus amounting to AED 1 million to the Chairman of the Board for the year 2016 as approved by the shareholders at the Annual General Meeting of the Company held on 19 April 2017.

15 BANK BALANCES AND CASH

	<i>30 September 2017 AED'000</i>	<i>31 December 2016 AED'000 (Audited)</i>
Cash in hand	185	171
Bank balances:		
Current and call accounts	250,186	24,993
Cash and cash equivalents	250,371	25,164
Deposits under lien (note 19)	35,287	31,897
Deposits maturing after three months	2,738,778	3,493,533
Balance at period/ year-end	<u>3,024,436</u>	<u>3,550,594</u>

Included in the bank balances and cash is an amount of AED 841,439 thousands [31 December 2016: AED 1,107,415 thousands (Audited)] as balance held with related party [note 14(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 1.88% and 2.30% per annum [31 December 2016: 2.32% and 2.80% per annum (Audited)].

Emaar Malls PJSC and its subsidiaries

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

As at 30 September 2017 (unaudited)

16 SHARE CAPITAL

	<i>30 September 2017 AED'000</i>	<i>31 December 2016 AED'000 (Audited)</i>
Authorised capital – 13,014,300,000 shares of AED 1 each [2016: 13,014,300,000 shares of AED 1 each (Audited)]	<u>13,014,300</u>	<u>13,014,300</u>
Issued and fully paid – 13,014,300,000 shares of AED 1 each [2016: 13,014,300,000 shares of AED 1 each (Audited)]	<u>13,014,300</u>	<u>13,014,300</u>

17 DIVIDENDS

A cash dividend of AED 0.10 per share for the year 2016 was approved by the shareholders of the Company at the Annual General Meeting of the Company held on 19 April 2017 and was paid during the period ended 30 September 2017.

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>Total AED'000</i>
<i>1 January 2017 to 30 September 2017:</i>				
As at 1 January 2017 (Audited)	488,271	394,285	(8,198)	874,358
Other comprehensive income for the period	-	-	8,225	8,225
Total comprehensive income for the period	-	-	8,225	8,225
As at 30 September 2017	<u>488,271</u>	<u>394,285</u>	<u>27</u>	<u>882,583</u>
<i>1 January 2016 to 30 September 2016:</i>				
As at 1 January 2016 (Audited)	300,839	206,853	(16,273)	491,419
Other comprehensive income for the period	-	-	(29,631)	(29,631)
Total comprehensive income for the period	-	-	(29,631)	(29,631)
As at 30 September 2016	<u>300,839</u>	<u>206,853</u>	<u>(45,904)</u>	<u>461,788</u>

As required by the UAE Federal Commercial Companies Law No. (2) of 2015 and Article number 56 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

As at 30 September 2017 (unaudited)

19 INTEREST BEARING LOANS AND BORROWINGS

	<i>30 September 2017 AED'000</i>	<i>31 December 2016 AED'000 (Audited)</i>
Interest bearing loans and borrowings	4,591,250	4,591,250
Less: unamortised portion of loan arrangement fee	(27,244)	(32,822)
Net interest bearing loans and borrowings	<u>4,564,006</u>	<u>4,558,428</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)	4,564,006	4,558,428
	<u>4,564,006</u>	<u>4,558,428</u>

The Group has a Syndicated Murhabha 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 35,287 thousands [31 December 2016: AED 31,897 thousands (Audited)] against interest payable (note 15).

As at 30 September 2017, part of interest bearing loans and borrowings amounting to USD 58,333 thousands (AED 214,258 thousands) [31 December 2016: AED 214,258 thousands (Audited)] is borrowed from a related party [note 14 (b)].

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 the 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 September 2017 AED'000</i>	<i>31 December 2016 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)
Sukuk liability on initial recognition	2,733,163	2,733,163
Profit accrued up to period/ year-end	6,028	4,571
Sukuk liability as at period/ year-end	<u>2,739,191</u>	<u>2,737,734</u>

Emaar Malls PJSC and its subsidiaries

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

As at 30 September 2017 (unaudited)

21 ACCOUNTS PAYABLE AND ACCRUALS

	<i>30 September 2017 AED'000</i>	<i>31 December 2016 AED'000 (Audited)</i>
Trade payables	114,467	40,387
Accrued expenses	610,417	591,616
Interest payable	39,895	8,483
Other payables	2,660	14,397
	<u>767,439</u>	<u>654,883</u>

Included in the trade payables is an amount of AED 1,527 thousands [31 December 2016: AED 376 thousands (Audited)] due to related parties [note 14(b)].

22 COMMITMENTS AND CONTINGENCIES

Commitments

At 30 September 2017, the Group had commitments of AED 1,319,191 thousands [31 December 2016: AED 1,048,330 thousands (Audited)] which includes project commitments of AED 1,098,830 thousands [31 December 2016: 889,884 thousands (Audited)]. 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 September 2017 AED'000</i>	<i>31 December 2016 AED'000 (Audited)</i>
Within one year	3,018,912	2,554,497
After one year but not more than five years	5,472,440	4,702,774
More than five years	589,789	688,055
	<u>9,081,141</u>	<u>7,945,326</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 September 2017 was AED 262,166 thousands (period ended 30 September 2016: AED 267,047 thousands).

Emaar Malls PJSC and its subsidiaries

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

As at 30 September 2017 (unaudited)

22 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>30 September 2017 AED'000</i>	<i>31 December 2016 AED'000 (Audited)</i>
Within one year	4,981	1,400
After one year but not more than five years	7,900	519
	<u>12,881</u>	<u>1,919</u>

Legal claims

As at 30 September 2017, legal proceedings are in progress against certain tenants to recover outstanding rents amounting to AED 13,857 thousands [31 December 2016: AED 9,474 thousands (Audited)]. 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.

23 HEDGING ACTIVITIES

Cash flow hedges

The Group held certain interest rate swap contracts 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 2016: AED 2,662,925 thousands (Audited)].

	<i>30 September 2017</i>		<i>31 December 2016</i>	
	<i>Assets AED'000</i>	<i>Liabilities AED'000</i>	<i>Assets AED'000 (Audited)</i>	<i>Liabilities AED'000 (Audited)</i>
<i>Interest rate swap contracts</i>				
Fair value (note 18)	27	-	-	8,198

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.

Emaar Malls PJSC and its subsidiaries

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

As at 30 September 2017 (unaudited)

23 HEDGING ACTIVITIES (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 AED'000</i>	<i>Level 1 AED'000</i>	<i>Level 2 AED'000</i>	<i>Level 3 AED'000</i>
30 September 2017				
Interest rate swap contracts	<u>27</u>	<u></u>	<u>27</u>	<u></u>
31 December 2016				
Interest rate swap contracts (Audited)	<u>8,198</u>	<u>-</u>	<u>8,198</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.