

**Emaar Properties PJSC
and its Subsidiaries**

**UNAUDITED INTERIM CONDENSED
CONSOLIDATED FINANCIAL STATEMENTS**

FOR THE PERIOD ENDED 30 SEPTEMBER 2017

Emaar Properties PJSC and its Subsidiaries

**Unaudited Interim Condensed Consolidated Financial Statements
For the Period Ended 30 September 2017**

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

Introduction

We have reviewed the accompanying interim condensed consolidated financial statements of Emaar Properties PJSC (the "Company") and its subsidiaries (the "Group") as at 30 September 2017, comprising of the interim consolidated statement of financial position as at 30 September 2017, and the related interim consolidated statements of income and comprehensive income for the three-month and nine-month periods and statement of changes in equity and cash flows for the nine-month period then ended and explanatory notes. Management is responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance with 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

14 November 2017

Dubai, United Arab Emirates

Emaar Properties PJSC and its Subsidiaries

INTERIM CONSOLIDATED INCOME STATEMENT

Period ended 30 September 2017 (Unaudited)

(US \$1.00 = AED 3.673)

		Nine-month period ended		Three-month period ended	
		30 September 2017 AED'000	30 September 2016 AED'000	30 September 2017 AED'000	30 September 2016 AED'000
Notes					
Revenue	6	13,451,630	11,103,247	5,585,183	3,846,499
Cost of revenue	6	(6,443,246)	(5,305,498)	(2,778,807)	(1,856,495)
GROSS PROFIT		7,008,384	5,797,749	2,806,376	1,990,004
Other operating income		259,978	240,483	95,222	97,298
Other operating expenses		(127,593)	(119,365)	(49,321)	(49,987)
Selling, general and administrative expenses	7	(2,417,336)	(2,105,086)	(916,289)	(721,412)
Finance income	8	498,065	506,709	169,282	132,590
Finance costs		(538,681)	(419,700)	(221,855)	(173,352)
Other income		341,928	213,667	15,063	138,132
Share of results of associates and joint ventures		72,693	(6,512)	41,891	4,154
PROFIT BEFORE TAX		5,097,438	4,107,945	1,940,369	1,417,427
Income tax (expense)/credit		(45,987)	(29,834)	(28,409)	(31,553)
NET PROFIT FOR THE PERIOD		5,051,451	4,078,111	1,911,960	1,385,874
ATTRIBUTABLE TO:					
Owners of the parent		4,347,621	3,620,054	1,510,448	1,145,163
Non-controlling interests		703,830	458,057	401,512	240,711
		5,051,451	4,078,111	1,911,960	1,385,874
Earnings per share attributable to the owners of the parent:					
- basic and diluted earnings per share (AED)		0.61	0.51	0.21	0.16

The accompanying notes 1 to 28 form an integral part of these interim condensed consolidated financial statements.

Emaar Properties PJSC and its Subsidiaries

INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Period ended 30 September 2017 (Unaudited)

(US \$1.00 = AED 3.673)

	<i>Nine-month period ended</i>		<i>Three-month period ended</i>	
	<i>30 September 2017 AED'000</i>	<i>30 September 2016 AED'000</i>	<i>30 September 2017 AED'000</i>	<i>30 September 2016 AED'000</i>
Net profit for the period	5,051,451	4,078,111	1,911,960	1,385,874
<i>Other comprehensive income/(loss) to be reclassified to income statement in subsequent periods:</i>				
Increase/ (decrease) in hedging reserve	24,368	(34,506)	25,940	29,557
Increase/ (decrease) in unrealised losses reserve	4,468	(1,116)	4,876	(53)
Increase/(decrease) in foreign currency translation reserve	260,408	(627,715)	51,737	107,494
Foreign currency translation loss recycled to income statement	-	1,321,013	-	-
Net other comprehensive income to be reclassified to income statement in subsequent periods	289,244	657,676	82,553	136,998
<i>Other comprehensive income not to be reclassified to income statement in subsequent periods:</i>				
Increase in unrealised gains reserve	95,702	117,353	57,500	71,815
Realised gain on fair value movement through other comprehensive income	10,073	2,483	4,594	-
Net other comprehensive income not to be reclassified to income statement in subsequent periods	105,775	119,836	62,094	71,815
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	5,446,470	4,855,623	2,056,607	1,594,687
ATTRIBUTABLE TO:				
Owners of the parent	4,688,465	4,380,811	1,673,205	1,295,173
Non-controlling interests	758,005	474,812	383,402	299,514
	5,446,470	4,855,623	2,056,607	1,594,687

The accompanying notes 1 to 28 form an integral part of these interim condensed consolidated financial statements.

Emaar Properties PJSC and its Subsidiaries

INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2017

(US \$1.00 = AED 3.673)

		30 September 2017 AED'000 (Unaudited)	31 December 2016 AED'000 (Audited)
	Notes		
ASSETS			
Bank balances and cash	9	15,554,144	17,288,535
Trade and unbilled receivables	10	2,597,584	2,691,566
Other assets, receivables, deposits and prepayments	11	9,282,076	7,884,097
Development properties	12	32,665,489	32,456,393
Assets classified as held for sale	5	6,347,580	6,213,464
Investments in securities	13	2,051,137	1,620,108
Loans to associates and joint ventures	14	624,851	153,709
Investments in associates and joint ventures	15	4,952,977	4,863,434
Property, plant and equipment		10,956,888	9,331,301
Investment properties		15,650,694	13,785,511
Intangible assets	16	631,378	46,066
TOTAL ASSETS		101,314,798	96,334,184
LIABILITIES AND EQUITY			
LIABILITIES			
Trade and other payables	17	11,537,977	11,303,542
Advances from customers		15,178,136	15,754,394
Liabilities directly associated with assets classified as held for sale	5	3,266,543	3,217,547
Retentions payable		1,010,329	892,404
Interest-bearing loans and borrowings	18	11,020,719	10,036,165
Sukuk	19	7,317,616	7,314,037
Provision for employees' end-of-service benefits		154,000	148,530
TOTAL LIABILITIES		49,485,320	48,666,619
EQUITY			
Equity attributable to owners of the Parent			
Share capital	20	7,159,739	7,159,739
Employees' performance share program		(1,684)	(1,684)
Reserves	21	16,527,800	16,197,029
Retained earnings		20,892,950	17,649,244
Non-controlling interests		44,578,805	41,004,328
		7,250,673	6,663,237
TOTAL EQUITY		51,829,478	47,667,565
TOTAL LIABILITIES AND EQUITY		101,314,798	96,334,184

The interim condensed consolidated financial statements were authorised for issue on 14 November 2017 by the Board of Directors and signed on their behalf by:


Chairman


Director

The accompanying notes 1 to 28 form an integral part of these interim condensed consolidated financial statements.

Emaar Properties PJSC and its Subsidiaries

INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Period ended 30 September 2017 (Unaudited)

(US \$1.00 = AED 3.673)

	Attributable to the owners of the parent				
	Share capital AED '000	Employees' performance share program AED '000	Reserves AED '000	Retained earnings AED '000	Total equity AED '000
Balance as at 31 December 2016 (<i>Audited</i>)	7,159,739	(1,684)	16,197,029	17,649,244	41,004,328
Net profit for the period	-	-	-	4,347,621	4,347,621
Other comprehensive income for the period	-	-	330,771	10,073	340,844
Total comprehensive income for the period	-	-	330,771	4,357,694	4,688,465
Non-controlling interest arising on a business combination (Note 4)	-	-	-	-	182,906
Directors' bonus (Note 23)	-	-	-	(35,330)	(35,330)
Dividend paid to shareholders (Note 22)	-	-	-	(1,073,961)	(1,073,961)
Dividend and directors' bonus of a subsidiary	-	-	-	(4,697)	(4,697)
Contribution by non-controlling interest	-	-	-	-	67,378
Balance as at 30 September 2017	7,159,739	(1,684)	16,527,800	20,892,950	51,829,478

The accompanying notes 1 to 28 form an integral part of these interim condensed consolidated financial statements.

INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (continued)

Period ended 30 September 2017 (Unaudited)

Attributable to the owners of the parent							(US \$1.00 = AED 3.673)
Share capital AED '000	Employees' performance share program AED '000	Reserves AED '000	Retained earnings AED '000	Total AED '000	Non-controlling interests AED '000	Total equity AED '000	
7,159,739	(1,684)	16,938,069	14,018,215	38,114,339	3,806,793	41,921,132	
-	-	-	3,620,054	3,620,054	458,057	4,078,111	
-	-	758,274	2,483	760,757	16,755	777,512	
-	-	758,274	3,622,537	4,380,811	474,812	4,855,623	
-	-	-	-	-	2,955,082	2,955,082	
-	-	-	(28,575)	(28,575)	-	(28,575)	
-	-	-	(1,073,961)	(1,073,961)	-	(1,073,961)	
-	-	-	(4,697)	(4,697)	(200,853)	(205,550)	
-	-	-	-	-	720	720	
7,159,739	(1,684)	17,696,343	16,533,519	41,387,917	7,036,554	48,424,471	

The accompanying notes 1 to 28 form an integral part of these interim condensed consolidated financial statements.

Emaar Properties PJSC and its Subsidiaries

INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS

Period ended 30 September 2017 (Unaudited)

		(US \$1.00 = AED 3.673)	
		For the Nine-month period ended	
		30 September 2017	30 September 2016
	Notes	AED'000	AED'000
Cash flows from operating activities			
Profit before tax for the period		5,097,438	4,107,945
Adjustments for:			
Share of results of associates and joint ventures		(72,693)	6,512
Depreciation		772,824	706,097
Provision for end-of-service benefits, net		2,125	5,225
Loss on disposal of property, plant and equipment		4,830	14,763
Loss on disposal of investment property		21	4,186
Gain on re-measurement of previously existing interest in an associate, net		-	(57,865)
Finance costs		538,681	419,700
Finance income	8	(498,065)	(506,709)
Cash from operations before working capital changes:		5,845,161	4,699,854
Trade and unbilled receivables		131,582	(163,049)
Other assets, receivables, deposits and prepayments		(1,229,983)	(510,882)
Development properties		(1,007,898)	(1,861,691)
Advances from customers		(582,648)	789,153
Trade and other payables		234,428	(308,258)
Retentions payable		117,925	157,023
Assets and liabilities held for sale, net		(85,120)	-
Income tax, net		5,772	20,821
Net cash flows from operating activities		3,429,219	2,822,971
Cash flows from investing activities			
Purchase of securities		(1,645,393)	(453,455)
Proceeds from disposal of securities		1,342,279	8,242
Finance income received		503,453	377,304
Dividend received from associates and joint ventures		89,449	89,290
Additional investments in and loans to associates and joint ventures		(571,601)	(264,574)
Amounts incurred on investment properties		(1,961,050)	(1,259,043)
Purchase of property, plant and equipment		(1,428,599)	(835,366)
Proceeds from disposal of property, plant and equipment		21,098	5,050
Deposits maturing after three months (including deposits under lien)	9	3,242,092	1,375,745
Net cash and cash equivalents acquired on acquisition of a subsidiary		132,154	13,503
Acquisition of subsidiary	4	(555,384)	-
Net cash flows used in investing activities		(831,502)	(943,304)
Cash flows from financing activities			
Dividends paid (including dividends of a subsidiaries)		(1,493,961)	(1,287,886)
Proceeds from issuance of Sukuk		-	2,754,750
Repayment of Sukuk		-	(1,836,500)
Proceeds from interest-bearing loans and borrowings	18	1,984,341	1,510,079
Repayment of interest-bearing loans and borrowings	18	(1,005,365)	(444,408)
Directors' bonus paid (including directors' bonus of a subsidiary)		(40,880)	(34,125)
Contribution by non-controlling interest		7,500	720
Finance costs paid		(539,869)	(432,074)
Net cash flows (used in)/ from financing activities		(1,088,234)	230,556
Increase in cash and cash equivalents		1,509,483	2,110,223
Net foreign exchange difference		(1,782)	(114,877)
Cash and cash equivalents at the beginning of the period		8,961,100	8,881,842
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	9	10,468,801	10,877,188

The accompanying notes 1 to 28 form an integral part of these interim condensed consolidated financial statements.

Emaar Properties PJSC and its Subsidiaries

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

As at 30 September 2017 (Unaudited)

1 DOMICILE AND ACTIVITIES

Emaar Properties Public Joint Stock Company (the “Company” or the “Parent”) was established as a public joint stock company by Ministerial Decree number 66 in the year 1997. The Company was established on 23 September 1997 and commenced operations on 29 July 1997. The Company and its subsidiaries constitute the Group (the “Group”). The Company’s registered office is at P.O. Box 9440, Dubai, United Arab Emirates (“UAE”). The shares of the Company are traded on the Dubai Financial Market.

The principal activities of the Group are property investment development and development management, shopping malls, retail and online retail, hospitality, property management and utility services and investments in providers of financial services.

2.1 BASIS OF PREPARATION

The interim condensed consolidated financial statements of the Group are prepared in accordance with International Accounting Standard 34: *Interim Financial Reporting* and applicable requirements of the United Arab Emirates laws.

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 (IFRS), and should be read in conjunction with the Group’s annual consolidated financial statements for the year ended 31 December 2016. The same accounting policies, methods of computation, significant accounting judgments and estimates and assumptions are followed in these interim condensed consolidated financial statements as compared with the most recent annual consolidated financial statements.

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. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

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

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

Certain comparative amounts have been reclassified to conform to the presentation used in these interim condensed consolidated financial statements.

Basis of consolidation

The interim condensed consolidated financial statements comprise the financial statements of the Company and entities (including special purpose entities) controlled by the Company (its subsidiaries). Control is achieved where all the following criteria are met:

- (a) the Company has power over an entity (i.e., existing rights that give it the current ability to direct the relevant activities of the investee);
- (b) the Company has exposure, or rights, to variable returns from its involvement with the entity; and
- (c) the Company has the ability to use its power over the entity to affect the amount of the Company’s returns.

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

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

Emaar Properties PJSC and its Subsidiaries

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

As at 30 September 2017 (Unaudited)

2.1 BASIS OF PREPARATION (continued)

Basis of consolidation (continued)

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

Subsidiaries

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

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

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

- Derecognises the assets (including goodwill) and liabilities of the subsidiary;
- Derecognises the carrying amount of any non-controlling interest;
- Derecognises the cumulative translation differences, recorded in equity;
- Recognises the fair value of the consideration received;
- Recognises the fair value of any investment retained;
- Recognises any surplus or deficit in the consolidated income statement; and
- Reclassifies the Group's share of components previously recognised in other comprehensive income to the consolidated income statement or retained earnings, as appropriate.

Associated companies and joint ventures

Associated companies are companies in which the Group has significant influence, but not control, over the financial and operating policies. Joint ventures are those entities over whose activities the Group has joint control, established by contractual agreement and requiring unanimous consent for strategic financial and operating decisions.

The Group's investment in associated companies and joint ventures are accounted for using the equity method of accounting. Under the equity method of accounting, investments in associated companies and joint ventures are carried in the interim consolidated statement of financial position at cost, plus post-acquisition changes in the Group's share of net assets of the associated and joint venture companies, less any impairment in value.

The interim consolidated income statement reflects the Group's share of results of its associates and joint ventures. Unrealised profits and losses resulting from transactions between the Group and associated companies and its joint ventures are eliminated to the extent of the Group's interest in the associated companies and joint ventures.

Special purpose entities

Special purpose entities are entities that are created to accomplish narrow and well-defined objectives. 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.

Emaar Properties PJSC and its Subsidiaries

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

As at 30 September 2017 (Unaudited)

2.2 SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

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

Estimates and their underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised.

The key judgments, estimates and assumptions that have a significant impact on the interim condensed consolidated financial statements of the Group are discussed below:

Judgments

Satisfaction of performance obligations

The Group is required to assess each of its contracts with customers to determine whether performance obligations are satisfied over time or at a point in time in order to determine the appropriate method of recognising revenue. The Group has assessed that based on the sale and purchase agreements entered into with customers and the provisions of relevant laws and regulations, where contracts are entered into to provide real estate assets to customer, the Group does not create an asset with an alternative use to the Group and usually has an enforceable right to payment for performance completed to date. In these circumstance the Group recognises revenue over time. Where this is not the case revenue is recognised at a point in time.

Determination of transaction prices

The Group is required to determine the transaction price in respect of each of its contracts with customers. In making such judgment the Group assess the impact of any variable consideration in the contract, due to discounts or penalties, the existence of any significant financing component in the contract and any non-cash consideration in the contract.

In determining the impact of variable consideration the Group uses the “most-likely amount” method in IFRS 15 *Revenue from Contracts with Customers* whereby the transaction price is determined by reference to the single most likely amount in a range of possible consideration amounts.

Transfer of control in contracts with customers

In cases where the Group determines that performance obligations are satisfied at a point in time, revenue is recognised when control over the assets that is the subject of the contract is transferred to the customer. In the case of contracts to sell real estate assets this is generally when the unit has been handed over to the customer.

Revenue recognition for turnover rent

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

Investment properties

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

Classification of investment properties

The Group determines whether a property qualifies as investment property in accordance with IAS 40 *Investment Property*. In making its judgment, the Group considers whether the property generates cash flows largely independently of the other assets held by the Group. The Group has determined that hotels and serviced apartment buildings owned by the Group are to be classified as part of property, plant and equipment rather than investment properties since the Group also operates these assets.

Transfer of real estate assets from property, plant and equipment to development properties

The Group sells real estate assets in its ordinary course of business. When the real estate assets which were previously classified as property, plant and equipment are identified for sale in the ordinary course of business, then the assets are transferred to development properties at their carrying value at the date of identification and become held for sale. Sale proceeds from such assets are recognised as revenue in accordance with IFRS 15.

Emaar Properties PJSC and its Subsidiaries

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

As at 30 September 2017 (Unaudited)

2.2 SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS (continued)

Judgments (continued)

Operating lease commitments - Group as lessor

The Group has entered into commercial and retail property leases on its investment property portfolio. The Group has determined, based on an evaluation of the terms and conditions of the arrangements, that it retains all the significant risks and rewards of ownership of these properties and so accounts for the contracts as operating leases.

Classification of investments

Management designates at the time of acquisition of securities whether these should be classified as at fair value or amortised cost. In judging whether investments in securities are classified as at fair value or amortised cost, management has considered the detailed criteria for determination of such classification as set out in IFRS 9 *Financial Instruments*.

Consolidation of subsidiaries

The Group has evaluated all the investee entities including special purpose entities to determine whether it controls the investee as per the criteria laid out by IFRS 10: *Consolidated Financial Statements*. The Group has evaluated, amongst other things, its ownership interest, the contractual arrangements in place and its ability and the extent of its involvement with the relevant activities of the investee entities to determine whether it controls the investee.

Estimations and assumptions

Impairment of trade and other receivables

An estimate of the collectible amount of trade and other receivables is made when collection of the full amount is no longer probable. For individually significant amounts, this estimation is performed on an individual basis. Amounts which are not individually significant, but which are past due, are assessed collectively and a provision applied according to the length of time past due, based on historical recovery rates.

Useful lives of property, plant and equipment and investment properties

The Group's management determines the estimated useful lives of its property, plant and equipment and investment properties for calculating depreciation. This estimate is determined after considering the expected usage of the asset or physical wear and tear. The management periodically reviews estimated useful lives and the depreciation method to ensure that the method and period of depreciation are consistent with the expected pattern of economic benefits from these assets.

Allocation of transaction price to performance obligation in contracts with customers

The Group has elected to apply the input method in allocating the transaction price to performance obligations where revenue is recognised over time. The Group considers that the use of the input method which requires revenue recognition on the basis of the Group's efforts to the satisfaction of the performance obligation provides the best reference of revenue actually earned. In applying the input method, the Group estimates the cost to complete the projects in order to determine the amount of revenue to be recognised. These estimates include the cost of providing infrastructure, potential claims by contractors as evaluated by the project consultant and the cost of meeting other contractual obligations to the customers.

Taxes

The Group is subject to income and capital gains taxes in certain jurisdictions. Significant judgment is required to determine the total provision for current and deferred taxes. The Group established provisions, based on reasonable estimates, for possible consequences of audits by the tax authorities of the respective countries in which it operates. The amount of such provision is based on various factors, such as experience of previous tax audits and differing interpretations of tax regulations by the taxable entity and the responsible tax authority. Such differences of interpretations may arise on a wide variety of issues depending on the conditions prevailing in the respective domicile of the Group companies.

Deferred tax assets are recognised for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and the level of future taxable profits together with future tax planning strategies.

Impairment of non-financial assets

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

Emaar Properties PJSC and its Subsidiaries

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

As at 30 September 2017 (Unaudited)

2.2 SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS (continued)

Estimations and assumptions (continued)

Fair value measurement of financial instruments

When the fair values of financial assets and financial liabilities recorded in the interim consolidated statement of financial position cannot be measured based on quoted prices in active markets, their fair value is measured using valuation techniques including the discounted cash flow (DCF) model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgement is required in establishing fair values. Judgements include considerations of inputs such as liquidity risk, credit risk and volatility.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(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 2016, except for the adoption of new standards and interpretations effective as of 1 January 2017. Although these new standards and amendments apply for the first time in 2017, 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:

Amendments to IAS 7 Statement of Cash Flows: Disclosure Initiative

The amendments require entities to provide disclosures about changes in their liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes (such as foreign exchange gains or losses). On initial application of the amendment, entities are not required to provide comparative information for preceding periods. The Group is not required to provide additional disclosures in its interim condensed consolidated financial statements, but will disclose additional information in its annual consolidated financial statements for the year ended 31 December 2017.

Amendments to IAS 12 Income Taxes: Recognition of Deferred Tax Assets for Unrecognised Losses

The amendments clarify that an entity needs to consider whether tax law restricts the sources of taxable profits against which it may make deductions on the reversal of that deductible temporary difference. Furthermore, the amendments provide guidance on how an entity should determine future taxable profits and explain the circumstances in which taxable profit may include the recovery of some assets for more than their carrying amount.

Entities are required to apply the amendments retrospectively. However, on initial application of the amendments, the change in the opening equity of the earliest comparative period may be recognised in opening retained earnings (or in another component of equity, as appropriate), without allocating the change between opening retained earnings and other components of equity. Entities applying this relief must disclose that fact. The application has no effect on the Group's interim consolidated financial position and performance as the Group has no deductible temporary differences or assets that are in the scope of the amendments.

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Amendments to IFRS 12 *Disclosure of Interests in Other Entities: Clarification of the scope of disclosure requirements in IFRS 12*

The amendments clarify that the disclosure requirements in IFRS 12, other than those in paragraphs B10–B16, apply to an entity's interest in a subsidiary, a joint venture or an associate (or a portion of its interest in a joint venture or an associate) that is classified (or included in a disposal group that is classified) as held for sale. The Group has adopted the amendments retrospectively. As the disclosure requirements in IFRS 12 do not specifically apply to the interim condensed consolidated financial statements, the Group did not provide these disclosures. The Group will disclose the required information in its annual consolidated financial statements for the year ended 31 December 2017.

(b) Standards, amendments and interpretations in issue but not effective

At the date of authorisation of these interim condensed consolidated financial statements, other than the Standards and Interpretations adopted by the Group (as described above) the following Standards and Interpretations were in issue but not yet effective:

IFRS 16 *Leases*: Lessees required to recognise a lease liability for the obligation to make lease payments and a right-of-use asset for the right to use the underlying asset for the lease term (effective for annual periods beginning on or after 1 January 2019);

Emaar Properties PJSC and its Subsidiaries

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued) As at 30 September 2017 (Unaudited)

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) Standards, amendments and interpretations in issue but not effective (continued)

IFRS 2 Amendment to IFRS 2 *Share-based Payment*: Classification and Measurement of Share-based Payment Transactions (effective for annual periods beginning on or after 1 January 2018); and

IFRS 9 IFRS 9 Financial Instruments that replaces IAS 39 Financial Instruments: Recognition and Measurement and all previous versions of IFRS 9. IFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted.

The Group is currently assessing the impact of these new standards and amendments, which will be adopted to the extent applicable to the Group. Other than the potential impact of IFRS 16 and amendments to IFRS 12, if any, the Group does not expect the adoption of the above new standards, amendments and interpretations to have a material impact on the future consolidated financial statements of the Group.

Revenue recognition

The Group has elected to early adopt IFRS 15 with effect from 1 January 2015. As a result of early adoption, the Group has applied the following accounting policy in the preparation of its interim condensed consolidated financial statements.

Revenue from contracts with customers

The Group recognises revenue from contracts with customers based on a five step model as set out in IFRS 15:

- Step 1. Identify the contract(s) with a customer: A contract is defined as an agreement between two or more parties that creates enforceable rights and obligations and sets out the criteria for every contract that must be met.
- Step 2. Identify the performance obligations in the contract: A performance obligation is a promise in a contract with a customer to transfer a good or service to the customer.
- Step 3. Determine the transaction price: The transaction price is the amount of consideration to which the Group expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties.
- Step 4. Allocate the transaction price to the performance obligations in the contract: For a contract that has more than one performance obligation, the Group will allocate the transaction price to each performance obligation in an amount that depicts the amount of consideration to which the Group expects to be entitled in exchange for satisfying each performance obligation.
- Step 5. Recognise revenue when (or as) the entity satisfies a performance obligation.

The Group satisfies a performance obligation and recognises revenue over time, if one of the following criteria is met:

1. The customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs; or
2. The Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or
3. The Group's performance does not create an asset with an alternative use to the Group and the entity has an enforceable right to payment for performance completed to date.

For performance obligations where one of the above conditions are not met, revenue is recognised at the point in time at which the performance obligation is satisfied.

When the Group satisfies a performance obligation by delivering the promised goods or services it creates a contract asset based on the amount of consideration earned by the performance. Where the amount of consideration received from a customer exceeds the amount of revenue recognised this gives rise to a contract liability.

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

Revenue is recognised in the interim consolidated income statement to the extent that it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably.

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NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

As at 30 September 2017 (Unaudited)

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition (continued)

Lease to buy scheme

Sales under the lease to buy scheme are accounted for as follows:

- Rental income during the period of lease is accounted for on a straight-line basis until such time the lessee exercises its option to purchase;
- When the lessee exercises its option to purchase, a sale is recognised in accordance with the revenue recognition policy for sale of property as stated above; and
- When recognising the sale, revenue is the amount payable by the lessee at the time of exercising the option to acquire the property.

Rental income from lease of investment property

Rental income arising from operating leases on investment properties is recognised, net of discount, in accordance with the terms of lease contracts over the lease term on a straight-line basis, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased asset.

Interest income

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

Services

Revenue from rendering of services is recognised when the outcome of the transaction can be estimated reliably, by reference to the stage of completion of the transaction at the reporting date. Where the outcome cannot be measured reliably, revenue is recognised only to the extent that the expenses incurred are eligible to be recovered.

Development services

Revenue from rendering of development management services is recognised when the outcome of the transaction can be estimated reliably, by reference to the stage of completion of the development obligation at the reporting date. Where the outcome cannot be measured reliably, revenue is recognised only to the extent that the expenses incurred are eligible to be recovered.

Customer loyalty programme

Within the hospitality segment, the Group operates a loyalty points programme, 'U by Emaar', which allows customers to accumulate points when they spend in any of the Group's hotel or leisure units. The points can be redeemed for discounts, subject to a minimum number of points being obtained. Consideration received is allocated between the revenue from hospitality and the points issued, with the consideration allocated to the points equal to their fair value. Fair value of the points is determined by applying a statistical analysis. The fair value of the points issued is deferred and recognised as revenue when the points are redeemed.

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and any impairment in value. Depreciation is calculated on a straight-line basis over the estimated useful lives as follows:

Leasehold improvements	2 - 15 years
Sales centers (included in land and buildings)	1 - 10 years
Buildings	10 - 45 years
Computers and office equipment	2 - 5 years
Plant, machinery and heavy equipment	3 - 20 years
Motor vehicles	3 - 5 years
Furniture and fixtures	2 - 10 years
Leisure, entertainment and other assets	2 - 25 years

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

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

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NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

As at 30 September 2017 (Unaudited)

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant and equipment (continued)

Property, plant and equipment are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of property, plant and equipment may not be recoverable. Whenever the carrying amount of property, plant and equipment exceeds their recoverable amount, an impairment loss is recognised in the interim consolidated income statement. The recoverable amount is the higher of fair value less costs to sell of property, plant and equipment and the value in use. The fair value less costs to sell is the amount obtainable from the sale of property, plant and equipment in an arm's length transaction while value in use is the present value of estimated future cash flows expected to arise from the continuing use of property, plant and equipment and from its disposal at the end of its useful life.

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

Investment properties

Properties held for rental or capital appreciation purposes are classified as investment properties. Investment properties are measured at cost less any accumulated depreciation and any accumulated impairment losses.

Depreciation is charged on a straight-line basis over the estimated useful lives as follows:

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

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

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

Properties are transferred from investment properties to development properties when and only when, there is a change in use, evidenced by commencement of development with a view to sell. Such transfers are made at the carrying value of the properties at the date of transfer.

The Group determines at each reporting date whether there is any objective evidence that the investment properties are impaired. Whenever the carrying amount of an investment property exceeds their recoverable amount, an impairment loss is recognised in the interim consolidated income statement. The recoverable amount is the higher of investment property's net selling price and the value in use. The net selling price is the amount obtainable from the sale of an investment property in an arm's length transaction less related costs while value in use is the present value of estimated future cash flows expected to arise from the continuing use of the investment property and from its disposal at the end of its useful life.

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

Development properties

Properties acquired, constructed or in the course of construction for sale in the ordinary course of business are classified as development properties and are stated at the lower of cost or net realisable value. Cost includes:

- Freehold and leasehold rights for land;
- Amounts paid to contractors for construction; and
- Borrowing costs, planning and design costs, costs of site preparation, professional fees for legal services, property transfer taxes, construction overheads and other related costs.

Net realisable value is the estimated selling price in the ordinary course of the business, based on market prices at the reporting date and discounted for the time value of money if material, less costs to completion and the estimated costs of sale.

The cost of development properties recognised in the interim consolidated income statement on sale is determined with reference to the specific costs incurred on the property sold and an allocation of any non-specific costs based on the relative size of the property sold.

The management reviews the carrying values of the development properties on an annual basis.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Derivative financial instruments

The Group enters into derivative financial instruments to manage its exposure to interest rate risk and foreign exchange rate risk, including foreign exchange forward contracts. Derivatives are initially recognised at fair value at the date the derivative contract is entered into and are subsequently remeasured to their fair value at the end of each reporting date. The resulting gain or loss is recognised in the interim consolidated income statement immediately, unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in the interim consolidated income statement depends on the nature of the hedge relationship. The Group designates derivatives as hedges of interest rate risk and foreign currency risk of firm commitments (cash flow hedges).

A derivative with a positive fair value is recognised as a financial asset; a derivative with a negative fair value is recognised as a financial liability.

Hedge accounting

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

Fair value hedges

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recognised in the interim consolidated income statement immediately, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk. The change in the fair value of the hedging instrument and the change in the hedged item attributable to the hedged risk are recognised in the line of the interim consolidated statement of comprehensive income relating to the hedged item.

Hedge accounting is discontinued when the Group revokes the hedging relationship, when the hedging instrument expires or is sold, terminated, or exercised, or when it no longer qualifies for hedge accounting. The fair value adjustment to the carrying amount of the hedged item arising from the hedged risk is amortised to the interim consolidated income statement from that date.

Cash flow hedges

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

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

Financial assets

All financial assets are recognised and derecognised on trade date when the purchase or sale of a financial asset is made under a contract whose terms require delivery of the financial asset within the timeframe established by the market concerned. Financial assets are initially measured at cost, plus transaction costs, except for those financial assets classified as at fair value through other comprehensive income or profit or loss, which are initially measured at fair value. All recognised financial assets are subsequently measured in their entirety at either amortised cost or fair value.

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

Emaar Properties PJSC and its Subsidiaries

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

As at 30 September 2017 (Unaudited)

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial assets (continued)

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

Classification of financial assets

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

Equity investments

All financial assets that are equity investments are measured at fair value either through interim consolidated statement of other comprehensive income or through profit or loss. This is an irrevocable choice that the Group has made on early adoption of IFRS 9 Phase 1 or will make on subsequent acquisition of equity investments unless the equity investments are held for trading, in which case, they must be measured at fair value through profit or loss. Gain or loss on disposal of equity investments is not recycled. Dividend income for all equity investments is recorded through the interim consolidated income statement.

Debt instruments

Debt instruments are also measured at fair value through profit or loss unless they are classified at amortised cost. They are classified at amortised cost only if:

- the asset is held within a business model whose objective is to hold the asset to collect the contractual cash flows; and
- the contractual terms of the debt instrument give rise, on specified dates, to cash flows that are solely payments of principal and interest on the principal outstanding.

Cash and cash equivalents

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

Trade and unbilled receivables

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

Foreign exchange gains and losses

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

Derecognition of financial assets

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

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

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial assets (continued)

Derecognition of financial assets (continued)

When the Group has transferred its right to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Impairment of financial assets

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

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

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

Impairment of non-financial assets

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

Impairment losses of continuing operations are recognised in the interim consolidated income statement in those expense categories consistent with the function of the impaired asset.

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

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial liabilities and equity instruments issued by the Group

Debt and equity instruments are classified as either financial liabilities or as equity instruments in accordance with the substance of the contractual agreements. Financial liabilities within the scope of IAS 39 are classified as financial liabilities at fair value through profit or loss, loans and borrowings, or as derivative instrument as appropriate. The Group determines the classification of its financial liabilities at the initial recognition.

Trade and other payables

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

Loans and borrowings

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

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

Sukuk

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

Other financial liabilities

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

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

Derecognition of financial liabilities

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

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the interim consolidated statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

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.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Business combinations and goodwill (continued)

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.

Fair value measurement

The Group measures financial instruments, such as investment in securities and hedges, at fair value at each reporting date.

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

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

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

For investments traded in an active market, fair value is determined by reference to quoted market bid prices.

The fair value of interest-bearing items is estimated based on discounted cash flows using interest rates for items with similar terms and risk characteristics.

For unquoted equity investments, fair value is determined by reference to the market value of a similar investment or is based on the expected discounted cash flows.

The fair value of forward foreign exchange contracts is calculated by reference to current forward exchange rates with the same maturity.

Fair value of interest rate swap contract is determined by reference to market value for similar instruments.

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

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2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair value measurement (continued)

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

- Level 1 – Fair value measurements are those derived from quoted prices in an active market (that are unadjusted) 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).

For assets and liabilities that are recognised in the interim condensed consolidated financial statements on a recurring basis, the Group determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorisation at the end of each reporting period.

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

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 operating profit or loss and is measured consistently with operating profit or loss in the interim condensed consolidated financial statements.

Business segments

For management purposes, the Group is organised into three major segments, namely, real estate (develop and sell condominiums, villas, commercial units and plots of land and development management), leasing and related activities (develop, lease and manage malls including online retail, retail, commercial and residential spaces) and hospitality (develop, own and/or manage hotels, serviced apartments and leisure activities). Other segments include businesses that individually do not meet the criteria for a reportable segment as per IFRS 8 *Operating Segments*. These businesses are property management and utility services, information technology and investments in providers of financial services.

Revenue from sources other than real estate, leasing and related activities and hospitality are included in other operating income.

Geographic segments

The Group is currently operating in number of countries outside the UAE and is engaged in development of several projects which have significant impact on the Group results.

The domestic segment includes business activities and operations in the UAE and the international segment includes business activities and operations outside the UAE.

Emaar Properties PJSC and its Subsidiaries

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

As at 30 September 2017 (Unaudited)

3 SEGMENT INFORMATION (continued)

Business segments

The following tables include revenue, contribution and other segment information regarding business segments for the nine-month and three-month periods ended 30 September 2017 and 30 September 2016. Assets and liabilities of the business segments are presented as at 30 September 2017 and 31 December 2016.

	<i>Real estate</i> <i>AED'000</i>	<i>Leasing and related activities</i> <i>AED'000</i>	<i>Hospitality</i> <i>AED'000</i>	<i>Others</i> <i>AED'000</i>	<i>Total</i> <i>AED'000</i>
Nine-month period ended 30 September 2017:					
Revenue					
Revenue from external customers					
- Over a period of time	7,952,948	-	-	-	7,952,948
- Single point in time / leasing revenue	1,054,461	3,371,394	1,072,827	-	5,498,682
	<u>9,007,409</u>	<u>3,371,394</u>	<u>1,072,827</u>	<u>-</u>	<u>13,451,630</u>
Results					
Contribution for the period	<u>3,394,423</u>	<u>2,065,161</u>	<u>114,803</u>	<u>119,186</u>	<u>5,693,573</u>
Unallocated selling, general and administrative expenses					(660,379)
Unallocated finance income, net					<u>64,244</u>
Profit before tax for the period					<u><u>5,097,438</u></u>
Other segment information					
Capital expenditure (property, plant and equipment and investment properties)	<u>119,577</u>	<u>2,034,736</u>	<u>1,120,164</u>	<u>175,050</u>	<u>3,449,527</u>
Depreciation (property, plant and equipment and investment properties)	<u>124,717</u>	<u>409,753</u>	<u>195,856</u>	<u>42,498</u>	<u>772,824</u>
Three-month period ended 30 September 2017:					
Revenue					
Revenue from external customers					
- Over a period of time	3,813,369	-	-	-	3,813,369
- Single point in time / leasing revenue	343,108	1,142,604	286,102	-	1,771,814
	<u>4,156,477</u>	<u>1,142,604</u>	<u>286,102</u>	<u>-</u>	<u>5,585,183</u>
Results					
Contribution for the period	<u>1,511,530</u>	<u>636,515</u>	<u>(40,516)</u>	<u>53,971</u>	<u>2,161,500</u>
Unallocated selling, general and administrative expenses					(224,805)
Unallocated finance income, net					<u>3,674</u>
Profit before tax for the period					<u><u>1,940,369</u></u>

Emaar Properties PJSC and its Subsidiaries

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

As at 30 September 2017 (Unaudited)

3 SEGMENT INFORMATION (continued)

Business segments (continued)

	<i>Real estate AED'000</i>	<i>Leasing and related activities AED'000</i>	<i>Hospitality AED'000</i>	<i>Others AED'000</i>	<i>Total AED'000</i>
Assets and liabilities					
<i>As at 30 September 2017</i>					
Segment assets	69,475,767	20,753,389	6,939,462	4,146,180	101,314,798
Segment liabilities	38,218,232	9,590,476	1,116,908	559,704	49,485,320
	<i>Real estate AED'000</i>	<i>Leasing and related activities AED'000</i>	<i>Hospitality AED'000</i>	<i>Others AED'000</i>	<i>Total AED'000</i>
<i>Nine-month period ended 30 September 2016:</i>					
Revenue					
Revenue from external customers					
- Over a period of time	5,994,641	-	-	-	5,994,641
- Single point in time / leasing revenue	830,991	3,272,061	1,005,554	-	5,108,606
	6,825,632	3,272,061	1,005,554	-	11,103,247
Results					
Contribution for the period	2,447,332	2,033,832	(4,800)	146,162	4,622,526
Unallocated selling, general and administrative expenses					(564,900)
Unallocated finance income, net					50,319
Profit before tax for the period					4,107,945
Other segment information					
Capital expenditure (property, plant and equipment and investment properties)	116,100	1,325,724	633,590	18,995	2,094,409
Depreciation (property, plant and equipment and investment properties)	122,057	368,167	172,123	43,750	706,097

Emaar Properties PJSC and its Subsidiaries

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

As at 30 September 2017 (Unaudited)

3 SEGMENT INFORMATION (continued)

Business segments (continued)

	Real estate AED'000	Leasing and related activities AED'000	Hospitality AED'000	Others AED'000	Total AED'000
<i>Three-month period ended 30 September 2016:</i>					
Revenue					
Revenue from external customers					
- Over a period of time	1,832,442	-	-	-	1,832,442
- Single point in time / leasing revenue	652,480	1,076,529	285,048	-	2,014,057
	<u>2,484,922</u>	<u>1,076,529</u>	<u>285,048</u>	<u>-</u>	<u>3,846,499</u>
Results					
Contribution for the period	<u>973,856</u>	<u>625,349</u>	<u>(40,964)</u>	<u>46,878</u>	<u>1,605,119</u>
Unallocated selling, general and administrative expenses					(197,914)
Unallocated finance income, net					10,222
Profit before tax for the period					<u>1,417,427</u>
<i>Assets and liabilities As at 31 December 2016 (Audited)</i>					
Segment assets	<u>66,836,123</u>	<u>19,111,164</u>	<u>6,864,372</u>	<u>3,522,525</u>	<u>96,334,184</u>
Segment liabilities	<u>38,077,432</u>	<u>9,061,379</u>	<u>953,039</u>	<u>574,769</u>	<u>48,666,619</u>

Geographic segments

The following tables include revenue and other segment information for the Nine-month and three-month periods ended 30 September 2017 and 30 September 2016. Certain assets information for geographic segments is presented as at 30 September 2017 and 31 December 2016.

	Domestic AED'000	International AED'000	Total AED'000
<i>Nine-month period ended 30 September 2017:</i>			
Revenue			
Revenue from external customers			
- Over period of time	6,306,675	1,646,273	7,952,948
- Single point in time / leasing revenue	4,496,729	1,001,953	5,498,682
	<u>10,803,404</u>	<u>2,648,226</u>	<u>13,451,630</u>
Other Segment Information			
Capital expenditure (property, plant and equipment and investment properties)	<u>2,871,931</u>	<u>577,596</u>	<u>3,449,527</u>

Emaar Properties PJSC and its Subsidiaries

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

As at 30 September 2017 (Unaudited)

3 SEGMENT INFORMATION (continued)

Geographic segments (continued)

	<i>Domestic AED'000</i>	<i>International AED'000</i>	<i>Total AED'000</i>
Three-month period ended 30 September 2017:			
Revenue			
Revenue from external customers			
- Over period of time	3,233,511	579,858	3,813,369
- Single point in time / leasing revenue	1,453,174	318,640	1,771,814
	<u>4,686,685</u>	<u>898,498</u>	<u>5,585,183</u>
Assets			
<i>As at 30 September 2017</i>			
Segment assets	59,572,683	36,789,138	96,361,821
Investments in associates and joint ventures	1,855,912	3,097,065	4,952,977
Total assets	<u>61,428,595</u>	<u>39,886,203</u>	<u>101,314,798</u>
	<i>Domestic AED'000</i>	<i>International AED'000</i>	<i>Total AED'000</i>
Nine-month period ended 30 September 2016:			
Revenue			
Revenue from external customers			
- Over period of time	4,342,498	1,652,143	5,994,641
- Single point in time / leasing revenue	4,936,150	172,456	5,108,606
	<u>9,278,648</u>	<u>1,824,599</u>	<u>11,103,247</u>
Other Segment Information			
Capital expenditure (property, plant and equipment and investment properties)	<u>1,506,914</u>	<u>587,495</u>	<u>2,094,409</u>
Three-month period ended 30 September 2016:			
Revenue			
Revenue from external customers			
- Over period of time	1,176,081	656,361	1,832,442
- Single point in time / leasing revenue	1,956,090	57,967	2,014,057
	<u>3,132,171</u>	<u>714,328</u>	<u>3,846,499</u>
Assets			
<i>As at 31 December 2016 (Audited)</i>			
Segment assets	56,363,647	35,107,103	91,470,750
Investments in associates and joint ventures	1,822,290	3,041,144	4,863,434
Total assets	<u>58,185,937</u>	<u>38,148,247</u>	<u>96,334,184</u>

Emaar Properties PJSC and its Subsidiaries

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued) 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 acquiring 51% equity stake in Namshi Holding Limited ("Namshi"). Subsequent to completion of conditions agreed in share purchase agreement, on 16 August 2017, the Shareholder Agreement was executed to complete the acquisition, resulting in the Group gaining control of Namshi.

The transaction represents a business combination under IFRS 3 '*Business Combination*' and has been accounted for using the acquisition method of accounting. 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
Other assets, receivables, deposits and prepayments	121,625
Trade receivables	37,600
Bank balances and cash	132,154
Total assets	517,253
Liabilities	
Trade and other payables	134,240
Advances from customers	6,390
Provision for employee's end of service benefits	3,345
Total liabilities	143,975
Total identifiable net assets at fair value	373,278
Value of controlling interests acquired (51 % of identifiable 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.

	<i>AED'000</i>
Analysis of cash flows on acquisition:	
Cash paid (included in cash flows from investing activities)	(555,384)
Net cash and cash equivalent acquired	
with the subsidiary (included in cash flows from investing activities)	132,154
Transaction costs of the acquisition (included in cash flows from operating activities)	(5,278)
Net cash outflow on acquisition	(428,508)

Emaar Properties PJSC and its Subsidiaries

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

As at 30 September 2017 (Unaudited)

5 ASSETS HELD FOR SALE

(a) Emaar MGF Land Limited

In 2016, the Group filed a scheme of arrangement with the Delhi High Court in India for the demerger ("demerger scheme") of the operations of Emaar MGF Land Limited ("EMGF"). Accordingly, on 18 May 2016, the original joint venture agreement and the Memorandum and Articles of Association of EMGF were amended, resulting in the Group gaining control of the operations of EMGF. In addition to gaining control, the Group also increased its equity stake in EMGF from 48.86% to 57.33%.

As part of the demerger scheme, the Group has agreed to transfer certain assets and liabilities directly associated with those assets (the "EMGF disposal group") to the other promoter group in EMGF. The board members of EMGF approved the plan to transfer the EMGF disposal group, which is expected to be completed upon approval of the demerger scheme by the Delhi High Court in India.

The major classes of assets and liabilities of the EMGF disposal group classified as held for sale are as follows:

	<i>30 September 2017 AED'000</i>	<i>31 December 2016 AED'000 (Audited)</i>
Assets		
Property, plant and equipment	281,271	282,850
Development properties	4,806,296	4,713,840
Other assets, receivables, deposits and prepayments	308,591	274,360
Total assets	5,396,158	5,271,050
Liabilities		
Interest-bearing loans and borrowings	389,710	385,295
Trade and other payables	2,189,468	2,075,340
Advances from customers	88,581	156,954
Total liabilities	2,667,759	2,617,589
Net assets directly associated with the EMGF disposal group	2,728,399	2,653,461

There were no significant gains or losses recognised in the interim consolidated income statement or in the interim consolidated statement of comprehensive income with respect to the EMGF disposal group.

(b) Emaar Middle East LLC

In 2016, the Group entered in a separation agreement with Al Oula Real Estate Development Holding Company ("Al Oula"), by which the Group has agreed to acquire the equity shares held by Al Oula in Emaar Middle East LLC ("EME") and its subsidiaries, which will be settled by way of transfer of ownership of a project (the "EME disposal group") developed by EME to Al Oula.

The transfer of these shares to the Group is subject to completion of certain milestones and conditions defined in the separation agreement. As at 30 September 2017, these milestones and conditions are not completed and the shares are not transferred to the Group. Accordingly, the assets and liabilities relating to the EME disposal group have been disclosed under 'assets held for sale' and 'liabilities associated with assets held for sale' in the interim consolidated statement of financial position.

Emaar Properties PJSC and its Subsidiaries

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued) As at 30 September 2017 (Unaudited)

5 ASSETS HELD FOR SALE (continued)

b) Emaar Middle East LLC (continued)

The major classes of assets and liabilities of the EME disposal group classified as held for sale are as follows:

	<i>30 September 2017 AED'000</i>	<i>31 December 2016 AED'000 (Audited)</i>
Assets		
Development properties	938,615	935,556
Trade and other receivables	12,807	6,858
Total assets	951,422	942,414
Liabilities		
Trade and other payables	575,059	579,722
Advances from customers	23,725	20,236
Total liabilities	598,784	599,958
Net assets directly associated with the EME disposal group	352,638	342,456

There were no significant gains or losses recognised in the interim consolidated income statement or in the interim consolidated statement of comprehensive income with respect to the EME disposal group.

6 REVENUE AND COST OF REVENUE

	<i>Nine-month period ended</i>		<i>Three-month period ended</i>	
	<i>30 September 2017 AED'000</i>	<i>30 September 2016 AED'000</i>	<i>30 September 2017 AED'000</i>	<i>30 September 2016 AED'000</i>
Revenue				
Revenue from property sales				
Sale of condominiums	5,481,547	2,614,004	1,924,774	799,044
Sale of villas	2,871,417	3,232,239	1,930,837	1,047,793
Sale of commercial units, plots of land and others	654,445	979,389	300,866	638,085
Revenue from hospitality	1,072,827	1,005,554	286,102	285,048
Revenue from leasing and related activities	3,371,394	3,272,061	1,142,604	1,076,529
	13,451,630	11,103,247	5,585,183	3,846,499
Cost of revenue				
Cost of revenue of property sales				
Cost of condominiums	3,403,637	1,957,262	1,265,508	690,793
Cost of villas	1,561,126	1,878,005	1,016,237	592,668
Cost of commercial units, plots of land and others	268,633	307,298	75,096	172,493
Operating cost of hospitality	661,107	646,370	208,395	204,929
Operating cost of leasing and related activities	548,743	516,563	213,571	195,612
	6,443,246	5,305,498	2,778,807	1,856,495

Emaar Properties PJSC and its Subsidiaries

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

As at 30 September 2017 (Unaudited)

7 SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

	<i>Nine-month period ended</i>		<i>Three-month period ended</i>	
	<i>30 September 2017 AED'000</i>	<i>30 September 2016 AED'000</i>	<i>30 September 2017 AED'000</i>	<i>30 September 2016 AED'000</i>
Payroll and related expenses	524,307	490,525	185,721	159,419
Depreciation of property, plant and equipment	475,696	448,047	160,827	150,464
Depreciation of investment properties	297,128	258,050	112,177	89,095
Sales and marketing expenses	336,011	242,363	159,313	79,470
Property management expenses	215,030	202,804	76,315	72,824
Pre-operating expenses	34,960	70,061	7,145	19,393
Other expenses	534,204	393,236	214,791	150,747
	<u>2,417,336</u>	<u>2,105,086</u>	<u>916,289</u>	<u>721,412</u>

8 FINANCE INCOME

	<i>Nine-month period ended</i>		<i>Three-month period ended</i>	
	<i>30 September 2017 AED'000</i>	<i>30 September 2016 AED'000</i>	<i>30 September 2017 AED'000</i>	<i>30 September 2016 AED'000</i>
Finance income on fixed deposits with banks	181,995	212,268	53,562	70,952
Other finance income	316,070	294,441	115,720	61,638
	<u>498,065</u>	<u>506,709</u>	<u>169,282</u>	<u>132,590</u>

9 BANK BALANCES AND CASH

	<i>30 September 2017 AED'000</i>	<i>31 December 2016 AED'000 (Audited)</i>
Cash in hand	18,391	8,657
Current and call bank deposit accounts	9,307,639	7,465,613
Fixed deposits maturing within three months	1,142,771	1,486,830
Cash and cash equivalents	<u>10,468,801</u>	<u>8,961,100</u>
Deposits under lien (notes 18 & 24)	116,509	87,462
Fixed deposits maturing after three months	4,968,834	8,239,973
	<u>15,554,144</u>	<u>17,288,535</u>
Bank balances and cash located:		
Within UAE	14,257,924	15,965,904
Outside UAE	1,296,220	1,322,631
	<u>15,554,144</u>	<u>17,288,535</u>

Emaar Properties PJSC and its Subsidiaries

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

As at 30 September 2017 (Unaudited)

9 BANK BALANCES AND CASH (continued)

	<i>30 September 2017 AED'000</i>	<i>31 December 2016 AED'000 (Audited)</i>
Bank balances and cash are denominated in the following currencies:		
United Arab Emirates Dirham (AED)	14,257,925	15,965,904
Egyptian Pound (EGP)	862,301	618,794
United States Dollar (USD)	149,172	404,099
Saudi Riyal (SAR)	116,748	128,453
Indian Rupee (INR)	96,993	117,307
Moroccan Dirham (MAD)	40,898	25,541
Other currencies	30,107	28,437
	<u>15,554,144</u>	<u>17,288,535</u>

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 three 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 1.3% and 1.9% per annum (31 December 2016: 1.30% and 2.8% per annum).

Bank balances maintained in the UAE includes an amount of AED 15,170 thousands (31 December 2016: AED 15,849 thousands) committed for investments in a project in Syria.

The Company is required to maintain certain deposits/balances amounting to AED 10,338,526 thousands (31 December 2016: AED 9,637,586 thousands) with banks for unclaimed dividends and advances received from customers against sale of development properties which are deposited into escrow accounts. These deposits/balances are not under lien.

10 TRADE AND UNBILLED RECEIVABLES

	<i>30 September 2017 AED'000</i>	<i>31 December 2016 AED'000 (Audited)</i>
Trade receivables		
Amounts receivables within 12 months, net	1,197,168	1,072,452
Unbilled receivables		
Unbilled receivables within 12 months	1,047,623	1,306,473
Unbilled receivables after 12 months, net	352,793	312,641
	<u>1,400,416</u>	<u>1,619,114</u>
Total trade and unbilled receivables at period / year-end	<u>2,597,584</u>	<u>2,691,566</u>

The above trade receivables are net of AED 125,349 thousands (31 December 2016: AED 133,098 thousands) relating to provision for doubtful debts representing management's best estimate of doubtful trade receivables which are past due for more than 90 days. All other receivables are considered recoverable

Emaar Properties PJSC and its Subsidiaries

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

As at 30 September 2017 (Unaudited)

11 OTHER ASSETS, RECEIVABLES, DEPOSITS AND PREPAYMENTS

	30 September 2017 AED'000	31 December 2016 AED'000 (Audited)
Advances to contractors and others	2,302,612	1,808,101
Recoverable under joint development agreements	2,488,586	999,119
Prepayments (including prepaid lease rentals)	1,185,953	1,172,780
Deferred sales commission (ii)	718,917	496,805
Value added tax recoverable	709,512	599,187
Recoverable from non-controlling interests (i)	579,147	1,073,847
Insurance claim receivable	-	678,924
Inventory - Hospitality and Retail	221,258	68,047
Deposits for acquisition of land	162,702	179,792
Deferred income tax assets	109,984	68,543
Receivables from communities owner associations	41,885	144,907
Accrued interest	46,093	51,481
Other receivables and deposits	715,427	542,564
	9,282,076	7,884,097
Other assets, receivables, deposits and prepayments maturity profile:		
Amounts recoverable within 12 months	7,172,725	4,376,479
Amounts recoverable after 12 months	2,109,351	3,507,618
	9,282,076	7,884,097

- (i) Recoverable from non-controlling interests includes:
- AED 401 million (31 December 2016: AED 385 million) receivable from the other promotor group in EMGF as per the demerger scheme, which carries interest at 11.25% per annum and is receivable by 2019.
- (ii) The deferred sales commission expense incurred to obtain or fulfil a contract with the customers is amortised over the period of satisfying performance obligations where applicable.

12 DEVELOPMENT PROPERTIES

	30 September 2017 AED'000
Balance at the beginning of the period (Audited)	
Add: cost incurred during the period	32,456,393
Add: foreign currency translation differences	5,830,915
Less: cost transferred to property, plant and equipment, net*	410,379
Less: cost transferred to cost of revenue during the period, net	(624,621)
Less: cost transferred to investment properties	(5,233,396)
	(174,181)
Balance at the end of the period	32,665,489

Emaar Properties PJSC and its Subsidiaries

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

As at 30 September 2017 (Unaudited)

12 DEVELOPMENT PROPERTIES (continued)

	<i>30 September 2017 AED'000</i>	<i>31 December 2016 AED'000 (Audited)</i>
<i>Development properties located:</i>		
Within UAE	13,952,713	14,150,272
Outside UAE	18,712,776	18,306,121
	<u>32,665,489</u>	<u>32,456,393</u>

*The Group has transferred certain costs from/to development based properties to/from properties, plant and equipment on the intended use of such developments.

13 INVESTMENTS IN SECURITIES

	<i>30 September 2017 AED'000</i>	<i>31 December 2016 AED'000 (Audited)</i>
Financial assets at fair value through other comprehensive income	987,059	909,740
Financial assets at fair value through profit and loss	42,621	-
Financial assets at amortised cost	1,021,457	710,368
	<u>2,051,137</u>	<u>1,620,108</u>
<i>Investments in securities:</i>		
Within UAE	893,153	809,488
Outside UAE	1,157,984	810,620
	<u>2,051,137</u>	<u>1,620,108</u>

Fair value hierarchy

The Group uses the following hierarchy for determining and disclosing the fair value of financial assets at fair value 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	<u>1,029,680</u>	<u>126,919</u>	<u>875,324</u>	<u>27,437</u>
31 December 2016 (Audited)	<u>909,740</u>	<u>90,134</u>	<u>792,167</u>	<u>27,439</u>

Valuations for Level 2 investments in securities have been derived by determining their redemption value which is generally net asset value per share of the investee companies.

There were no transfers made between Level 1 and Level 2 during the period.

Emaar Properties PJSC and its Subsidiaries

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

As at 30 September 2017 (Unaudited)

14 LOANS TO ASSOCIATES AND JOINT VENTURES

	<i>30 September 2017 AED'000</i>	<i>31 December 2016 AED'000 (Audited)</i>
Emaar Dubai South DWC LLC (i)	202,472	17,731
Amlak Finance PJSC (ii)	104,215	104,215
Zabeel Square LLC (i)	200,000	-
DWTC Emaar LLC (i)	110,106	24,872
Other associates and joint ventures	8,058	6,891
	<u>624,851</u>	<u>153,709</u>

- (i) Loan to associates and joint ventures of AED 512,578 thousands (31 December 2016: AED 42,603 thousands) are unsecured, repayable on demand and does not carry any interest.
- (ii) As per the terms of the restructuring agreement entered in 2014, 20% of the principal amount of the loan was repaid by Amlak in 2014, 65% is restructured into a long term facility maturing in 12 years carrying a profit rate of 2% per annum and 15% is restructured into a 12-year contingent convertible instrument (CCI).

15 INVESTMENTS IN ASSOCIATES AND JOINT VENTURES

	<i>30 September 2017 AED'000</i>	<i>31 December 2016 AED'000 (Audited)</i>
Emaar, The Economic City (Saudi Joint Stock Company) - quoted	2,594,643	2,587,779
Amlak Finance PJSC - quoted	717,389	710,783
Emaar Bawadi LLC	473,882	462,664
Turner International Middle East Ltd	352,999	349,027
Eko Temali Parklar Turizm İşletmeleri Anonim Şirketi	308,451	256,257
Mirage Leisure and Development Inc.	146,751	136,617
Emaar Industries and Investment (Pvt) JSC	141,080	136,865
Dead Sea Company for Tourist and Real Estate Investment	116,831	118,434
Others	100,951	105,008
	<u>4,952,977</u>	<u>4,863,434</u>

Emaar Properties PJSC and its Subsidiaries

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued) As at 30 September 2017 (Unaudited)

15 INVESTMENTS IN ASSOCIATES AND JOINT VENTURES (continued)

The Group has the following ownership interest in its significant associates and joint ventures:

	<i>Country of incorporation</i>	<i>Ownership 2017</i>	<i>2016</i>
Emaar, The Economic City (Saudi Joint Stock Company)	KSA	30.59%	30.59%
Amlak Finance PJSC	UAE	48.08%	48.08%
Emaar Bawadi LLC	UAE	50.00%	50.00%
Turner International Middle East Ltd	UAE	65.00%	56.00%
Eko Temali Parklar Turizm İşletmeleri Anonim Şirketi	Turkey	50.00%	50.00%
Mirage Leisure and Development Inc.	BVI	65.00%	65.00%
Emaar Industries and Investments (Pvt) JSC	UAE	40.00%	40.00%
Dead Sea Company for Tourist and Real Estate Investment	Jordan	29.33%	29.33%
Emaar Dubai South DWC LLC	UAE	50.00%	50.00%
DWTC Emaar LLC	UAE	50.00%	50.00%
Zabeel Square LLC	UAE	50.00%	-

16 INTANGIBLE ASSETS

	<i>30 September 2017 AED'000</i>	<i>31 December 2016 AED'000 (Audited)</i>
Goodwill	411,078	46,066
Other intangible assets	220,300	-
	631,378	46,066

During the period, the Group has acquired a 51% equity stake in Namshi. The transaction represents a business combination under IFRS 3 '*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. This has resulted in recognition of goodwill of AED 365,012 thousands and other intangible assets of AED 220,300 thousands (refer Note 4).

The Group already carrying goodwill related to the operations of Hamptons in the MENA region of AED 46,066 thousands.

17 TRADE AND OTHER PAYABLES

	<i>30 September 2017 AED'000</i>	<i>31 December 2016 AED'000 (Audited)</i>
Project contract cost accruals and provisions	4,182,627	3,965,371
Deferred income tax payable	2,298,941	2,196,974
Trade payables	849,246	878,688
Payable to non-controlling interests	475,869	477,863
Creditors for land purchase	356,368	591,454
Dividends payable	296,034	301,524
Income tax payable	74,278	80,050
Contingent liabilities arising on acquisition of a subsidiary	24,140	23,362
Other payables and accruals	2,980,474	2,788,256
	11,537,977	11,303,542

Emaar Properties PJSC and its Subsidiaries

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued) As at 30 September 2017 (Unaudited)

18 INTEREST-BEARING LOANS AND BORROWINGS

	30 September 2017 AED'000	31 December 2016 AED'000 (Audited)
Balance at the beginning of the period / year	10,068,987	6,914,909
Add: Acquisition of a subsidiary, net	-	967,488
Add: Borrowings drawn down during the period / year	1,984,341	3,117,254
Less: Borrowings repaid during the period / year	(1,005,365)	(930,664)
Balance at the end of the period / year	11,047,963	10,068,987
Less: Unamortised portion of directly attributable costs	(27,244)	(32,822)
Net interest-bearing loans and borrowings at the end of the period / year	11,020,719	10,036,165
<i>Interest-bearing loans and borrowings maturity profile:</i>		
Within 12 months	1,709,644	728,226
After 12 months	9,311,075	9,307,939
Balance at the end of the period / year	11,020,719	10,036,165
<i>Interest-bearing loans and borrowings located:</i>		
Within UAE	6,010,021	5,463,180
Outside UAE	5,010,698	4,572,985
	11,020,719	10,036,165

The Group has the following secured and unsecured interest-bearing loans and borrowings:

Secured

- USD 500,000 thousands (AED 1,836,500 thousands) of Syndicated facility, secured against certain investment properties owned by the Group in Turkey, carries interest at LIBOR plus 1.75% per annum and fully repayable by 2022.
- USD 15,993 thousands (AED 58,742 thousands) loan from a commercial bank, secured against certain assets in Lebanon, carries interest at rates ranging from 6.5% to 7.5% per annum and is repayable by 2021.
- USD 12,461 thousands (AED 45,769 thousands) loan from a commercial bank, secured against certain assets in Lebanon, carries interest at 1.075% per annum and is repayable by 2020.
- AED 435,940 thousands represents partial drawdown out of AED 750,000 thousand loan facility from a commercial bank, secured against certain assets in the United Arab Emirates, carries interest at EIBOR plus 2.5% per annum and is repayable by 2026.
- INR 16,260,693 (AED 913,916 thousands) loans from commercial banks and financial institutions, secured against certain assets in India, bearing interest at rates ranging from 5.00% to 11.00% per annum and repayable by 2022.

Unsecured

- During 2014, the Group has drawn down USD 1,250,000 thousands (AED 4,591,250 thousands) Syndicated Murhabha Islamic Finance Facility (the "Syndicated Facility") availed from a syndication of commercial banks in UAE. The Syndicated Facility is presented in the interim condensed consolidated financial statements at AED 4,564,006 thousands net of unamortised directly attributable transaction cost. The Syndicated Facility is unsecured, carries profit rate at LIBOR plus 1.75% per annum and is fully repayable in 2021. The bank has a lien of AED 35,287 thousands (31 December 2016: AED 31,897 thousands) (refer note 9) towards accrued interest.

Emaar Properties PJSC and its Subsidiaries

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

As at 30 September 2017 (Unaudited)

18 INTEREST-BEARING LOANS AND BORROWINGS (continued)

Unsecured (continued)

- PKR 858,190 thousands (AED 29,865 thousands) loans from commercial banks, bearing interest at KIBOR plus 0.15% per annum and repayable in 2017.
- PKR 5,710,489 thousands (AED 198,725 thousands) loan from a commercial bank, bearing interest at KIBOR plus 0.10% per annum and is fully repayable by 2017.
- EGP 4,688 thousands (AED 976 thousands) of funding facilities from commercial banks in Egypt, bearing interest at 1.50% plus CBE Corridor Rate and repayable by 2020.
- EGP 30,254 thousands (AED 6,299 thousands) of funding facilities from commercial banks in Egypt, bearing interest at 1.0% plus CBE Corridor Rate and repayable by 2021.
- EGP 28,381 thousands (AED 5,909 thousands) of funding facilities from commercial banks in Egypt, bearing interest at 0.05% plus CBE Corridor Rate and repayable by 2018.
- USD 180,000 thousands (AED 661,140 thousands) loan from a commercial bank in Turkey, bearing interest at LIBOR plus 1.30% per annum and repayable by 2018.
- USD 71,997 thousands (AED 264,445 thousands) loans from commercial banks in Lebanon, bearing interest at rates ranging from 2.28% to 3.25% per annum and repayable by 2018.
- SAR 20,014 thousands (AED 19,600 thousands) loan from a commercial bank bearing interest at SIBOR plus 1% per annum – SIBOR plus 2% per annum and are repayable in 2017.
- USD 275,000 thousands (AED 1,010,075 thousands) represents partial drawdown out of USD 500,000 thousands (AED 1,836,500 thousands) Revolving Credit Line Facility (the “Facility”) availed from the syndication of commercial banks in UAE, carries interest at LIBOR plus 1.50% to 1.60% per annum and is repayable by 2020.
- INR 17,237,421 thousands (AED 968,812 thousands) loans from commercial banks in India, bearing interest at 7.70% to 9.25% per annum and repayable by 2023. The banks have a lien of AED 54,664 thousands (31 December 2016: AED 55,565 thousands) (refer note 9) towards various facilities.
- On 27 September 2017, the Group has entered into a 5 year Murabaha financing facility agreement for an amount of USD 1,300,000 thousands (AED 4,774,900 thousands) with a commercial bank in UAE. The Murabaha facility is secured against cash flows of certain projects of the Group in UAE, carries profit rate at LIBOR plus 1.4% per annum and is fully repayable by 2022. As at reporting the date, the Group has not drawn down any amount from this facility. Subsequent to reporting date, the Group has withdrawn USD 1,080,000 thousands (AED 3,966,840 thousands) from this facility.

19 SUKUK

A. Emaar Sukuk Limited:

Emaar Sukuk Limited (the “Issuer”), a limited liability company registered in the Cayman Islands and a wholly-owned subsidiary of the Group, has established a trust certificate issuance programme (the “Programme”) pursuant to which the Issuer may issue from time to time up to USD 2,000,000 thousands (AED 7,346,000 thousands) of trust certificates in series.

Series 2:

On 18 July 2012, the Issuer had issued the second series of the trust certificates (the “Sukuk 2”) amounting to USD 500,000 thousands (AED 1,836,500 thousands) under the Programme. The Sukuk 2 is listed on NASDAQ Dubai and is due for repayment in 2019. Sukuk 2 carries a profit distribution at the rate of 6.4% per annum to be paid semi-annually. The carrying value of Sukuk 2 is as follows:

	30 September 2017 AED'000	31 December 2016 AED'000 (Audited)
Sukuk liability as at period / year-end	<u>1,832,567</u>	<u>1,831,060</u>

Emaar Properties PJSC and its Subsidiaries

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

As at 30 September 2017 (Unaudited)

19 SUKUK (continued)

A. Emaar Sukuk Limited: (continued)

Series 3:

On 15 September 2016, the Issuer has issued the third series of the trust certificates (the "Sukuk 3") amounting to USD 750,000 thousands (AED 2,754,750 thousands) under the Programme. The Sukuk 3 is listed on NASDAQ Dubai and is due for repayment in 2026. Sukuk 3 carries a profit distribution at the rate of 3.64% per annum to be paid semi-annually. The carrying value of Sukuk 3 is as follows:

	<i>30 September 2017 AED'000</i>	<i>31 December 2016 AED'000 (Audited)</i>
Sukuk liability as at period / year-end	<u>2,745,858</u>	<u>2,745,243</u>

B. EMG Sukuk Limited:

On 18 September 2014, the EMG Sukuk Limited (the "Issuer"), a limited liability company registered in the Cayman Islands and a wholly-owned subsidiary of EMG, has issued trust certificates (the "Sukuk") amounting to USD 750,000 thousands (AED 2,754,750 thousands). The Sukuk is listed on the NASDAQ Dubai and is due for repayment in 2024. The Sukuk carries a profit distribution rate of 4.6% per annum to be paid semi-annually. The carrying value of Sukuk is as follows:

	<i>30 September 2017 AED'000</i>	<i>31 December 2016 AED'000 (Audited)</i>
Sukuk liability as at period / year-end	<u>2,739,191</u>	<u>2,737,734</u>

The total Sukuk liability is as follows:

	<i>30 September 2017 AED'000</i>	<i>31 December 2016 AED'000 (Audited)</i>
Emaar Sukuk Limited:		
- Series 2	1,832,567	1,831,060
- Series 3	2,745,858	2,745,243
EMG Sukuk Limited:		
- Sukuk	2,739,191	2,737,734
Total Sukuk liability as at period / year-end	<u>7,317,616</u>	<u>7,314,037</u>

20 SHARE CAPITAL

	<i>30 September 2017 AED'000</i>	<i>31 December 2016 AED'000 (Audited)</i>
Authorised capital 7,159,738,882 shares of AED 1 each (31 December 2016: 7,159,738,882 shares of AED 1 each)	<u>7,159,739</u>	<u>7,159,739</u>
Issued and fully paid-up 7,159,738,882 shares of AED 1 each (31 December 2016: 7,159,738,882 shares of AED 1 each)	<u>7,159,739</u>	<u>7,159,739</u>

Emaar Properties PJSC and its Subsidiaries

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued) As at 30 September 2017 (Unaudited)

21 RESERVES

	Statutory reserve AED'000	Capital reserve AED'000	General reserves AED'000	Hedging reserves AED'000	Share premium AED'000	Net unrealised gains/(losses) reserve AED'000	Foreign currency translation reserve AED'000	Total AED'000
Balance as at 31 December 2016 (<i>Audited</i>)	15,220,245	3,660	4,877,894	(15,008)	578,234	(1,127,108)	(3,340,888)	16,197,029
Increase in unrealised reserve	-	-	-	15,030	-	100,010	-	115,040
Increase in foreign currency translation reserve	-	-	-	-	-	-	215,731	215,731
Net income recognised directly in equity	-	-	-	15,030	-	100,010	215,731	330,771
Balance as at 30 September 2017	15,220,245	3,660	4,877,894	22	578,234	(1,027,098)	(3,125,157)	16,527,800
Balance as at 31 December 2015 (<i>Audited</i>)	15,220,245	3,660	4,354,608	(22,824)	578,234	(1,162,853)	(2,033,001)	16,938,069
(Decrease)/increase in unrealised reserve	-	-	-	(27,514)	-	115,640	-	88,126
Decrease in foreign currency translation reserve	-	-	-	-	-	-	(650,865)	(650,865)
Foreign currency translation loss recycled to income statement on acquisition of EMGF	-	-	-	-	-	-	1,321,013	1,321,013
Net (loss)/gain recognised directly in equity	-	-	-	(27,514)	-	115,640	670,148	758,274
Balance as at 30 September 2016	15,220,245	3,660	4,354,608	(50,338)	578,234	(1,047,213)	(1,362,853)	17,696,343

Emaar Properties PJSC and its Subsidiaries

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

As at 30 September 2017 (Unaudited)

22 DIVIDEND

A cash dividend of AED 0.15 per share for 2016 was approved by the shareholders of the Company at the Annual General Meeting of the Company held on 17 April 2017.

23 RELATED PARTY DISCLOSURES

For the purpose of these interim condensed consolidated financial statements, parties are considered to be related to the Group, if the Group has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group and the party are subject to common control or common significant influence. Related parties may be individuals or other entities.

Related party transactions

During the period, the following were the significant related party transactions, which were carried out in the normal course of business on terms agreed between the parties:

	<i>Nine-month period ended</i>	
	<i>30 September 2017 AED'000</i>	<i>30 September 2016 AED'000</i>
Associates and Joint Ventures:		
Property development expenses	90,823	85,681
Capital expenditure	43,143	21,030
Rental income from leased properties and related income	3,554	3,275
Selling, general and administrative expenses	3,527	1,490
Islamic finance income	1,981	2,020
Cost of revenue	1,260	1,880
Other operating income	854	789
Finance income earned on loans	-	56,015
Other income	-	37
Directors, Key management personnel and their related parties:		
Rental income from leased properties and related income	57,662	91,177
Finance costs incurred on interest-bearing loans and borrowings	25,480	30,978
Selling, general and administrative expenses	28,123	25,266
Other finance income	11,202	16,180
Cost of revenue	10,831	12,884
Property development expenses	3,146	1,589
Revenue from hospitality	598	1,526
Islamic finance income	355	22,651
Other operating income	176	72
Sale of property	-	20,649

Related party balances

Significant related party balances (and the interim consolidated statement of financial position captions within which these are included) are as follows:

	<i>30 September 2017 AED'000</i>	<i>31 December 2016 AED'000 (Audited)</i>
Associates and joint ventures:		
Trade and other payables	56,306	31,248
Trade receivables	672	263
Advance from customers	736	-

Emaar Properties PJSC and its Subsidiaries

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

As at 30 September 2017 (Unaudited)

23 RELATED PARTY DISCLOSURES (continued)

Related party balances (continued)

	<i>30 September 2017 AED'000</i>	<i>31 December 2016 AED'000 (Audited)</i>
Directors, Key management personnel and their related parties:		
Bank balances and cash	3,888,082	2,754,129
Interest-bearing loans and borrowings	457,734	752,231
Investment in securities at fair value through other comprehensive income	70,431	72,347
Advance from customers	31,435	22,286
Other assets, receivables, deposits and prepayments	6,750	3,880
Trade and other payables	3,962	4,443
Trade receivables	2,907	3,277

Compensation of key management personnel

The remuneration of key management personnel during the period was as follows:

	<i>30 September 2017 AED'000</i>	<i>30 September 2016 AED'000</i>
Short-term benefits	296,277	264,892
Employees' end-of-service benefits	16,335	12,128
	312,612	277,020

During the period, the number of key management personnel is 250 (30 September 2016: 209).

During the period, the Company has paid a bonus of AED 35,330 thousands to the non-executive members of the Board of Directors for the year 2016 as approved by the shareholders at the Annual General Meeting of the Company held on 17 April 2017.

24 GUARANTEES AND CONTINGENCIES

a) Guarantees

1. The Group has issued financial guarantees and letters of credit of AED 335,339 thousands (31 December 2016: AED 24,842 thousands).
2. The Group has provided a financial guarantee of AED 5,000 thousands (31 December 2016: AED 5,000 thousands) as a security for the letter of guarantee issued by a commercial bank for issuance of a trade license from the Government of Dubai.
3. The Group has provided a financial guarantee of AED 3,287 thousands (31 December 2016: AED 3,287 thousands) as a security for the performance of its contractual obligations.
4. The Group has provided a performance guarantee of AED 5,129,786 thousands (31 December 2016: AED 4,208,818 thousands) to the Real Estate Regulatory Authority (RERA), Dubai for its new projects as per RERA regulations.
5. The Group has provided a corporate guarantee of AED 73,460 thousands (31 December 2016: AED 73,460 thousands) to a commercial bank as a security for the guarantees issued by the bank on behalf of the joint venture of the Group.
6. The Group has provided a letter of Credit of USD 4,396 thousands (AED 16,148 thousand) (31 December 2016: USD Nil) in Egypt for its project. The bank has a lien of USD 4,396 thousand (AED 16,148 thousand) (refer note 9) towards this letter of credit.

Emaar Properties PJSC and its Subsidiaries

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

As at 30 September 2017 (Unaudited)

24 GUARANTEES AND CONTINGENCIES (continued)

a) Guarantees (continued)

7. The Group has provided performance guarantees of AED 111,089 thousands (31 December 2016: AED 115,078 thousands) to various government authorities in India for its projects.
8. The Group has provided a bank guarantee of EGP 50,000 thousands (AED 10,410 thousand) (31 December 2016: EGP Nil) to government authority in Egypt for its project. The bank has a lien of EGP 50,000 thousand (AED 10,410 thousand) (refer note 9) towards this bank guarantee.

b) Contingencies

- (i) Andhra Pradesh Industrial Infrastructure Corporation Ltd. ("APIIC"), a joint venture partner in certain subsidiaries of the Group in India, issued a legal notice to the Company to terminate certain development and operational management agreements which were entered into between Emaar MGF Land Limited ("EMGF"), Emaar Hills Township Private Limited ("EHTPL" – a joint venture of the Group with APIIC) and Boulder Hills Leisure Private Limited ("BHLPL" – a joint venture of the Group with APIIC). APIIC has filed another suit against EMGF to restrain EMGF from carrying out any activity related to these developments. In addition, there were a few litigations which were initiated against the Group by third parties on the grounds of irregularities in acquisition and allocation of land.

The Group, based on legal advice, is of the opinion that all the aforesaid suites filed by APIIC shall be settled amicably by the parties under the Arbitration and Conciliation Act, 1996 of India or as per the Dispute Redressal Mechanism provided under AP Infrastructure Development Enabling Act, 2001 of India. Pending completion of various ongoing legal proceedings related to the above mentioned projects and based on the legal advice received, the management of the Group believes that the allegations/matters raised are contrary to the factual position and hence are not tenable.

- (ii) Emaar Misr for Development S.A.E. ("Emaar Misr"), a subsidiary of the Group incorporated and operating in Egypt, received a request for arbitration initiated by El Nasr Housing and Development Company in connection with Zahraa Al-Mokattam land sales agreement. Management is confident that it has a strong legal position, the arbitration will be decided in its favor and will not have material financial impact on the interim condensed consolidated financial statements of the Group.

25 COMMITMENTS

At 30 September 2017, the Group had commitments of AED 26,149,539 thousands (31 December 2016: AED 18,681,158 thousands) which include project commitments of AED 25,232,026 thousands (31 December 2016: AED 18,154,087 thousands). This represents the value of contracts issued at 30 September 2017 net of invoices received and accruals made at that date. There were certain claims submitted by contractors relating to various projects of the Group in the ordinary course of business from which it is anticipated that no material unprovided liabilities will arise.

Operating lease commitments - Group as lessee

The Group has entered into various operating lease agreements for properties, office facilities and equipment. These leases have an average life of between 1 to 10 years. There are no restrictions placed upon by the Group on entering into these leases. Future minimum rentals payable under non-cancellable operating leases are as follows:

	30 September 2017 AED'000	31 December 2016 AED'000 (Audited)
Within one year	122,135	116,677
After one year but not more than five years	290,371	347,957
More than five years	443,451	234,008
	<u>855,957</u>	<u>698,642</u>

Emaar Properties PJSC and its Subsidiaries

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

As at 30 September 2017 (Unaudited)

25 COMMITMENTS (continued)

Operating lease commitments - Group as lessor

The Group has entered into leases on its investment property portfolio. The future minimum rentals receivable under non-cancellable operating leases contracted for as 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	3,209,429	2,688,014
After one year but not more than five years	5,945,351	5,036,498
More than five years	1,495,465	1,591,161
	<u>10,650,245</u>	<u>9,315,673</u>

26 HEDGING ACTIVITIES

Cash flow hedges

At 30 September 2017, 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 (31 December 2016: USD 725,000 thousands and AED 500,000 thousands).

	<i>30 September 2017</i>		<i>31 December 2016 (Audited)</i>	
	<i>Assets AED'000</i>	<i>Liabilities AED'000</i>	<i>Assets AED'000</i>	<i>Liabilities AED'000</i>
<i>Interest rate swap contracts</i>				
Fair value	-	(27)	-	24,341

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>
<i>30 September 2017</i>				
Interest rate swap contracts	(27)	-	(27)	-
<i>31 December 2016 (Audited)</i>				
Interest rate swap contracts	24,341	-	24,341	-

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.

Emaar Properties PJSC and its Subsidiaries

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)
As at 30 September 2017 (Unaudited)

27 FAIR VALUES OF FINANCIAL INSTRUMENTS

Financial instruments comprise financial assets and financial liabilities.

Financial assets of the Group include bank balances and cash, trade receivables, investment in securities, loans and advances, other receivables and due from related parties. Financial liabilities of the Group include customer deposits, interest-bearing loans and borrowings, sukuk, accounts payable, retentions payable and other payable.

The fair values of the financial assets and liabilities are not materially different from their carrying value unless stated otherwise.

28 EVENTS AFTER REPORTING DATE

On 22 October 2017, the Parent has announced its intention to proceed with the sale of its build-to-sale real estate development business in UAE, Emaar Development LLC ("Emaar Development") via an initial public offering ("IPO") on the Dubai Financial Market ("DFM"). The Parent expect to sell 20% of their shareholding in Emaar Development consistent with its stated strategy of bringing subsidiary companies to market once they have reached sufficient maturity. It is expected that the listing with DFM will occur in November 2017.