Emaar Malls PJSC and its subsidiaries

UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 SEPTEMBER 2018

Building a better working world

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

Introduction

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

Scope of Review

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

Conclusion

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

For Ernst & Young

Signed by:
Anthony O'Sullivan
Partner
Registration Number 687

6 November 2018

Dubai, United Arab Emirates

INTERIM CONSOLIDATED INCOME STATEMENT

For the period ended 30 September 2018 (Unaudited)

		(US$ 1.00 = AED 3.673)			
	Notes	***1 January 2018 to 30 September 2018 AED'000***	*1 January 2017 to 30 September 2017 AED'000*	***1 July 2018 to 30 September 2018 AED'000***	*1 July 2017 to 30 September 2017 AED'000*
Revenue	4	**3,231,536**	2,499,993	**1,128,372**	876,374
Cost of revenue	5	**(778,260)**	(366,382)	**(288,152)**	(161,502)
GROSS PROFIT		**2,453,276**	2,133,611	**840,220**	714,872
Sales and marketing expenses		**(203,726)**	(61,696)	**(68,203)**	(34,585)
General and administrative expenses		**(161,458)**	(133,285)	**(61,876)**	(45,740)
Depreciation and amortisation		**(341,962)**	(278,975)	**(121,159)**	(92,940)
OPERATING PROFIT FOR THE PERIOD		**1,746,130**	1,659,655	**588,982**	541,607
Gain on disposal of assets held for sale	15	**47,577**	-	-	-
Finance income		**68,533**	59,213	**24,065**	15,684
Finance costs	6	**(242,466)**	(213,255)	**(82,987)**	(72,427)
PROFIT FOR THE PERIOD	7	**1,619,774**	1,505,613	**530,060**	484,864
ATTRIBUTABLE TO:					
Equity holders of the parent		**1,638,963**	1,506,762	**536,945**	486,013
Non-controlling interests		**(19,189)**	(1,149)	**(6,885)**	(1,149)
		1,619,774	1,505,613	**530,060**	484,864
Earnings per share (AED): Equity holders of the parent basic and diluted	8	**0.13**	0.12	**0.04**	0.04

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

INTERIM CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME

For the period ended 30 September 2018 (Unaudited)

	Notes	*(US$ 1.00 = AED 3.673)*			
		1 January 2018 to 30 September 2018	*1 January 2017 to 30 September 2017*	***1 July 2018 to 30 September 2018***	*1 July 2017 to 30 September 2017*
		AED'000	*AED'000*	***AED'000***	*AED'000*
Profit for the period		**1,619,774**	1,505,613	**530,060**	484,864
Other comprehensive income to be reclassified to the interim consolidated income statement in subsequent period:					
Other comprehensive income:					
Net movement on cash flow hedges	18	**7,011**	8,225	**(4,474)**	5,224
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		**1,626,785**	1,513,838	**525,586**	490,088
ATTRIBUTABLE TO:					
Equity holders of the parent		**1,645,974**	1,514,987	**532,471**	491,237
Non-controlling interests		**(19,189)**	(1,149)	**(6,885)**	(1,149)
		1,626,785	1,513,838	**525,586**	490,088

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

INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2018

(US$ 1.00 = AED 3.673)

	Notes	*30 September 2018 AED'000 (Unaudited)*	*31 December 2017 AED'000 (Audited)*
ASSETS			
Non-current assets			
Property, plant and equipment	9	**163,266**	180,713
Investment properties	10	**22,213,069**	21,740,122
Goodwill and intangible assets	11	**572,184**	580,893
		22,948,519	22,501,728
Current assets			
Inventories		**192,442**	165,021
Trade and unbilled receivables	12	**390,441**	269,167
Advances, prepayments and other receivables		**239,120**	211,350
Due from related parties	13	**121,847**	56,627
Bank balances and cash	14	**3,250,573**	3,209,583
		4,194,423	3,911,748
Assets classified as held for sale	15	**-**	14,623
		4,194,423	3,926,371
TOTAL ASSETS		**27,142,942**	26,428,099
EQUITY AND LIABILITIES			
Equity			
Share capital	16	**13,014,300**	13,014,300
Reserves	18	**850,079**	843,068
Retained earnings		**2,824,741**	2,492,107
Equity attributable to the equity holders of the parent		**16,689,120**	16,349,475
Non-controlling interests		**157,704**	176,894
TOTAL EQUITY		**16,846,824**	16,526,369
Non-current liabilities			
Provision for employees' benefits	19	**23,745**	20,601
Interest bearing loans and borrowings	20	**4,571,396**	4,565,943
Sukuk	21	**2,741,214**	2,739,689
Put option over non-controlling interests	22	**483,426**	468,658
Retentions payable after 12 months		**17,712**	15,299
		7,837,493	7,810,190
Current liabilities			
Due to related parties	13	**80,429**	60,040
Accounts payable and accruals	23	**1,092,926**	694,802
Advances and security deposits		**1,005,373**	1,116,146
Retentions payable within 12 months		**14,929**	11,507
Deferred income		**264,968**	209,045
		2,458,625	2,091,540
TOTAL LIABILITIES		**10,296,118**	9,901,730
TOTAL EQUITY AND LIABILITIES		**27,142,942**	26,428,099

These interim condensed consolidated financial statements were authorised for issue on 6 November 2018 by Board of Directors and signed on their behalf by:

Chairman

Director

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

INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS

For the period ended 30 September 2018 (Unaudited)

	Notes	*1 January 2018 to 30 September 2018 AED'000*	*1 January 2017 to 30 September 2017 AED'000*
		(US$ 1.00 = AED 3.673)	
OPERATING ACTIVITIES			
Profit for the period		**1,619,774**	1,505,613
Adjustments for:			
Depreciation of property, plant and equipment	9	**25,515**	27,629
Depreciation of investment properties	10	**307,738**	251,346
Amortisation of intangible assets with definite useful life	11	**8,709**	-
Provision for doubtful debts - net	12	**9,719**	8,951
Provision for employees' end of service benefits	19	**4,019**	2,720
Share-based payment expense	19	**2,216**	-
Finance costs	6	**242,466**	213,255
Gain on disposal of property, plant and equipment		**(4)**	(27)
Gain on disposal of assets classified as held for sale	15	**(47,577)**	-
Finance income		**(68,533)**	(59,213)
		2,104,042	1,950,274
Working capital changes:			
Inventories		**(27,421)**	(23,903)
Trade and unbilled receivables		**(130,993)**	12,070
Due from related parties		**(65,220)**	4,665
Advances, prepayments and other receivables		**39,624**	(19,344)
Due to related parties		**20,282**	41,923
Accounts payable and accruals		**63,328**	(44,871)
Advances and security deposits		**(110,773)**	123,168
Retentions payable		**5,835**	(33,926)
Deferred income		**55,923**	(78,668)
Net cash flows from operations		**1,954,627**	1,931,388
Employees' end of service benefits paid		**(2,984)**	(2,464)
Net cash flows from operating activities		**1,951,643**	1,928,924
INVESTING ACTIVITIES			
Purchases of property, plant and equipment	9	**(8,068)**	(4,509)
Amounts incurred on investment properties	10	**(478,001)**	(604,061)
Interest received		**55,740**	58,442
Net proceeds from disposal of assets classified as held for sale	15	**14,563**	-
Proceeds from disposal of property, plant and equipment		**4**	64
Deposits under lien or maturing after three months		**21,987**	751,365
Acquisition of subsidiary – net of cash acquired		-	(423,230)
Net cash flows used in investing activities		**(393,775)**	(221,929)
FINANCING ACTIVITIES			
Finance cost paid		**(188,561)**	(174,808)
Dividends paid	17	**(1,301,430)**	(1,301,430)
Bonus paid to Board of Directors	13(c)	**(4,900)**	(5,550)
Net cash flows used in financing activities		**(1,494,891)**	(1,481,788)
INCREASE IN CASH AND CASH EQUIVALENTS		**62,977**	225,207
Cash and cash equivalents at 1 January		**142,626**	25,164
CASH AND CASH EQUIVALENTS AT 30 SEPTEMBER	14	**205,603**	250,371
SUPPLEMENTAL NON-CASH INFORMATION			
Investment properties' project cost accruals	10	**302,517**	-

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

INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the period ended 30 September 2018 (Unaudited)

(US $1.00 = AED 3.673)

1 January 2018 to 30 September 2018	*Equity attributable to equity holders of the Parent*					
	Share capital AED'000	***Reserves AED'000***	***Retained earnings AED'000***	***Total AED'000***	***Non-controlling interests AED'000***	***Total equity AED'000***
As at 1 January 2018 (Audited)	13,014,300	843,068	2,492,107	16,349,475	176,894	16,526,369
Acquisition of subsidiary	-	-	-	-	-	-
Profit / (loss) for the period	-	-	1,638,963	1,638,963	(19,189)	1,619,774
Other comprehensive income for the period	-	7,011	-	7,011	-	7,011
Total comprehensive income/ (loss) for the period	-	7,011	1,638,963	1,645,974	(19,189)	1,626,785
Dividends paid (note 17)	-	-	(1,301,430)	(1,301,430)	-	(1,301,430)
Directors' bonus [note 13(c)]	-	-	(4,900)	(4,900)	-	(4,900)
As at 30 September 2018	**13,014,300**	**850,079**	**2,824,740**	**16,689,119**	**157,705**	**16,846,824**

1 January 2017 to 30 September 2017	*Equity attributable to equity holders of the Parent*					
	Share capital AED'000	*Reserves AED'000*	*Retained earnings AED'000*	*Total AED'000*	*Non-controlling interests AED'000*	*Total equity AED'000*
As at 1 January 2017 (Audited)	13,014,300	874,358	2,130,425	16,019,083	-	16,019,083
Acquisition of subsidiary	-	-	-	-	182,906	182,906
Profit / (loss) for the period	-	-	1,506,762	1,506,762	(1,149)	1,505,613
Other comprehensive income for the period	-	8,225	-	8,225	-	8,225
Total comprehensive income/ (loss) for the period	-	8,225	1,506,762	1,514,987	(1,149)	1,513,838
Dividends paid (note 17)	-	-	(1,301,430)	(1,301,430)	-	(1,301,430)
Directors' bonus [note 13(c)]	-	-	(5,550)	(5,550)	-	(5,550)
As at 30 September 2017	13,014,300	882,583	2,330,207	16,227,090	181,757	16,408,847

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

1 CORPORATE INFORMATION

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

The Company is a subsidiary of Emaar Properties PJSC (the "Parent Company"); a Company incorporated in the United Arab Emirates and listed on the Dubai Financial Market. During the year ended 31 December 2014, the Parent Company converted the legal status of the Company from that of a limited liability company to public joint stock company and sold 15.37% of their shareholding in the Company through an Initial Public Offering ("IPO"). The Company is listed on the Dubai Financial Market and its shares were traded with effect from 2 October 2014.

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

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

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

Basis of consolidation
The consolidated interim condensed financial statements comprise the financial statements of the Company and entities controlled by the Company (its subsidiaries) as at 30 September 2018. Control is achieved where all the following criteria are met:

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

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of consolidation (continued)

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

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

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

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

The details of the Company's significant subsidiaries are as follows:

Name of the subsidiary	*Country of incorporation*	*Principal activity*	*Beneficial Ownership*	
			2018	*2017*
The Dubai Mall LLC	UAE	Self owned property leasing, buying and selling of real estate and management services	**99%**	99%
Emaar Dubai Malls LLC	UAE	Self owned property leasing, buying and selling of real estate and management services	**99%**	99%
Emaar International Malls LLC	UAE	Self owned property leasing, buying and selling of real estate and management services	**99%**	99%
Namshi Holding Limited	UAE	Holding company for Namshi group companies engaged in online retail business and related services	**51%**	51%

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2017, except for the following policies which the group has adopted during the period.

Share-based payment transactions
Eligible employees enrolled in the Namshi employee stock option program whereby employees render services over a period of time and are granted share option rights which are accounted as cash-settled transactions.

Cash-settled transaction
A liability is recognised for the fair value of cash-settled transactions. The fair value is measured at each reporting date up to and including the settlement date, with changes in fair value recognized in employee benefits expense. The fair value is expensed over the period in accordance with the individual vesting schedules and until the end of the plan with recognition of a corresponding liability. The fair value of the share options is estimated at the grant date based on valuation of the company over the duration of the plan contract, taking into account the terms and conditions on which the share options were granted. The valuation is determined using market comparables and future growth factors.

Service conditions are not taken into account with determining the grant date fair value of awards, but the likelihood of the condition being met in the future is assessed as part of the company's best estimate on the number and value of the share based payments that will ultimately vest and therefore impacting the calculation of the liability to be recognized in cash settled transaction.

No expense is recognised for awards that do not ultimately vest because of service conditions that have not been met. Similarly any modification of the eligibility of enrollment, or cancelation of the award is adjusted from the liability recognized during the period.

New standards and interpretations effective as of 1 January 2018 apply for the first time in 2018 in preparation of these interim condensed consolidated financial statements. They do not have a material impact on the annual consolidated financial statements of the Group or the interim condensed consolidated financial statements of the Group. The nature and the impact of each new standard or amendment is described below:

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

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

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

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

IFRS 9 Financial Instruments (continued)

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

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

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

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

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

IFRIC Interpretation 22 Foreign Currency Transactions and Advance Considerations
The Interpretation clarifies that, in determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which an entity initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, then the entity must determine a date of the transactions for each payment or receipt of advance consideration. This Interpretation does not have any impact on the Group's interim condensed consolidated financial statements.

Amendments to IAS 40 Transfers of Investment Property
The amendments clarify when an entity should transfer property, including property under construction or development into, or out of investment property. The amendments state that a change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. A mere change in management's intentions for the use of a property does not provide evidence of a change in use. These amendments do not have any impact on the Group's interim condensed consolidated financial statements.

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

Amendments to IAS 28 Investments in Associates and Joint Ventures - Clarification that measuring investees at fair value through profit or loss is an investment-by-investment choice
The amendments clarify that an entity that is a venture capital organisation, or other qualifying entity, may elect, at initial recognition on an investment-by-investment basis, to measure its investments in associates and joint ventures at fair value through profit or loss. If an entity, that is not itself an investment entity, has an interest in an associate or joint venture that is an investment entity, the entity may, when applying the equity method, elect to retain the fair value measurement applied by that investment entity associate or joint venture to the investment entity associate's or joint venture's interests in subsidiaries. This election is made separately for each investment entity associate or joint venture, at the later of the date on which: (a) the investment entity associate or joint venture is initially recognised; (b) the associate or joint venture becomes an investment entity; and (c) the investment entity associate or joint venture first becomes a parent. These amendments do not have any impact on the Group's interim condensed consolidated financial statements.

Amendments to IFRS 1 First-time Adoption of International Financial Reporting Standards - Deletion of short-term exemptions for first-time adopters
Short-term exemptions in paragraphs E3–E7 of IFRS 1 were deleted because they have now served their intended purpose. These amendments do not have any impact on the Group's interim condensed consolidated financial statements.

3 SEGMENT INFORMATION

Management monitors the operating results of its business segments separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on profit or loss and is measured consistently with the net profit or loss in the interim condensed consolidated financial statements.

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

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

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

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

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

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

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

3 SEGMENT INFORMATION (continued)

Business segments (continued)

The following tables include revenue, results and other segment information from 1 January 2018 to 30 September 2018, 1 July 2018 to 30 September 2018, 1 January 2017 to 30 September 2017 and 1 July 2017 to 30 September 2017. Assets and liabilities information regarding business segments are presented as at 30 September 2018 and 31 December 2017. The numbers are presented after intra-group eliminations.

1 January 2018 to 30 September 2018:	*Super Regional Malls AED'000*	*Regional Malls AED'000*	*Community Retail AED'000*	*Specialty Retail AED'000*	*Online Retail AED'000*	*Others AED'000*	*Total AED'000*
Revenue:							
Rental income from leased properties (a)	**2,222,410**	**137,213**	**163,216**	**101,979**	-	-	**2,624,818**
Online retail	-	-	-	-	**606,718**	-	**606,718**
Total Revenue	**2,222,410**	**137,213**	**163,216**	**101,979**	**606,718**	-	**3,231,536**
Results:							
Profit / (loss) for the period (b)	**1,573,996**	**73,870**	**137,616**	**57,230**	**(37,424)**	**(185,514)**	**1,619,774**
Other segment information							
Capital expenditure:							
(Property, plant and equipment and investment properties)	**676,745**	**5,109**	**99,324**	**3,382**	**2,303**	**1,723**	**788,586**
Depreciation and amortisation:							
(Property, plant and equipment, investment properties and intangible assets)	**251,520**	**29,088**	**30,345**	**17,112**	**11,282**	**2,615**	**341,962**
Finance costs	-	-	-	-	**743**	**241,723**	**242,466**

(a) Rental income from leased properties does not include any revenue (period ended 30 September 2017: AED 5,151 thousands) related to properties sold during the period (note 15).

(b) Profit for the period of Community Retail includes a gain on disposal of assets held for sale amounting to AED 47,577 thousands (period ended 30 September 2017: Nil) (note 15).

3 SEGMENT INFORMATION (continued)

Business segments (continued)

	Super Regional Malls AED'000	*Regional Malls AED'000*	*Community Retail AED'000*	*Specialty Retail AED'000*	*Online Retail AED'000*	*Others AED'000*	*Total AED'000*
1 July 2018 to 30 September 2018:							
Revenue:							
Rental income from leased properties	**777,025**	**44,285**	**51,599**	**32,475**	-	-	**905,384**
Online retail	-	-	-	-	**222,988**	-	**222,988**
Total Revenue	**777,025**	**44,285**	**51,599**	**32,475**	**222,988**	-	**1,128,372**
Results:							
Profit / (loss) for the period	**546,890**	**21,246**	**24,566**	**17,088**	**(13,173)**	**(66,557)**	**530,060**
Other segment information:							
Capital expenditure							
(Property, plant and equipment and investment properties)	**97,790**	**551**	**(3,012)**	**1,723**	**696**	**436**	**98,184**
Depreciation and amortisation							
(Property, plant and equipment, investment properties and intangible assets)	**90,709**	**9,675**	**10,948**	**5,497**	**3,706**	**624**	**121,159**
Finance costs	-	-	-	-	**460**	**82,527**	**82,987**
Assets and liabilities As at 30 September 2018:							
Segment assets	**19,935,064**	**1,257,219**	**925,348**	**1,359,468**	**554,991**	**3,110,852**	**27,142,942**
Segment liabilities	**1,722,889**	**88,222**	**194,563**	**84,318**	**233,301**	**7,972,825**	**10,296,118**

3 SEGMENT INFORMATION (continued)

Business segments (continued)

1 January 2017 to 30 September 2017:	*Super Regional Malls AED'000*	*Regional Malls AED'000*	*Community Retail AED'000*	*Specialty Retail AED'000*	*Online Retail AED'000*	*Others AED'000*	*Total AED'000*
Revenue:							
Revenue from leasing activities	1,972,467	139,558	181,360	115,951	-	-	2,409,336
Online retail revenue	-	-	-	-	90,657	-	90,657
Total Revenue	1,972,467	139,558	181,360	115,951	90,657	-	2,499,993
Results:							
Profit / (loss) for the period	1,441,273	81,871	110,265	72,262	(2,189)	(197,869)	1,505,613
Other segment information							
Capital expenditure (Property, plant and equipment and investment properties)	479,955	10,539	111,549	5,280	181	1,066	608,570
Depreciation (Property, plant and equipment and investment properties)	201,851	28,298	25,234	20,402	467	2,723	278,975
Finance costs	-	-	-	-	-	213,255	213,255

3 SEGMENT INFORMATION (continued)

Business segments (continued)

1 July 2017 to 30 September 2017:	*Super Regional Malls AED'000*	*Regional Malls AED'000*	*Community Retail AED'000*	*Specialty Retail AED'000*	*Online Retail AED'000*	*Others AED'000*	*Total AED'000*
Revenue:							
Revenue from leasing activities	640,916	45,452	59,408	39,941	-	-	785,717
Online retail revenue	-	-	-	-	90,657	-	90,657
Total Revenue	640,916	45,452	59,408	39,941	90,657	-	876,374
Results:							
Profit / (loss) for the period	455,182	25,792	37,275	24,835	(2,189)	(56,031)	484,864
Other segment information							
Capital expenditure (Property, plant and equipment and investment properties)	140,649	2,165	49,803	1,377	181	789	194,964
Depreciation: (Property, plant and equipment and investment properties)	67,324	9,490	8,475	6,278	467	906	92,940
Finance costs	-	-	-	-	-	72,427	72,427
Assets and liabilities as at 31 December 2017:							
Segment assets	19,395,965	1,263,733	878,858	1,333,006	476,933	3,079,604	26,428,099
Segment liabilities	1,460,666	87,665	173,605	79,809	115,924	7,984,061	9,901,730

4 REVENUE

	1 January 2018 to 30 September 2018 AED'000	*1 January 2017 to 30 September 2017 AED'000*	*1 July 2018 to 30 September 2018 AED'000*	*1 July 2017 to 30 September 2017 AED'000*
Rental income from leased properties				
Base rent	**1,978,743**	1,740,599	**687,643**	565,674
Turnover rent	**87,183**	75,622	**26,213**	18,484
Services charges	**263,233**	262,166	**94,032**	86,769
Promotion and marketing contribution	**44,590**	37,842	**16,038**	12,695
Specialty leasing	**137,939**	152,854	**46,631**	45,844
Multimedia	**47,517**	48,886	**14,718**	13,702
Others	**65,613**	91,367	**20,109**	42,549
	2,624,818	2,409,336	**905,384**	785,717
Online retail	**606,718**	90,657	**222,988**	90,657
	3,231,536	2,499,993	**1,128,372**	876,374

5 COST OF REVENUE

	1 January 2018 to 30 September 2018 AED'000	*1 January 2017 to 30 September 2017 AED'000*	*1 July 2018 to 30 September 2018 AED'000*	*1 July 2017 to 30 September 2017 AED'000*
Operating cost of leasing activities				
Housekeeping and facility management	**139,529**	123,561	**50,994**	34,610
Direct staff costs	**65,532**	66,143	**17,254**	21,503
Utilities – net	**51,747**	49,912	**28,456**	20,856
Security	**27,658**	22,408	**9,680**	6,971
Others	**51,090**	40,494	**16,799**	13,697
	335,556	302,518	**123,183**	97,637
Cost of online retail revenue	**442,704**	63,864	**164,969**	63,865
	778,260	366,382	**288,152**	161,502

6 FINANCE COSTS

	1 January 2018 to 30 September 2018 AED'000	*1 January 2017 to 30 September 2017 AED'000*	*1 July 2018 to 30 September 2018 AED'000*	*1 July 2017 to 30 September 2017 AED'000*
Interest on loans and borrowings	**220,793**	206,936	**75,436**	70,289
Others	**21,673**	6,319	**7,551**	2,138
	242,466	213,255	**82,987**	72,427

7 PROFIT FOR THE PERIOD

The profit for the period is stated after charging:

	1 January 2018 to 30 September 2018 AED'000	*1 January 2017 to 30 September 2017 AED'000*	*1 July 2018 to 30 September 2018 AED'000*	*1 July 2017 to 30 September 2017 AED'000*
Indirect staff costs	**66,724**	24,449	**25,842**	9,116

8 EARNINGS PER SHARE

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

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

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

	1 January 2018 to 30 September 2018 AED'000	*1 January 2017 to 30 September 2017 AED'000*	*1 July 2018 to 30 September 2018 AED'000*	*1 July 2017 to 30 September 2017 AED'000*
Earnings:				
Profit attributable to the shareholders for basis or diluted earnings per share	**1,638,963**	1,506,762	**536,945**	486,013
No of shares:				
Weighted average number of ordinary shares for basic and diluted earnings per share	**13,014,300**	13,014,300	**13,014,300**	13,014,300
Earnings per share (AED):				
- basic and diluted	**0.13**	0.12	**0.04**	0.04

9 PROPERTY, PLANT AND EQUIPMENT

Additions and depreciation
During the period ended 30 September 2018, the Group purchased property, plant and equipment of AED 8,068 thousands (period ended 30 September 2017: AED 4,509 thousands) and charged depreciation expense to the interim consolidated income statement of AED 25,515 thousands (period ended 30 September 2017: AED 27,629 thousands).

10 INVESTMENT PROPERTIES

Additions and depreciation
During the period ended 30 September 2018, the Group had additions of AED 780,518 thousands (period ended 30 September 2017: AED 604,061 thousands) and charged depreciation expense to the interim consolidated income statement of AED 307,738 thousands (period ended 30 September 2017: AED 251,346 thousands).

Transfers within investment properties
During the current period, Capital work-in-progress amounting to AED 1,810,162 thousands (period ended 30 September 2017: AED Nil thousands) was transferred mainly to Buildings following the completion of construction related to the extension of The Dubai Mall and the development of Springs Souk.

11 GOODWILL AND INTANGIBLE ASSETS

	30 September 2018 AED'000	*31 December 2017 AED'000 (Audited)*
Goodwill	**365,012**	365,012
Other intangible assets	**207,172**	215,881
	572,184	580,893

During the period ended 30 September 2018, the Group charged amortisation expense to interim consolidated income statement of AED 8,709 thousands (period ended 30 September 2017: AED Nil).

12 TRADE AND UNBILLED RECEIVABLES

	30 September 2018 AED'000	*31 December 2017 AED'000 (Audited)*
Trade receivables – net	**340,499**	220,899
Unbilled receivables	**49,942**	48,268
	390,441	269,167

Trade receivables include amounts due from related parties amounting to AED 8,276 thousands (31 December 2017: AED 227 thousands) [note 13 (b)].

The above trade receivables are net of allowance for doubtful debts of AED 83,663 thousands (31 December 2017: AED 85,356 thousands) representing management's best estimate of doubtful trade receivables which are past due and impaired.

Movement in the allowance for doubtful debts is as follows:

	30 September 2018 AED'000	*31 December 2017 AED'000 (Audited)*
Balance at 1 January	**85,356**	68,712
Provision for the period / year – net	**9,719**	23,906
Write off / adjustments during the period / year – net	**(11,412)**	(7,262)
Balance at period / year-end	**83,663**	85,356

13 RELATED PARTY DISCLOSURES

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

	1 January 2018 to 30 September 2018 AED'000	*1 January 2017 to 30 September 2017 AED'000*
Revenue		
Rental income from leased properties		
Parent Company	**14,943**	12,654
Affiliated entities	**51,676**	51,545
Entities owned or controlled by Directors and other related parties	**65,469**	60,899
	132,088	125,098
Cost of revenue		
Operating cost of leasing activities – net		
Parent Company	**32,709**	32,004
Affiliated entities	**184,391**	63,664
Entities owned or controlled by Directors and other related parties	**(2,105)**	(3,399)
Sales and marketing expenses		
Parent Company	**4,326**	3,938
Affiliated entities	**1,796**	553
Entities owned or controlled by Directors and other related parties	**6,684**	22
General and administrative expenses		
Parent Company	**69,078**	59,067
Affiliated entities	**675**	1,551
Entities owned or controlled by Directors and other related parties	**1,146**	18,647
Finance income		
Entities owned or controlled by Directors and other related parties	**7,857**	18,348
Capital expenditures		
Parent Company	-	4,256
Affiliated entities	**4,359**	13,364

13 RELATED PARTY DISCLOSURES (continued)

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

30 September 2018	***Bank balances and cash AED '000***	***Due from related parties AED '000***	***Trade and unbilled receivables AED '000***	***Due to related parties AED '000***	***Deferred income AED '000***	***Trade payables AED '000***
Current						
Parent Company	-	-	-	**30,910**	**14,141**	-
Affiliated entities	-	**121,847**	-	**49,519**	**28,380**	-
Entities owned or controlled by Directors and other related parties	**253,687**	-	**8,276**	-	**43,333**	**141**
	253,687	**121,847**	**8,276**	**80,429**	**85,854**	**141**

31 December 2017 (Audited)	*Bank balances and cash AED '000*	*Due from related parties AED '000*	*Trade and unbilled receivables AED '000*	*Due to related parties AED '000*	*Deferred income AED '000*	*Trade payables AED '000*
Current						
Parent Company	-	-	-	59,774	2,612	-
Affiliated entities	-	56,627	-	266	11,594	-
Entities owned or controlled by Directors and other related parties	574,505	-	227	-	47,895	38
	574,505	56,627	227	60,040	62,101	38

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

13 RELATED PARTY DISCLOSURES (continued)

(c) Compensation of key management personnel

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

	1 January 2018 to 30 September 2018 AED'000	*1 January 2017 to 30 September 2017 AED'000*
Short term benefits	**16,697**	14,985
End of service benefits	**701**	577

As at 30 September 2018, the number of key management personnel was 17 (30 September 2017: 20).

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

14 BANK BALANCES AND CASH

	30 September 2018 AED'000	*31 December 2017 AED'000 (Audited)*
Cash in hand	**158**	202
Bank balances:		
Current and call accounts	**205,445**	142,424
Cash and cash equivalents	**205,603**	142,626
Deposits under lien (note 20)	**47,375**	35,992
Deposits maturing after three months	**2,997,595**	3,030,965
Balance at period / year-end	**3,250,573**	3,209,583

Included in the bank balances and cash is an amount of AED 253,687 thousands (31 December 2017: AED 574,505 thousands) as balance held with related party [note 13(b)].

Cash at banks earn interest at fixed rates based on prevailing bank deposit rates. Short-term fixed deposits are made for varying periods between one day and six months, depending on the immediate cash requirements of the Group, and earn interest at the respective short-term deposit rates. Fixed deposits maturing after three months earn interest at rates between 3.16% and 3.65% per annum (31 December 2017: 2.20% and 3.20% per annum).

15 ASSETS CLASSIFIED AS HELD FOR SALE

At 31 December 2017, certain retail units in Dubai Marina having a net book value of AED 14,623 thousands were identified to be divested and were classified as assets held for sale. During the period ended 30 September 2018, the Group entered into a sale and purchase agreement for the sale of these properties at a value of AED 63,500 thousands and consequently a gain of AED 47,577 thousands, net of selling expenses, was recognised in the interim consolidated income statement.

16 SHARE CAPITAL

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

17 DIVIDENDS

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

18 RESERVES

Movement in reserves is as follows:

1 January 2018 to 30 September 2018:	*Statutory reserve AED'000*	*Legal reserve AED'000*	*Hedging reserve AED'000*	*Put option over non-controlling interests AED'000*	*Total AED'000*
As at 1 January 2018 (Audited)	**696,854**	**602,868**	**12,004**	**(468,658)**	**843,068**
Other comprehensive income	-	-	**7,011**	-	**7,011**
Total comprehensive income	-	-	**7,011**	-	**7,011**
As at 30 September 2018	**696,854**	**602,868**	**19,015**	**(468,658)**	**850,079**

1 January 2017 to 30 September 2017:	*Statutory reserve AED'000*	*Legal reserve AED'000*	*Hedging reserve AED'000*	*Put option over non-controlling interests AED'000*	*Total AED'000*
As at 1 January 2017 (Audited)	488,271	394,285	(8,198)	-	874,358
Other comprehensive income	-	-	8,225	-	8,225
Total comprehensive income	-	-	8,225	-	8,225
As at 30 September 2017	488,271	394,285	27	-	882,583

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

19 PROVISIONS FOR EMPLOYEES' BENEFITS

End-of-Service Benefits
During the period ended 30 September 2018, the Group has paid employees' end of service benefits of AED 2,984 thousands (period ended 30 September 2017: AED 2,464 thousands) and recognised provision for employees' end of service benefits of AED 4,019 thousands (period ended 30 September 2017: AED 2,720 thousands) in the interim consolidated income statement. At 30 September 2018, provision for employees' end of service benefits of AED 21,529 thousands has been recognised in the interim consolidated statement of financial position.

Employees' Equity Option Plan
The Company has an Employees' Equity Option Plan ("the Plan") to recognise and retain high performing staff. The Plan awards eligible employees notional shares which vest over a period of time. Upon a liquidity event, the shareholders may at their sole discretion, choose to settle the employee options vested to date, in cash or equity. The notional shares awarded do not carry any existing or future right, actual or conditional, or legal or beneficial interest in the share capital of the company or any other Namshi entity from time to time. At 30 September 2018, liability for of AED 2,216 thousands has been recognised in the interim consolidated statement of financial position.

20 INTEREST BEARING LOANS AND BORROWINGS

	30 September 2018 AED'000	*31 December 2017 AED'000 (Audited)*
Interest bearing loans and borrowings	**4,591,250**	4,591,250
Less: unamortised portion of loan arrangement fee	**(19,854)**	(25,307)
Net interest bearing loans and borrowings	**4,571,396**	4,565,943
Net interest bearing loans and borrowings are repayable as follows:		
Within one year (shown under current liabilities)	-	-
After one year (shown under non-current liabilities)	**4,571,396**	4,565,943
	4,571,396	4,565,943

The Group has Syndicated Murabaha Islamic finance facility for USD 1.25 billion (AED 4,591,250 thousands) availed from the commercial banks of UAE. The facility is unsecured and carries interest rate at 3 months LIBOR + 1.75% pa and this facility will be repaid in a single instalment in 2021. The bank has a lien on certain cash collateral amounting to AED 47,375 thousands (31 December 2017: AED 35,992 thousands) against interest payable (note 14).

21 SUKUK

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

	30 September 2018 AED'000	*31 December 2017 AED'000 (Audited)*
Proceeds from the issuance of the Sukuk	**2,754,750**	2,754,750
Less: Sukuk issuance cost	**(21,587)**	(21,587)
Sukuk liability on initial recognition	**2,733,163**	2,733,163
Profit accrued up to period / year-end	**8,051**	6,526
Sukuk liability as at period / year-end	**2,741,214**	2,739,689

22 PUT OPTION OVER NON-CONTROLLING INTERESTS

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

The Company has recognised a non-current financial liability of AED 483,426 thousands (31 December 2017: AED 468,658 thousands) in the interim consolidated statement of financial position as at 30 September 2018. This represents the present value of the estimated redemption amount payable by the Company in the event of exercise of the right by GFG. The present value of the estimated redemption amount is determined using valuation techniques, such as the discounted cash flow model. Discount rates are calculated by using the weighted average cost of capital.

23 ACCOUNTS PAYABLE AND ACCRUALS

	30 September 2018 AED'000	*31 December 2017 AED'000 (Audited)*
Trade payables	**154,727**	89,146
Accrued expenses	**822,076**	592,336
Interest payable	**41,460**	9,301
Other payables	**74,663**	4,019
	1,092,926	694,802

Included in the trade payables is an amount of AED 141 thousands (31 December 2017: AED 38 thousands) due to related parties [note 13(b)].

24 COMMITMENTS AND CONTINGENCIES

Commitments

At 30 September 2018, the Group had commitments of AED 943,924 thousands (31 December 2017: AED 1,135,084 thousands) which includes project commitments of AED 512,564 thousands (31 December 2017: AED 925,082 thousands). This represents the value of contracts issued as at reporting date net of invoices received and accruals made as at that date.

Operating lease commitments - Group as lessor

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

	30 September 2018 AED'000	*31 December 2017 AED'000 (Audited)*
Within one year	**2,544,582**	3,038,897
After one year but not more than five years	**5,238,691**	5,381,390
More than five years	**712,411**	521,103
	8,495,684	8,941,390

In addition to the base rent, the Group also charges annual service charges to its tenants. The total amount of service charges for the period ended 30 September 2018 was AED 263,233 thousands (period ended 30 September 2017: AED 262,166 thousands).

24 COMMITMENTS AND CONTINGENCIES (continued)

Operating lease commitments - Group as lessee

Future minimum rental payable under non-cancellable operating lease is as follows:

	30 September 2018 AED'000	*31 December 2017 AED'000 (Audited)*
Within one year	**4,145**	5,508
After one year but not more than five years	**12,079**	6,761
	16,224	12,269

Legal claims
As at 30 September 2018, legal proceedings are in progress against certain tenants to recover outstanding rents amounting to AED 9,807 thousands (31 December 2017: AED 22,922 thousands). Based on the advice of legal advisors, outcome of these claims will have no adverse impact on the interim condensed consolidated financial statements of the Group.

Put option over non-controlling interests
Pursuant to the Shareholders' Agreement which was executed between the Company and GFG on 16 August 2017, the Company granted a put option to GFG in respect of GFG's shareholding in Namshi. GFG has the right to require the Company to acquire GFG's entire shareholding in Namshi (note 22).

25 HEDGING ACTIVITIES

Cash flow hedges
The Group held certain interest rate swap contract designated as a hedge of expected future payments under the borrowing contracts entered by the Group for which it has firm commitments. The interest rate swap contract is being used to hedge the interest rate risk of the firm commitments. The nominal amount of these contracts is USD 725,000 thousands (AED 2,662,925 thousands) (31 December 2017: AED 2,662,925 thousands).

	30 September 2018		*31 December 2017(Audited)*	
	Assets AED'000	*Liabilities AED'000*	*Assets AED'000*	*Liabilities AED'000*
Interest rate swap contracts				
Fair value	**19,015**	-	12,004	-

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

The terms of the foreign currency forward contracts match the terms of the expected highly probable forecast transactions. As a result, no hedge ineffectiveness arises requiring recognition through interim consolidated income statement.

25 HEDGING ACTIVITIES (continued)

Cash flow hedges (continued)

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

	Total AED'000	*Level 1 AED'000*	*Level 2 AED'000*	*Level 3 AED'000*
30 September 2018				
Interest rate swap contracts	**19,015**	-	**19,015**	-
31 December 2017 (Audited)				
Interest rate swap contracts	12,004	-	12,004	-

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

Level 2: Fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3: Fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

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.

26 RECLASSIFICATIONS AND COMPARATIVE FIGURES

Certain reclassifications have been made to the prior periods' interim consolidated income statement to enhance comparability with the current periods' interim consolidated income statement.