Emaar Malls Group LLC

INTERIM FINANCIAL STATEMENTS

PERIOD ENDED 30 JUNE 2014

مجموعة إعمار مولز (ش.ذ.م.م)
ص.ب. ١٩١٧٤١، دبي
الإمارات العربية المتحدة
ت ٣٦٧٥٥٨٨ ٤ ٩٧١+
ف ٣٦٧٥٥٠١ ٤ ٩٧١+

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DIRECTORS' REPORT

The Directors of Emaar Malls Group LLC (the "Company" or "Emaar Malls") has pleasure in submitting the statement of financial position of the Company as at 30 June 2014 and the related income statement, statement of other comprehensive income, statement of cash flows and statement of changes in equity for the six month period ended 30 June 2014.

These interim financial statements are unconsolidated. The Company is a subsidiary of Emaar Properties PJSC ("Emaar Properties") which prepares its financial statements on a consolidated basis. Under IFRS, as Emaar Malls is part of a group that publicly issues consolidated financial statements, Emaar Malls was historically not required to prepare consolidated financial statements. As the Company is now in the process of undertaking an initial public offering, IFRS would require consolidated financial statements to be prepared, however given that the only material subsidiaries were transferred by the Company in April 2014 these unconsolidated financial statements are deemed to be reflective of future operations and therefore of more value to readers.

Corporate information

Emaar Malls was registered as a limited liability company in the Emirate of Dubai on 16 November 2005 in accordance with UAE Federal Commercial Companies Law No. 8 of 1984 (as amended).

The Company is a 100% beneficially owned subsidiary of Emaar Properties PJSC (the "Parent Company"), a company incorporated in the United Arab Emirates and listed on the Dubai Financial Market.

The address of the registered office of the Company is P.O. Box 9440, Dubai, United Arab Emirates (UAE).

Principal activities & business overview

The principal activities of the Company during the period ended 30 June 2014 were the development and management of shopping malls and retail centers.

Emaar Malls is the leading owner and operator of shopping malls in Dubai, UAE. Emaar Malls portfolio of properties comprises four shopping malls and 30 community shopping centres and other retail properties, which together had a total GLA of approximately 5.9 million sq ft. as at 30 June 2014 and a GLA occupancy rate of 95% in the six months ended 30 June 2014.

Emaar Malls manage and operate business principally through four divisions: Super- Regional Malls, Regional Malls, Community Integrated Retail and Specialty Retail.

The Super-Regional Malls division. This division comprises The Dubai Mall, and accounted for 82% of total rental income in the first six months of 2014, respectively. The Dubai Mall is a regional and global retail and fashion destination located in the prestigious Downtown Dubai area. It has more than 1,000 main units.

The Regional Malls division. This division comprises the Dubai Marina Mall and accounted for 6% of total rental income in the first six months of 2014, respectively. The Dubai Marina Mall is a fully integrated retail, leisure and entertainment development. The Regional Malls division has 147 main units and a total GLA of approximately 426 thousand sq ft.

The Community Integrated Retail division. This division comprises 30 community shopping centres and other retail properties in various residential communities developed by Emaar Properties, and accounted for 7% of total rental income in the first six months of 2014, respectively.

The Specialty Retail division. This division comprises Souk Al Bahar and the Gold & Diamond Park, and accounted for 5% of total rental income in the first six months of 2014, respectively.

DIRECTORS' REPORT (continued)

Key Highlights since inception

Key milestones relating to Emaar Malls operations include the following:-

May 2001: opening of Gold & Diamond Park

December 2007: opening of Souk al Bahar

November 2008: opening of The Dubai Mall.

December 2008: opening of the Dubai Marina Mall.

2009: The Dubai Mall records annual footfall of 30.6 million visitors.

2010: The Dubai Mall annual footfall reaches 47.4 million visitors, a 55% increase on 2009, despite the global financial crisis.

2011: redevelopment of the Gold Souk area of The Dubai Mall.

2011: The Dubai Mall becomes the world's most visited shopping and entertainment mall, with annual footfall of 54.3 million visitors, a 15% increase over 2010.

December 2012: opening of the Metro Link bridge connecting The Dubai Mall with the Dubai Metro; The Dubai Mall annual footfall reaches 64.5 million visitors, a 19% increase over 2011.

October 2013: The Dubai Mall hosts the Vogue Fashion Dubai Experience in strategic partnership with Vogue Italia, a first of its kind global fashion event in the Middle which helps to position The Dubai Mall and Dubai among the world's leading fashion hubs.

2013: The Dubai Mall annual footfall reaches 74.8 million visitors, a 16% increase over 2012.

January 2014: work commences on the Fashion Avenue extension.

March 2014: The Dubai Mall unveils DubaiDino, a 155 million year old dinosaur fossil exhibit to the public.

April 2014: The Dubai Mall unveils an Emirates A380 flight simulator.

June 2014: The Dubai Mall half yearly footfall reaches 40 million visitors.

Performance & Financial highlights

Emaar Malls continues its growth trajectory with positive developments across all segments. The Company witnessed strong performance across the portfolio.

Total revenues for the first half year ended 30 June 2014 are up by 13% period-on-period to AED 1,258 million (US$343 million). EBITDA margins (as reported) increased from 74% to 79% as a percentage of total revenues with first half year ended 30 June 2014 EBITDA (as reported) of AED 999 million (US$272 million). Net Profit for the same period is up by 24% period-on-period to AED 617 million (US$168 million).

Rental income, average rent per square foot, tenant sales and EBITDA margin increases across major segments During the first half year ended 30 June 2014, Emaar Malls successfully renewed, replaced and signed new leases for 18% of its main unit GLA.

As of 30 June 2014, contractual base rent of renewed / replaced leases expiring in 2014 increased by 32% compared to previous lease term.

During the period, the company has raised AED 2.75 billion (USD 750 million) through issuance of Sukuk. 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.

During the period, the Company has paid a cash dividend of AED 2.75 billion out of the retained earnings of AED 2.99 billion as at 31 December 2013.

Total shareholders' funds as at 30 June 2014 amounted to AED 13.9 billion (31 December 2013: AED 2.96 billion).

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DIRECTORS' REPORT (continued)

Executive Directors

Ahmad Thani Al Matrooshi

Mr. Ahmad Thani Al Matrooshi serves as Director of Emaar Malls and Managing Director of Emaar Properties and directly oversees the company's operations within the UAE. Mr. Al Matrooshi is also the Chairman of Dubai Property Society and Emrill Services LLC, Vice-Chairman of Dubai Investment Park, Member of the Consultation Committee on the Supreme Council for Energy and Chairman of Emaar Utilities. He holds memberships to a number of important organisations in Dubai, including Dubai Investment Park and Dubai Ethics Resource Centre. Mr. Al Matrooshi is the Founder and Chairman of the non-profit Dubai Property Society (DPS), an ongoing forum that ensures a code of ethics for real estate practices and procedures.

Mr. Al Matrooshi and his relatives do not own any share in the company.

From the date of listing on DFM, it is expected that the Board of Directors will consist of the members listed below:-

H.E. Mohamed Ali Rashed Alabbar	Chairman
Ahmad Thani Rashed Al Matrooshi	Director
Abdullah Saeed Bin Majed Belyoahah	Director
Abdul Rahman Al Hareb	Director
Helal Al Marri	Director
Mohamad Al Hussaini	Director
Mohamed Mourad	Director
Richard Akers	Director

Key management personnel

In addition to the members of the Board of Directors, the day-to-day management of operations is conducted by our senior management team, as follows:

Nasser Rafi	Chief Executive Officer
Yazan Mohamed Al Nasser	Chief Financial Officer
Sally Yacoub	Senior Director and Head of Leasing
Natalie Bogdanova	Senior Director, Business Development and Operations
Manohar Raju	Senior Director, Human Resources
Fouad Jardak	Legal Director
Juzer Furniturewala	Director, Information Technology
Steven Cleaver	General Manager, The Dubai Mall
Robert Williams	General Manager, Dubai Marina Mall
Mohamed Taher Badri	General Manager, Gold & Diamond Park

Outlook for 2014

Dubai's economy is gaining further traction following the successful bid of Expo 2020 and the city is entering in a new phase of dynamic growth. The Company will complement this growth through its focus on developing new malls and retail developments which reflects its commitment to creating long-term value for its stakeholders and will serve as a key growth driver in the years to come.

On behalf of the Emaar Malls Group LLC

Mr. Ahmad Thani Al Matrooshi
Director
Dubai, United Arab Emirates
11 September 2014

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INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF EMAAR MALLS GROUP LLC

Report on the Interim Financial Statements

We have audited the accompanying interim financial statements of Emaar Malls Group LLC, (the "Company"), which comprise the interim statement of financial position as at 30 June 2014, and the interim income statement, interim statement of other comprehensive income, interim statement of cash flows and interim statement of changes in equity for the six months period ended 30 June 2014, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Interim Financial Statements

Management is responsible for the preparation and fair presentation of these interim financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these interim financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the interim financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the interim financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the interim financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the interim financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the interim financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Basis for Qualified Opinion

(i) The Company has not consolidated its investments in subsidiaries as at 31 December 2013 or for the periods ended 30 June 2014 or 30 June 2013 and instead has accounted for them at cost, which is not in compliance with International Financial Reporting Standards, which requires the Company to present consolidated financial statements if the Company is in the process of filing documents with a regulator for the purpose of issuing a public instrument. Had the subsidiaries been consolidated, a number of elements in the accompanying financial statements would have been affected. As disclosed in note 8, the Company's investments in its significant subsidiaries were transferred to Emaar Properties PJSC (the "Parent Company") during the six month period ended 30 June 2014. The financial statements were prepared without consolidating these subsidiaries as management considered that it was more useful to readers of the financial statements to see them reflected in a manner consistent with the future structure of the Company.

(ii) The comparative figures for the six month period ended 30 June 2013 have not been audited by us.

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INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF EMAAR MALLS GROUP LLC - continued

Qualified Opinion

In our opinion, except for the effect of the matters described in the Basis for Qualified Opinion paragraph, the interim financial statements present fairly, in all material respects, the financial position of Emaar Malls Group LLC as at 30 June 2014, and its financial performance and cash flows for the period then ended in accordance with International Financial Reporting Standards.

Ernst + Young

Signed by Anthony O'Sullivan
Partner
Registration Number 687

11 September 2014

Dubai, United Arab Emirates

INTERIM INCOME STATEMENT

For the period ended 30 June 2014

	Notes	*(US $1.00 = AED 3.673)* *For the six months period ended* 30 June 2014 AED'000	30 June 2013 AED'000 (unaudited)
REVENUE			
Rental income		**1,250,306**	1,105,838
Other income		**7,747**	2,871
Total revenue		**1,258,053**	1,108,709
EXPENSES			
Operating expenses		**(179,629)**	(199,474)
Sales and marketing expenses		**(16,588)**	(16,580)
Depreciation of property, plant and equipment		**(37,388)**	(23,133)
Depreciation of investment properties		**(126,412)**	(119,082)
General and administrative expenses		**(63,156)**	(75,403)
Finance costs	4	**(217,704)**	(177,020)
Total expenses		**(640,877)**	(610,692)
PROFIT FOR THE PERIOD	5	**617,176**	498,017
Earnings per share (AED):	17		
Basic		**2,057,253**	1,660,057
Diluted		**47**	1,660,057

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

INTERIM STATEMENT OF OTHER COMPREHENSIVE INCOME
For the period ended 30 June 2014

	(US $1.00 = AED 3.673) *For the six months period ended*	
	30 June 2014 AED'000	*30 June 2013 AED'000 (unaudited)*
Profit for the period	**617,176**	498,017
Other comprehensive income to be reclassified to income statement in subsequent periods:		
Other comprehensive income:		
Net movement on cash flow hedges	**27,479**	10,643
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	**644,655**	508,660

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

INTERIM STATEMENT OF FINANCIAL POSITION
As at 30 June 2014

	Notes	30 June 2014 AED'000	31 December 2013 AED'000
		(US $1.00 = AED 3.673)	
ASSETS			
Non-current assets			
Property, plant and equipment	6	**313,294**	303,207
Investment properties	7	**20,363,395**	7,329,802
Investment in subsidiaries	8	**-**	447
		20,676,689	7,633,456
Current assets			
Inventories		**15,299**	14,524
Trade receivables	9	**93,596**	194,312
Advances and prepayments	10	**45,647**	34,830
Due from related parties	11	**219,716**	171,854
Bank balances and cash	12	**1,482,934**	1,362,709
		1,857,192	1,778,229
TOTAL ASSETS		**22,533,881**	9,411,685
EQUITY AND LIABILITIES			
Equity			
Share capital	13	**300**	300
Proposed increase in share capital	14	**13,014,000**	-
Statutory reserve	16	**150**	150
Retained earnings		**855,768**	2,993,342
Hedging reserve		**(7,383)**	(34,862)
TOTAL EQUITY		**13,862,835**	2,958,930
Non-current liabilities			
Employees' end of service benefits	18	**13,086**	10,852
Interest bearing loans and borrowings - long term portion	19	**3,631,077**	3,275,067
Sukuk	20	**2,733,027**	-
Due to related parties	11	**-**	1,825,792
Retention payable after 12 months		**4,010**	-
		6,381,200	5,111,711
Current liabilities			
Due to related parties	11	**1,119,155**	-
Interest bearing loans and borrowings - short term portion	19	**-**	180,000
Accounts payable and accruals	21	**290,298**	335,605
Advances and security deposits		**469,079**	448,942
Retentions payable within 12 months		**3,351**	-
Deferred income		**407,963**	376,497
		2,289,846	1,341,044
TOTAL LIABILITIES		**8,671,046**	6,452,755
TOTAL EQUITY AND LIABILITIES		**22,533,881**	9,411,685

The financial statements were authorised for issue on 11 September 2014 by:

Director

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

INTERIM STATEMENT OF CASH FLOWS

Period ended 30 June 2014

	Notes	*(US $1.00 = AED 3.673)* *For the six months period ended* 30 June 2014 AED'000	30 June 2013 AED'000 (unaudited)
OPERATING ACTIVITIES			
Profit for the period		**617,176**	498,017
Adjustments for:			
Depreciation of property, plant and equipment		**37,388**	23,133
Depreciation of investment properties		**126,412**	119,082
(Reversal)/ provision for doubtful debts		**(10,292)**	2,300
Doubtful debts written off		**23**	-
Provision for employees' end of service benefits		**2,281**	2,395
Finance costs		**217,704**	177,020
Gain on disposal of property, plant and equipment		**(65)**	(37)
Liabilities no longer payable	5	**(45,025)**	-
Other income		**(7,747)**	(2,871)
		937,855	819,039
Working capital changes:			
Inventories		**(775)**	(2,565)
Trade receivables		**110,985**	155,179
Due from related parties		**(47,862)**	(16,515)
Advances and prepayments		**(11,184)**	(11,032)
Accounts payable and accruals		**27,499**	70,541
Advances and security deposits		**23,650**	23,209
Retentions payable		**3,848**	672
Deferred income		**31,466**	51,426
Net cash flows from operations		**1,075,482**	1,089,954
Employees' end of service benefits paid		**(282)**	(189)
Net cash flows from operating activities		**1,075,200**	1,089,765
INVESTING ACTIVITIES			
Purchases of property, plant and equipment		**(49,718)**	(74,592)
Amounts incurred on investment properties		**(146,403)**	(60,226)
Interest received		**7,813**	2,587
Proceeds from disposal of property, plant and equipment		**85**	37
Deposits under lien or maturing after three months		**(220,139)**	(375,934)
Net cash flows used in investing activities		**(408,362)**	(508,128)
FINANCING ACTIVITIES			
Movement in due to related parties, net		**(744,589)**	(779,346)
Proceeds from interest bearing loans and borrowings	19	**3,673,000**	-
Repayment of interest bearing loans and borrowings	19	**(3,510,000)**	(45,000)
Proceeds from issuance of Sukuk	20	**2,754,750**	-
Dividend paid	15	**(2,754,750)**	-
Finance cost paid		**(185,163)**	(94,552)
Net cash flows used in financing activities		**(766,752)**	(918,898)
DECREASE IN CASH AND CASH EQUIVALENTS		**(99,914)**	(337,261)
Cash and cash equivalents at 1 January	12	**156,635**	398,829
CASH AND CASH EQUIVALENTS AT 30 JUNE	12	**56,721**	61,568
SUPPLEMENTAL NON-CASH INFORMATION			
Transfer of land against proposed increase in share capital	7	**13,014,000**	-

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

INTERIM STATEMENT OF CHANGES IN EQUITY

For the period ended 30 June 2014

(US $1.00 = AED 3.673)

	Share capital AED'000	***Proposed increase in share capital AED'000***	***Statutory reserve AED'000***	***Retained earnings AED'000***	***Hedging reserve AED'000***	***Total AED'000***
At 1 January 2014	300	-	150	2,993,342	(34,862)	2,958,930
Dividend paid (note 15)	-	-	-	(2,754,750)	-	(2,754,750)
Proposed increase in share capital (note 14)	-	13,014,000	-	-	-	13,014,000
Profit for the period	-	-	-	617,176	-	617,176
Other comprehensive income for the period	-	-	-	-	27,479	27,479
Total comprehensive income for the period	-	-	-	617,176	27,479	644,655
Balance at 30 June 2014	**300**	**13,014,000**	**150**	**855,768**	**(7,383)**	**13,862,835**

	Share capital AED'000	*Proposed increase in share capital AED'000*	*Statutory reserve AED'000*	*Retained earnings AED'000*	*Hedging reserve AED'000*	*Total AED'000*
At 1 January 2013	300	-	150	1,893,903	(45,096)	1,849,257
Profit for the period	-	-	-	498,017	-	498,017
Other comprehensive income for the period	-	-	-	-	10,643	10,643
Total comprehensive income for the period	-	-	-	498,017	10,643	508,660
Balance at 30 June 2013 (unaudited)	300	-	150	2,391,920	(34,453)	2,357,917

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

1 CORPORATE INFORMATION

Emaar Malls Group L.L.C. (the "Company") was registered as a limited liability company in the Emirate of Dubai on 16 November 2005 in accordance with UAE Federal Commercial Companies Law No. 8 of 1984 (as amended).

The Company is a 100% beneficially owned subsidiary of Emaar Properties PJSC (the "Parent Company"), a company incorporated in the United Arab Emirates and listed on the Dubai Financial Market.

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

The address of the registered office of the Company is P.O. Box 9440, Dubai, United Arab Emirates (UAE).

The Parent Company has announced their intention to sell a minimum of 15% of the shares in the Company through an Initial Public Offering ("IPO") and subsequently the listing of the Company on the Dubai Financial Market depending on market conditions. As part of the proposed IPO, the Company intends to convert to a Public Joint Stock Company ("PJSC") to be known at Emaar Malls Group PJSC upon receipt of the appropriate approval from the Ministry of Economy prior to listing on the Dubai Financial Market.

2.1 BASIS OF PREPARATION

These interim financial statements are "separate financial statements" i.e. prepared in accordance with International Accounting Standard (IAS) 27 on a "stand-alone basis" with investments in subsidiaries recorded at cost. The Parent Company prepares its financial statements on a consolidated basis. Under IFRS, as the Company is part of a group that publicly issues consolidated financial statements, the Company was historically not required to prepare consolidated financial statements. As the Company is now in the process of undertaking an initial public offering, IFRS would require consolidated financial statements to be prepared. However, given that the only material subsidiaries were transferred by the Company in April 2014, these unconsolidated financial statements are deemed to be reflective of future operations and therefore of more value to readers.

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

The interim 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.

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

2.2 CHANGES IN THE ACCOUNTING POLICIES AND DISCLOSURES

The nature and the effect of changes with respect to adoption of new standards, interpretations and amendments which apply for the first time in 2014 are disclosed below:

Investment Entities (Amendments to IFRS 10, IFRS 12 and IAS 27)
These amendments provide an exception to the consolidation requirement for entities that meet the definition of an investment entity under IFRS 10 *Consolidated Financial Statements*. The exception to consolidation requires investment entities to account for subsidiaries at fair value through interim income statement. These amendments have no impact to the Company.

Offsetting Financial Assets and Financial Liabilities - Amendments to IAS 32
These amendments clarify the meaning of "currently has a legally enforceable right to set-off" and the criteria for non-simultaneous settlement mechanisms of clearing houses to qualify for offsetting. These amendments have no impact on the Company.

Novation of Derivatives and Continuation of Hedge Accounting – Amendments to IAS 39
These amendments provide relief from discontinuing hedge accounting when novation of a derivative designated as a hedging instrument meets certain criteria. These amendments have no impact to the Company.

2.2 CHANGES IN THE ACCOUNTING POLICIES AND DISCLOSURES (continued)

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

IFRIC Interpretation 21 *Levies* (IFRIC 21) - clarifies that an entity recognises a liability for a levy when the activity that triggers payment, as identified by the relevant legislation, occurs.

The Company has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

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

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

Income from late opening penalties
Income from late opening penalties is recognised on receipt basis.

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

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

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

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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

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

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 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 orderly transaction between market participants at the measurement date 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.

Investments in subsidiaries
Investments in subsidiaries are stated at cost, less any impairment in value. The Company determines at each reporting date whether there is any objective evidence that the investments in subsidiaries are impaired.

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

Buildings	10 - 45 years
Plant and machinery	3 - 10 years
Fixed furniture and fixtures	4 - 10 years
Movable furniture and fixtures	4 - 10 years

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

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

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

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investment properties (continued)
The Company 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 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.

Inventories
Inventories mainly represent spares and consumables. Inventories are stated at the lower of cost and net realisable value with allowance for any obsolete or slow moving items.

Costs are those expenses incurred in bringing each product to its present location and condition on a weighted average cost basis. Net realisable value is based on estimated selling price in the ordinary course of business less any further costs expected to be incurred on disposal.

Derivative financial instruments
The Company 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 income statement immediately, unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in the income statement depends on the nature of the hedge relationship.

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

Hedge accounting
The Company 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 Company 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 Company documents whether the hedging instrument is highly effective in offsetting changes in fair values or cash flows of the hedged item.

The Company currently only has cash flow hedges

Cash flow hedges
The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges are recognised in other comprehensive income. The gain or loss relating to the ineffective portion is recognised immediately in the income statement. Amounts previously recognised in other comprehensive income and accumulated in equity are reclassified to the income statement in the periods when the hedged item is recognised in the income statement, in the same line of the statement of other 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 Company 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 income statement. When a forecast transaction is no longer expected to occur, the gain or loss accumulated in equity is recognised immediately in the income statement.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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

Trade receivables
Trade receivables are stated at original invoice amount less a provision for any uncollectible amounts. An estimate for doubtful debts is made when collection of the full amount is no longer probable. When a trade receivable is uncollectible, it is written off against provision for doubtful debts. Subsequent recoveries of amounts previously written off are credited to the 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 income statement. For financial assets designated at fair value through other comprehensive income any foreign exchange component is recognised in the 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 income statement.

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

- The rights to receive cash flows from the asset have expired, or
- The Company retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass-through' arrangement,
- The Company has transferred its rights to receive cash flows from the asset and either:
  - has transferred substantially all the risks and rewards of the asset, or
  - 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)
When the Company 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 Company's continuing involvement in the asset. In that case, the Company also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained.

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

Impairment of financial assets
The Company 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 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 income statement. Financial assets together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Company. 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 income statement.

Financial liabilities and equity instruments issued by the Company

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

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

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 income statement when the liabilities are derecognised as well as through the amortisation process.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial liabilities and equity instruments issued by the Company (continued)

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

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

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

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

Derecognition of financial liabilities
The Company derecognises financial liabilities when, and only when, the Company'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 income statement.

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

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

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

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

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

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

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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

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

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

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

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

Fair values
The Company measures financial instruments, such as, derivatives at fair value at each balance sheet date. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

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

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

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

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

The Company 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.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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

For the purpose of fair value disclosures, the Company 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.

2.4 SIGNIFICANT ACCOUNTING JUDGENTS, ESTIMATES AND ASSUMPTIONS

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

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

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

Operating lease commitments - Company as lessor
The Company has entered into commercial and retail property leases on its investment property portfolio. The Company 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.

2.4 SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS (continued)

Estimates and assumptions
The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

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

At the statement of financial position date 30 June 2014, gross trade receivables were AED 141,137 thousands (2013: AED 252,613 thousands) and provision for doubtful debts is AED 47,541 thousands (2013: AED 58,301 thousands). Any difference in the amounts actually collected in future periods and the amounts expected will be recognised in the income statement.

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

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

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

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

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

3 SEGMENT INFORMATION

Management monitors the operating results of its business segments separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss and is measured consistently with the net profit or loss in the financial statements. Reporting segments are in line with the unaudited interim condensed financial statements for the period ended 31 March 2014 except that the minimum gross leasable area of Super Regional Malls and Regional Malls has increased from 500 thousands sq. ft. to 800 thousands sq. ft. and 300 thousands sq. ft. to 400 thousands sq. ft. respectively.

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

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

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

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

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

Others:
Other segments consist of the corporate head office of the Company and businesses that individually do not meet the criteria for a reportable segment as per IFRS 8 *Operating Segments*. The treasury function for the Malls and Retail segments are managed by the corporate head office

The following tables include revenue, results and other segment information for the six and three month periods ended 30 June 2014 and 30 June 2013. Assets and liabilities information regarding business segments are presented as at 30 June 2014 and 31 December 2013.

	Super Regional Malls AED'000	*Regional Malls AED'000*	*Community Retail AED'000*	*Speciality Retail AED'000*	*Others AED'000*	*Total AED'000*
30 June 2014:						
Revenue						
Rental income	**1,025,817**	**70,539**	**88,782**	**65,168**	**-**	**1,250,306**
Results						
Net profit for the period	**663,665**	**33,429**	**60,021**	**35,227**	**(175,166)**	**617,176**
Other segment information						
Capital expenditure (Property, plant and equipment and investment properties)	**12,215,035**	**354,452**	**39,056**	**597,505**	**4,073**	**13,210,121**
Depreciation (Property, plant and equipment and investment properties)	**123,123**	**15,664**	**11,115**	**13,441**	**457**	**163,800**
Assets and liabilities as at 30 June 2014:						
Segment assets	**18,043,129**	**1,288,316**	**567,246**	**1,230,793**	**1,404,397**	**22,533,881**
Segment liabilities	**2,498,682**	**747,693**	**158,837**	**112,267**	**5,153,567**	**8,671,046**

3 SEGMENT INFORMATION (continued)

	Super Regional Mall AED'000	*Regional Malls AED'000*	*Community Retail AED'000*	*Speciality Retail AED'000*	*Others AED'000*	*Total AED'000*
30 June 2013 (unaudited):						
Revenue						
Rental income	930,926	55,110	60,308	59,494	-	1,105,838
Results						
Net profit for the period	539,301	22,203	38,331	31,535	(133,353)	498,017
Other segment information						
Capital expenditure (Property, plant and equipment and investment properties)	71,134	273	53,890	9,017	503	134,817
Depreciation (Property, plant and equipment and investment properties)	108,344	14,190	7,696	11,518	467	142,215
Assets and liabilities as at 31 December 2013:						
Segment assets	6,037,228	935,256	419,015	463,890	1,556,296	9,411,685
Segment liabilities	4,305,505	72,907	116,724	66,401	1,891,218	6,452,755

4 FINANCE COSTS

	For the six months period ended	
	30 June 2014 AED'000	*30 June 2013 AED'000 (unaudited)*
Interest on amounts due to the parent company	**50,520**	76,849
Interest on loans and borrowings	**61,808**	93,773
Unamortised loan arrangement fee written off	**50,732**	-
Loss on early settlement of hedging contract	**49,782**	-
Others	**4,862**	6,398
	217,704	177,020

5 PROFIT FOR THE PERIOD

The profit for the period is stated after charging:

	For the six months period ended	
	30 June 2014 AED'000	*30 June 2013 AED'000 (unaudited)*
Staff costs	**65,232**	63,669
Operating leases	**-**	1,181
Liabilities no longer payable	**45,025**	-

6 PROPERTY, PLANT AND EQUIPMENT

30 June 2014	*Buildings AED'000*	*Leasehold improvements AED'000*	*Computers and office equipment AED'000*	*Motor vehicles AED'000*	*Furniture and fixtures AED'000*	*Capital work-in-progress AED'000*	*Total AED'000*
Cost:							
At 1 January 2014	178,696	25,673	10,516	1,893	215,430	6,099	438,307
Additions	127	463	820	-	35,163	13,145	49,718
Adjustments	(2,633)	-	(3)	-	3	-	(2,633)
Transfer from/ (to) investment properties	-	390	-	-	1,182	(1,183)	389
Disposals	-	-	-	(139)	(736)	-	(875)
At 30 June 2014	**176,190**	**26,526**	**11,333**	**1,754**	**251,042**	**18,061**	**484,906**
Accumulated depreciation:							
At 1 January 2014	7,786	7,246	7,837	1,271	110,960	-	135,100
Depreciation charge for the period	3,911	2,153	946	118	30,260	-	37,388
Relating to disposals	-	-	-	(117)	(648)	-	(765)
Adjustments	(103)	-	-	-	(8)	-	(111)
At 30 June 2014	**11,594**	**9,399**	**8,783**	**1,272**	**140,564**	-	**171,612**
Net carrying amount:							
At 30 June 2014	**164,596**	**17,127**	**2,550**	**482**	**110,478**	**18,061**	**313,294**

6 PROPERTY, PLANT AND EQUIPMENT (continued)

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

7 INVESTMENT PROPERTIES

30 June 2014	*Land* AED'000	*Buildings* AED'000	*Plant and machinery* AED'000	*Furniture, fixtures and others* AED'000	*Capital work-in-progress* AED'000	*Total* AED'000
Cost						
At 1 January 2014	-	8,053,760	440,088	293,392	62,344	8,849,584
Additions	13,014,000	24,895	-	-	121,508	13,160,403
Transfer from/ (to) property, plant and equipment	-	2,072	-	-	(2,461)	(389)
At 30 June 2014	**13,014,000**	**8,080,727**	**440,088**	**293,392**	**181,391**	**22,009,598**
Accumulated depreciation:						
At 1 January	-	1,002,668	225,636	291,478	-	1,519,782
Depreciation charge for the period	-	104,495	21,885	32	-	126,412
Adjustments	-	9	-	-	-	9
At 30 June 2014	-	**1,107,172**	**247,521**	**291,510**	-	**1,646,203**
Net carrying amount:						
At 30 June 2014	**13,014,000**	**6,973,555**	**192,567**	**1,882**	**181,391**	**20,363,395**

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

7 INVESTMENT PROPERTIES (continued)

At 30 June 2014, the fair value of investment properties is AED 39,789,000 thousands (31 December 2013: AED 22,622,380 thousands) compared with a carrying value of AED 20,363,395 thousands (31 December 2013: AED 7,329,802 thousands).

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

During the six months ended 30 June 2014, the Parent Company transferred legal title and beneficial ownership over plots of land related to certain investment properties held by the Company, valued at AED 13,014,000 thousands. The amount was determined based on a valuation as of 31 December 2013 carried out by third party valuer for plots within the same development. In consideration, the Company proposed to issue shares at par value to the Parent Company (Note 14). Legal titles of certain other investment properties held were also transferred by the Parent Company to the Company.

The fair value of Company's investment properties was determined by the management based on valuations performed by qualified and independent chartered surveyors and property consultants. The valuation was performed using an approved method of valuation in accordance with the RICS Valuation Standards. The market values of the investment properties have been determined through analysis of the income flow achievable for the building and takes into account the projected annual expenditure. Both the contracted rent and market rental values have been considered in the valuation with allowance of void period, running costs, vacancy rates and other costs. The net income has been capitalised at an equivalent yield in the range of 5% to 9% (31 December 2013: 6% to 7%). Rent growth rates of 3% to 5% were assumed and discount rates of 8% to 10% applied based on the type and location of the asset to determine the value of each of the investment properties.

Fair value hierarchy

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

	Total *AED'000*	*Level 1* *AED'000*	*Level 2* *AED'000*	*Level 3* *AED'000*
30 June 2014	**39,789,000**	**-**	**-**	**39,789,000**
31 December 2013	22,622,380	-	-	22,622,380

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

8 INVESTMENT IN SUBSIDIARIES

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

Name of the subsidiary	*Country of incorporation*	*Principal activity*	*Beneficial Ownership* *30 June 2014*	*31 December 2013*
Emaar Retail LLC (note a)	UAE	Leisure and entertainment activities	-	99%
Reel Entertainment LLC (note a)	UAE	Screening of any kind of motion pictures, advertisements, sale of food and beverages at the cinemas and other cinema related activities	-	100%
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%

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

9 TRADE RECEIVABLES

	30 June 2014 AED'000	*31 December 2013 AED'000*
Trade receivables - net	**93,596**	194,312

Trade receivables include amounts due from related parties amounting to AED 7,539 thousands (31 December 2013: AED 9,504 thousands) [Note 11 (b)].

The above trade receivables are net of allowance for doubtful debts of AED 47,541 thousands (2013: AED 58,301 thousands) representing management's best estimate of doubtful trade receivables which are past due and impaired.

Movement in the allowance for doubtful debts is as follows:

	30 June 2014 AED'000	*31 December 2013 AED'000*
At 1 January	**58,301**	89,478
Net (reversal)/ charge for the period/ year	**(10,292)**	(365)
Written off during the period/ year	**(468)**	(30,812)
At 30 June/ 31 December	**47,541**	58,301

9 TRADE RECEIVABLES (continued)

At reporting date, ageing analysis of trade receivables is as follows:

			Past due but not impaired			
	Total AED'000	*Neither past due nor impaired AED'000*	*Upto 30 days AED'000*	*31-60 days AED'000*	*61-90 days AED'000*	*>90 days AED'000*
30 June 2014	**93,596**	**72,955**	**4,185**	**9,957**	**6,483**	**16**
31 December 2013	194,312	84,739	74,716	11,141	5,355	18,361

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

10 ADVANCES AND PREPAYMENTS

	30 June 2014 AED'000	*31 December 2013 AED'000*
Advances	**24,996**	29,363
Prepayments	**20,651**	5,467
	45,647	34,830

11 RELATED PARTY DISCLOSURES

(a) The following were the significant related party transactions, which were carried out in the normal course of business on terms agreed between the parties:

	For the six months period ended	
	30 June 2014 AED'000	*30 June 2013 AED'000 (unaudited)*
Rental income		
Parent Company	**6,088**	3,540
Associated entities	**37,000**	33,701
Entities owned or controlled by Directors and other related parties	**43,309**	33,868
	86,397	71,109
Operating expenses		
Parent Company	**48,381**	44,154
Associated entities	**28,643**	-
Entities owned or controlled by Directors and other related parties	**2,701**	-

11 RELATED PARTY DISCLOSURES (continued)

	For the six months period ended	
	30 June 2014 AED'000	*30 June 2013 AED'000 (unaudited)*
General and administrative expenses		
Parent Company	**57,655**	40,676
Associated entities	**925**	-
Entities owned or controlled by Directors and other related parties	**679**	-
Finance costs		
Parent Company	**50,520**	76,849
Entities owned or controlled by Directors and other related parties	**1,445**	-

11 RELATED PARTY DISCLOSURES (continued)

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

30 June 2014	*Bank balances and cash AED '000*	*Due from related parties AED '000*	*Interest bearing loans and borrowings AED '000*	*Due to related parties AED '000*	*Trade receivables AED '000*	*Deferred income AED '000*	*Trade payables AED '000*
Non-current							
Entities owned or controlled by Directors and other related parties	-	-	726,215	-	-	-	-
	-	-	726,215	-	-	-	-
Current							
Parent company - loan	-	-	-	972,315	-	-	-
- interest	-	-	-	26,361	-	-	-
- other	-	-	-	120,079	4,210	2,295	-
Associated entities	-	219,716	-	400	802	15,580	8,274
Entities owned or controlled by Directors and other related parties	44,637	-	-	-	2,527	33,585	609
	44,637	219,716	-	1,119,155	7,539	51,460	8,883

11 RELATED PARTY DISCLOSURES (continued)

31 December 2013	*Bank balances and cash AED '000*	*Due from related parties AED '000*	*Interest bearing loans and borrowings AED '000*	*Due to related parties AED '000*	*Trade receivables AED '000*	*Deferred income AED '000*	*Trade payables AED '000*
Non-current							
Parent company - loan	-	-	-	1,583,493	-	-	-
- interest	-	-	-	86,212	-	-	-
- other	-	-	-	155,785	-	-	-
Associated entities	-	-	-	302	-	-	-
Entities owned or controlled by Directors and other related parties	-	-	-	-	-	-	-
	-	-	-	1,825,792	-	-	-
Current							
Parent company - loan	-	-	-	-	-	-	-
- interest	-	-	-	-	-	-	-
- other	-	-	-	-	655	-	-
Associated entities	-	171,854	-	-	1,027	20,032	1,051
Entities owned or controlled by Directors and other related parties	2	-	-	-	7,822	40,903	587
	2	171,854	-	-	9,504	60,935	1,638

11 RELATED PARTY DISCLOSURES (continued)

c) Due to the Parent Company represents the amount payable for the investment properties and property, plant and equipment transferred to the Company at cost.

In 2010, the Company reached an agreement with the Parent Company to convert an amount of AED 6,372,059 thousands, from the balance due, to a long term loan carrying interest at 8% p.a. This loan is repayable when the funds are available with the Company. Movement in the loan balance is as follows:

	30 June 2014 AED'000	*31 December 2013 AED'000*
Balance at 1 January	**1,583,493**	2,001,973
Repayments made during the period/ year	**(611,178)**	(418,480)
Balance at 30 June/ 31 December	**972,315**	1,583,493

d) Compensation of key management personnel

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

	30 June 2014 AED'000	*30 June 2013 AED'000*
Short term benefits	**12,108**	10,071
End of service benefits	**1,285**	837

12 BANK BALANCES AND CASH

	30 June 2014 AED'000	*31 December 2013 AED'000*
Cash in hand	**180**	213
Bank balances:		
Current and call accounts	**56,541**	26,422
Deposits maturing within three months	**-**	130,000
Cash and cash equivalents	**56,721**	156,635
Deposits under lien (Note 19)	**18,423**	68,542
Deposits maturing after three months	**1,407,790**	1,137,532
Balance at 30 June/ 31 December	**1,482,934**	1,362,709

Included in the bank balances and cash is an amount of AED 44,637 thousands (31 December 2013: AED 2 thousand) as balance held with related party [Note 11(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 Company, and earn interest at the respective short-term deposit rates. Fixed deposits maturing after three months earn interest at rates between 0.95% and 1.1% per annum (2013: 1.1% and 1.7% per annum).

13 SHARE CAPITAL

	Authorised		*Issued and fully paid up*	
	30 June 2014 AED'000	*31 December 2013 AED'000*	***30 June 2014 AED'000***	*31 December 2013 AED'000*
300 shares of AED 1,000 each	**300**	300	**300**	300

14 PROPOSED INCREASE IN SHARE CAPITAL

During the six months period ended 30 June 2014, the Company has proposed to issue additional shares to the existing shareholders against transfer of legal titles and beneficial ownership of certain plots of land (Note 7). On 20 July 2014, the Company has registered the increase in share capital with Government authorities amounting to AED 13,014,000 thousand consisting of 13,014,000 shares of AED 1,000 each through an addendum to its Memorandum of Association.

15 INTERIM DIVIDENDS

A cash dividend of AED 2,754,750 thousands was approved by the shareholders of the Company on 17 June 2014 out of the retained earnings of AED 2,993,342 thousands as at 31 December 2013 and was paid during the period.

16 STATUTORY RESERVE

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

17 EARNINGS PER SHARE

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

Diluted earnings per share are calculated by adjusting the weighted average number of ordinary shares outstanding assuming conversion of all dilutive potential ordinary shares. During the period the Company has proposed to issue additional shares in the Company to the existing shareholders against transfer of legal titles and beneficial ownership of certain plots of land (Notes 7 & 14).

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

	For the six months period ended	
	30 June 2014 AED'000	*30 June 2013 AED'000 (unaudited)*
Earnings:		
Profit attributable to the shareholders	**617,176**	498,017
Shares in thousands:		
Weighted average number of ordinary shares for basic earnings per share	**300**	300
Effect of dilution – proposed issue (Notes 7 & 14)	**13,014,000**	-
Earnings per share (AED):		
- basic	**2,057,253**	1,660,057
- diluted	**47**	1,660,057

18 EMPLOYEES' END OF SERVICE BENEFITS

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

	30 June 2014 AED'000	*31 December 2013 AED'000*
Balance as at 1 January	**10,852**	8,044
Provision during the period/ year	**2,281**	3,685
Transferred to parent company/ related parties	**235**	(47)
Paid during the period/ year	**(282)**	(830)
Balance as at 30 June/ 31December	**13,086**	10,852

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

19 INTEREST BEARING LOANS AND BORROWINGS

	30 June 2014 AED'000	*31 December 2013 AED'000*
Interest bearing loans and borrowings (a)	**3,673,000**	3,510,000
Less: unamortised portion of loan arrangement fee	**(41,923)**	(54,933)
Net interest bearing loans and borrowings	**3,631,077**	3,455,067
Net interest bearing loans and borrowings are repayable as follows:		
Within one year (shown under current liabilities)	**-**	180,000
After one year (shown under non-current liabilities)	**3,631,077**	3,275,067
	3,631,077	3,455,067

(a) Movement for the period:	*30 June 2014 AED'000*
Balance as at 1 January	**3,510,000**
Less: Repaid during the period	**(3,510,000)**
Add: Borrowed during the period	**3,673,000**
Balance as at 30 June	**3,673,000**

During the period, the Company has fully repaid the finance facility of AED 3,600,000 thousands which was availed in 2011. The previous facility is replaced with new Syndicated Murhabha Islamic finance facility for USD 1.5 billion (AED 5,509,500 thousand) availed from the commercial banks of UAE. Out of which the Company has drawdown USD 1 billion (AED 3,673,000 thousand) as at 30 June 2014. The new facility is unsecured and carries interest at 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 18,423 thousands (31 December 2013: AED 68,542 thousands) against interest payable (Note 12).

As at 30 June 2014, part of interest bearing loans and borrowings amounting to USD 200,000 thousand (AED 734,600 thousand) (31 December 2013: AED Nil) is borrowed from a related party [Note11 (b)].

20 SUKUK

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

	30 June 2014 AED'000
Proceeds from the issuance of the Sukuk	**2,754,750**
Less: Sukuk issuance cost	**(21,786)**
Sukuk liability on initial recognition	**2,732,964**
Profit accrued up to period end	**63**
Sukuk liability as at period end	**2,733,027**

21 ACCOUNTS PAYABLE AND ACCRUALS

	30 June 2014 AED'000	*31 December 2013 AED'000*
Trade payables	**43,189**	34,536
Accrued expenses	**223,521**	253,058
Interest payable	**5,828**	10,622
Other payables	**17,760**	37,389
	290,298	335,605

Included in the trade payables is an amount of AED 8,883 thousands (31 December 2013: AED 1,638 thousands) due to related parties [Note 11(b)].

22 CONTINGENCIES AND COMMITMENTS

Commitments
At 30 June 2014, the Company had commitments of AED 1,804,993 thousands (31 December 2013: AED 406,491 thousands) which includes project commitments of AED 1,576,369 (31 December 2013: AED 180,214 thousands). This represents the value of contracts issued net of invoices received and accruals made as at that date.

Operating lease commitments - Company as lessor
The Company 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:

	Six months ended 30 June 2014 AED'000	*Year ended 31 December 2013 AED'000*
Within one year	**1,319,317**	1,348,088
After one year but not more than five years	**2,319,559**	2,088,846
More than five years	**211,930**	264,519
	3,850,806	3,701,453

22 CONTINGENCIES AND COMMITMENTS (continued)

In addition to the base rent, the Company also charges annual service charges to its tenants. The total amount of service charges for the period ended 30 June 2014 was AED 123,464 thousands (31 December 2013: AED 229,675 thousands).

Operating lease commitments - Company as lessee

The Company has entered into agreement with Emaar Properties PJSC to lease its office space. Future minimum rental payable under non-cancellable operating lease is as follows:

	30 June 2014 AED'000	*31 December 2013 AED'000*
Within one year	**901**	-
After one year but not more than five years	**1,447**	-
More than five years	**-**	-
	2,348	-

Legal claims

As at 30 June 2014, legal proceedings are in progress against certain tenants to recover outstanding rents amounting to AED 12,460 thousands (31 December 2013: AED 16,008 thousands). The management is confident that the outcome of these claims will be in favor of the Company and will have no adverse impact on the financial statements of the Company.

23 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

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

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

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

The Company's current financial risk management framework is a combination of formally documented risk management policies in certain areas and informal risk management policies in other areas.

23 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Credit risk

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

	30 June 2014 AED'000	*31 December 2013 AED'000*
Bank balances	**1,482,754**	1,362,496
Trade receivables	**93,596**	194,312
Due from related parties	**219,716**	171,854
	1,796,066	1,728,662

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

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

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

Market risk

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

Interest rate risk

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

The following table demonstrates the sensitivity of the income statement to reasonably possible changes in interest rates, with all other variables held constant. The sensitivity of the income statement is the effect of the assumed changes in interest rates on the Company's profit for one year, based on the floating rate financial assets and liabilities held at 31 December.

There is no impact on the Company's equity other than the profit impact rated below.

	Changes in basis points	*Impact on profit AED'000*
30 June 2014		
Bank deposits	**±100**	-
Interest bearing loans and borrowings	**±100**	**±11,937**
31 December 2013		
Bank deposits	±100	-
Interest bearing loans and borrowings	±100	±10,530

23 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Market risk (continued)

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

Liquidity risk
Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due.

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

The table below summarises the maturities of the Company's undiscounted financial liabilities at 31 December, based on undiscounted cash flows and payments..

At 30 June 2014

	Less than 3 months AED'000	*3 to 12 months AED'000*	*1 to 5 years AED'000*	*More than 5 years AED'000*	*Total AED'000*
Due to related parties	-	1,119,155	-	-	1,119,155
Interest bearing loan and borrowings	17,281	55,704	297,090	3,815,832	4,185,907
Sukuk	-	122,933	509,892	3,392,115	4,024,940
Trade payables	12,957	30,232	-	-	43,189
Accrued expenses	89,408	134,113	-	-	223,521
Interest payable	1,287	4,541	-	-	5,828
Other payables	17,760	-	-	-	17,760
Total	138,693	1,466,678	806,982	7,207,947	9,620,300

At 31 December 2013

	Less than 3 months AED'000	*3 to 12 months AED'000*	*1 to 5 years AED'000*	*More than 5 years AED'000*	*Total AED'000*
Due to related parties	925,000	-	972,315	-	1,897,315
Interest bearing loan and borrowings	68,320	234,235	3,639,307	-	3,941,862
Trade payables	10,361	24,175	-	-	34,536
Accrued expenses	130,880	122,178	-	-	253,058
Interest payable	10,622	-	-	-	10,622
Other payables	3,385	32,548	1,455	-	37,388
Total	1,148,568	413,136	4,613,077	-	6,174,781

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

The Company manages its capital structure and makes adjustments to it, in light of changes in business conditions. No changes were made in the objectives, policies or processes for managing capital during the period ended 30 June 2014 and year ended 31 December 2013.

24 FAIR VALUES OF FINANCIAL INSTRUMENTS

Financial instruments comprise financial assets and financial liabilities.

Financial assets of the Company include bank balances and cash, trade receivables, advances, other receivables and due from related parties. Financial liabilities of the Company include security deposits, interest bearing loans, trade payables and due to related parties.

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

25 HEDGING ACTIVITIES

Cash flow hedges
At 30 June 2014, the Company held certain interest rate swap contract designated as a hedge of expected future payments under the borrowing contracts entered by the Company 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 350,000 thousands (AED 1,285,550 thousands (31 December 2013: AED 2,520,000 thousands).

	30 June 2014		*31 December 2013*	
	Assets AED'000	***Liabilities AED'000***	*Assets AED'000*	*Liabilities AED'000*
Interest rate swap contracts				
Fair value	-	**7,383**	-	34,862

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

	Total AED'000	***Level 1 AED'000***	***Level 2 AED'000***	***Level 3 AED'000***
30 June 2014				
Interest rate swap contracts	**7,383**	-	**7,383**	-
31 December 2013				
Interest rate swap contracts	34,862	-	34,862	-

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 derived 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 EVENTS AFTER REPORTING DATE

- Subsequent to period end, the Company paid AED 800 million as cash dividend out of retained earnings as of 30 June 2014 to shareholders.

- Subsequent to period end, the Company has drawn down an additional AED 918 million under the New Facility and used the proceeds, together with available cash, to repay fully the outstanding balance of Shareholder Loan.