DXB ENTERTAINMENTS
DREAMS WITHOUT BOUNDARIES

DXB Entertainments PJSC and its Subsidiaries

Interim financial information and independent auditor's review report for the three month period ended 31 March 2017

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DXB Entertainments PJSC and its Subsidiaries

Contents

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REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION

The Board of Directors
DXB Entertainments PJSC
Dubai
United Arab Emirates

Introduction

We have reviewed the accompanying condensed consolidated statement of financial position of DXB Entertainments PJSC (the "Company") and its Subsidiaries (together the "Group") as at 31 March 2017 and the related condensed consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the three month period then ended. Management is responsible for the preparation and presentation of this interim financial information in accordance with International Accounting Standard 34 "*Interim Financial Reporting*" ("IAS 34"). Our responsibility is to express a conclusion on this interim financial information based on our review.

Scope of review

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

Conclusion

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

Deloitte & Touche (M.E.)

Cynthia Corby
Registration No. 995
Dubai, United Arab Emirates

9 MAY 2017

Condensed consolidated statement of financial position as at 31 March 2017

	Notes	31 March 2017 AED'000 (Unaudited)	31 December 2016 AED'000 (Audited)
ASSETS			
Property and equipment	5	**9,423,492**	9,465,013
Investment properties	6	**628,176**	633,773
Investment in a joint venture	7	**17,937**	-
Inventories		**47,959**	42,056
Due from related parties	8	**22,475**	20,999
Trade and other receivables	9	**143,188**	90,336
Derivative financial instruments	10	**41,498**	37,121
Other financial assets	11	**418,646**	989,527
Cash and bank balances	12	**1,798,023**	1,534,862
Total assets		**12,541,394**	12,813,687
EQUITY AND LIABILITIES			
Equity			
Share capital	13	**7,999,913**	7,999,913
Cash flow hedge reserve	10	**41,498**	37,121
Accumulated losses		**(930,869)**	(639,105)
Total equity		**7,110,542**	7,397,929
Liabilities			
Bank facilities	14	**3,560,269**	3,203,645
Trade and other payables	15	**1,870,583**	2,212,113
Total liabilities		**5,430,852**	5,415,758
Total equity and liabilities		**12,541,394**	12,813,687

Abdulwahab Al Halabi
Vice Chairman

Raed Kajoor Al Nuaimi
Chief Executive Officer

The accompanying notes form an integral part of these condensed consolidated financial statements.

Condensed consolidated statement of profit or loss and other comprehensive income for the three month period ended 31 March 2017

	Notes	Period ended 31 March 2017 AED'000 (Unaudited)	2016 AED'000 (Unaudited)
Revenue		**159,865**	-
Cost of sales		**(13,151)**	-
Gross profit		**146,714**	-
General, administrative and operating expenses	16	**(333,906)**	(39,619)
Marketing and selling expenses	17	**(40,777)**	(15,449)
Other expenses		**(20,721)**	-
Interest (expense) / income		**(36,913)**	19,219
Amortisation of borrowing costs		**(6,155)**	(2,500)
Share of loss of a joint venture	7	**(6)**	-
Loss for the period		**(291,764)**	(38,349)
Other comprehensive income / (loss)			
Cash flow hedge - gain / (loss) on fair value		**4,377**	(36,771)
Total comprehensive loss for the period		**(287,387)**	(75,120)
Loss per share:			
Basic and diluted loss per share (AED)	18	**(0.038)**	(0.006)

The accompanying notes form an integral part of these condensed consolidated financial statements.

Condensed consolidated statement of changes in equity for the three month period ended 31 March 2017

	Share capital AED'000	Equity issue reserve AED'000	Cash flow hedging reserve AED'000	Accumulated losses AED'000	Total AED'000
As at 1 January 2016 (Audited)	6,321,828	3,736	1,711	(149,257)	6,178,018
Loss for the period	-	-	-	(38,349)	(38,349)
Other comprehensive loss for the period	-	-	(36,771)	-	(36,771)
Total comprehensive loss for the period	-	-	(36,771)	(38,349)	(75,120)
As at 31 March 2016 (Unaudited)	6,321,828	3,736	(35,060)	(187,606)	6,102,898
As at 1 January 2017 (Audited)	7,999,913	-	37,121	(639,105)	7,397,929
Loss for the period	-	-	-	(291,764)	(291,764)
Other comprehensive income for the period	-	-	4,377	-	4,377
Total comprehensive loss for the period	-	-	4,377	(291,764)	(287,387)
As at 31 March 2017 (Unaudited)	**7,999,913**	**-**	**41,498**	**(930,869)**	**7,110,542**

The accompanying notes form an integral part of these condensed consolidated financial statements.

Condensed consolidated statement of cash flows for the three month period ended 31 March 2017

	Period ended 31 March 2017 AED'000 (Unaudited)	2016 AED'000 (Unaudited)
Cash flows from operating activities		
Loss for the period	**(291,764)**	(38,349)
Adjustments for:		
Depreciation expense	**111,147**	2,034
Interest expense / (income)	**36,913**	(19,219)
Amortisation of borrowing cost	**6,155**	2,500
Provision for employees' end-of-service indemnity	**1,157**	1,309
Share of loss of a joint venture	**6**	-
Operating cash flows before changes in operating assets and liabilities	**(136,386)**	(51,725)
(Increase) / decrease in trade and other receivables	**(42,653)**	43,565
Increase in inventories	**(5,903)**	-
(Decrease) / increase in trade and other payables	**(342,343)**	218,400
Increase in due from related parties	**(1,476)**	(12,875)
Net cash (used in) / generated by operating activities	**(528,761)**	197,365
Cash flows from investing activities		
Decrease / (increase) in other financial assets	**570,881**	(177,634)
Additions to property and equipment	**(64,029)**	(844,252)
Additions to investment properties	**-**	(39,788)
Interest received	**7,618**	3,416
Capital contribution in a joint venture	**(17,943)**	-
Net cash generated by / (used in) investing activities	**496,527**	(1,058,258)
Cash flows from financing activities		
Proceeds from bank facilities	**353,377**	886,834
Borrowing costs paid	**(5,619)**	(5,338)
Finance costs paid	**(52,363)**	(22,105)
Increase in restricted cash	**(129)**	(13,846)
Net cash generated by financing activities	**295,266**	845,545
Net increase / (decrease) in cash and cash equivalents	**263,032**	(15,348)
Cash and cash equivalents at the beginning of the period (Note 12)	**1,344,113**	363,764
Cash and cash equivalents at the end of the period (Note 12)	**1,607,145**	348,416

Notes to the condensed consolidated financial statements
for the three month period ended 31 March 2017

1. Company and operations

DXB Entertainments PJSC (the "Company") was originally formed as a limited liability company with commercial license number 673692 and was established on 11 July 2012. On 9 December 2014, approval from the Ministry of Economy was obtained and the Company was converted to a Public Joint Stock Company (PJSC) in accordance with UAE Federal Commercial Companies Law No. 8 of 1984, as replaced by UAE Federal Law No. 2 of 2015 ("Companies Law"). With effect from 29 September 2016 Dubai Parks and Resorts PJSC has been renamed as DXB Entertainments PJSC. The registered address of the Company is P.O. Box 123311, Dubai, United Arab Emirates ("UAE").

The Company is a subsidiary of Meraas Leisure and Entertainment LLC (the "Parent Company"). The licensed activities of the Company and its subsidiaries (collectively the "Group") are investment in commercial enterprises and management, real estate development, amusement parks, investment in and management of tourist enterprises and sport and recreational events, tickets e-trading, marketing management, facilities management services and event management. The majority shareholder of the Group is ultimately Meraas Holding LLC (the "Ultimate Parent Company").

The condensed consolidated financial statements include the following subsidiaries:

Name of subsidiary	Place of incorporation	Date of incorporation	Percentage of ownership Legal	Percentage of ownership Beneficial	Principal Activity
Motiongate (LLC)	Dubai, UAE	18 March 2013	99%	100%	Theme park development
Mgate Operations (LLC)*	Dubai, UAE	8 April 2013	100%	100%	Facilities management
Dubai Parks Destination Management (LLC)	Dubai, UAE	25 August 2014	99%	100%	Theme park development
Bollywood Parks (LLC)	Dubai, UAE	25 August 2014	99%	100%	Theme park development
Dubai Parks Hotel (LLC)	Dubai, UAE	25 August 2014	99%	100%	Real estate development
River Park (LLC)	Dubai, UAE	25 August 2014	99%	100%	Real estate development
LL Dubai Theme Park (LLC)	Dubai, UAE	7 September 2014	99%	100%	Theme park development
LL Dubai Operations (LLC)**	Dubai, UAE	14 October 2014	100%	100%	Facilities management
BWP Operations (LLC)***	Dubai, UAE	25 March 2015	100%	100%	Facilities management
SF Dubai (LLC)	Dubai, UAE	21 May 2015	99%	100%	Theme park development
Do Trips (LLC)****	Dubai, UAE	29 May 2016	100%	100%	Travel agent

* *Subsidiary of Motiongate (LLC)*
** *Subsidiary of LL Dubai Theme Park (LLC)*
*** *Subsidiary of Bollywood Parks (LLC)*
**** *Subsidiary of Dubai Parks Destination Management (LLC)*

2. Application of new and revised International Financial Reporting Standards ("IFRSs")

2.1 New and revised IFRSs applied with no material effect on the condensed consolidated financial statements

The following new and revised IFRSs, which became effective for annual periods beginning on or after 1 January 2017, have been adopted in these condensed consolidated financial statements. The application of these revised IFRSs has not had any material impact on the amounts reported for the current and prior periods but may affect the accounting for future transactions or arrangements.

- Amendments to IAS 12 Income Taxes relating to the recognition of deferred tax assets for unrealised losses.
- Amendments to IAS 7 Statement of Cash Flows to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities.
- Annual Improvements to IFRS Standards 2014-2016 Cycle – Amendments to IFRS 12 Disclosure of Interests in Other Entities.

2. Application of new and revised International Financial Reporting Standards ("IFRSs") (continued)

2.2 New and revised IFRSs in issue but not yet effective and not early adopted

The Group has not yet early applied the following new standards, amendments and interpretations that have been issued but are not yet effective:

New and revised IFRS	Effective for annual periods beginning on or after
• Annual Improvements to IFRS Standards 2014 – 2016 Cycle amending IFRS 1 First-time Adoption of International Financial Reporting Standards and IAS 28 Investments in Associates and Joint Ventures (2015).	1 January 2018
• Amendments to IFRS 2 Share Based Payment regarding classification and measurement of share based payment transactions.	1 January 2018
• Amendments to IFRS 4 Insurance Contracts: Relating to the different effective dates of IFRS 9 Financial Instruments and the forthcoming new insurance contracts standard.	1 January 2018
• Finalised version of IFRS 9 [IFRS 9 Financial Instruments (2014)] was issued in July 2014 mainly to include a) impairment requirements for financial assets and b) limited amendments to the classification and measurement requirements by introducing a 'fair value through other comprehensive income' (FVTOCI) measurement category for certain simple debt instruments. This amends classification and measurement requirement of financial assets and introduces new expected loss impairment model.	1 January 2018

A finalised version of IFRS 9 which contains accounting requirements for financial instruments, replacing IAS 39 Financial Instruments: Recognition and Measurement. The standard contains requirements in the following areas:

- Classification and measurement: Financial assets are classified by reference to the business model within which they are held and their contractual cash flow characteristics. The 2014 version of IFRS 9 introduces a 'fair value through other comprehensive income' category for certain debt instruments. Financial liabilities are classified in a similar manner to under IAS 39, however there are differences in the requirements applying to the measurement of an entity's own credit risk
- Impairment: The 2014 version of IFRS 9 introduces an 'expected credit loss' model for the measurement of the impairment of financial assets, so it is no longer necessary for a credit event to have occurred before a credit loss is recognized.
- Hedge accounting: Introduces a new hedge accounting model that is designed to be more closely aligned with how entities undertake risk management activities when hedging financial and non-financial risk exposures.
- Derecognition: The requirements for the derecognition of financial assets and liabilities are carried forward from IAS 39.

• IFRIC 22 *Foreign Currency Transactions and Advance Consideration*	1 January 2018

The interpretation addresses foreign currency transactions or parts of transactions where:

- there is consideration that is denominated or priced in a foreign currency;
- the entity recognises a prepayment asset or a deferred income liability in respect of that consideration, in advance of the recognition of the related asset, expense or income; and
- the prepayment asset or deferred income liability is non-monetary.

2. Application of new and revised International Financial Reporting Standards ("IFRSs") (continued)

2.2 New and revised IFRSs in issue but not yet effective and not early adopted (continued)

New and revised IFRS	Effective for annual periods beginning on or after
• Amendments to IAS 40 *Investment Property*: Amends paragraph 57 to state that an entity shall transfer a property to, or from, investment property when, and only when, there is evidence of a change in use. A change of use occurs if property meets, or ceases to meet, the definition of investment property. A change in management's intentions for the use of a property by itself does not constitute evidence of a change in use. The paragraph has been amended to state that the list of examples therein is non-exhaustive.	1 January 2018
• IFRS 16 *Leases* provides a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value.	1 January 2019
• Amendments to IFRS 10 *Consolidated Financial Statements* and IAS 28 *Investments in Associates and Joint Ventures* (2011) relating to the treatment of the sale or contribution of assets from an investor to its associate or joint venture.	Effective date deferred indefinitely

Management anticipates that these new standards, interpretations and amendments will be adopted in the Group's condensed consolidated financial statements for the period of initial application and adoption of these new standards, interpretations and amendments, except for IFRS 9 and IFRS 16, may have no material impact on the condensed consolidated financial statements of the Group in the period of initial application.

The application of the finalised version of IFRS 9 and IFRS 16 may have significant impact on amounts reported and disclosures made in the Group's condensed consolidated financial statements in respect of Group's financial assets and financial liabilities. However, it is not practicable to provide a reasonable estimate of effects of the application until the Group performs a detailed review.

In 2015, the Group has opted for early adoption of IFRS 15 Revenue from Contracts with Customers. In May 2014, IFRS 15 was issued which established a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. IFRS 15 supersedes the current revenue recognition guidance including IAS 18 Revenue, IAS 11 Construction Contracts and the related interpretations. The application of this IFRS does not have any impact on the amounts reported on the prior comparable period as the Group only started generating revenue in the last quarter of 2016.

3. Summary of significant accounting policies

Statement of compliance

These condensed consolidated financial statements of the Group are prepared in accordance with IAS 34 *Interim Financial Reporting* issued by the IASB and also complies with the applicable requirements of the laws in U.A.E.

Basis of preparation

The condensed consolidated financial statements of the Group have been prepared on the historical cost basis except for derivative financial instruments that are measured at fair value. The interim financial information does not include all the information required in the annual consolidated financial statements and should be read in conjunction with the Group's consolidated financial statements for the year ended 31 December 2016.

In addition, results for the period from 1 January 2017 to 31 March 2017 are not necessarily indicative of the results that may be expected for the financial year then ending 31 December 2017.

As required by the Securities and Commodities Authority of the UAE (SCA) Notification No. 2624/2008 dated 12 October 2008, accounting policies relating to investment properties have been disclosed in this condensed consolidated financial statements.

3. Summary of significant accounting policies (continued)

Basis of preparation (continued)

The accounting policies used in the preparation of these condensed consolidated financial statements is consistent with those used in the audited annual consolidated financial statements for the year ended 31 December 2016.

Basis of consolidation

The condensed consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its Subsidiaries). Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its powers to affect its returns.

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above. Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically, the results of subsidiaries acquired or disposed of during the year are included in the condensed consolidated statement of profit or loss and other comprehensive income from the date the Company gains control until the date when the Company ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the equity holders of the Parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with the Group's accounting policies. All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Joint Venture

Interests in joint ventures are accounted for using the equity method accounting whereby the investment is initially recognised at cost and adjusted thereafter for the post-acquisition change in the Group's share of net assets of the investee. The profit or loss of the Group includes its share of the profit or loss of the investee and the other comprehensive income of the investor includes its share of other comprehensive income of the investee.

Segment information

A segment is a distinguishable component of the Group that is engaged either in providing products or services (business segment), or in providing products or services within a particular economic environment, which is subject to risks and rewards that are different from those of other segments. Segment income, segment expenses and segment performance include transfers between business segments and between geographical segments.

Revenue recognition

The Group recognises revenue based on a five-step model as set out in IFRS 15

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

3. Summary of significant accounting policies (continued)

Revenue recognition (continued)

The Group recognises revenue over time if any one of the following criteria is met:

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

The Group allocates the transaction price to the performance obligations in a contract based on the input method which requires revenue recognition on the basis of the Group's efforts or inputs to the satisfaction of the performance obligations.

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

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

Revenue is recognised in the condensed consolidated financial statements to the extent that it is probable that the economic benefits will flow to the Group and the revenue and costs, if and when applicable, can be measured reliably.

Interest income

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income generated from the bank facilities drawdown are deducted from the interest expenses. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Investment properties

Investment properties comprise of properties held to earn rentals and / or for capital appreciation, or both, (including properties under construction for such purposes). Investment properties are measured initially at cost, including related transaction costs, less accumulated depreciation and any accumulated impairment losses. No depreciation is charged on land and investment properties under construction.

Depreciation is charged so as to write-off the cost of investment property, other than capital work-in-progress, less their estimated residual value, on a straight-line basis over the expected useful lives of the assets, as follows:

	Years
Land	No depreciation
Building and infrastructure	10 - 50
IT and other equipment	3 - 15
Furniture and fixture	3 - 8

Expenditure incurred to replace a component of an item of investment properties 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 investment properties. All other expenditure is recognised in condensed consolidated statement of profit or loss and other comprehensive income as the expense is incurred.

Investment properties are derecognised upon disposal or when the investment properties are permanently withdrawn from use and no future economic benefits are expected from the disposal. Any gain or loss arising on derecognition of the property is included in condensed consolidated statement of profit or loss and other comprehensive income in the year in which the property is derecognised.

Notes to the condensed consolidated financial statements for the three month period ended 31 March 2017 (continued)

3. Summary of significant accounting policies (continued)

Investment properties (continued)

Transfers are made to investment properties when, and only when, there is a change in use evidenced by the ending of owner-occupation for a transfer from owner occupied property or commencement of an operating lease to another party. Such transfers are made at the carrying value of the properties at the date of transfer.

Property and equipment

Property and equipment comprise of land, building and infrastructure, vehicles, IT and office equipment, furniture and fixture, rides and attractions and capital work-in-progress.

All items of property and equipment are initially recorded at cost. Subsequent to recognition, property and equipment are stated at cost less accumulated depreciation and accumulated impairment losses, if any, except for capital work-in-progress. Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the asset to a working condition for its intended use, and the cost of dismantling and removing the items and restoring the site on which they are located. Borrowing costs that are directly attributable to acquisition, construction or production of an asset are included in the cost of that asset.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. Expenditure incurred to replace a component of an item of property and equipment that is accounted for separately is capitalised and the carrying amount of the component that is replaced is written off. All other repairs and maintenance are charged to condensed consolidated statement of profit or loss and other comprehensive income when incurred.

Depreciation is charged so as to write-off the cost of property and equipment, other than capital work-in-progress, less their estimated residual value, on a straight-line basis over the expected useful lives of the assets, as follows:

	Years
Land	No depreciation
Building and infrastructure	10 - 50
IT and other equipment	3 - 15
Rides and attractions	10 - 20
Furniture and fixture	3 - 8
Vehicles	3 - 4

Assets held under finance lease are depreciated over their expected useful live on the same basis as owned assets. However, when there is no reasonable certainty that ownership will be obtained by the end of lease terms, assets are depreciated over shorter of the lease term and their useful lives.

The estimated useful lives, residual values and depreciation method are reviewed at each year-end, with the effect of any changes in estimate accounted for on a prospective basis. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Capital work-in-progress

Capital work-in-progress includes properties that are being constructed or developed for future use. Cost includes pre-development infrastructure, construction and other related expenditure such as professional fees and engineering costs attributable to the project, which are capitalised during the year when activities that are necessary to make the assets ready for their intended use are in progress. These properties are classified as capital work-in-progress until construction or development is completed. Direct costs from the start of the project up to completion of the project are capitalised. No depreciation is charged on capital work-in-progress.

Notes to the condensed consolidated financial statements for the three month period ended 31 March 2017 (continued)

3. Summary of significant accounting policies (continued)

Property and equipment (continued)

Classification of properties

Management determines at the time of acquisition or construction of the property, whether the property should be classified as investment property or property and equipment. The Group classifies a property as investment property when the intention is to hold the property for rental, capital appreciation or for undetermined use. The Group classifies a property as property and equipment when the intention is to use the property for its operations.

4. Critical accounting judgment and key sources of estimation uncertainty

The preparation of the Group's condensed consolidated financial statements requires management to make judgment, estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent liabilities, at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in the future.

In preparing these condensed consolidated financial statements, the significant judgments made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 December 2016.

Classification of LL Dubai Hotel LLC as a joint venture

LL Dubai Hotel LLC is a limited liability company whose legal form confers separation between the parties to the joint arrangement and the company itself. The group owns 60% of the joint venture however the Group along with its joint venture partner have joint control of the arrangement and have rights to the net assets of the joint venture. Accordingly, LL Dubai Hotel LLC is classified as a joint venture of the Group (Note 7).

Notes to the condensed consolidated financial statements for the three month period ended 31 March 2017 (continued)

5. Property and equipment

	Land AED'000	Building and infrastructure AED'000	IT and other equipment AED'000	Rides and attractions AED'000	Furniture and fixture AED'000	Vehicles AED'000	Capital work-in-progress AED'000	Total AED'000
Cost								
As at 1 January 2016	716,443	14,057	7,745	-	5,975	5,332	3,906,594	4,656,146
Additions (a)	390,000	85	19,916	867	5,117	400	4,526,143	4,942,528
Reclassification	-	5,963,673	1,064,743	1,033,618	85,492	-	(8,147,526)	-
Transfers from/(to) investment property	62,130	-	-	-	-	-	(158,483)	(96,353)
As at 31 December 2016	1,168,573	5,977,815	1,092,404	1,034,485	96,584	5,732	126,728	9,502,321
Additions	-	-	11,620	-	66	10,851	41,492	64,029
As at 31 March 2017	**1,168,573**	**5,977,815**	**1,104,024**	**1,034,485**	**96,650**	**16,583**	**168,220**	**9,566,350**
Accumulated depreciation								
As at 1 January 2016	-	702	1,374	-	1,191	684	-	3,951
Charge for the year	-	10,207	16,896	2,735	2,017	1,502	-	33,357
As at 31 December 2016	-	10,909	18,270	2,735	3,208	2,186	-	37,308
Charge for the period	-	49,683	34,503	17,661	3,038	665	-	105,550
As at 31 March 2017	**-**	**60,592**	**52,773**	**20,396**	**6,246**	**2,851**	**-**	**142,858**
Carrying amount								
At 31 March 2017	**1,168,573**	**5,917,223**	**1,051,251**	**1,014,089**	**90,404**	**13,732**	**168,220**	**9,423,492**
At 31 December 2016	1,168,573	5,966,906	1,074,134	1,031,750	93,376	3,546	126,728	9,465,013

Notes to the condensed consolidated financial statements for the three month period ended 31 March 2017 (continued)

5. Property and equipment (continued)

a) Additions made during 2016 includes purchases made from a related party.

b) Finance costs and amortised borrowing costs capitalised during 2016 under capital work in progress amounted to AED 145 million. The Group ceased capitalisation of amortised borrowing cost and finance costs from the beginning of 2017 as the assets are available for use.

c) IT and other equipment includes AED 343 million on account of leasehold assets held under finance lease [Note 19 (d)].

6. Investment properties

	Land AED'000	Building and infrastructure AED'000	IT and Other equipment AED'000	Furniture and fixture AED'000	Capital work-in-progress AED'000	Total AED'000
Cost						
As at 1 January 2016	179,795	-	-	-	103,549	283,344
Additions	-	-	-	-	257,806	257,806
Transfer	-	351,155	5,105	5,095	(361,355)	-
Transfers from / (to) property and equipment	(62,130)	122,430	36,053	-	-	96,353
As at 31 December 2016	117,665	473,585	41,158	5,095	-	637,503
Additions	-	-	-	-	-	-
As at 31 March 2017	**117,665**	**473,585**	**41,158**	**5,095**	**-**	**637,503**
	-				-	
Accumulated depreciation						
As at 1 January 2016	-	-	-	-	-	-
Charge for the year	-	2,676	948	106	-	3,730
As at 31 December 2016	-	2,676	948	106	-	3,730
Charge for the period	-	4,016	1,422	159	-	5,597
As at 31 March 2017	**-**	**6,692**	**2,370**	**265**	**-**	**9,327**
Carrying amount						
At 31 March 2017	**117,665**	**466,893**	**38,788**	**4,830**	**-**	**628,176**
At 31 December 2016	117,665	470,909	40,210	4,989	-	633,773

7. Investment in a joint venture

	31 March 2017 AED'000 (Unaudited)	31 December 2016 AED'000 (Audited)
At 1 January	**-**	-
Additions	**17,943**	-
Share of loss	**(6)**	-
	17,937	-

Name of joint venture	**Place of incorporation**	**Date of incorporation**	**Principal Activity**
LL Dubai Hotel LLC	Dubai, UAE	16 March 2016	Real estate development

Notes to the condensed consolidated financial statements for the three month period ended 31 March 2017 (continued)

8. Related party transactions

The Group enters into transactions with companies and entities that fall within the definition of a related party as contained in International Accounting Standard 24 *Related Party Disclosures*. Related parties comprise companies and entities under common ownership and/or common management and control, and key management personnel.

At the reporting date, related party balances are as follows:

	31 March 2017 AED'000 (Unaudited)	31 December 2016 AED'000 (Audited)
Due from Parent Company	**21,036**	20,999
Due from a joint venture	**1,069**	-
Due from subsidiary of the Parent Company	**370**	-
	22,475	20,999

a) The management decides on the terms and conditions of the transactions and of services received from/rendered to related parties as well as on other charges which are equivalent to prevailing arm's length transactions.

b) Due from related parties amounting to AED 21 million (31 December 2016: AED 21 million) mainly represents the amount receivable for project management services performed on behalf of the Parent Company and share of common costs allocated to a project of the Ultimate Parent Company.

c) The key management remuneration during the period was as follows:

	Period ended 31 March	
	2017 AED'000 (Unaudited)	2016 AED'000 (Unaudited)
Short term benefits	**3,618**	3,818
Long term benefits	**81**	68
	3,699	3,886

9. Trade and other receivables

	31 March 2017 AED'000 (Unaudited)	31 December 2016 AED'000 (Audited)
Trade receivables	**15,746**	4,007
Advances to contractors	**32,689**	33,152
Prepayments and other receivables	**86,676**	52,588
Interest receivable	**8,077**	589
	143,188	90,336

10. Derivative financial instruments

	31 March 2017 (Unaudited)		
	Positive fair value AED'000	**Notional amount AED'000**	**Notional amount by term maturity AED'000**
Interest rate swaps	**41,498**	**2,722,819**	**2,722,819**

Notes to the condensed consolidated financial statements for the three month period ended 31 March 2017 (continued)

10. Derivative financial instruments (continued)

	31 December 2016 (Audited) Positive fair value AED'000	Notional amount AED'000	Notional amount by term maturity AED'000
Interest rate swaps	37,121	2,199,236	2,199,236

The Group entered into interest rate swaps ('IRS') for the loan draw down denominated in USD which was designated as a hedging instrument. These IRS are categorised as level 3 as one or more of the significant inputs is not based on an observable market data.

11. Other financial assets

Other financial assets include margin deposits amounting to AED 19 million (31 December 2016: AED 23 million) held by banks under lien against credit facilities issued to the Group and fixed deposits amounting to AED 400 million (2016: AED 966 million) held by banks with maturity periods of more than three months from the reporting date. The fixed deposits earned interest rates ranging from 2% to 3% (31 December 2016: 1% to 3%) per annum.

12. Cash and bank balances

	31 March 2017 AED'000 (Unaudited)	31 December 2016 AED'000 (Audited)
Cash on hand	**4,113**	3,809
Cash at bank	**1,793,910**	1,531,053
	1,798,023	1,534,862
Less: Restricted cash	**(190,878)**	(190,749)
Cash and cash equivalents	**1,607,145**	1,344,113

Cash at bank includes call accounts that earn interest up to 1% (31 December 2016: 1%) per annum. The short-term deposits held by banks with maturity period of less than three months earning average interest rate ranging 1.8% to 3.0% (31 December 2016: ranging 2% to 3%) per annum.

13. Share capital

	31 March 2017 AED'000 (Unaudited)	31 December 2016 AED'000 (Audited)
Authorised capital 12,643,655,416 shares of AED 1 each (31 December 2016: 12,643,655,416 shares of AED 1 each)	**12,643,655**	12,643,655
Issued and fully paid-up 7,999,912,670 shares of AED 1 each (31 December 2016: 7,999,912,670 shares of AED 1 each)	**7,999,913**	7,999,913

14. Bank facilities

	31 March 2017 AED'000 (Unaudited)	31 December 2016 AED'000 (Audited)
Term loans	**3,776,543**	3,423,166
Gross borrowing costs	**259,487**	257,093
Less: Cumulative amortisation *	**(43,213)**	(37,572)
Un-amortised borrowing costs	**216,274**	219,521
Carrying amount	**3,560,269**	3,203,645

* Amortised borrowing costs capitalised within capital work in progress during 2016 was AED 14 million. The Group ceased capitalising the amortised borrowing cost from the beginning of the period.

Notes to the condensed consolidated financial statements for the three month period ended 31 March 2017 (continued)

14. Bank facilities (continued)

	31 March 2017 AED'000 (Unaudited)	31 December 2016 AED'000 (Audited)
Later than 1 year and not longer than 2 years	**162,836**	140,375
Later than 2 years and not longer than 5 years	**1,089,738**	1,029,881
Later than 5 years	**2,428,834**	2,192,869
Amounts due for settlement after 12 months	**3,681,408**	3,363,125
Amounts due for settlement within 12 months	**95,135**	60,041
	3,776,543	3,423,166

Term loans

a) The Group has bank facilities of AED 5.2 billion (31 December 2016: AED 5.2 billion) in the form of term loans which were partially utilised up to 31 March 2017 to the amount of AED 3.8 billion (31 December 2016: AED 3.4 billion).

b) Term loan of AED 4.2 billion is repayable in quarterly instalments commencing in 2017 and maturing in 2026. Term loan of AED 1 billion is repayable in quarterly instalments commencing in 2019 and maturing in 2027. The term loans utilised carries interest at LIBOR + 3.5% and EIBOR + 3.15% per annum (31 December 2016: LIBOR + 3.5% and EIBOR + 3.15% per annum).

c) The syndicated facilities are secured by a range of mortgages over property owned by the Group, security over bank accounts, assignments of certain contracts, certain rights to receivables and intra-group loans and pledges over certain bank accounts and deposits.

Letters of credit

d) As at 31 March 2017, the Group has letters of credit facility amounting to AED 173 million (31 December 2016: AED 173 million) and outstanding letters of credit at the reporting date amounting to AED 36 million (31 December 2016: AED 48 million). The letters of credit are secured by way of:

- Pledge over Wakala deposits; and
- Assignment of existing cash flows from a project of a related party.

e) The letters of credit are subject to certain covenants. As at the reporting date, the Group is in compliance with the required covenants.

15. Trade and other payables

	31 March 2017 AED'000 (Unaudited)	31 December 2016 AED'000 (Audited)
Trade payables	**451,809**	438,013
Accrued expenses (a)	**819,402**	1,207,755
Retentions payable (b)	**409,958**	383,209
Rental and other advances	**143,276**	148,460
Deferred revenue	**30,601**	22,505
Provision for employees' end-of-service indemnity (c)	**5,520**	5,579
Other liabilities	**10,017**	6,592
	1,870,583	2,212,113

a) Included in accrued expenses are costs already incurred during 2016 on capital work-in-progress amounting to AED 0.6 billion (31 December 2016: AED 1 billion) but have not yet been certified as at the reporting date.

b) Retentions payable represent amounts withheld in accordance with terms of the contract when progress payments are made to the contractors. Retentions payable are settled based on contractual terms.

c) Provision for employees' end-of-service indemnity is made in accordance with the UAE labour law, and is based on current remuneration and cumulative years of service at the reporting date.

Notes to the condensed consolidated financial statements
for the three month period ended 31 March 2017 (continued)

16. General, administrative and operating expenses

	Period ended 31 March	
	2017	2016
	AED'000	AED'000
	(Unaudited)	(Unaudited)
Salaries and other employee benefits *	**111,770**	31,196
Depreciation	**111,147**	2,028
Utility charges	**24,468**	796
Supplies and communication expenses	**21,176**	835
Repairs & maintenance	**20,831**	71
Rent	**12,340**	293
Travel expenses	**7,903**	278
Security expenses	**4,616**	-
Recruitment expenses	**3,310**	1,008
Professional and legal expenses	**2,746**	2,090
Directors' fee	**1,463**	158
Other	**12,136**	866
	333,906	39,619

* Pension contribution for U.A.E. citizens are made by the Group in accordance with Federal Law No. 7 of 1999.

17. Marketing and selling expenses

	Period ended 31 March	
	2017	2016
	AED'000	AED'000
	(Unaudited)	(Unaudited)
Advertisement expenses	**37,391**	10,533
Exhibition expenses	**811**	3,347
Other	**2,575**	1,569
	40,777	15,449

18. Basic and diluted loss per share

Basic loss per share is calculated by dividing the loss attributable to equity holders of the Company by the number of ordinary shares in issue during the period.

	Period ended 31 March	
	2017	2016
	(Unaudited)	(Unaudited)
Loss attributable to equity holders of the Company (in AED'000)	**(291,764)**	(38,349)
Weighted average number of shares (in '000)		
Outstanding at beginning of the period	**7,282,704**	6,321,828
Issue of new shares - weighted average	**413,774**	-
Outstanding at the end of the period	**7,696,478**	6,321,828
Basic and diluted loss per share (in AED)	**(0.038)**	(0.006)

Notes to the condensed consolidated financial statements for the three month period ended 31 March 2017 (continued)

19. Commitments and contingent assets and liabilities

(a) Commitments

Contracted-for commitments for the acquisition of services related to development and construction of assets classified under property and equipment and investment properties amounted to AED 0.8 billion as at 31 March 2017 (2016: AED 0.6 billion).

(b) Contingent liabilities

	31 March 2017 AED'000 (Unaudited)	31 December 2016 AED'000 (Audited)
Letters of credit	**35,619**	47,723

(c) Operating lease rentals - Group as a Lessee

	31 March 2017 AED'000 (Unaudited)	31 December 2016 AED'000 (Audited)
Not later than 1 year	**40,000**	**40,000**
Later than 1 year and not longer than 5 years	**40,000**	**57,000**
	80,000	**97,000**

(d) Finance lease rentals - Group as a lessee

	Future minimum lease payments		**Interest**		**Present value of minimum lease payments**	
	31 March 2017 AED'000	31 December 2016 AED'000	**31 March 2017 AED'000**	31 December 2016 AED'000	**31 March 2017 AED'000**	31 December 2016 AED'000
Not later than 1 year	**61,440**	61,440	**20,701**	21,353	**40,739**	40,087
Later than 1 year and not longer than 5 years	**307,200**	245,760	**59,008**	62,976	**248,192**	244,224
Later than 5 years	**46,080**	122,880	**1,458**	2,417	**44,622**	59,023
	414,720	430,080	**81,167**	86,746	**333,553**	343,334

(e) Operating lease rentals - Group as a Lessor

	31 March 2017 AED'000 (Unaudited)	31 December 2016 AED'000 (Audited)
Not later than 1 year	**69,897**	67,730
Later than 1 year and not longer than 5 years	**94,511**	103,480
	164,408	171,210

20. Fair value of financial instruments

As at the reporting date, the financial instruments of the Group are classified at amortised cost. The carrying value of the financial assets and financial liabilities also approximate their fair value. The Group does not have any financial instruments being classified at fair value as at the reporting date except for derivative financial instruments.

Notes to the condensed consolidated financial statements for the three month period ended 31 March 2017 (continued)

21. Subsequent event

Subsequent to the period end the shareholders of the Company approved Employee Share Based Incentive Programme (ESOP) for eligible employees, subject to suitable regulatory approvals, during the General Assembly meeting held on 18th April 2017.

22. Approval of condensed consolidated financial statements

The condensed consolidated financial statements were approved by the Board of Directors and signed for issuance on 9th May 2017.