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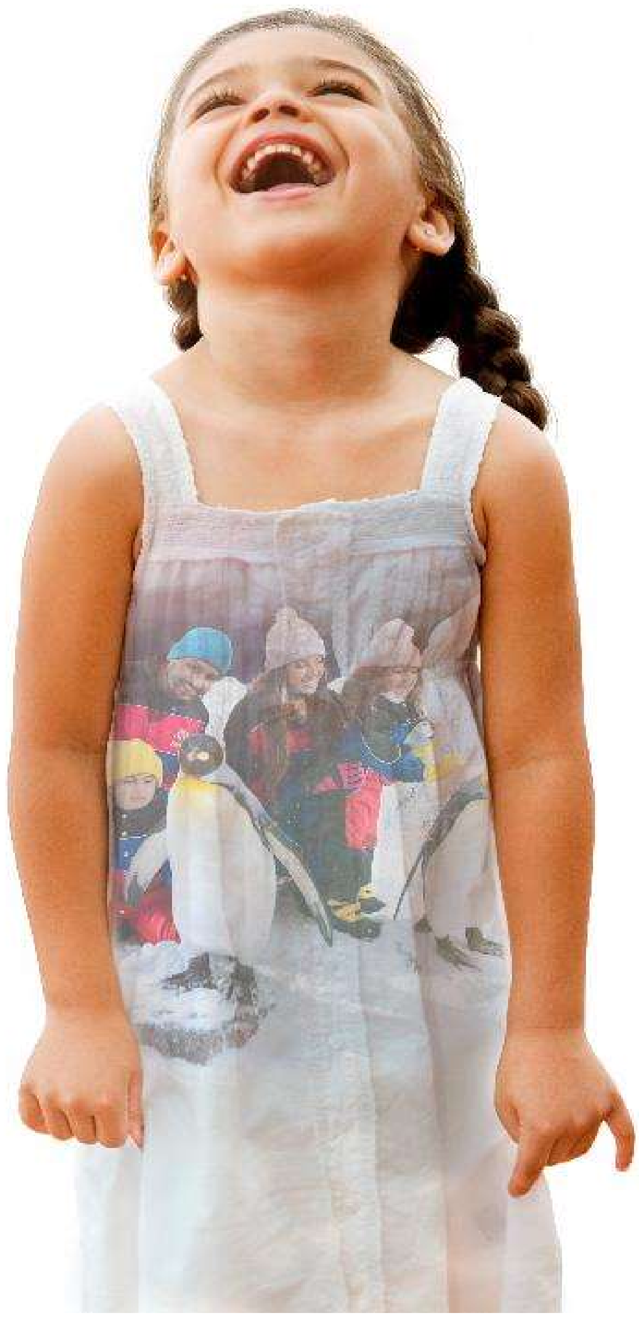
MAJID AL FUTTAIM

GREAT MOMENTS
FOR **EVERYONE,**
EVERYDAY

MAJID AL FUTTAIM HOLDING LLC CONSOLIDATED

CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019



Contents

Directors' report

The Directors' report and the audited consolidated financial statements of Majid Al Futtaim Holding LLC (the Company) and its subsidiaries (collectively referred to as "the Group"), are presented for the year ended 31 December 2019. The consolidated financial statements were prepared by the management. The Board of Directors took responsibility for fairly presenting them in accordance with the applicable financial reporting framework and gave clearance for issuance of the financial statements on 20 February 2020.

Activities

Majid Al Futtaim is one of the leading shopping mall, communities, retail and leisure pioneer across the Middle East, Africa and Asia.

Through its three subsidiaries Properties, Retail and Ventures the Group:

- Owns, develops and operates 26 destination shopping malls across 5 countries, 13 hotels that are operated by international hotel brands and 4 mixed used communities in UAE, Oman and Lebanon, with further developments underway in the region. The shopping malls portfolio includes Mall of the Emirates, Mall of Egypt, City Centre malls and My City Centre neighborhood centres, and 4 community malls which are in joint venture with the Government of Sharjah.
- Operates a portfolio of 306 outlets with geographical footprint in 16 countries as part of its exclusive rights to the Carrefour franchise in a number of markets across Middle East, Africa and Asia.
- Operates 500 VOX Cinema screens and 37 Magic Planet family entertainment centres across the region, in addition to iconic leisure and entertainment facilities such as Ski Dubai, Ski Egypt and Dreamscape, among others. The Group also owns Fashion and Home retail business, representing international brands. Majid Al Futtaim also operates Enova, a facility and energy management company, through a joint venture operation with Veolia, a global leader in optimised environment resource management.

Backdrop and key challenges

Economic and Geo-political situation

The global trade related tensions, as well as geopolitical events across the Middle East and oil price volatility have an impact on trade and monetary flows across the region. This has been compounded by the lag effect of fiscal reforms that various GCC countries have implemented, including the curtailing of subsidies and introduction of VAT. This has had an effect on consumer spending. While the governments in the region are seeking to counteract with supportive measures, the business environment in the UAE and few other markets in the GCC presents headwinds in the near term during the period of adjustment. On the positive side, Egyptian economy saw steady recovery following a period of reform, that has been commended by the IMF. Tourism is gradually picking up, with visitor numbers increasing c. 11% in 2019 that provided additional stimulus to the economy. The Egyptian pound strengthened behind these and supported by systematic lowering of inflation.
The Kingdom of Saudi Arabia is clearly making progress on its Vision 2030 implementation taking a number of measures to diversify and liberalize its economy which is net positive for private sector players like Majid Al Futtaim. Both Egypt and the Kingdom of Saudi Arabia are deep markets with favorable demographics that will allow us to support the sustainable growth of our businesses going forward. In 2019 Lebanon was faced with a societal and economic crisis, which has led the government to seek technical assistance from the IMF. While the contribution to the Group from Lebanon is minimal at 2% of revenue and 3% of assets, the Company has put active measures to secure business continuity and manage liquidity and foreign exchange risks.

The Group has managed these challenges by advancing it's diversification efforts entering new countries and expanding the footprint in priority markets. This was further reinforced by maintaining strong financial discipline with a prudent country level risk limits across it's portfolio. We reached more customers in new and existing markets, both online and offline, and this has been key to our continued success. The Group's diversification, financial strength and risk management strategies have proven effective against disruptive forces. We are confident in our ability to remain resilient as threats and opportunities continue to evolve.

Market Dynamics

On the retail landscape, there are evolving trends on consumer behaviors, competition and effect of technology. Customer behavior is moving towards experiences over products and services. Through accessing global digital and social channels, consumers are looking for a modern lifestyle offering seamless experiences with strong digital aspects. Contracting consumer spending combined with increased competition and structural changes (including e-commerce) contributed to a decrease in retail sales of about 4%, which in turn impact tenant's affordability ratios and rental levels, pressuring valuations.

Majid Al Futtaim continued to respond to customers' needs through shifts in experiential offerings, such as increased focus on F&B, leisure & entertainment and enhancing its digital presence. To this end, the Company is progressing on its investments in technological, analytical and digital capabilities, and forming strategic partnerships to enhance its seamless and integrated omnichannel offering.

Majid Al Futtaim also launched group-wide loyalty programme (Share) to boost consumer loyalty and value proposition, enhance mall footfall and tenant sales. Group continues to invest in marketing and other online initiatives, like tenant NPS to measure quality of engagement and experience and to mitigate the impact of changing trends.

COVID-19 outbreak

Escalation of COVID-19 has the potential to impact the business, including declining tourism in key markets, slowdown of global economic growth as well as deteriorating consumer and investor confidence. Moreover, unavailability of goods and contracted work force may lead to delays and cost escalation for development projects.

The situation so far is well contained and there is no immediate significant threat to the regional business environment. Group has formed a cross-functional task force to monitor developments and to work with business units on preventive measures, including adequate and health and safety guidelines and to assess and manage the impact appropriately.

Risk management and governance

To improve the Group's ability to leverage emerging opportunities and optimize its risk exposure, management has established enterprise risk management, crisis management and business continuity plans, including stress testing under potential adverse scenarios.

Whilst the company's diversification and financial strengths have served us well, we believe, will continue to do so in the future, there is a further focus on cost efficiency, operational excellence, liquidity management and careful assessment of priorities and returns, given this backdrop.

Significant developments

Majid Al Futtaim continues to make significant progress with its expansion plans across the United Arab Emirates, as well as in Egypt, Saudi Arabia, and Oman.

During 2019, **Majid Al Futtaim Properties** successfully opened City Centre Al Maza, a super-regional mall in Egypt and two community malls My CC Sohar in Oman and My CC Masdar, its first mall in Abu Dhabi. In existing malls, phase two of the expansion of City Centre Ajman and City Centre Alexandria was completed with additional units.

Majid Al Futtaim Properties continues to make progress with its development projects and will be bringing 2 key shopping malls to market in UAE and Oman over 2020 and 2021. In addition, redevelopment of City Centre Alexandria will be fully opened during Q1 2020 and the City Centre Deira redevelopment programme will be opening a new Food Hall concept in June 2020.

In 2019, **Majid Al Futtaim Retail** further grew its grocery retail market share and opened 42 new hypermarkets and supermarkets, with a significant focus on Egypt. The total number of stores now exceeds 300 across the region, including the first store in Uganda which is providing customers with access to international standard retail experience. During the year, Majid Al Futtaim Retail expanded offering with new food and beverage concept in key stores of Dubai and continued with the enhancement of its network, both physically and digitally to enhance the customer experience.

In 2020, Majid Al Futtaim Retail will open its first store in Uzbekistan, with plans for further expansion to new markets in Central Asia and Africa and to scale up its ecommerce capacity to meet growing online demand, through innovative fulfilment solutions.

Majid Al Futtaim Ventures continued its expansion across the region through its diversified portfolio of businesses. VOX Cinemas reached a business milestone by opening its 500^{th} screen. In KSA, VOX Cinemas further strengthened its market share, opening 78 new screens and bringing the total number opened in the Kingdom to 82. Majid Al Ventures also introduced Dreamscape, an immersive virtual reality experience at Mall of the Emirates, it is the first Dreamscape experience to open outside of the USA.

In 2020, VOX Cinemas will continue its expansion drive in KSA in line with its plan to open 600 screens in the country by 2023.

During 2019, **the Group** continued its digital transformation journey, advancing capabilities in data and analytics, technology and online customer experience. With online retail gaining increased traction in core markets, both Carrefour and VOX Cinemas doubled the value of their digital sales compared to 2018.

The Group also launched SHARE, an app-based group-wide lifestyle rewards programme that has already reached more than one million members in the UAE.

Financial results and highlights

Majid Al Futtaim delivered strong growth despite the macroeconomic headwinds in some of the markets. Majid Al Futtaim's revenue for the year 2019 is AED 35,156 million, a 1% increase over 2018 revenue of AED 34,655 million.

EBITDA also grew in line with revenue by 1% to AED 4,631 million (2018: AED 4,602 million). EBITDA is considered to be a key measure of Group's operating performance and cash generation. It is defined as earnings before interest, tax, non-controlling interests, depreciation, amortization, impairment and other exceptional items or charges or credits that are one-off in nature and significance.

2019 ended with a net loss of AED 1,923 million compared to a net loss of AED 4 million in 2018, mainly driven by valuation and impairment losses across a number of properties and development projects. The fair value of the investment properties and land & buildings within Property Plant and Equipment is determined by independent external RICS Chartered Surveyors and Valuers, prepared in accordance with the RICS Valuation global standards.

- Fair value loss of AED 2,787 million was taken on completed properties versus a loss of AED 1,166 million in the previous year. This reflects the persisting pressure on rentals from competition and changing consumer sentiments, and Group's approach to be financially responsible and commitment to transparent and high quality disclosures
- Impairment loss of AED 1,191 million (2018: loss of AED 1,358 million) was recognized on properties under construction, certain store assets and intangibles. The primary reasons are the challenging economic environment, more prudent occupancy levels and deferral to the opening dates, based on market realities.

Other financial reporting matters

- Group adopted IFRS 16 "leases" from 1 January 2019, the standard has significantly changed the accounting under operating lease for lessees. Considering, the Group has major operating leases (mainly Retail and Ventures), the standard has a significant impact on the financial position and performance. On transition, the Group adopted modified retrospective approach, whereby the right-of-use asset is equal to the lease liability, except for certain reclassifications of pre-payments, lease premiums and accrued lease rentals to the asset. At 31 December 2019, the carrying amount of lease liability and right-of-use asset are AED 4,563 million and AED 4,851 million, respectively.
- As of 31 December 2019, the Group's plan to sell the "Najm"credit card portfolio is in advanced stage and accordingly, the net receivable book, amounting to AED 671 million and associated liabilities of AED 44 million have been classified as "held for sale". Total loss recognized in consolidated financial statements with respect to this disposal is AED 79 million.

Financing

In 2019 'BBB' credit rating was reaffirmed with a stable outlook, by both Standard & Poor's and Fitch, for an eight-consecutive year. The ratings reiterate the Group's credit strengths, resilience of its business model, quality of assets, strong corporate governance and prudent financial management.

Majid Al Futtaim closed 2019 with a solid financial and liquidity position covering its net financing needs for more than the next four years, through its cash and available committed lines. During the year, the Company refinanced existing debt through two Green Sukuk issuances totaling to USD 1.2 billion (AED 4,400 million), with the initial issue being the world's first benchmark size corporate Green Sukuk. The proceeds will be used to finance Majid Al Futtaim's existing and future green projects, including green buildings, renewable energy, sustainable water management, and energy efficiency.

Sustainability

Majid Al Futtaim's investments in sustainable experiences and initiatives continued to grow in 2019. Group's sustainability strategy, Dare Today, Change Tomorrow, brings together all Majid Al Futtaim's businesses under one overarching sustainability vision. Securing a low risk ESG (environmental, social, and governance) rating, issuing the world's first benchmark size corporate Green Sukuk confirming Group's commitment to transition to low carbon economy and launching policy to phase out single use plastic from its operations by 2025 were key milestones in Group's sustainability journey.

Dividend

In the current year, the Company declared a dividend of AED 870 million (2018: AED 1,360 million).

Directors

The following comprise the Board of Directors:

- Sir Michael Rake (Chairman)
- Tariq Al Futtaim
- Alain Bejjani
- Sir Ian Davis
- Alan Keir
- Victor Chu
- Philip Bowman
- Lord Stuart Rose
- Luc Vandevelde

Auditors

A resolution dealing with the reappointment of the auditors shall be proposed at the forthcoming general meeting.

By the order of the Board

Company Secretary

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Independent Auditors' Report

To the Shareholders of Majid Al Futtaim Holding LLC

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Majid Al Futtaim Holding LLC ("the Company") and its subsidiaries ("the Group"), which comprise the consolidated statement of financial position as at 31 December 2019, the consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2019, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with International Ethics Standards Board for Accountants Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of the consolidated financial statements in the United Arab Emirates, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter
Valuation of properties *Refer to notes 14 and 16 to the consolidated financial statements*	
The Group's accounting policy is to state its properties (primarily comprising of shopping malls, hotels, offices and land) at fair value at each reporting date. The valuation of the property portfolio is a significant area of judgment and is underpinned by a number of assumptions. The existence of significant estimation uncertainty and lack of comparable transactions warrants specific audit focus on this area. The Group engaged professionally qualified external valuers to fair value its property portfolio performing their work in accordance with the Royal Institution of Chartered Surveyors ('RICS') Valuation – Professional Standards. The property portfolio (excluding land bank and properties under development where the external valuers stated that fair value is not reliably determinable) was valued using discounted cash-flows less the cost to complete any redevelopment of existing properties. The valuation of land is based on sales comparison method. Key inputs in the valuation process included discount rates, yield rates, average daily rates, contracted estimated rental values, forecasted operating expenses and cost to complete estimates, which are influenced by prevailing market forces and the specific characteristics, such as property location, income return, growth rate, occupancy rate and development progress, of each property in the portfolio.	• We assessed the competence, independence and integrity of the external valuers and whether the valuation approach was suitable for use in determining the fair value of the properties in the consolidated statement of financial position. • We reviewed the terms of engagement of the external valuers with the Group to determine whether there were any matters that might have affected their objectivity or may have imposed limitations upon their scope of work. • We carried out procedures on selected properties of the portfolio to test whether property-specific current information supplied to the external valuers by management reflects the underlying property records held by the Group which have been tested during our audit. • In respect of any existing properties under redevelopment or properties under advanced stages of construction where the external valuer is of the view that fair value can be reliably determined, we have reviewed management's assessment of the cost to complete the development / construction by examining a sample of the underlying development / construction agreements with the contractors, the latest budgeted capital expenditure / feasibility updates as approved by the Group's Board of Directors and minutes of meetings of the Project Cost Review (PCR) regarding the progress of the projects to date and the estimated future work and costs.

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Key audit matter *(continued)*	**How our audit addressed the key audit matter** *(continued)*
Valuation of properties *(continued)*	
The key driver of the property valuations in relation to the shopping malls is the contracted terms of the leases in place at the valuation date. These determine the majority of the secured cash flow profile of the property for the contracted lease term and therefore form the base of the valuation. The key driver of the property valuations in relation to hotels is the estimated EBITDA (Earnings before interest, tax, depreciation and amortisation) that a market participant would expect to generate from the hotel operations. The valuation assumes adjustments from the existing contracted rental values in place at the valuation date to the estimated market rent at the time of the next rent review and as existing lease contracts expire and are expected to be replaced by new leases. These estimates can be several years into the future.	• We met with the external valuers of the property portfolio to discuss the results of their work. • We involved our valuation specialists to assess the valuation methodology and determine that significant assumptions including market comparability for land, discount rates, compounded annual growth rate, EBITDA margin, yield rates for certain shopping malls and hotels are within an acceptable range. • We discussed and challenged the valuation process, overall performance of the portfolio, significant areas of judgement and key assumptions. • We evaluated year-on-year movements in property valuations with reference to published benchmarks, if any. Where assumptions were outside the expected range or otherwise deemed unusual, and / or valuations appeared to experience unexpected movements, we undertook further inquiries and, where necessary, held further discussions with the external valuers in order to challenge the assumptions. • Based on the outcome of our evaluation, we assessed the adequacy of disclosures in the consolidated financial statements.

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Key audit matter *(continued)*	**How our audit addressed the key audit matter** *(continued)*

Impairment of assets under construction comprising of investment properties

Refer to notes 14 and 16 to the consolidated financial statements

The carrying value of Group's properties under construction is AED 3,794 million as at 31 December 2019.

Properties under construction, where the fair value cannot be measured reliably, are accounted for using the cost model until the earlier of the date on which the fair value of the property can be measured reliably or the date on which the construction is completed. Management assesses the potential for impairment in relation to the carrying value of these properties held at cost on an ongoing basis.

There is inherent uncertainty involved in forecasting and discounting future cash flows which forms the basis of assessment of recoverability.

Properties under construction are assessed for impairment by comparing the carrying value of the asset with the recoverable amount using discounted cash-flows and terminal value using an appropriate yield rate. The yield rate is benchmarked with that provided by the external valuers for the asset taking into account the size of the asset and the country in which the asset is operating. Key inputs include discount rates, yield rates, contracted / forecasted lease rent, forecasted additional costs to complete, forecasted operating expenses and forecasted occupancy rates.

- We evaluated management's process for identification of indicators of impairment of assets.
- We considered the methodology adopted by the Group to develop the cash flow forecasts, tested the calculations of the impairment model for accuracy and performed sensitivity analysis on key assumptions and judgements.
- We assessed the historical accuracy of the Group's forecasting to challenge the reasonableness and the significant assumptions and critical areas of judgement including forecasted lease rent, operating expenses, forecasted additional costs to complete, forecasted occupancy rates and growth rate by comparing the relevant data with the financial budgets approved by the Board of Directors, and by comparison with market available data and our knowledge of the business of the Groups experience in respect of operating other comparable assets.
- We assessed whether there were any indicators of management bias in the selection of significant assumptions and critical areas of judgement.
- We involved our valuation specialists to determine whether the discount/ yield rates are within acceptable range.
- Based on the outcome of our evaluation, we assessed the adequacy of disclosures in the consolidated financial statements.

Key audit matter *(continued)*	How our audit addressed the key audit matter *(continued)*
Supplier balances and sourcing (rebates and benefits)	
Refer to notes 9 and 10 to the consolidated financial statements	
Within the scope of its retail activities, the Group receives rebates and benefits from its suppliers in the form of discounts and commercial cooperation fees. These rebates and benefits, generally paid based on a percentage defined contractually, and on purchases made from suppliers, are recorded as a deduction from cost of goods sold. Additionally, the Group also receives service income from certain suppliers towards promotional, marketing and other specific services including in-store displays which are recorded as revenue. The variety and number of the buying arrangements with suppliers on rebates and benefits can make it judgmental to determine the performance conditions associated with these supplier rebates and benefits. This requires a detailed understanding of the contractual arrangements as well as complete and accurate source data to calculate the supplier benefits due to the Group. There may also be incentives or pressures for buyers to manipulate the timing of when these supplier rebates and benefits are recognized to meet internal targets.	• We performed tests to assess whether the accounting treatment was appropriate including the timing of recognition of supplier rebates and benefits, and on a sample basis, verifying that amounts recognised were accurate and recorded in the correct accounting period based on the contractual performance terms mentioned in the individual supplier agreements. • We performed revenue and margin analysis to understand trends by product category in order to identify, and test anomalies, if any, which may indicate potential errors in accounting for supplier rebates and benefits. • We tested, on a sample basis, supplier reconciliation statements and supplier balance confirmations / statements to verify that any significant reconciling items including supplier rebates and benefits are valid and are cleared in a timely manner.

Key audit matter _(continued)_	**How our audit addressed the key audit matter** _(continued)_

Supplier balances and sourcing (rebates and benefits) _(continued)_

Considering the material impact of these arrangements on financial performance, the large number of contracts concerned and the necessity for management to estimate the purchases covered by these rebates and benefits for each supplier, we considered accounting for sourcing rebates and benefits and the related supplier balance reconciliations to be a key audit matter.

- Our IT specialists tested the general IT control and access control environment of the merchandising and supplier benefits application employed by management, to verify the accuracy of the calculation, interface to the financial application and the restriction over access to configure or update supplier rebates and benefit terms in the IT application.

Transition impact on adoption of IFRS 16 _Leases_

Refer to notes 5, 16 and 32 to the consolidated financial statements

IFRS 16 Leases introduces a new lease accounting model, where lessees are required to recognize right-of-use (ROU) asset and a lease liability arising from a lease on its statement of financial position. IFRS 16 Leases was adopted was by the Group effective 1 January 2019, using the modified retrospective approach. The Group has recognized lease liabilities amounting to AED 4,180 million and right-of-use asset amounting to AED 4,249 million as on the date of transition.

Significant judgment is required in the assumptions and estimates used in order to determine lease term, co-tenancy rebates, incremental borrowing rate, etc. for computation of ROU asset and lease liability.

Given this being the first year of application of IFRS 16, the inherently judgmental nature for determining the lease liabilities and the significant impact arising from transition adjustment, this is considered as a key audit matter.

- We evaluated the appropriateness of the selection of accounting policies based on the requirements of IFRS 16 including factors such as transition approach, and practical expedients applied;
- We evaluated the completeness of the lease population considered for transition adjustments;
- We evaluated and challenged the reasonableness of assumptions and estimates used by management in the calculation of transition adjustment;

Key audit matter *(continued)*	**How our audit addressed the key audit matter** *(continued)*

Transition impact on adoption of IFRS 16 *Leases (continued)*

- We obtained the Group's quantification of ROU assets and lease liabilities. For a sample of leases, we agreed the inputs used in the quantification to the lease agreements and performed re-computation of lease liabilities. In addition, for the sample selected, we also re-computed the ROU in accordance with the transition adjustments considered by management;

- We assessed and challenged the appropriateness of the discount rates applied in determining lease liabilities with input from our valuation specialists;

- We assessed whether the related disclosures within the consolidated financial statements are appropriate in light of the requirements of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors.

Other Information

Management is responsible for the other information. The other information comprises the information included in the Directors' report but does not include the consolidated financial statements and our auditors' report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS, and their preparation in compliance with the applicable provisions of the UAE Federal Law No. (2) of 2015, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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Auditors' Responsibilities for the Audit of the Consolidated Financial Statements (continued)

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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 Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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Auditors' Responsibilities for the Audit of the Consolidated Financial Statements (continued)

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

Further, as required by the UAE Federal Law No. (2) of 2015, we report that:

i) we have obtained all the information and explanations we considered necessary for the purposes of our audit;

ii) the consolidated financial statements have been prepared and comply, in all material respects, with the applicable provisions of the UAE Federal Law No. (2) of 2015;

iii) the Group has maintained proper books of account;

iv) the financial information included in the Directors' report, in so far as it relates to these consolidated financial statements, is consistent with the books of account of the Group;

v) as disclosed in note 6 to the consolidated financial statements, the Group purchased shares during the year ended 31 December 2019;

vi) note 28 to the consolidated financial statements discloses material related party transactions and the terms under which they were conducted;

vii) based on the information that has been made available to us nothing has come to our attention which causes us to believe that the Group has contravened during the financial year ended 31 December 2019 any of the applicable provisions of the UAE Federal Law No. (2) of 2015 or in respect of the Company, its Articles of Association, which would materially affect its activities or its consolidated financial position as at 31 December 2019; and

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Report on Other Legal and Regulatory Requirements _(continued)_

viii) note 11 to the consolidated financial statements discloses the social contributions made during the year.

KPMG Lower Gulf Limited

Richard Ackland
Registration No.: 1015
Dubai, United Arab Emirates

Date: 20 FEB 2020

Consolidated statement of profit or loss and other comprehensive income for the year ended 31 December

(AED in millions)	Note	2019	2018
Revenue	9.2	35,156	34,655
Cost of sales	10.2	(23,658)	(23,477)
Operating expenses	11	(8,218)	(7,963)
Finance costs - net	12.2	(772)	(445)
Other expense - net	13	(106)	(132)
Impairment charge on non-financial assets - net	14.3	(1,191)	(1,358)
Impairment charge on financial assets - net	14.4	(196)	(147)
Share of profit from equity-accounted investees - net	18.3 & 18.4	49	87
Profit before valuation loss on land and buildings		**1,064**	**1,220**
Net valuation loss on land and buildings	16.5.1	(2,787)	(1,166)
(Loss)/profit before tax		**(1,723)**	**54**
Tax charge - net	15.2	(200)	(58)
Loss for the year		**(1,923)**	**(4)**
Loss for the year attributable to:			
- Owners of the Company		(1,940)	(26)
- Non-controlling interests	6.3	17	22
Loss for the year		**(1,923)**	**(4)**
Loss for the year		**(1,923)**	**(4)**
Other comprehensive income			
Items that will not be reclassified to profit or loss:			
Net valuation loss on land and buildings - net	16.4.2	(241)	(104)
Deferred tax (charged)/credited on revaluation of land and buildings	15.4 & 15.5	(21)	4
		(262)	**(100)**
Items that are or may be reclassified subsequently to profit or loss:			
Foreign currency translation differences from foreign operations	34.6	201	(14)
Net change in fair value of cash flow hedges	12.4	(53)	14
		148	-
Total other comprehensive income for the year		**(114)**	**(100)**
Total comprehensive income for the year		**(2,037)**	**(104)**
Total comprehensive income for the year attributable to:			
- Owners of the Company		(2,054)	(128)
- Non-controlling interests	6.3	17	24
Total comprehensive income for the year		**(2,037)**	**(104)**

The notes on pages 24 to 77 are an integral part of these consolidated financial statements.

The independent auditors' report is set out on pages 6 to 16.

Consolidated statement of financial position as at 31 December

(AED in millions)	Note	2019	2018
Non-current assets			
Property, plant and equipment	16.4	12,181	12,254
Investment properties	16.5	36,167	37,309
Right-of-use assets	16.6	4,563	-
Equity-accounted investees	18.2	796	874
Long term receivable from related parties	28.1	17	40
Intangible assets and goodwill	19.2	1,555	1,556
Deferred tax assets	15.4	55	68
Other non-current assets	20	676	889
Total non-current assets		**56,010**	**52,990**
Current assets			
Inventories	21	2,325	2,332
Trade and other receivables	22	1,855	2,749
Short term loan to related parties	28.2	162	68
Due from related parties	28.5	656	676
Cash in hand and at bank	23	1,406	1,516
		6,404	**7,341**
Assets held for sale	24	671	29
Total current assets		**7,075**	**7,370**
Total assets		**63,085**	**60,360**
Current liabilities			
Trade and other payables	25	8,668	7,606
Provisions	26.2	370	292
Other liabilities	27	1,841	1,846
Short term loan from a related party	28.3	164	41
Due to related parties	28.6	45	41
Bank overdraft	29	8	92
Short term loan	30	-	73
Current maturity of long term loans	31	83	1,973
Current maturity of lease liabilities	32.3	536	-
		11,715	**11,964**
Liabilities directly associated with assets held for sale	24	44	-
Total current liabilities		**11,759**	**11,964**
Non-current liabilities			
Long term loans	31	13,801	11,813
Long term loans from related parties	28.4	30	31
Finance lease liabilities	32.3	4,315	44
Deferred tax liabilities	15.5	190	106
Provisions	26.2	53	69
Post employment benefit obligations	33	772	725
Other liabilities	27	91	368
Total non-current liabilities		**19,252**	**13,156**
Total liabilities		**31,011**	**25,120**
Net assets		**32,074**	**35,240**

Consolidated statement of financial position as at 31 December (continued)

(AED in millions)	Note	2019	2018
Equity			
Share capital	34.2	2,671	2,671
Statutory reserve	34.4	2,984	2,984
Revaluation reserve		18,148	18,410
Retained earnings		6,194	9,199
Hedging reserve	34.5	(65)	(12)
Currency translation reserve	34.6	(1,693)	(1,894)
Total equity attributable to the owners of the Company		**28,239**	**31,358**
Hybrid equity instrument	35	3,292	3,292
Non-controlling interests	6.3	543	590
Total equity		**32,074**	**35,240**

The consolidated financial statements were approved by the Board of Directors and signed on their behalf on 20 February 2020:

Majid Al Futtaim Holding LLC
Chief Executive Officer

Majid Al Futtaim Holding LLC
Chief Financial Officer

The notes on pages 24 to 77 are an integral part of these consolidated financial statements.
The independent auditors' report is set out on pages 6 to 16.

Consolidated statement of cash flows for the year ended 31 December

(AED in millions)	Note	2019	2018
Cash flows from operating activities			
Loss for the year after tax		(1,923)	(4)
Adjustments for:			
Net valuation loss on land and buildings	16.5.1	2,787	1,166
Finance costs - net	12.2	772	445
Depreciation and amortization	11	2,181	1,503
Tax charge - net	15.2	200	58
Share of profit from equity-accounted investees	18.3 & 18.4	(49)	(87)
Fixed assets written-off	13	64	148
Impairment charge on non-financial assets - net	14.3	1,191	1,358
Impairment charge on financial assets - net	14.4	196	147
Loss on disposal of investment in a joint venture	24.2	29	-
Post employment benefit obligations - net	33.2	47	50
		5,495	**4,784**
Changes to working capital			
Inventories		7	(28)
Trade and other receivables		(63)	(337)
Trade and other payables		960	365
Due from/to related parties - net		39	11
		943	**11**
Tax paid		(82)	(70)
Net cash generated from operating activities		**6,356**	**4,725**
Cash flow from investing activities			
Acquisition of property, plant and equipment, investment property and development property		(3,768)	(4,631)
Payment of deferred consideration for acquisition of a business	27.1	(38)	(39)
Payments against acquisition of intangible assets	19.2	(156)	(117)
Investment in equity accounted investees		-	(27)
Payment of liability for acquisition of intangible asset		-	(11)
Proceeds from sale of property, plant and equipment and investment properties		19	46
Proceeds from sale of healthcare business		-	35
Encashment/(placement) of fixed deposits - net		49	(89)
Dividend received from equity-accounted investees	18.3 & 18.4	45	52
Finance income received		49	74
Net cash used in investing activities		**(3,800)**	**(4,707)**

Consolidated statement of cash flows for the year ended 31 December (continued)

(AED in millions)	**Note**	**2019**	**2018**
Cash flow from financing activities			
Proceeds from term loans received from related parties	28.3	172	202
Repayment of term loan to related parties	28.3	(919)	(1,277)
Term loans granted to related parties		(4)	(4)
Term loans repaid by a related party		11	-
Long term loans received	31	14,823	9,678
Long term loans repaid	31	(14,935)	(7,055)
Short term loans received	30	786	1,818
Short term loans repaid	30	(859)	(1,800)
Payment against finance lease liability	32.3	(720)	(3)
Collateral paid against derivative instruments - net		49	(54)
Issuance of hybrid equity instrument - net	35	-	1,464
Repurchase of hybrid equity instrument - net	35	-	(1,873)
Capital contribution in a subsidiary by a non-controlling interest		(15)	77
Finance cost paid		(678)	(625)
Coupon paid on hybrid equity instrument	35	(195)	(216)
Dividend paid to non-controlling interest		(49)	(16)
Net cash flows (used in)/from financing activities		**(2,533)**	**316**
Net increase in cash and cash equivalents		**23**	**334**
Cash and cash equivalents at the beginning of the year*		1,228	894
Cash and cash equivalents at the end of the year	**23.5**	**1,251**	**1,228**

* Cash and cash equivalents includes bank overdrafts that are repayable on demand and form an integral part of the Group's cash management.

The notes on pages 24 to 77 are an integral part of these consolidated financial statements.
The independent auditors' report is set out on pages 6 to 16.

Consolidated statement of changes in equity for the year ended 31 December

	Attributable to owners of the Company									
(AED in millions)	Share capital	Statutory reserve	Revaluation reserve	Retained earnings	Hedging reserve	Currency translation reserve	Total equity	Hybrid equity instrument	Non-controlling interests	Total
At 1 January 2018, as previously reported	**2,487**	**2,882**	**18,510**	**10,836**	**(26)**	**(1,878)**	**32,811**	**3,654**	**509**	**36,974**
Adjustment on initial application of IFRS 9 (net of tax)	**-**	**-**	**-**	**1**	**-**	**-**	**1**			**1**
Adjustment on initial application of IFRS 15 (net of tax)	**-**	**-**	**-**	**109**	**-**	**-**	**109**			**109**
Adjusted balance at 1 January 2018	**2,487**	**2,882**	**18,510**	**10,946**	**(26)**	**(1,878)**	**32,921**	**3,654**	**509**	**37,084**
Total comprehensive income for the year										
Net (loss)/profit for the year	-	-	-	(26)	-	-	**(26)**	-	22	**(4)**
Other comprehensive income										
Net loss on valuation of land and buildings (note 16.4.2)	-	-	(104)	-	-	-	**(104)**	-	-	**(104)**
Deferred tax credit arising on revaluation of land and buildings (note 15.4 and 15.5)	-	-	4	-	-	-	**4**	-	-	**4**
Net change in fair value of cash flow hedges (note 12.4)	-	-	-	-	14	-	**14**	-	-	**14**
Currency translation differences in foreign operations (note 34.6)	-	-	-	-	-	(16)	**(16)**	-	2	**(14)**
Total comprehensive income for the year	**-**	**-**	**(100)**	**(26)**	**14**	**(16)**	**(128)**	**-**	**24**	**(104)**
Transactions with owners recorded directly in equity										
Contribution by and distributions to owners and other movement in equity										
Capital contribution by the Parent Company (note 34.2.1)	184	-	-	-	-	-	**184**	-	-	**184**
Capital contribution by a non-controlling shareholder	-	-	-	-	-	-	**-**	-	77	**77**
Reclassification of non-controlling interest to retained earnings	-	-	-	4	-	-	**4**	-	(4)	**-**
Dividend declared and settled / paid (note 34.3)	-	-	-	(1,360)	-	-	**(1,360)**	-	(16)	**(1,376)**
Transfer to statutory reserve (note 34.4)		102		(102)	-	-	**-**	-	-	**-**
Total contribution by and distribution to owners	**184**	**102**	**-**	**(1,458)**	**-**	**-**	**(1,172)**	**-**	**57**	**(1,115)**
Hybrid prepetual note instruments										
Issuance of hybrid equity instrument (note 35)	-	-	-	-	-	-	**-**	1,464	-	**1,464**
Buy back of hybrid equity instrument (note 35)	-	-	-	(11)	-	-	**(11)**	(1,826)	-	**(1,837)**
Premium paid on buy back of hybrid equity instrument (note 35)	-	-	-	(36)	-	-	**(36)**	-	-	**(36)**
Coupon paid on hybrid equity instrument (note 35)	-	-	-	(216)	-	-	**(216)**	-	-	**(216)**
	-	**-**	**-**	**(263)**	**-**	**-**	**(263)**	**(362)**	**-**	**(625)**
At 31 December 2018	**2,671**	**2,984**	**18,410**	**9,199**	**(12)**	**(1,894)**	**31,358**	**3,292**	**590**	**35,240**

The notes on pages 24 to 77 are an integral part of these consolidated financial statements.

Consolidated statement of changes in equity for the year ended 31 December (continued)

	Attributable to owners of the Company									
(AED in millions)	**Share capital**	**Statutory reserve**	**Revaluation reserve**	**Retained earnings**	**Hedging reserve**	**Currency translation reserve**	**Total equity**	**Hybrid equity instrument**	**Non-controlling interests**	**Total**
At 1 January 2019	**2,671**	**2,984**	**18,410**	**9,199**	**(12)**	**(1,894)**	**31,358**	**3,292**	**590**	**35,240**
Total comprehensive income for the year										
Net (loss)/profit for the year	-	-	-	(1,940)	-	-	(1,940)	-	17	(1,923)
Other comprehensive income										
Net loss on valuation of land and buildings (note 16.4.2)	-	-	(241)	-	-	-	(241)	-	-	(241)
Deferred tax credit arising on revaluation of land and buildings (note 15.4 and 15.5)	-	-	(21)	-	-	-	(21)	-	-	(21)
Net change in fair value of cash flow hedges (note 12.4)	-	-	-	-	(53)	-	(53)	-	-	(53)
Currency translation differences in foreign operations (note 34.6)	-	-	-	-	-	201	201	-	-	201
Total comprehensive income for the year	**-**	**-**	**(262)**	**(1,940)**	**(53)**	**201**	**(2,054)**	**-**	**17**	**(2,037)**
Transactions with owners recorded directly in equity										
Contribution by and distributions to owners and other movement in equity										
Capital contribution by a non-controlling shareholder	-	-	-	-	-	-	-	-	11	11
Repayment of shareholder's contribution	-	-	-	-	-	-	-	-	(26)	(26)
Dividend declared and settled / paid (note 34.3)	-	-	-	(870)	-	-	(870)	-	(49)	(919)
Total contribution by and distribution to owners	**-**	**-**	**-**	**(870)**	**-**	**-**	**(870)**	**-**	**(64)**	**(934)**
Hybrid prepetual note instruments										
Coupon paid on hybrid equity instrument (note 35)	-	-	-	(195)	-	-	(195)	-	-	(195)
	-	**-**	**-**	**(195)**	**-**	**-**	**(195)**	**-**	**-**	**(195)**
At 31 December 2019	**2,671**	**2,984**	**18,148**	**6,194**	**(65)**	**(1,693)**	**28,239**	**3,292**	**543**	**32,074**

The notes on pages 24 to 77 are an integral part of these consolidated financial statements.

Notes to the consolidated financial statements

1. LEGAL STATUS AND PRINCIPAL ACTIVITES

Majid Al Futtaim Holding LLC ("the Company") is registered as a limited liability company in the Emirate of Dubai under the UAE Federal Law No. 2 of 2015 as applicable to commercial companies.

The principal activity of the Company is to invest in subsidiaries that are involved in establishing, investing in and managing commercial projects. The activities of its subsidiaries include establishment and management of shopping malls, hotels, residential projects, hypermarkets, supermarkets, fashion retailing, leisure and entertainment, credit cards operations, leasing and investment activities. The Company and its subsidiaries are collectively referred to as "the Group". The Company is wholly owned by Majid Al Futtaim Capital LLC ("the Parent Company").

The registered address of the Group and its Parent Company is P.O. Box 91100, Dubai, United Arab Emirates.

2. BASIS OF PREPARATION

These consolidated financial statements, which include the financial position and performance of the Company, it's subsidiaries, associates and joint ventures, have been prepared on a going concern basis in accordance with International Financial Reporting Standards ("IFRS(s)") and the requirements of the UAE Federal Law No. 2 of 2015, and the relevant laws applicable to the various entities comprising the Group. These are presented in United Arab Emirates Dirhams ("AED") (rounded to the nearest millions unless otherwise stated), which is the Company's functional currency. This is the first set of consolidated financial statements where IFRS 16 has been applied. Changes to significant accounting policies are disclosed in notes below.

These consolidated financial statements have been prepared under the historical cost convention, except for the following which are measured at fair value:

- Investment properties
- Certain classes of property, plant and equipment
- Certain non-derivative financial instruments at fair value through profit or loss
- Derivative financial instruments

These consolidated financial statements were authorized for issue by the Board of Directors on 20 February 2020.

3. USE OF JUDGEMENTS AND ESTIMATES

In preparing the consolidated financial statements, management has made judgments, estimates and assumptions that affect the application of the Group's accounting policies and the reported amount of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognized prospectively. Information about significant areas of estimation, uncertainty and critical judgment in applying accounting policies that have most significant effect on the amounts recognized in these consolidated financial statements are set out in the respective notes and are summarized below.

• Classification of properties	Note 16.2
• Valuation of properties and apportionment fair values between land and buildings	Note 16.2
• Estimation or forecast of cost to complete	Note 16.2
• Impairment of non-financial assets	Note 14.2
• Supplier balances and sourcing (rebates)	Note 10.1
• Impairment testing of goodwill	Note 19.4
• Determining lease term payments and incremental borrowing rates in calculating lease liabilities	Note 32.2
• Measurement of defined benefit obligations	Note 33.1.1

New significant judgments and key sources of estimation uncertainty related to the initial application of IFRS 16 are disclosed in note 5.1.1.

4. FAIR VALUE MEASUREMENT

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an ordinary transaction between market participants at the measurement date. The Group measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

Level 1: Quoted prices (unadjusted) in active markets for identical assets. An 'active market' is a market in which transactions for the asset take place with sufficient frequency and volume for pricing information to be provided on an ongoing basis.

Level 2: Valuation techniques based on observable inputs, either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes assets/liabilities valued using: quoted market prices in active or the most advantageous market for similar assets/liabilities; quoted prices for identical or similar assets/liabilities; or other valuation techniques where all significant inputs are directly or indirectly observable from market data.

Level 3: Inputs for the asset that are not based on observable market data (unobservable inputs). This category includes instruments whose inputs are not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. For example discount rates, growth rates, net equivalent yield etc.

5. SIGNIFICANT ACCOUNTING POLICIES

The Group has consistently applied the accounting policies to all periods presented in these consolidated financial statements.

Accounting policy	Note reference	Page No.
Foreign currency	5.3.1	27
Offsetting	5.3.2	28
Assets classified as held for sale	5.3.3	28
Basis of consolidation	6.1	28
Business combinations	7.1	31
Operating segments	8.1	31
Revenue recognition	9.1	34
Finance income and expenses	12.1	37
Impairment of non-financial assets	14.1.1	38
Impairment of financial assets	14.1.2	38
Tax	15.1	41
Property, plant and equipment	16.1.1	43
Capital work in progress	16.1.2	44
Investment property	16.1.3	44
Right-of-use assets	16.1.4	45
Development property	17.1	50
Investments	18.1	50
Intangible assets and goodwill	19.1	53
Inventories	21.1	55
Cash and cash equivalents	23.1	56
Provisions	26.1.1	57
Employee benefits (long term and short term)	26.1.2 & 26.1.3	57
Leases	32.1	63
Post employment benefit obligations	33.1	67
Share capital	34.1	67
Non-derivative financial assets	36.1.1	69
Non-derivative financial liabilities	36.1.2	70
Derivative financial instruments	36.1.3	70

5.1 Amendments to IFRSs that are mandatorily effective for the current year

In the current year, the Group has applied a number of amendments to IFRSs that are mandatorily effective for an accounting period that begins on or after 1 January 2019:

- IFRIC 23 *Uncertainty over Income Tax Treatments*
- *Prepayment Features with Negative Compensation (Amendments to IFRS 9)*
- *Long-term Interests in Associates and Joint Ventures (Amendments to IAS 28)*
- *Plan Amendment, Curtailment or Settlement (Amendments to IAS 19)*
- *Annual Improvements to IFRSs 2015-2017 Cycle (Amendments to IFRS 3, IFRS 11, IAS 12 and IAS 23)*

These standards and amendments do not have a significant impact on the Group's consolidated financial statements as at 31 December 2019.

Change in significant accounting policies

The Group has applied IFRS 16 from 1 January 2019. The Group applied IFRS 16 using modified retrospective approach, under which the cumulative effect of initial application is recognized in retailed earnings at 1 January 2019. Accordingly, the comparative information presented for 2018 is not restated - i.e. it is presented, as previously reported, under IAS 17 and related interpretations. The details of changes in accounting policies are disclosed below. Additionally, the disclosure requirements for IFRS 16 have not generally been applied to comparative information.

5.1.1 IFRS 16 Leases

A Definition of a lease

Previously, the Group determined at contract inception whether an arrangement was or contained a lease under *IFRIC 4 Determining whether an Arrangement contains a Lease.* The Group now assesses whether a contract is or contains a lease based on definition of lease, as explained in note 32.1.

On transition to IFRS 16, the Group elected to apply the practical expedient to grandfather the assessment of which transactions are leases. The Group applied IFRS 16 only to contracts that were previously identified as leases. Contracts that were not identified as leases under IAS 17 and IFRIC 4 were not reassessed for whether there is a lease under IFRS 16. Therefore, the definition of a lease under IFRS 16 was applied only to contracts entered into or changed on or after 1 January 2019.

B As a Lessee

The Group leases many assets, including properties, retail stores, office buildings and warehouses.

As a lessee, the Group previously classified leases as operating or finance leases based on its assessment of whether the lease transferred substantially all of the risks and rewards of ownership. Under IFRS 16, the Group recognizes right-of-use assets and lease liabilities for most leases - i.e. these leases are on-balance sheet.

At commencement or on modification of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of its relative stand-alone price.

i *Leases classified as operating leases under IAS 17*

Previously, the Group classified property leases as operating leases under IAS 17. On transition, for these leases, lease liabilities were measured at the present value of the remaining lease payments, discounted at the Group's incremental borrowing rate as at 1 January 2019. Right-of-use assets are measured at either:

- their carrying amount as if IFRS 16 had been applied since commencement date, discounted using the Group's incremental borrowing rate at the date of initial application: the Group did not apply this approach; or
- an amount equal to the lease liability, adjusted by the amount of any pre-paid, lease premiums or accrued lease payments: the Group applied this approach to all leases.

The Group has tested its right-of-use assets for impairment on the date of transition and has concluded that there is no indication that the right-of-use assets are impaired.

The Group used a number of practical expedients when applying IFRS 16 to leases previously classified as operating leases under IAS 17. In particular, the Group:

- did not recognize right-of-use assets and liabilities for leases for which lease term ends within 12 months of the date of initial application;
- did not recognize right-of-use assets and liabilities for leases of low value assets (e.g. IT equipment); and
- used hindsight when determining the lease term.

ii *Leases classified as finance leases under IAS 17*

The Group has properties constructed on leasehold land. These leases were classified as finance leases under IAS 17. For these finance leases, the carrying amount of the right-of-use asset and the lease liability at 1 January 2019 were determined to be the carrying amount of the lease asset and lease liability under IAS 17 immediately before that date.

C As a Lessor

The Group leases out its investment property, including own property and right-of-use assets. The Group has classified these leases as operating leases.

The Group is not required to make any adjustments on transition to IFRS 16 for leases in which it acts as a lessor, except for sub-lease. Where the Group sub-leases any of its properties. Under IAS 17, the head lease and sub-lease contracts were classified as operating leases. On transition to IFRS 16, the right-of-use assets recognized from the head leases are presented in investment property, and measured at fair value at that date. The Group assessed the classification of the sub-lease contracts with reference to the right-of-use asset rather than the underlying asset, and concluded that they are operating under IFRS 16.

The Group has applied *IFRS 15 Revenue from Contracts with Customers* to allocate consideration in the contract to each lease and non-lease component.

D Impact on financial statements

On transition to IFRS 16, the Group recognized additional right-of-use assets, including right-of-use assets carried at fair value classified in property, plant and equipment. The impact on transition is summarized below:

(AED in millions)	**1 January 2019**
Amounts recognized on transition	
Right-of-use assets presented in property, plant and equipment	114
Right-of-use assets	4,135
Lease liabilities	(4,180)

When measuring lease liabilities for leases that were classified as operating leases, the Group discounted payments using incremental borrowing rates at 1 January 2019 ranging from 3.4% to 19.9%.

(AED in millions)	**1 January 2019**
Operating lease commitment at 31 December 2018 disclosed in the Group's consolidated financial statements	6,028
Discounted using incremental borrowing rate at 1 January 2019	4,180
Finance lease liabilities recognized as at 31 December 2018	44
Lease liabilities recognized at 1 January 2019	**4,224**

5.2 Other standards

A number of new standards are effective for annual periods beginning after 1 January 2019 and earlier adoption is permitted. However, the Group has not early adopted the new or amended standards in preparing these consolidated financial statements.

The following amended standards and interpretations are not expected to have a significant impact on the Group's consolidated financial statements.

	Effective date
• *Amendments to References to Conceptual Framework in IFRS Standards.*	1 January 2020
• *Definition of a Business (Amendments to IFRS 3)*	1 January 2020
• *Long-term Interests in Associates and Joint Ventures (Amendments to IAS 28)*	1 January 2020
• *IFRS 17 Insurance Contracts*	1 January 2021

5.3 General accounting policies

5.3.1 Foreign currency

Foreign currency transactions

Transactions denominated in foreign currencies are translated into respective functional currencies of the Group's entities at the rates of exchange ruling at the date of transaction. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated into functional currency at the exchange rates ruling at that date. Foreign exchange differences arising on translation are recognized in profit or loss.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are translated to functional currency at the exchange rates ruling at the dates when the fair value was determined. Non-monetary assets and liabilities denominated in foreign currencies, which are measured in terms of historical cost, are translated into functional currency at the exchange rates ruling at the date of the transaction.

Foreign exchange differences arising on the translation of non-monetary assets and liabilities carried at fair value are recognized in profit or loss. Foreign exchange differences arising on the translation of non-monetary items in respect of which gains and losses are recognized directly in other comprehensive income are recognized directly in other consolidated statement of comprehensive income.

Foreign operations

The assets and liabilities of foreign operations are translated into the functional currency at foreign exchange rates at the reporting date. Share capital is translated at historical rate. The income and expenses of foreign operations are translated at average rates of exchange for the year. Foreign exchange differences arising on retranslation are recognized directly in other comprehensive income, and are presented in currency translation reserve in equity. However, if the operation is a non-wholly-owned subsidiary, then the relevant proportionate share of the translation difference is allocated to the non-controlling interest.

When a foreign operation is disposed-off partially or in its entirety such that control, significant influence or joint control is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal. When the Group disposes off only part of its interest in a subsidiary that includes a foreign operation while retaining control, the relevant proportion of the cumulative amount is reattributed to non-controlling interests. When the Group disposes only a part of its investment in an associate or joint venture that includes a foreign operation while retaining significant influence or joint control, the relevant proportion of the cumulative amount is reclassified to profit or loss.

When the settlement of a monetary item receivable from or payable to a foreign operation is neither planned nor likely in the foreseeable future, foreign exchange gains and losses arising from such a monetary item are considered to form part of a net investment in a foreign operation and are recognized in other comprehensive income, and presented in the currency translation reserve in equity.

5.3.2 Offsetting

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position when, and only when, the Group has a legally enforceable right to set off the recognized amounts and it intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

Income and expenses are presented on a net basis only when permitted under IFRS, or of gains and losses arising from a group of similar transactions.

5.3.3 Assets classified as held for sale

Non-current assets or disposal groups comprising assets and liabilities that are expected to be recovered primarily through sale rather than through continuing use are classified as held for sale. Immediately before classification as held for sale, the assets or components of a disposal group are measured in accordance with the Group's accounting policies. Thereafter, the assets are measured at the lower of their carrying amount and fair value less costs to sell.

Impairment losses on initial classification as held for sale and subsequent gains and losses on re-measurement are recognized in profit or loss. Gains are not recognized in excess of any cumulative impairment loss previously recognized in profit or loss.

Once classified as held for sale, intangible assets and property, plant and equipment are no longer amortized or depreciated and any equity accounted investee is no longer equity accounted.

6. SUBSIDIARIES

6.1 Accounting policy

Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases.

Upon the loss of control, the Group derecognizes the assets and liabilities of the subsidiary, any non-controlling interests and the other components of equity related to the subsidiary. Any resulting gain or loss arising on the loss of control is recognized in profit or loss. If the Group retains any interest in the previous subsidiary, then such interest is re-measured at fair value on the date that control is lost. Subsequently it is accounted for as an equity-accounted investee or as an available-for-sale financial asset depending on the level of influence retained.

The accounting policies of subsidiaries have been changed, where necessary to align them with the policies adopted by the Group. Losses applicable to non-controlling interests in a subsidiary are allocated to non-controlling interests which may cause the non-controlling interests to have a deficit balance.

Transactions eliminated on consolidation

Intra-group balances and transactions and any unrealized gains and losses arising from intra-group transactions are eliminated in full in preparing these consolidated financial statements. Unrealized gains arising from transactions with jointly controlled entities and associates are eliminated to the extent of the Group's interest in the entity. Unrealized losses are eliminated in the same way as unrealized gains, but only to the extent that there is no evidence of impairment.

Non-controlling interests

Non-controlling interests ('NCI') are measured at their proportionate share of the acquiree's identifiable net assets at the acquisition date.

Interests in other entities

The Group does not hold any direct ownership interest in MAF Sukuk Ltd. (limited liability company incorporated in the Cayman Islands) which is a structured entity. However, based on the terms of the agreement under which this entity is established, the Group receives substantially all of the returns related to its operations and net assets and has the current ability to direct the entity's activities that most significantly affect these returns. Accordingly, the results and financial performance of the structured entity are consolidated in these financial statements.

6.2 Principal subsidiaries

The Group had the following principal subsidiaries at 31 December 2019:

			Effective ownership	
Name of subsidiary	**Country of incorporation**	**Nature of business**	**2019**	**2018**
Majid Al Futtaim Properties LLC*	United Arab Emirates	Operating and managing commercial projects including shopping malls, hotels, restaurants, leisure and entertainment and investing in joint ventures	100%	100%
Majid Al Futtaim Retail LLC	United Arab Emirates	Establishment and management of hypermarkets and other retail format stores	100%	100%
Majid Al Futtaim Ventures LLC*	United Arab Emirates	Establishment and management of retail fashion stores, leisure and entertainment, credit cards and food and beverage	100%	100%
Majid Al Futtaim Global Securities Limited	Cayman Islands	Structured entity established for issuance of bonds	100%	100%
Majid Al Futtaim Management Services LLC	United Arab Emirates	Structured entity established for management services	100%	100%
Majid Al Futtaim Rewards LLC	United Arab Emirates	Operating and managing Group's customer loyalty program	100%	-

* These subsidiaries have certain interest in entities which are consolidated by the Group and the portion of non-controlling interest in these entities for the year ended 31 December 2019 amounts to AED 543 million (2018: AED 590 million).

6.3 Non-controlling interests

The following subsidiaries within the Group have material non-controlling interests:

Name of subsidiary	Country of incorporation	Nature of business	Non-controlling interest 2019	2018
Fujairah City Centre Investment Company LLC	United Arab Emirates	Property developer	37.5%	37.5%
Aswaq Al Emarat Trading CJSC	Kingdom of Saudi Arabia	Property developer	15%	15%
MAF IT Sugar LLC	United Arab Emirates	Retail	25%	25%
Attractions and Leisure Services Company WLL	Kuwait	Leisure and Entertainment	50%	50%
Perfect World for Kids Entertainment Co.	Jordan	Leisure and Entertainment	50%	50%
Majid Al Futtaim Accessories LLC	United Arab Emirates	Fashion retailer	49%	49%
Suburban Development Company SAL	Lebanon	Property developer	3.18%	3.18%
Oman Arab Cinemas Co. LLC	Oman	Cinema	20%	20%
Vox Cineco Cinema Company	Bahrain	Cinema	50%	50%
The Avenues Cinema Bahrain W.L.L	Bahrain	Cinema	50%	50%
VOX Cinemas for Movie Screening LLC	Kuwait	Cinema	50%	50%
Magic Planet Bahrain W.L.L	Bahrain	Leisure and Entertainment	50%	50%

The following is summarised financial information for the subsidiaries within the Group that have material non-controlling interest:

31 December 2019 *(AED in millions)*	UAE	Other GCC	Others	Total
Non-current assets	453	2,246	634	**3,333**
Current assets	230	156	155	**541**
Current liabilities	(270)	(128)	(203)	**(601)**
Non-current liabilities	(78)	(191)	(192)	**(461)**
Net assets	**335**	**2,083**	**394**	**2,812**
Net assets attributable to non-controlling interests	**141**	**379**	**23**	**543**
Revenue	211	357	138	**706**
Profit/(loss) for the year	-	42	(174)	**(132)**
Other comprehensive income	-	-	-	-
Profit for the year attributable to non-controlling interest	**-**	**13**	**4**	**17**
Total comprehensive income attributable to non-controlling interest	**-**	**13**	**4**	**17**

31 December 2018 *(AED in millions)*	**UAE**	**Other GCC**	**Others**	**Total**
Non-current assets	457	1,927	881	**3,265**
Current assets	197	696	143	**1,036**
Current liabilities	(246)	(635)	(207)	**(1,088)**
Non-current liabilities	(72)	(24)	(262)	**(358)**
Net assets	**336**	**1,964**	**555**	**2,855**
Net assets attributable to non-controlling interests	**142**	**420**	**28**	**590**
Revenue	234	340	157	**731**
Profit/(loss) for the year	8	55	(1)	**62**
Other comprehensive income	-	(1)	-	**(1)**
Profit for the year attributable to non-controlling interest	**4**	**10**	**8**	**22**
Total comprehensive income attributable to non-controlling interest	**4**	**10**	**10**	**24**

7. BUSINESS COMBINATIONS

7.1 Accounting policy

All business combinations are accounted for by applying the acquisition method except for acquisition of entities under common control. The excess of cost of acquisition over the Group's interest in the fair value of the identifiable assets and liabilities at the date of acquisition is recorded as goodwill. Negative goodwill arising on acquisition is immediately recognised in the profit or loss. Goodwill is tested annually for impairment and is carried at cost less accumulated impairment losses, if any. On disposal of a subsidiary / joint venture / associate, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

Business combinations involving entities under common control

Business combinations arising from transfers of interests in entities that are under the control of the shareholder that controls the Group are accounted for as if the acquisition had occurred at the beginning of the earliest comparative year presented or, if later, at the date that common control was established.

The Group applies the book value measurement method to all common control transactions. The assets and liabilities acquired are recognized at the carrying amounts recognized previously in the Parent Company's consolidated financial statements. The components of equity of the acquired entities are added to the same components within Group's equity. Any gain/loss arising is recognized directly in equity.

8. OPERATING SEGMENTS

8.1 Accounting policy

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. The operating results of all operating segments are reviewed regularly by senior management and the Board of Directors to make decisions about resources to be allocated to the segments and assess their performance, and for which discrete financial information is available.

The Group has four segments, consistent with internal reporting and are considered Group's strategic operating units. The strategic operating units offer different services and are managed separately because they have different strategic requirements. Inter-segment pricing is determined on an arm's length basis.

The following summary describes the operations in each of the Group's reportable segments:

Properties: The principal activities includes investing in and operating and managing commercial projects including shopping malls, hotels, residential projects, leisure and entertainment, acting as a holding company to various subsidiaries and investing in joint ventures and associates.

Retail: The principal activities include establishment and management of hypermarkets, and supermarket in accordance with the franchise agreement with Carrefour Partenariat International, a Carrefour SA affiliate.

Ventures: The principal activities include establishing, investing in and management of commercial projects. It also includes, through subsidiaries, the establishment and management of retail fashion stores, leisure and entertainment activities, credit cards and food and beverage.

Head Office: The principal activities include acting as the holding company of the Group's subsidiaries, arranging the Group's financing requirements and providing strategic guidance and certain support services to the subsidiaries.

EBITDA

The Group's measure of segment performance, EBITDA, is defined as earnings before interest, tax, non-controlling interests, depreciation, amortization, impairment and other exceptional items of charges or credits that are one-off in nature and significance. Management excludes one-off exceptional items in order to focus on results excluding items affecting comparability from one period to the next. EBITDA is not a measure of cash liquidity or financial performance under generally accepted accounting principles and the EBITDA measure used by the Group may not be comparable to other similarly titled measures of other companies.

To ensure comparability, EBITDA has been adjusted with the impact of rent expense, including the component which has been derecognized on adoption of IFRS 16.

8.2 Segment reporting by business

The segment information provided to the Board of Directors for reportable segments for the year ended 31 December 2019 and 31 December 2018 are as follows:

8.2.1 Disaggregation of revenue by business

In the following table, revenue from contracts with customers is disaggregated by major business and service lines and timing of revenue recognition. The table also includes a reconciliation of the disaggregated revenue with the Group's reportable segments.

(AED in millions)	**Properties**	**Retail**	**Ventures**	**Total**
31 December 2019				
Gross revenue	4,613	28,137	2,795	**35,545**
Eliminations and adjustments	(389)	-	-	**(389)**
Revenue from external customers	**4,224**	**28,137**	**2,795**	**35,156**
External revenue from major service/product lines				
Sale of goods	-	25,563	508	**26,071**
Service income and commissions	-	2,454	-	**2,454**
Leisure and entertainment	207	-	1,976	**2,183**
Hospitality revenue	614	-	-	**614**
Others	42	63	-	**105**
	863	**28,080**	**2,484**	**31,427**
Rental income	3,361	57	-	**3,418**
Financial services revenue	-	-	311	**311**
	4,224	**28,137**	**2,795**	**35,156**
31 December 2018				
Gross revenue	4,642	27,993	2,389	**35,024**
Eliminations and adjustments	(369)	-	-	**(369)**
Revenue from external customers	**4,273**	**27,993**	**2,389**	**34,655**
External revenue from major service/product lines				
Sale of goods	-	25,557	439	**25,996**
Service income and commissions	-	2,308	-	**2,308**
Leisure and entertainment	226	-	1,550	**1,776**
Hospitality revenue	635	-	-	**635**
Others	61	65	26	**152**
	922	**27,930**	**2,015**	**30,867**
Rental income	3,351	63	-	**3,414**
Financial services revenue	-	-	374	**374**
	4,273	**27,993**	**2,389**	**34,655**

8.2.2 Disaggregation of results from operations by business

(AED in millions)	Properties	Retail	Ventures	Head office	Total
31 December 2019					
EBITDA	2,984	1,973	591	(195)	5,353
Eliminations and adjustments	(10)	(537)	(175)	-	(722)
Adjusted EBITDA*	**2,974**	**1,436**	**416**	**(195)**	**4,631**
Depreciation and amortisation expense	(490)	(1,125)	(623)	(27)	(2,265)
Eliminations and adjustments					84
					(2,181)
Valuation loss on land and buildings - net	(3,041)	(3)	-	-	(3,044)
Eliminations and adjustments					257
					(2,787)
Net finance (cost)/income	(405)	(264)	(261)	66	(864)
Eliminations and adjustments					92
					(772)
Net profit/(loss) after tax	(2,224)	682	(397)	(152)	(2,091)
Eliminations and adjustments					168
					(1,923)

* The measure of EBITDA has been adjusted for 2019 by deducting the rent expense that would have been charged as if the new standard IFRS 16 had not been adopted in order to provide management with a more comparable basis.

	Properties	Retail	Ventures	Head office	Total
31 December 2018					
EBITDA	2,989	1,405	321	(97)	4,618
Eliminations and adjustments					(16)
					4,602
Depreciation and amortisation expense	(479)	(505)	(349)	(13)	(1,346)
Eliminations and adjustments					(157)
					(1,503)
Valuation loss on land and buildings - net	(1,283)	(1)	-	-	(1,284)
Eliminations and adjustments					118
					(1,166)
Net finance (cost)/income - external	(424)	25	(152)	93	(458)
Adjustments					13
					(445)
Net profit/(loss) after tax	(513)	892	(344)	(9)	26
Eliminations and adjustments					(30)
					(4)

8.2.3 Disaggregation of capital expenditure by business

(AED in millions)	Properties	Retail	Ventures	Head office	Total
31 December 2019					
Capital expenditure	(2,407)	(483)	(672)	(101)	**(3,663)**
31 December 2018					
Capital expenditure	(3,169)	(721)	(593)	(122)	**(4,605)**

8.2.4 Disaggregation of total assets by business

(AED in millions)	Properties	Retail	Ventures	Head office	Total
31 December 2019					
Total assets	47,048	12,477	5,591	471	65,587
Eliminations and adjustments					(2,502)
					63,085

(AED in millions)	Properties	Retail	Ventures	Head office	Total
31 December 2018					
Total assets	48,707	7,808	3,883	338	60,736
Eliminations and adjustments					(376)
					60,360

8.3 Segment revenue and assets by geography

	Total revenue		Total assets	
(AED in millions)	**2019**	**2018**	**2019**	**2018**
UAE (country of domicile)	17,006	17,390	42,016	42,340
Saudi Arabia	3,244	3,022	4,427	3,492
Qatar	2,601	2,586	1,340	676
Egypt	3,083	2,417	3,326	2,780
Oman	1,893	1,832	3,584	3,102
Bahrain	1,429	1,622	4,152	4,125
Jordan	1,472	1,484	556	353
Kuwait	1,308	1,266	918	728
Pakistan	735	835	334	258
Georgia	632	659	229	221
Lebanon	631	614	1,793	2,006
Kenya	651	506	247	157
Iraq	431	395	115	98
Armenia	38	27	23	23
Uganda	2	-	22	1
Kazakhastan	-	-	3	-
	35,156	**34,655**	**63,085**	**60,360**

8.4 The Group initially applied IFRS 16 at 1 January 2019, which requires the recognition of right-of-use assets and lease liabilities for lease contracts that were previously classified as operating leases (note 5.1.1). The assets and liabilities are included in the segment results above and primarily impact the operating results from Retail and Ventures segments at 31 December 2019.

9. REVENUE

9.1 Accounting policy

Revenue from contracts with customers

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

Step 1 : Identify contract(s) with a customer: A contract is defined as an agreement between two or more parties that creates enforceable rights and obligations and sets out the criteria for every contract that must be met.

Step 2 : Identify performance obligations in the contract: A performance obligation is a promise in a contract with a customer to transfer a good or service to the customer.

Step 3 : Determine the transaction price: The transaction price is the amount of consideration the Group expects to be entitled to in exchange for transferring the promised goods or services to a customer, excluding amounts collected on behalf of third parties.

Step 4 : Allocate transaction price to the performance obligations in a contract: For a contract that has more than one performance obligation, the Group allocates the transaction price to each performance obligation in an amount that depicts the amount of consideration to which the Group expects to be entitled to in exchange for satisfying each performance obligation.

Step 5 : Recognise revenue when (or as) the Group satisfies a performance obligation.

The Group satisfies a performance obligation and recognises revenue over time, if 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;
- The Group 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.

Sale of goods

Revenue from the sale of goods is recognised when the Group sells a product to the customer. Payment of the transaction price is due immediately when the customer purchases the goods and takes delivery in store.

Revenue from the sale of goods is measured at the fair value of the consideration received or receivable, net of returns and discounts. Revenue comprises amounts derived from the sale of goods and services falling within the ordinary activities of the Group and are recognised at the time of check-out sales when persuasive evidence exists that the significant risks and rewards of ownership have been transferred to the customer, there is no continuing management involvement with the goods and the amount of revenue can be measured reliably. Discounts are recognised as a reduction of revenue as the sales are recognised.

For contracts that permit the customer to return an item, revenue is recognised to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur. Therefore, the amount of revenue recognised is adjusted for expected returns, which are estimated based on the historical data for specific types of goods. In these circumstances, a refund liability and a right to recover returned goods asset are recognised.

Rebates and other supplier benefits

The Group has agreements with suppliers whereby volume-related rebates and various other fees and discounts are received in connection with the purchase of goods. This income received from suppliers relates to adjustments to the core cost price of a product and is considered part of the purchase price for that product. In certain cases, receipt of the income is conditional on the Group satisfying certain performance obligations associated with the purchase of the product. These include achieving agreed purchases or sales volume targets. Income is recognised on an accrual basis when earned by the Group, which occurs when all obligations conditional for earning income have been discharged, and the income can be measured reliably based on the terms of the contract. For the purpose of presentation, cost of sales is shown net of rebates and discounts.

Where the income earned relates to inventories which are held by the Group at the end of a period, the income is included within the cost of those inventories, and recognised in cost of sales upon sale of those inventories. The Group offsets amounts due from suppliers against amounts owed to those suppliers and only the net amount payable or receivable is recognised.

Listing and gondola fees

Listing and gondola fees are recognized as income on an accrual basis, when the related performance obligations to display inventories are met.

Opening fees

Opening fees, based on agreements with suppliers, are recognized at the time of opening of the store.

Commission

When the Group acts in the capacity of an agent rather than as the principal in a transaction, the revenue recognized is the net amount of commission earned by the Group. The agency relationship is established where the Group does not take title of the goods, has no responsibility in respect of the goods sold and the Group does not have control on the selling prices set by the supplier.

Loyalty programmes

The Group has customer loyalty programmes whereby customers are awarded credits known as "tickets/ loyalty points". The fair value of the consideration received or receivable in respect of the initial sale is allocated between the reward credit and the other components of the sale.

The amount allocated to the tickets/ loyalty points is considered to be the fair value for which they could be redeemed. Such amount is deferred and revenue is recognized only when the tickets/ loyalty points are redeemed and the Group has fulfilled its obligations to supply the products. The amount of revenue recognized in those circumstances is based on the number of tickets/loyalty points that have been redeemed in exchange for products, relative to the total number of tickets/loyalty points that are expected to be redeemed. Deferred liability in respect of outstanding loyalty points is also released to profit or loss when it is no longer considered probable that the tickets/ loyalty points will be redeemed.

Rental income

Rental income, including fixed rental uplifts, from properties leased out under an operating lease is recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives being offered to lessees to enter into a lease, such as an initial rent-free period or a cash contribution to fit-out or similar costs, are an integral part of the net rental income and are therefore recognised on the same straight-line basis. Contingent rents, being lease payments that are not fixed at the inception of the lease, for example turnover rents, are recorded as income in the periods in which they are earned.

Services

Revenue from hospitality, leisure and entertainment and other activities is recognized on rendering the services and when the revenue can be measured reliably. The Group assesses its performance against obligations conditional on earning the income, with income recognized either over time as the obligations are met, or recognized at the point when all obligations are met, depending on contractual requirements. Revenue from services is recognized as income in the periods in which it is earned.

Sale of alcohol

The purchase of alcohol for hotels and residence is the responsibility of the relevant Hotel Management Company, and the revenue derived from sale is deemed to be that of the Hotel Management Company. The profit resulting from the sales of alcoholic beverages forms part of the Hotel Management Company's incentive fee.

9.2

(AED in millions)	**2019**	**2018**
Revenue from contract with customers	31,427	30,867
Other revenue		
- Rental income	3,418	3,414
- Financial services revenue	311	374
	35,156	**34,655**

10. COST OF SALES

10.1 Critical accounting estimate and judgement

Management applies judgement in estimating the rebate eligibility and determining the period over which the reduction in cost of sales should be recognized. Management estimates the rebates eligibility and the period, in relation to strategic volume moves and some annual volume based rebates, over which cost of sales is reduced based on the individual contractual arrangement with the suppliers.

10.2

(AED in millions)	**2019**	**2018**
Opening inventories	(2,332)	(2,304)
Purchases	(25,620)	(25,435)
Closing inventories	2,325	2,332
Supplier rebates and discounts	1,969	1,930
	(23,658)	**(23,477)**

11. OPERATING EXPENSES

(AED in millions)	**2019**	**2018**
Staff costs (note 11.1)	(3,457)	(3,397)
Depreciation and amortization	(2,181)	(1,503)
Utilities	(501)	(475)
Rent (note 32.3.2)	(144)	(826)
Advertising, selling and marketing expenses	(289)	(289)
Legal and consultancy expenses	(211)	(164)
Bank charges	(194)	(184)
Repair and maintenance	(284)	(293)
Franchise and management fees	(147)	(157)
Security expenses	(154)	(145)
House keeping and cleaning	(115)	(100)
Business travel expenses	(47)	(47)
Insurance charges	(37)	(37)
Other general and administrative expenses	(457)	(346)
	(8,218)	**(7,963)**

11.1 Staff cost (includes)/is net of the following:

(AED in millions)	**2019**	**2018**
Gratuity cost	(119)	(112)
Pension cost	(28)	(26)
Recharges to the Group companies (note 28.8)	106	68
Staff cost capitalised	147	169

11.2 The number of employees at 31 December 2019 was 42,735 (2018: 42,568).

11.3 During the year ended 31 December 2019, the Group paid AED 5 million (2018: AED 5 million) for various social contribution purposes.

12. FINANCE COSTS - NET

12.1 Accounting policy

Interest income and expense

Interest income and expense for all interest bearing financial instruments except for those designated at fair value through profit or loss, are recognized in 'interest income' and 'interest expense' in profit or loss on an accrual basis using the effective interest rates of the financial assets or financial liabilities to which they relate.

The effective interest rate is the rate that discounts estimated future cash receipts and payments earned or paid on a financial asset or a liability through its expected life or, where appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. The effective interest rate is established on initial recognition of the financial asset and liability and is not revised subsequently.

Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalized as part of the cost of that asset. A qualifying asset is one that takes a substantial period of time to get ready for its intended use or sale. Capitalization of borrowing costs commences when the activities to prepare the asset are in progress and expenditures and borrowing costs are being incurred.

Capitalization of borrowing costs continues until the assets are ready for the intended use. The capitalization rate is arrived at by reference to either the actual rate payable on specific borrowings for development purposes or, with regard to that part of the development cost financed out of general funds, the overall effective borrowing rate for the Group. Borrowing costs that do not meet the criteria of capitalization are recognized as expenses in the period in which they are incurred.

12.2

	(AED in millions)	**2019**	**2018**
(i)	*Finance costs:*		
	Arrangement and participation fee	(62)	(43)
	Interest charges on bank loans*	(677)	(603)
	Interest expense on lease liabilities (note 32.3)	(277)	-
	Interest charges on related party balances	(16)	(19)
	Capitalized interest on development expenditure	205	147
		(827)	**(518)**
	Changes in the fair value/settlement of derivatives held as FVPL	(4)	(5)
	Cash flow hedges reclassified from hedging reserve	(13)	(11)
	Discounting of long term receivable balances	-	(10)
	Bond programme cost	(7)	(8)
	Total finance costs	**(851)**	**(552)**
(ii)	*Finance income:*		
	Interest income on bank balances	49	53
	Interest income from operational financing	4	20
	Unwinding of discount on long term receivable balances	3	-
	Cash flow hedges reclassified from hedging reserve	12	25
	Changes in the fair value/settlement of derivatives held as FVPL	11	9
	Total finance income	**79**	**107**
	Finance costs - net	**(772)**	**(445)**

* Included within interest charges on bank loans, fair value gain of AED 96 million (2018: fair value loss of AED 58 million) in relation to derivatives used in fair value hedge relationship, with an offsetting fair value changes of the underlying debt being hedged.

12.3 The capitalization rate used to determine the amount of borrowing cost eligible for capitalization varies from 4.67% to 19.50% (2018: 4.62% to 20.23%) depending on the effective interest rate over the tenure of the borrowing for individual developments.

12.4 Net changes in fair value recognised directly in other comprehensive income:

(AED in millions)	**2019**	**2018**
Effective portion of changes in fair value of cash flow hedges	(54)	28
Cash flow hedges reclassified to profit or loss - net	1	(14)
	(53)	**14**

13. OTHER EXPENSES - NET

(AED in millions)	**2019**	**2018**
Foreign exchange gain/(loss) - net	24	(11)
Fixed assets/project costs written off	(64)	(148)
Development expenses written off	(30)	(25)
Gain on transfer of investment in associate to a related party (note 18.3.1)	-	3
Loss on disposal of investment in a joint venture (note 24.2)	(29)	-
(Loss)/gain on disposal of non-current assets	(12)	3
Other income - net	5	46
	(106)	**(132)**

14. IMPAIRMENT

14.1 Accounting policy

14.1.1 *Non-financial assets*

The carrying amounts of the Group's non-financial assets except investment properties where fair value is reliably measurable, deferred tax assets and inventories are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists then the asset's recoverable amount is estimated. An impairment loss is recognized if the carrying amount of an asset or its cash generating unit exceeds its recoverable amount. Impairment losses are recognized in profit or loss.

14.1.2 *Financial assets*

Financial instruments and contract assets

The Group recognizes loss allowances for ECL's on financial assets measured at amortized cost.

The Group measures loss allowances at an amount equal to lifetime ECLs, except for the following, which are measured at 12-month ECLs:

- debt securities that are determined to have low credit risk at the reporting date;
- other debt securities and bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition; and
- credit card receivables, measured at amortized cost.

Loss allowances for trade receivables is always measured at an amount equal to lifetime ECLs.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information.

The Group assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due. For credit card customers, the significant increase in credit risk is based on following two trigger points:

- Receivables that are in greater than 30 days past due bucket; or
- Accounts that have utilized their entire limit or are in over limit and are also categorized as high risk based on internal risk rating model.

The Group considers a financial asset to be in default when:

- the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or
- the financial asset is more than 90 days past due.

12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

When measuring ECL, the Group considers the maximum contractual period over which the Group is exposed to credit risk. All contractual terms are considered when determining the expected life, including prepayment options and extension and rollover options. For covered cards that do not have fixed maturity, the expected life is estimated based on the period over which the Group is exposed to credit risk and where the credit losses would not be mitigated by management actions.

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Group expects to receive). ECLs are discounted at the effective interest rate of the financial asset.

For credit card receivables, the Group applies three-stage appraoch to measure allowance for credit losses, using an expected credit loss approach as required under IFRS 9. These receivable balances migrate through three stages based on the change in credit risk since initial recognition. Expected credit losses ('ECL') reflect the present value of all cash shortfalls related to default events either (i) over the following twelve months or (ii) over the expected life of a financial instrument depending on credit deterioration from inception.

- Under Stage 1, where there has not been a significant increase in credit risk since initial recognition, an amount equal to 12 months ECL will be recorded.
- Under Stage 2, where there has been a significant increase in credit risk since initial recognition but the financial instruments are not considered credit impaired, an amount equal to the default probability weighted lifetime ECL will be recorded.
- Under the Stage 3, where there is objective evidence of impairment at the reporting date these financial instruments will be classified as credit impaired and an amount equal to the lifetime ECL will be recorded for the financial assets.

IFRS 9 considers the calculation of ECL by multiplying the Probability of default (PD), Loss Given Default (LGD) and Exposure at Default (EAD). The Group has developed methodologies and models taking into account the relative size and quality credit card portfolio. These parameters are generally derived from internally developed statistical models and other historical data and are adjusted to reflect forward-looking information.

Macroeconomic factors, forward looking information and multiple scenarios

IFRS 9 requires an unbiased and probability weighted estimate of credit losses by evaluating a range of possible outcomes that incorporates forecasts of future economic conditions. Macroeconomic factors and forward looking information are required to be incorporated into the measurement of ECL as well as the determination of whether there has been a significant increase in credit risk since origination. Measurement of ECLs at each reporting period should reflect reasonable and supportable information at the reporting date about past events, current conditions and forecasts of future economic conditions.

Credit-impaired financial assets

At each reporting date, the Group assesses whether financial assets carried at amortized cost are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default of being more than 90 days past due;
- the restructuring of a loan or advance by the Group on terms that the Group would not consider otherwise; or
- it is probable that borrower will enter bankruptcy or other financial reorganization.

Presentation of allowance for ECL on the statement of financial position

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets.

Write-off

The gross carrying amount of a financial asset is written off when the Group has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts due.

14.2 Critical accounting estimate and judgement for non-financial assets

Management assesses impairment loss on assets, other than investment property carried at fair value and inventories, whenever there are indicators of impairment. In assessing impairment of assets based on value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and risk specific to the asset.

14.3 IMPAIRMENT OF NON-FINANCIAL ASSETS

(AED in millions)	**2019**	**2018**
Impairment of property, plant and equipment:		
- Furniture and fixtures (note 14.3.1)	(97)	(130)
- Capital work in progress (note 14.3.1)	(8)	-
Impairment of investment properties (note 14.3.2)	(1,084)	(1,168)
Impairment of right-of-use assets (note 14.3.1)	(8)	-
Impairment of intangible assets		
- Goodwill (note 19.2)	(32)	(12)
- Other intangible assets (note 14.3.3)	(7)	(2)
Impairment of equity accounted investees		
- Joint ventures (note 14.3.4)	-	(260)
- Associate (note 18.3)	(5)	(3)
Other impairment charges	-	(3)
Reversal of impairment of equity accounted investees (note 14.3.5)	-	174
Reversal of impairment of property, plant and equipment (note 14.3.6)	50	46
	(1,191)	**(1,358)**

14.3.1 Represents impairment loss on the assets (including right-of-use assets) of certain operating units (retail, leisure and entertainment, fashion and cinema) as the recoverable amount, which was estimated based on the value in use of the cash generating units, was lower than the carrying amount of the assets. A pre-tax discount rate specific to the country of operation of the retail business was used to derive the net present value of the future cash flows for retail stores.

For leisure and entertainment operating units pre-tax discount rates ranging from 10% to 13% (2018: 10% to 13%) and growth rates ranging from 0% to 2.8% (2018: 0% to 10%) were used. For fashion retail operating units discount rates of 10% to 13.5% (2018: 10%) and growth rates ranging from 2% (2018: 3% to 5%) were used. For cinema operating unit pre-tax discount rate of 9% to 20.5% (2018: 13.5%) and growth rates ranging from 0% to 4% (2018: 3% to 5%) were used.

Included within the charge is impairment amounting to AED 6 million on fixed assets relating to credit card business, no longer considered to be recoverable (note 24.1).

14.3.2 During the current year, a total impairment loss of AED 1,084 million (2018: AED 1,168 million) was recognized on shopping malls classified as properties under construction, as the carrying amount of each individual asset exceeded its recoverable amount (note 16.5). The primary reasons include challenging economic environment resulting in changes in the forecasted net operating income, forecasted occupancy levels, updates in the discount rate and deferrals of opening dates than earlier estimated.

The significant unobservable inputs used in the measurement of the recoverable amounts are as follows:

- Forecasted cash flows and growth rates;
- Expected opening dates;
- Forecasted occupancy levels; and
- Discount and yield rates

The recoverable amounts of the impaired investment property under construction at the year-end and the key assumptions used in the estimation of the recoverable amount are set out below:

	2019			2018		
(AED in millions)	**Asset 1**	**Asset 3**	**Asset 4***	**Asset 1**	**Asset 2**	**Asset 3**
Recoverable amount	910	1,277	-	629	428	861
Impairment loss	(242)	(622)	(220)	(679)	(311)	(178)
Discount rate	10.3%	9.7%	N/A	9.8%	19.8%	9.4%
Yield rate	N/A	8.0%	N/A	-	9.5%	8.0%

The estimated impairment loss would increase/(decrease) if:

- the forecasted cash flows and growth rates are lower/(higher);
- the expected opening dates are deferred/(advanced);
- the occupancy levels decrease/(increase); and
- the discount or yield rates were higher/(lower)

* During the year, management re-assessed its strategic plan for this asset and recognized an impairment loss of AED 220 million, representing the cost of property under construction as at 31 December 2019.

14.3.3 Represents impairment loss on intangible assets relating to credit card business, as the carrying amount of these assets is no longer considered to be recoverable (note 24.1).

14.3.4 During 2018, management reviewed the carrying value of its investments in joint ventures and assessed that the investments have been eroded due to adverse market and business conditions and, therefore, recognized an impairment loss of AED 260 million.

14.3.5 In prior years, the Group contributed AED 389 million as an advance to the joint venture partner, towards its contribution against the purchase of land. Subsequently, management reassessed the future prospects of the joint venture and a full impairment provision was recognised against this advance. In 2015, the Group received AED 107 million in cash and accordingly the impairment provision had been reversed to that extent. At that time, the joint venture partner also agreed to transfer four (4) plots of land to the Group in order to settle the balance of AED 282 million. In 2018, the Group received four (4) plots of land from its joint venture partner, with a total fair value of AED 177 million as final settlement for advance previously paid by the Group resulting in a loss on settlement amounting to AED 105 million. Accordingly, the Group reversed the impairment loss to the extent of fair value of land received.

14.3.6 AED 50 million (2018: AED 46 million) impairment was reversed due to improved performance and future projections of certain operating units.

14.4 IMPAIRMENT OF FINANCIAL ASSETS

(AED in millions)	**2019**	**2018**
Impairment loss on trade and other receivables (note 36.3)	(143)	(147)
Impairment loss on assets held for sale (note 24.1)	(43)	-
Impairment loss on balance receivable from joint ventures	(10)	-
	(196)	**(147)**

15. TAX

15.1 Accounting policy

Income tax expense comprises current and deferred tax calculated in accordance with the income tax laws applicable to certain overseas subsidiaries. Income tax expense is recognized in profit or loss except to the extent it relates to items recognized directly in other comprehensive income, in which case it is recognized in other comprehensive income.

Current tax

Current tax is the expected tax payable or receivable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years. Current tax payable also includes any tax liability arising from the declaration of dividends.

Deferred tax

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized for:

- temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss.
- temporary differences related to investments in subsidiaries, associates and joint arrangements to the extent that the Group is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future; and
- taxable temporary differences arising on the initial recognition of goodwill.

Deferred tax assets are recognized for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which it can be used. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized; such reductions are reversed when the probability of future taxable profits improves. Unrecognized deferred tax assets are reassessed at each reporting date and recognized to the extent that it has become probable that future taxable profits will be available against which they can be used.

Deferred tax is measured at the rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date.

The measurement of deferred tax reflects the tax consequences that would follow from the manner in which the Group expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities. For this purpose, the carrying amount of properties measured at fair value is presumed to be recovered through sale, and the Group has not rebutted this presumption.

Deferred tax assets and liabilities are offset only if certain criteria are met.

15.2 Tax charge - net

(AED in millions)	**2019**	**2018**
Current tax		
Current year	(126)	(72)
Adjustment for prior years	(3)	(4)
	(129)	**(76)**
Deferred tax		
Origination of temporary differences - net	(71)	18
Change in tax rates	-	-
	(71)	**18**
	(200)	**(58)**

15.3 Reconciliation of effective tax rate

(AED in millions)		**2019**		**2018**
Loss after tax for the year		(1,923)		(4)
Income tax charge - net		(200)		(58)
(Loss)/profit before tax for the year		**(1,723)**		**54**
Effect of tax rates in foreign jurisdictions	7.3%	(126)	-133.3%	(72)
Deferred tax for temporary differences	4.0%	(69)	33.3%	18
Tax losses	0.1%	(2)	0.0%	-
Prior period adjustments	0.2%	(3)	-7.4%	(4)
Total	**11.6%**	**(200)**	**-107.4%**	**(58)**

15.4 Deferred tax assets

(AED in millions)	**2019**	**2018**
At 1 January	68	50
(Charged)/credited in profit or loss	(1)	22
(Charged)/credited to equity	(12)	1
Reclassified during the year (note 15.5)	-	(4)
Foreign currency translation difference from foreign operations	-	(1)
At 31 December	**55**	**68**

15.4.1 Deferred tax asset amounting to AED 30 million (2018: AED 47 million) is in respect of tax losses carried forward and temporary differences on depreciation of assets and provisions.

During the year, the Group has unrecognized deferred tax assets relating to its subsidiaries in Oman, Egypt and Lebanon of AED 436 million. The recoverability of deferred tax asset is unlikely since the subsidiaries in Oman and Egypt are not expected to generate taxable profits and valuation gains in foreseeable future and for Lebanon, the recoverability of deferred tax asset is unlikely as the subsidiary is not expected to generate valuation gains in foreseeable future.

In 2018, a portion of deferred tax asset has been computed on the deductible temporary difference arising as a result of valuation loss on property in Lebanon. The tax rate in Lebanon is 17%.

15.5 Deferred tax liabilities

(AED in millions)	**2019**	**2018**
At 1 January	106	110
Charged to profit or loss	70	4
Charged/(credited) to equity	9	(3)
Reclassified during the year (note 15.4)	-	(4)
Foreign currency translation difference from foreign operations	5	(1)
At 31 December	**190**	**106**

15.5.1 Deferred tax liability has been computed on the taxable temporary differences arising as a result of valuation gains/losses on properties in Egypt and Oman. The tax rates in these countries are 22.5% (2018: 22.5%) and 15% (2018: 15%) respectively.

16. TANGIBLE FIXED ASSETS

16.1 Accounting policy

16.1.1 Property, plant and equipment

Recognition and measurement

Developed properties, (land and buildings) mainly comprising hotels, shopping malls and offices are initially recognized at cost. Subsequent to initial recognition, these are stated at their revalued amounts, being the fair value at the date of revaluation, less any accumulated depreciation and any impairment losses. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount.

Land on which development work has started with the intention of constructing property, plant and equipment is fair valued at the date when significant development commences. During the construction period, land is held at its carrying value and development expenditure is carried at cost less any impairment losses. Upon completion of construction, the entire property (land and building) is carried at revalued amount.

All other items of property, plant and equipment, mainly comprising administrative assets, are stated at cost less accumulated depreciation and impairment losses, if any. Cost includes expenditures that are directly attributable to the acquisition of the assets. 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, costs of dismantling and removing the items and restoring the site on which they are located and capitalized borrowing costs. When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (components) of property, plant and equipment.

Subsequent cost

Subsequent costs are included in the asset's carrying amount or recognized 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. All other repairs and maintenance costs are charged to profit or loss during the financial year in which they are incurred.

Depreciation

Items of property, plant and equipment are depreciated from the date they are put to use. Depreciation is charged to profit or loss so as to write off the cost/revalued amounts in equal installments over their estimated useful lives, except land which is not depreciated. The estimated useful lives of property, plant and equipment are as follows:

Category of assets	*Estimated useful life*
Buildings	5 - 50 years
Motor vehicles	4 years
Furniture, fixtures and equipment	3 - 15 years

Depreciation methods, remaining useful lives of assets and residual values are reviewed at each reporting date and adjusted if appropriate.

Valuation surplus relating to buildings is allocated to the building structure and is depreciated over the remaining useful life of the respective building structure which ranges from 35 to 50 years.

Revaluation reserve

Any increase in value arising on the revaluation of developed properties is credited to revaluation reserve in equity, except to the extent that it reverses a revaluation decrease for the same property previously recognized in profit or loss, in which case the increase is credited to profit or loss to the extent of the decrease previously charged.

A decrease in carrying amount arising on the revaluation of properties is charged to profit or loss except to the extent that it reverses a previously recognized revaluation gain on the property in which case it is debited to revaluation reserve in equity.

De-recognition

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected from its use. Any gain or loss arising on derecognition of the asset is included in profit or loss in the year the asset is derecognized.

On subsequent disposal or retirement of a revalued property, the attributable revaluation surplus remaining in revaluation reserve is transferred directly to retained earnings.

16.1.2 Capital work in progress

Work in progress in respect of capital expenditure including land is classified as capital work in progress. Borrowing costs and other overheads directly attributable to the projects are included as costs until completion thereof. Where development work is carried out on land owned by the Group, the carrying value of the land is included under capital work in progress.

Capital work in progress for properties that are being constructed with an intention of building an investment property is carried at fair value.

For other properties that are developed with an intention of constructing an owner occupied property, both the capital expenditure and land are carried at cost, less impairment, if any, until the property is fully developed.

Development expenses are capitalized after successful initial feasibility is conducted, subject to an approved budget and formal sign-off of a summary scoping document by management. These development costs are shown as assets under capital work in progress.

Development costs carried forward are reviewed in subsequent periods to ensure that circumstances have not changed such that the criteria for capitalization still holds good. However in circumstances where the criteria has changed, the costs are written-off or provided for to the extent they are believed to be irrecoverable. Regardless of the foregoing, if management has not obtained the Company’s Board of Directors approval to proceed to the next development Gateway within 24 months after its inception, the project will be deemed impaired and the full accumulated work in progress balance of that project (excluding land value) will be written off and charged to profit or loss.

16.1.3 Investment property

Investment properties are properties held to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes. Following initial recognition at cost, investment property, principally comprising land with undetermined use, shopping malls and properties being constructed for future use as investment property, is stated at fair value at the reporting date.

Where the fair value of an investment property under development is not reliably determinable, such property is carried at the book value of the land and any development cost incurred to date, less any impairment losses, until the earlier of the date that construction is completed or the date at which fair value becomes reliably measurable.

Gains or losses arising from changes in fair value are included in profit or loss in the period in which they arise.

Reclassification

When the use of a property changes from owner-occupied to investment property, the property is re-measured to fair value and reclassified as an investment property. Any gain arising on re-measurement at transfer date is recognized in equity. Any loss is recognized immediately in profit or loss except to the extent that it reverses a previously recognized revaluation gain on the same property in which case it is debited to equity. The amount recognized in equity on such property remains within equity until the property is disposed-off or withdrawn from use at which point the amount remaining in equity is transferred directly to retained earnings.

If an investment property becomes owner-occupied, it is reclassified as property, plant and equipment and its fair value at the date of reclassification becomes its deemed cost. Change in fair value up to the date of reclassification is recognized directly in profit or loss.

De-recognition

An investment property is derecognized when it is either disposed off or permanently withdrawn from use and no future economic benefits are expected from its use or disposal. Any gain or loss on the retirement or disposal of an investment property is included in profit or loss in the period in which the property is derecognized. When investment property which was previously classified as property, plant and equipment is sold, any related amount included in the revaluation reserve is transferred to retained earnings.

16.1.4 Right-of-use assets

Recognition and measurement

The Group recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

Subsequent cost

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of right-of-use assets are determined on the same basis as those of property, plant and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

16.2 Critical accounting estimates and judgement

Classification of properties

Investment property - accounting for dual-use properties

Investment property is property held to either earn rental income or capital appreciation or for both. Certain properties of the Group include a portion that is held to generate rental income or capital appreciation and another portion that is held for own use by the Group in the supply of services or for administrative purposes, referred to as 'dual use properties'.

Dual use properties where portions can be sold or finance-leased separately are split between property, plant and equipment and investment properties based on the leasable value of each portion.

For dual use properties developed on leasehold land or where the title of the property does not belong to the Group, portions cannot be sold or finance-leased separately. For such properties estimates are made to assess level of own use using leasable value of the self-occupied and let out portions. If the level of own use of a property, as determined by leasable value, is insignificant, the entire property is classified as investment property, otherwise, it is classified as property, plant and equipment.

Valuation and apportionment fair values between land and buildings

Valuation of properties is a significant area of judgement. Key assumptions used in arriving at the fair values of land and buildings are disclosed in notes 16.3.

Where the valuation of a property comprises the aggregate value of land and building, the valuation is apportioned between land and building based on the reinstatement cost as computed by an external appraiser of the building, unless another appropriate basis is available for allocation.

Change in fair value apportioned to buildings is then allocated to the building structure as it is impracticable to obtain detailed fair value information at each component level of the building from the valuer or to use any other reasonable method of approximation to internally estimate such component values. Consequently, any increase in fair values is allocated to the structure of the buildings and depreciated over the remaining useful lives of the respective buildings.

Estimation or forecast of cost to complete (CTC)

The estimation or forecast of CTC on main contracts under execution involves uncertainties. This forecast to complete includes input from all budget stakeholders who review the Total Development Cost ('TDC') and not just construction related cost. The construction forecast, where available, includes the independent quantity surveyors ('QS') cost report which is reviewed and analysed for completeness. Any gaps in the report (early warnings, leasing changes etc.) are adjusted within the forecast to complete.

16.3 Measurement of fair values and valuation process

The fair value of the investment properties and land and buildings included within property, plant and equipment is determined twice a year at the reporting date (i.e. 31 December and 30 June) by independent external RICS Chartered Surveyors and Valuers having sufficient current local and national knowledge of the respective property markets. The valuation has been prepared in accordance with the RICS Valuation Global Standards-2017 including the International Valuations Standards and the RICS Professional Standards (revised April 2015) (the 'Red Book').

Internal valuations are carried out quarterly, based on the methods and assumptions used by the external valuer, to ensure that the fair value of a revalued asset does not differ materially from its carrying amount.

The key driver of the property valuations in relation to the shopping malls is the terms of the leases in place at the valuation date. These determine the majority of the secured cash flow profile of the property for a number of years and therefore form the base of the valuation. The valuation assumes adjustments from these rental values in place at the valuation date to current market rent at the time of the next rent review and as leases expire and are replaced by new leases. The current market level of rent is assessed based on evidence provided by the most recent relevant leasing transactions and negotiations. This is based on evidence available at the date of valuation.

The following table shows the valuation technique and key unobservable inputs used in measuring the fair value of investment properties and land and buildings included within property, plant and equipment:

Class of asset	Principle valuation techniques	Description
Shopping malls	Discounted cash flows (DCF)	The fair value is derived using DCF for Shopping Malls is benchmarked against net initial yield methodology.
Shopping malls (fair value is reliably determinable/ newly operational)	Income capitalization approach	Where the external valuer can reliably determine the fair value of the asset, the fair value (net costs to complete) is derived by applying asset specific capitalization rates on the net operating income streams of the property benchmarked to market rates. Following a period of operation (stabilization) the asset is valued using DCF as detailed above.
Hotels	Discounted cash flows (DCF)	The fair value derived using DCF for Hotels is benchmarked against capital value per key and net initial yield.
Offices	Income capitalization approach	Fair value is derived by applying asset specific capitalization rate on the net operating income of the property benchmarked to market rates.
Lands	Comparable market transactions approach	Properties held for future development ('land bank') are valued using comparable methodology which involves analysing other relevant market transactions. Comparable methodology can involve a parcelisation approach where it is assumed a larger plot is subdivided and sold in smaller lot sizes over a period of time.

- The fair value measurement of property, plant and equipment of AED 7,446 million (2018: AED 7,671 million) has been categorized as a Level 3 fair value based on the inputs to the valuation technique used.
- The fair value measurement of investment properties of AED 36,167 million (2018: AED 37,309 million) has been categorized as a Level 3 fair value based on the inputs to the valuation technique used.

The significant unobservable inputs used in the valuation are as follows:

		Key unobservable inputs	
Class of asset		**2019**	**2018**
Shopping malls	Discount rates on income streams	7.00% to 25.50%	9.75% to 27.50%
	Compound annual growth rates of net operating income	1.94%	3.13%
Hotels	Discount rate	10.00% to 11.50%	10.25% to 11.75%
	Compound annual growth rates of EBITDA	5.49%	6.29%
Offices	Equivalent yield	8.00% to 9.25%	8.00% to 9.25%

Inter-relationship between key unobservable inputs and fair value measurement.

The estimated fair value would increase/ (decrease) if:
- The discount rates were lower/(higher);
- The equivalent yield were lower/(higher); or
- The growth rates were higher/(lower).

16.4 Property, plant and equipment

(AED in millions)	**Land and buildings**	**Furniture fixtures and equipment**	**Capital work in progress**	**Total**
Cost/valuation				
At 1 January 2018	**7,652**	**7,786**	**1,095**	**16,533**
Additions	165	418	1,299	**1,882**
Disposals/write offs/adjustments	-	(128)	-	**(128)**
Transfer from investment properties-net (note 16.5)	150	-	-	**150**
Reclassification from assets held for sale	-	4	-	**4**
Transfer to a related party	-	(26)	(63)	**(89)**
Assets placed in service	257	1,058	(1,315)	**-**
Net loss on valuation of properties (note 16.4.2)	(131)	-	-	**(131)**
Accumulated depreciation and impairment eliminated on valuation	(421)	-	-	**(421)**
Effect of foreign exchange movements	(1)	(64)	(5)	**(70)**
At 1 January 2019	**7,671**	**9,048**	**1,011**	**17,730**
Recognition of right-of-use asset on initial application of IFRS 16 (note 5.1.1)	114	-	-	**114**
Adjusted balance at 1 January 2019	**7,785**	**9,048**	**1,011**	**17,844**
Additions	105	323	826	**1,254**
Disposals/write offs/adjustments	-	(146)	(14)	**(160)**
Transfer from investment properties-net (note 16.5 & 16.4.1)	134	-	-	**134**
Assets placed in service	-	1,143	(1,143)	**-**
Net loss on valuation of properties (note 16.4.2)	(179)	-	-	**(179)**
Accumulated depreciation and impairment eliminated on valuation	(425)	-	-	**(425)**
Effect of foreign exchange movements	26	39	6	**71**
At 31 December 2019	**7,446**	**10,407**	**686**	**18,539**

(AED in millions)	Land and buildings	Furniture fixtures and equipment	Capital work in progress	Total
Accumulated depreciation/impairment				
At 1 January 2018	**-**	**(4,492)**	**(141)**	**(4,633)**
Charged during the year	(421)	(882)	-	**(1,303)**
Impairment loss (note 14.3)	-	(130)	-	**(130)**
Reversal of impairment (note 14.3)	-	46	-	**46**
Impairment reversal against provision	-	-	6	**6**
Reclassification to assets held for sale	-	(4)	-	**(4)**
Transfer to a related party	-	9	-	**9**
Accumulated depreciation and impairment eliminated on valuation	421	-	-	**421**
On disposals/write offs	-	85	-	**85**
Effect of foreign exchange movements	-	27	-	**27**
At 1 January 2019	**-**	**(5,341)**	**(135)**	**(5,476)**
Charged during the year	(425)	(939)	-	**(1,364)**
Impairment loss (note 14.3)	-	(97)	(8)	**(105)**
Reversal of impairment (note 14.3)	-	50	-	**50**
Impairment reversal against provision	-	-	5	**5**
Accumulated depreciation and impairment eliminated on valuation	425	-	-	**425**
On disposals/write offs	-	129	-	**129**
Effect of foreign exchange movements	-	(22)	-	**(22)**
At 31 December 2019	**-**	**(6,220)**	**(138)**	**(6,358)**
Carrying amounts				
At 31 December 2018	**7,671**	**3,707**	**876**	**12,254**
At 31 December 2019	**7,446**	**4,187**	**548**	**12,181**

16.4.1 Following significant transfers took place between property, plant and equipment and investment properties during the year:

- Net transfers amounted to AED 26 million from investment property to property, plant and equipment on account of increase in proportion of the portion of properties held for own use by the Group.
- During the year, the Group completed construction of a shopping malls amounting to AED 157 million in Oman, AED 239 million in UAE and AED 1,050 million in Egypt. AED 108 million, representing owned use portion of these shopping malls has been transferred to property, plant and equipment.

16.4.2 The details of revaluation gain on property, plant and equipment are as follows:

(AED in millions)	2019	2018
Loss recognized in revaluation reserve	(241)	(104)
Net gain/(loss) recognized in profit or loss (note 16.5.1)	62	(27)
	(179)	**(131)**

16.4.3 Accrued income relating to the accounting for lease rentals on a straight line basis as per IFRS 16 have been eliminated from the valuation of developed properties, in order to avoid double counting of assets, as mentioned below:

(AED in millions)	2019	2018
Fair value of land and buildings	7,447	7,672
Less: adjustment for accrued operating lease income	(1)	(1)
Net adjusted fair value	**7,446**	**7,671**

16.4.4 If the properties had been stated under the historical cost basis, the carrying amounts would have been as follows:

	2019		2018	
(AED in millions)	**Land**	**Buildings**	**Land**	**Buildings**
Cost	750	6,595	728	6,514
Accumulated depreciation	-	(3,271)	-	(3,116)
Net carrying amount	**750**	**3,324**	**728**	**3,398**

16.4.5 The carrying amount as at the reporting date includes an operational shopping mall in UAE amounting to AED 109 million and an operational shopping mall in Oman amounting to AED 98 million, which are constructed on leasehold lands (right-of-use assets).

16.5 Investment properties

(AED in millions)	**Land-Undeveloped**	**Land and buildings**	**Capital work in progress**	**Total**
Cost/revaluation				
At 1 January 2018	**1,317**	**31,638**	**3,350**	**36,305**
Additions	274	520	2,437	**3,231**
Net valuation (loss)/gain recognized in profit or loss (note 16.5.1)	-	(961)	(178)	**(1,139)**
Assets placed in service	-	196	(196)	**-**
Transfer to property, plant and equipment-net (note 16.4)	-	(150)	-	**(150)**
Transfer from development properties (note 17.2)	243	-	-	**243**
Reclassification	26	-	(26)	**-**
Impairment loss (note 14.3)	-	-	(1,168)	**(1,168)**
Effect of foreign exchange movements	-	(9)	(4)	**(13)**
At 1 January 2019	**1,860**	**31,234**	**4,215**	**37,309**
Additions	-	264	2,438	**2,702**
Net valuation loss recognized in profit or loss (note 16.5.1)	(93)	(2,756)	-	**(2,849)**
Assets placed in service	379	1,527	(1,906)	**-**
Transfer to property, plant and equipment-net (note 16.4)	-	(134)	-	**(134)**
Impairment loss (note 14.3)	-	-	(1,084)	**(1,084)**
Effect of foreign exchange movements	2	171	50	**223**
At 31 December 2019	**2,148**	**30,306**	**3,713**	**36,167**

16.5.1 The net valuation gain/(loss) included in profit or loss is as follows:

(AED in millions)	**2019**	**2018**
Net gain/(loss) taken on valuation of property, plant and equipment (note 16.4.2)	62	(27)
Loss on valuation of investment properties	(2,849)	(1,139)
	(2,787)	**(1,166)**

16.5.2 Rental income derived from investment properties during the current year is AED 3,435 million (2018: AED 3,414 million). The direct operating expenses arising from investment property that generated rental income during the current year amounted to AED 1,019 million (2018: AED 999 million).

16.5.3 Accrued income relating to the accounting for lease rentals on a straight line basis as per IFRS 16 has been eliminated from the valuation of developed properties, in order to avoid double counting of assets, as mentioned below:

(AED in millions)	**2019**	**2018**
Fair value of land and buildings	30,536	31,452
Less: adjustment for accrued operating lease income	(230)	(218)
Net adjusted fair value	**30,306**	**31,234**

16.5.4 Certain lands are held in the personal name of the majority shareholder of the Parent Company for the beneficial interest of the Group.

16.5.5 The carrying value of properties (including property, plant and equipment) mortgaged against bank loans aggregates to AED 621 million (2018: AED 1,249 million).

16.5.6 The carrying value as at the reporting date includes a shopping mall under construction in Oman amounting to AED 910 million, on leasehold land (right-of-use assets).

16.6 Right-of-use assets

Right-of-use assets related to leased assets that do not meet definition of investment property (note 16.5) or classification of property, plant and equipment carried at revalued amounts (note 16.4) are presented as a separate line item on statement of financial position. Movement in these is as follows:

(AED in millions)	**Total**
Cost	
Recognition of right-of-use asset on initial application of IFRS 16 (note 5.1.1)	4,135
Additions	1,082
On lease termination	(3)
Effect of foreign exchange movements	(6)
At 31 December 2019	**5,208**
Accumulated depreciation/impairment	
Depreciation charge for the year	(635)
Depreciation capitalized to the asset before site opening	(2)
Impairment loss	(8)
At 31 December 2019	**(645)**
Carrying amount at 31 December 2019	**4,563**

17. DEVELOPMENT PROPERTIES

17.1 Accounting policy

Properties in the process of construction or development for the purpose of sale on completion are classified as development properties. These are measured at lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

Cost of development property is determined on the basis of the cost of land plus construction costs incurred and includes borrowing costs capitalized.

When the use of a property changes such that it is reclassified as a development property from investment property, its fair value at the date of reclassification becomes its cost for subsequent accounting.

17.2

(AED in millions)	**2019**	**2018**
At 1 January	-	251
Additions during the year	-	-
Written-off during the year	-	(8)
Transferred to investment property (note 16.5)	-	(243)
	-	-

18. EQUITY-ACCOUNTED INVESTEES

18.1 Accounting policy

Interests in equity-accounted investees: Associates and Joint ventures

The Group's interest in equity accounted investees comprise interests in associates and joint ventures.

Associates are those entities in which the Group has significant influence, but not control or joint control, over the financial and operating policies. A joint venture is an arrangement in which the Group has joint control, whereby the Group has rights to the net assets of the arrangement, rather than rights to its assets and obligations for its liabilities.

Interest in associates and joint ventures are accounted for using the equity method. They are initially recognized at cost, which includes transaction costs. Subsequent to initial recognition, the consolidated financial statements include the Group's share of the profit or loss and other comprehensive income of equity-accounted investees, until the date on which significant influence or joint control ceases. When the Group's share of losses of an associate or a joint venture exceeds the Group's interest in that associate or joint venture, the Group discontinues recognising its share of further losses. Additional losses are recognized only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate or joint venture.

On acquisition of the investment in an associate or a joint venture, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognized as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognized immediately in profit or loss in the period in which the investment is acquired.

The financial statements of the Group's associates or joint ventures are prepared using consistent accounting policies. Wherever necessary, adjustments are made to bring accounting policies in line with those of the Group.

Interests in joint arrangements

The Group classifies its interest in joint arrangements as either joint ventures or joint operations depending on the Group's rights to the assets and obligations for the liabilities of the arrangements. When making this assessment, the Group considers the structure of the arrangements, the legal form, the contractual terms and other facts and circumstances. Joint arrangements are arrangements in which the Group has joint control, established by contracts requiring unanimous consent for decisions about the activities that significantly affect the arrangements' return.

When the Group has right to the assets and obligations for the liabilities, relating to an arrangement, it accounts for each of its assets, liabilities and transactions, including its share of those held or incurred jointly, in relation to the joint operation. The Group accounts for investment in joint operations using the proportionate consolidation method.

18.2

(AED in millions)	**2019**	**2018**
Investment in associates (note 18.3)	64	61
Investment in joint ventures (note 18.4)	732	813
	796	**874**

18.3 Investment in associates

(AED in millions)	**2019**	**2018**
At 1 January	61	131
Additions during the year	-	2
Transfer to related party during the year (note 18.3.1)	-	(81)
Share of profit accounted through profit or loss	36	27
Dividend income received	(28)	(15)
Impairment charge (notes 14.3)	(5)	(3)
	64	**61**

18.3.1 During the prior year, via a share transfer agreement, the Group transferred its investment, represented by 699,869 ordinary and 1,2017,319 preference shares in MENA 360 Holding Limited to Majid Al Futtaim Technology LLC (a fellow subsidiary) for USD 22 million (AED 81 million) and recognized a gain of AED 3 million on transfer.

18.3.2 Details of Group's associates are as follows:

			Effective ownership	
Name of associate	**Country of incorporation**	**Nature of business**	**2019**	**2018**
Enova Facilities Management	United Arab Emirates	Facilities management services	51%	51%
Hollister Fashion LLC	United Arab Emirates	Fashion retailer	51%	51%

18.3.3 Summarized financial information in respect of the Group's interest in significant associates in UAE is set out as follows:

(AED in millions)	2019	2018
Total assets	413	338
Total liabilities	(297)	(236)
Net assets	**116**	**102**
Group's share in net assets of the investee at year end	**59**	**52**
Goodwill adjustment	5	9
Carrying amount of interest in all the associates at the year end	**64**	**61**
Revenue	679	638
Profit for the year	57	42
Share of profit for the year	**36**	**27**

18.4 Investment in joint ventures

(AED in millions)	2019	2018
At 1 January	813	923
Effect of change in accounting policy	-	115
	813	**1,038**
Additions/reclassifications during the year (note 18.4.1)	-	51
Share of profit accounted through profit or loss (note 18.4.4)	13	60
Dividend income:		
- Declared and received	-	(37)
- Declared but not received at the reporting date	(96)	(17)
Reclassification from/(to) assets held for sale (note 14.3.3)	-	(29)
Impairment charge (note 14.3)	-	(260)
Foreign currency translation differences from foreign operations	2	7
	732	**813**

18.4.1 Investment amounts in various entities include capital contributions made by the Group in its capacity as a shareholder. These balances are unsecured and interest free in nature and will not be called for repayment, except at the sole discretion of the joint venture entities. During the prior year, the Group had made an investment in a joint venture of AED 25 million and reclassifed a portion of short term loan to investment of AED 26 million.

18.4.2 Details of Group's material joint ventures are as follows:

Name of joint venture	Country of incorporation	Nature of business	Effective ownership 2019	Effective ownership 2018
Sharjah Holding Co. PJSC	United Arab Emirates	Property developer	50%	50%
Waterfront City SARL	Lebanon	Property developer	50%	50%
Al Mouj Muscat S.A.O.C	Oman	Property developer	50%	50%

18.4.4 Summarized financial information in respect of the Group’s interest in joint ventures aggregated by geographical concentration between UAE, Gulf Cooperation Council (GCC) excluding UAE and others is set out below:

(AED in millions)	UAE	Other GCC	Others	Total
31 December 2019				
Non-current assets	476	380	836	**1,692**
Current assets	762	2,474	759	**3,995**
Current liabilities	(556)	(1,507)	(1,204)	**(3,267)**
Non-current liabilities	(4)	(573)	(6)	**(583)**
Net assets	**678**	**774**	**385**	**1,837**
Carrying amount of interest in the investee at the year end*	**339**	**387**	**7**	**733**
Revenue	166	783	84	**1,033**
(Loss)/profit for the year	(91)	117	(12)	**14**
Share of (loss)/profit for the year	**(45)**	**58**	**-**	**13**
Impairment provision for the year (note 14.3)	**-**	**-**	**-**	**-**

(AED in millions)	UAE	Other GCC	Others	Total
31 December 2018				
Non-current assets	458	553	721	**1,732**
Current assets	2,713	2,359	803	**5,875**
Current liabilities	(2,336)	(1,263)	(1,118)	**(4,717)**
Non-current liabilities	(26)	(665)	(9)	**(700)**
Net assets	**809**	**984**	**397**	**2,190**
Carrying amount of interest in the investee at the year end*	**404**	**405**	**4**	**813**
Revenue	518	614	194	**1,326**
(Loss)/profit for the year	12	73	34	**119**
Share of profit for the year	**8**	**36**	**16**	**60**
Impairment provision for the year (note 14.3)	**(49)**	**(86)**	**(125)**	**(260)**

* Share of net assets disclosed above in joint ventures is net of impairment.

19. INTANGIBLE ASSETS AND GOODWILL

19.1 Accounting policy

Goodwill

All business combinations are accounted for by applying the purchase method except for acquisition of entities under common control. The excess of cost of acquisition over the Group's interest in the fair value of the identifiable assets and liabilities at the date of acquisition is recorded as goodwill. Negative goodwill arising on acquisition is immediately recognized in profit or loss.

Acquisitions of non-controlling interests are accounted for as transactions with other equity holders in their capacity as equity holders and therefore, goodwill is not recognized as a result of such transactions.

In respect of equity-accounted investees, the carrying amount of goodwill is included in the carrying amount of the investment, and is not tested for impairment separately.

Goodwill is tested annually for impairment and whenever there is an indicator for impairment. Goodwill is carried at cost less accumulated impairment losses, if any.

On disposal of a subsidiary / joint venture / associate, the attributable amount of goodwill is included in the determination of profit or loss on disposal.

Other intangible assets

Intangible assets that are acquired by the Group and have finite useful lives are measured at cost less accumulated amortization and accumulated impairment losses, if any. Where the payment term is deferred, the cost of the intangible asset is the cash price equivalent, which is the discounted amount of cash outflows over the payment term. Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognised in profit or loss as incurred.

Amortization

Amortization is calculated on the cost of the asset, or other amount substituted for cost, less its estimated residual value. Amortization is recognized in profit or loss on a straight-line basis over the estimated useful lives of intangible assets, other than goodwill, from the date that they are available for use, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset. The estimated useful lives for the current and comparative years are as follows:

Category of assets	*Estimated useful life*
Metro naming rights	10 years
Others	3 - 4 years

19.2

(AED in millions)	**Goodwill**	**Others**	**Total**
Cost			
At 1 January 2018	**1,321**	**540**	**1,861**
Additions	-	117	**117**
Effect of foreign exchange movements	(1)	-	**(1)**
At 1 January 2019	**1,320**	**657**	**1,977**
Additions	-	183	**183**
At 31 December 2019	**1,320**	**840**	**2,160**
Accumulated amortization/impairment			
At 1 January 2018	**(22)**	**(282)**	**(304)**
Charge for the year	-	(103)	**(103)**
Impairment loss (note 14.3 and 19.4)	(12)	(2)	**(14)**
At 1 January 2019	**(34)**	**(387)**	**(421)**
Charge for the year	-	(145)	**(145)**
Impairment loss (note 14.3 and 19.4)	(32)	(7)	**(39)**
At 31 December 2019	**(66)**	**(539)**	**(605)**
Carrying amounts			
At 31 December 2018	**1,286**	**270**	**1,556**
At 31 December 2019	**1,254**	**301**	**1,555**

19.3 During the year, the Group entered into an agreement with a Government entity in the UAE to renew its naming rights for two stations of Dubai Metro for a period of two years. Based on the present value of the future payments to be made, intangible assets have been recorded, which are amortized over the contract period using the incremental borrowing rate of the Group at 9.1% p.a, and a corresponding long term liability was recorded (note 27.2) In prior years, metro naming rights for two stations for a period of 10 years expired during the year.

19.4 The management has carried out impairment tests for goodwill acquired through business combinations. Estimate of the recoverable amount of the assets is based on a value in use calculation and accordingly, an impairment loss of AED 32 million (2018: AED 12 million) on goodwill is recognized on cash generating units ('CGU') in cinema and fashion. Key assumptions used in the impairment assessment for cinema and fashion operating units are disclosed in note 14.3.1

Included in the carrying amount of goodwill is goodwill recognized in respect of acquisition of a retail business in 2017 amounting to AED 1,021 million (2018: 1,021 million). The goodwill is mainly attributable to the synergies expected to be achieved from integrating the acquired business into the Group's existing retail business, including know-how of operating small scale supermarket business models, relationship with key landlords/stakeholders and increasing market share. Goodwill has been allocated to the acquired businesses in each of the countries i.e. UAE, Bahrain and Kuwait and is tested annually for impairment.

The impairment test is based on the "value in use" calculation. These calculations use cash flow projections based on estimated operating results of the businesses acquired in each of the countries (identified as a CGU for the purpose of impairment testing of goodwill). Following are the key assumptions used for the projected cash flows involving significant judgements and any negative variation can result in a potential impairment.

- *Cash flow projections* – The cash flow projections includes specific estimates for five years at an average growth rate of 1.2% to 8.2% (2018: 3% to 8%) and a stable growth rate of 3% (2018: 3%) thereafter. The stable growth rate is determined based on management's estimate of the long-term standard inflation rate, consistent with the assumptions that a market participant would make. Cash flow projections are done on the assumption of going concern.
- *Discount rates* – These represent the cost of capital adjusted for the respective country risk factors. The Group uses the post-tax industry average Weighted Average Cost of Capital which reflects the country specific risk adjusted discount rate. A discount rate of 9.5% to 13% (2018: 10% to 13%) has been determined and applied.

The estimated recoverable amount (based on value in use calculations) of the CGU's exceeded its carrying amount. Unfavourable changes in the key assumptions could cause the carrying amount to exceed the recoverable amount. The management is confident that actual results will meet the projections and that the assumptions in relation to the goodwill impairment test are reasonable. Accordingly, no impairment loss has been recorded against goodwill during the current year (2018: Nil).

20. OTHER NON-CURRENT ASSETS

(AED in millions)	**2019**	**2018**
Long term portion of:		
- Advances and deposits (note 22)	204	260
- Accrued income on operating leases (note 22)	158	149
- Prepaid rentals (note 22)	12	12
Long term prepaid lease premium (note 20.1)	269	438
Other long term receivables - net	33	30
	676	**889**

20.1 This mainly represents the unamortized value of the payments made to the previous tenants of a hypermarket and a supermarket in respect of the right to enter as a lessee and also includes the payments made to the landlord of a hypermarket towards the cost of construction of the building in which the hypermarket is situated. These payments are in the nature of lease premiums and are amortised over the period of the respective leases.

21. INVENTORIES

21.1 Accounting policy

Inventories are measured at the lower of cost and net realizable value. Cost is stated net of rebates according to the agreements with suppliers. The cost of inventories is based on the latest purchase price, which is not materially different from the weighted average cost (“WAC”) principle and includes expenditure incurred in acquiring the inventories and other costs incurred in bringing them to their existing location and condition. Net realizable value is the estimated selling price in the ordinary course of business less the estimated cost of completion and selling expenses.

The Group reviews its inventories to assess loss on account of obsolescence on a regular basis. In determining whether provision for obsolescence should be recorded in the profit or loss, the Group makes judgments as to whether there is any observable data indicating that there is any future saleability of the product and the net realizable value for such product. Accordingly, provision is made where the net realizable value of inventories is less than cost based on best estimates by the management. The provision for obsolescence of inventory is based on the ageing and past movement of the inventory.

21.2

(AED in millions)	**2019**	**2018**
Inventory held for sale (net of provisions)	2,462	2,457
Reduction in cost from incidence of rebates and discounts	(177)	(169)
Goods in transit	12	13
Spares and consumables	28	31
	2,325	**2,332**

Provision for stock obsolescence as at the year end amounted to AED 73 million (2018: AED 72 million).

22. TRADE AND OTHER RECEIVABLES

(AED in millions)	**2019**	**2018**
Trade receivables	682	1,397
Advances and deposits	1,004	1,007
Prepayments	309	588
Accrued income on operating leases	230	219
Positive fair value of derivatives	101	33
Other receivables	65	102
	2,391	**3,346**
Provision for loss allowances (note 36.3)	(162)	(176)
	2,229	**3,170**
Less: long term portion (note 20)	(374)	(421)
Current portion	**1,855**	**2,749**

23. CASH IN HAND AND AT BANK

23.1 Accounting policy

For the purposes of cash flow statement, cash and cash equivalents comprise cash balances, call deposits and term deposits with an original maturity of less than three months. Bank overdrafts that are repayable on demand and form an integral part of the Company's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

23.2

(AED in millions)	**2019**	**2018**
Cash in hand	202	171
Fixed deposits	293	489
Cash at bank	911	856
	1,406	**1,516**

23.3 Cash in hand mainly represents daily sales takings at stores not deposited, the cash in operation at the central cashier office and petty cash.

23.4 Fixed deposits are obtained at prevailing market interest rates.

23.5 For the purpose of cash flow statement, cash and cash equivalents comprise:

(AED in millions)	**2019**	**2018**
Cash in hand and at bank	1,406	1,516
Less: fixed deposits with an original maturity of more than three months	(147)	(196)
Less: bank overdraft	(8)	(92)
	1,251	**1,228**

24. ASSETS AND LIABILITIES CLASSIFIED AS HELD FOR SALE

24.1 During the year, the Group finalized plans to sell the credit card portfolio of a wholly owned subsidiary. At the reporting date, the Group is in the process of finalizing the terms of sale with potential buyers and the sale is expected to conclude during 2020. Accordingly, the credit card portfolio and associated liabilities are presented as held for sale separately in these consolidated financial statements. The carrying value of the credit card portfolio in statement of financial position as of 31 December 2019 is AED 671 million.

The Group will be required to obtain regulatory approval from the Central Bank of UAE along with consent from customers before concluding the sale transaction.

Total charge of AED 79 million, with respect to the write-downs of the assets and recognition of liabilities held for sale, including the associated assets for which carrying amount is no longer considered to be recoverable, has been recognized in the consolidated statement of profit or loss (note 14.3.1, 14.3.3 and 14.4).

(AED in millions)	**2019**
Assets classified as held for sale	
Credit card receivables (net of provision for impairment of AED 43 million)	671
Liabilities directly associated with assets classified as held for sale	
Payables and provisions	(44)
Net assets held for sale	**627**

24.2 In 2018, the Group entered into a share purchase agreement with its joint venture partner for sale of Group's entire stake in Gourmet Gulf and accordingly classified the investment (carrying amount of AED 29 million) as an asset held for sale at 31 December 2018. The loan outstanding of AED 11 million was classified under short term loans from related parties (note 28.1 and 28.2). During the year, the terms of sale were finalized and required the joint venture partner to settle the outstanding loan of AED 15 million (note 28.1 and 28.2) as settlement for the share purchase agreement. Accordingly, a loss of AED 29 million was recognized in the consolidated statement of profit or loss under other under other expenses - net (note 13).

25. TRADE AND OTHER PAYABLES

(AED in millions)	**2019**	**2018**
Trade payables	5,516	4,548
Accruals	2,276	2,114
Retentions payable	355	411
Tax payable	118	138
Negative fair value of derivatives	119	107
Other payables	284	288
	8,668	**7,606**

25.1 The Group has a supply chain finance programme (SCF) to support the cash flow of its supply base. Suppliers can access the programme and request early payment of invoices, a charge is incurred by the supplier based on the period of acceleration and the rate agreed between the paying agent and each supplier. All early payments are paid by the paying agent, and the Group settles the original invoice amount with the paying agent at maturity of the original invoice due date. The Group believes this programme offers a benefit to its suppliers, as it provides visibility and flexibility to manage their cash flow, and the rates offered can be preferential to their cost of funding. Balances outstanding under the SCF are classified as trade payables, since this arrangement is agreed between the supplier and the paying agent, and the Group does not provide additional credit enhancement. Any payments to a supplier by the paying agent are considered non-cash transactions.

26. PROVISIONS

26.1 Accounting policy

26.1.1 Provisions

A provision is recognized in the statement of financial position when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognized as finance cost.

26.1.2 Short term employee benefits

Short term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognized for the amount expected to be paid under short term cash bonus or profit sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employees and the obligation can be measured reliably.

26.1.3 Long term employee benefits

The Group offers a retention plan to certain senior management personnel under a special incentive scheme. A provision for the Group’s obligation under the scheme is accrued by estimating the present obligation and present value of the estimated future payments as at the reporting date in respect of all applicable employees for their services rendered during the year.

26.2

(AED in millions)	**2019**	**2018**
Bonus provisions (note 26.3)	319	245
Other provisions (note 26.4)	104	116
	423	**361**
Non-current	53	69
Current	370	292
	423	**361**

26.3 The movement in provision for bonus incentive plan is as follows:

(AED in millions)	**2019**	**2018**
At 1 January	245	286
Additions during the year - net	244	209
Payments made during the year	(170)	(250)
At 31 December	**319**	**245**
Less: Current portion	(266)	(176)
Non-current portion	**53**	**69**

The provision for bonus includes AED 99 million (2018: AED 69 million) in respect of deferred bonus plan for the senior management staff of the Group, of this AED 46 million (2018: Nil) is expected to be paid within twelve months from the reporting date.

26.4 Provisions movement during the year:

(AED in millions)	**2019**	**2018**
At 1 January	116	144
Charge during the year	120	44
Payments/adjustments made during the year	(134)	(72)
Currency translation adjustments	2	-
At 31 December	**104**	**116**
Less: Current portion	(104)	(116)
Non-current portion	**-**	**-**

27. OTHER LIABILITIES

(AED in millions)	**2019**	**2018**
Advance receipts	1,012	1,019
Unearned rental income	768	789
Accrued lease rentals	-	269
Deferred consideration (note 27.1)	112	137
Deferred liability (note 27.2)	27	-
Unredeemed points liability (note 27.3)	12	-
Other liabilities	1	-
	1,932	**2,214**
Non-current	91	368
Current	1,841	1,846
	1,932	**2,214**

27.1 Represents deferred consideration with respect to acquisition of a Cinema in Bahrain in 2016. The movement in deferred consideration is as follows:

(AED in millions)	**2019**	**2018**
At 1 January	137	161
Interest accrued during the year	13	15
Payments made during the year	(38)	(39)
At 31 December	**112**	**137**
Less: Current portion	(36)	(38)
Non-current portion	**76**	**99**

27.2 The movement in the deferred liability (note 19.3) is as follows:

(AED in millions)	**2019**	**2018**
At 1 January	-	11
Arising on metro naming rights contracted during the year	27	-
Payments made during the year	-	(11)
At 31 December	**27**	**-**
Less: Current portion	(13)	-
Non-current portion	**14**	**-**

27.3 During 2019, the Group launched a loyalty programme "Share" allowing customers to earn and redeem points across the Group within UAE. The liability with respect to the unredeemed reward points under this program amounted to AED 12 million (2018: Nil) at year-end, net of breakage of AED 1 million (2018: nil).

28. RELATED PARTY TRANSACTIONS AND BALANCES

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions. Related parties include the Parent Company and its shareholders, fellow subsidiaries, associates, joint ventures, key management personnel and/or their close family members. Transactions with related parties are carried out at agreed terms.

28.1 Long term receivables from related parties

(AED in millions)	**2019**	**2018**
Receivable from a minority shareholder	17	16
Receivable from joint ventures (note 28.1.1)	-	23
Receivable from a joint operator	-	1
	17	**40**

28.1.1 During the year, the Group recovered AED 11 million along with the accumulated accrued interest as part of sale of its investment in a joint venture in UAE (note 24.2).

28.2 Short term loans to related parties

(AED in millions)	**2019**	**2018**
Receivable from joint ventures (note 28.2.1)	162	68

28.2.1 These short term loans to joint ventures include:

- AED 44 million (2018: AED 24 million) receivable from a joint venture in UAE and AED 42 million (2018: 25 million) from a joint venture in Egypt and AED 76 million (2018: AED 19 million) from a joint venture in Oman.

28.3 Short term loan from a related party

The loan is obtained from the Parent Company, against a loan facility of AED 1,100 million, renewable every year.

(AED in millions)	**2019**	**2018**
At 1 January	41	21
Borrowed during the year	172	202
Repaid during the year	(919)	(1,277)
Settlement on transfer of MENA 360 to a fellow subsidiary (note 18.3.1)	-	(81)
Adjusted for share capital injection (note 34.2.1)	-	(184)
Adjusted for dividend settlement	870	1,360
At 31 December	**164**	**41**

28.4 Long term loan from related parties

Long term loans from related parties include:

- An un-secured loan amounting to AED 30 million (2018: AED 30 million) obtained by a Group's subsidiary from it's non-controlling shareholder repayable upon the fifth anniversary of the agreement dated August 2015.

28.5 Due from related parties

(AED in millions)	**2019**	**2018**
Parent company	133	88
Subsidiaries of the parent company	10	89
Joint ventures	477	470
Associates	1	1
Others	51	34
	672	**682**
Provision for doubtful receivables	(16)	(6)
	656	**676**

28.6 Due to related parties

(AED in millions)	**2019**	**2018**
Others	45	41

28.7 Compensation to key management personnel

The aggregate compensation of key management personnel of the Group's entities, including non-executive directors is disclosed as follows:

(AED in millions)	**2019**	**2018**
Directors' fees and expenses	18	18
Employee benefits (salaries and allowances including provision for bonus)	115	94
Post employment benefits (provision for end of service benefits)	3	4
	136	**116**

28.8 Other transactions with related parties during the year

28.8.1 During the year, the Parent Company has borne a proportion of costs, amounting to AED 11 million (2018: AED 15 million), incurred in respect of operations of the Leadership Institute.

28.8.2 During the year, certain projects and activities were undertaken on behalf of the Parent Company. Accordingly, costs relating to such projects and proportion of management time and travel costs, amounting to AED 138 million (2018: AED 110 million), incurred on these projects have been cross charged to the Parent Company and other subsidiaries of the Parent Company.

29. BANK OVERDRAFT

(AED in millions)	**2019**	**2018**
Bank overdraft	8	92

In the ordinary course of business, companies within the Group use overdraft facilities from banks on market rate interest. The Group has bank overdraft facilities aggregating to AED 1,396 million (2018: AED 1,167 million). The facilities carry interest at 0.75% - 3.5% (2018: 0.75% - 3.5%) above the base lending equivalent and the drawn amounts are repayable on demand.

30. SHORT TERM LOAN

(AED in millions)	**2019**	**2018**
At 1 January	73	55
Borrowed during the year	786	1,818
Repaid during the year	(859)	(1,800)
	-	**73**

The loan is an uncommited revolving facility of USD 100 million with a margin of 1.25% per annum over 1 week LIBOR maturing within 6 months from the date of each drawdown.

31. LONG TERM LOANS

(AED in millions)	**2019**	**2018**
At 1 January	13,786	11,194
Borrowed during the year	14,823	9,678
Repaid during the year	(14,935)	(7,055)
Interest capitalized as part of loan principal	61	60
Fair value movement	105	(54)
Net movement in unamortized arrangement and agency fee	6	(35)
Currency translation adjustment	38	(2)
	13,884	**13,786**
Less: Current maturity of long term loans	(83)	(1,973)
Non-current portion	**13,801**	**11,813**

31.1 Details of term loans from banks are as follows:

(AED in millions)

Loan facility 'in millions	**Repayment interval**	**Repayment commencing**	**Maturity date**	**Note**	**31 December 2019**	**31 December 2018**
LBP 170,633	Annual	20-Mar-16	20-Sep-22	31.1.1	251	309
PKR 1,850	Quarterly	6-Aug-18	6-May-21	31.1.2	18	41
EGP 2,500	Unequal installments every year	28-Sep-21	Settled	31.1.3	-	277
USD 200	Quarterly	10-Jun-21	10-Mar-29	31.1.3	512	-
AED 225	Semi-annual	29-Sep-13	Settled	31.1.4	-	40
OMR 175	Unequal installments every year	31-Dec-20	Settled	31.1.5	-	522
KES 1,530	Semi-annual	31-Dec-18	Settled	31.1.6	-	22
GEL 10.9	Semi-annual	17-Mar-18	Settled	31.1.6	-	13
					781	**1,224**
Adjustments for:						
Unamortized fees on issuance					(5)	(22)
					776	**1,202**

The floating rate term loans carry margins ranging from 1.0% to 2.5% (2018: 1% to 4.1%) per annum over the base lending rate. For loans obtained in the UAE, the base lending rate used is EIBOR/LIBOR while loans obtained by overseas subsidiaries an appropriate base lending rate prevailing in the related markets is used.

31.1.1 The loan facility was obtained by a subsidiary in Lebanon during 2011 and is secured by way of a first ranking charge over the plot on which a shopping mall is constructed and the assignment of lease rentals of the shopping mall.

31.1.2 During 2016, a term loan facility of PKR 1,850 million was obtained by a subsidiary in Pakistan, which is secured by a bank guarantee issued to lending bank amounting to PKR 1,575 million and a charge on inventory amounting to PKR 500 million.

31.1.3 In 2016, a loan facility of EGP 2,500 million was obtained by a subsidiary in Egypt in relation to the construction of a shopping mall, which was secured by assignment of lease proceeds and insurance contracts. During the year, this loan facility was refinanced through a USD 200 million facility. Upon pre-payment of EGP 2,500 million facility, the assignment over lease proceeds and insurance contracts were released.

31.1.4 The loan facility was secured by way of a first degree mortgage over land and building of a shopping mall in UAE, assignment of insurance policies of the property and lease rentals of the shopping mall. During the year, the Group pre-paid the facility in full prior to its contractual maturity.

31.1.5 In 2017, a loan facility of OMR 175 million was obtained by a subsidiary in Oman in relation to the construction of a shopping mall, which was secured by first degree mortgage on usufruct rights on the leasehold land, assignment of lease proceeds, insurance and construction contracts. During the year, the Group pre-paid the facility in full prior to its contractual maturity and accordingly releasing the mortgage on usufruct rights and leasehold land.

31.1.6 In 2016, term loan facilities of KES 1,530 million and GEL 10.9 million were obtained by the Group's subsidiaries in Kenya and Georgia respectively. These facilities were paid and settled by the Group during the year prior to their contractual maturities.

31.2 Details of drawn revolver facilities from banks are as follows:

(AED in millions)

Loan facility 'in millions	Maturity date	31 December 2019	31 December 2018
USD 560	26-Feb-23	-	404
AED 3,562	26-Feb-23	3,560	699
USD 100	30-Sep-23	367	367
USD 350	24-Sep-24	-	1,286
AED 2,387	24-Sep-24	-	2,337
USD 655	23-Jan-25	-	973
AED 1,267	23-Jan-25	-	-
KES 3,000	15-Jan-22	2	-
		3,929	**6,066**
Adjustments for:			
Unamortized fees on issuance		(42)	(54)
		3,887	**6,012**

The Group has unsecured revolving facilities aggregating to AED 13,441 million (2018: AED 13,332 million). These floating rate facilities carry margins ranging from 1.0% to 1.35% (2018: 1.20% to 1.50%) per annum over the base lending rate. For loans obtained in the UAE, the base lending rate used is EIBOR/LIBOR while loans obtained by overseas subsidiaries an appropriate base lending rate prevailing in the related markets is used.

31.3 Details of fixed rate Debt Capital Market facilities are as follows:

(AED in millions)

Bonds and sukuks 'in millions	Pricing	Maturity date	Note	31 December 2019	31 December 2018
USD 500 million sukuk certificates	4.50% per annum, to be serviced every six months from returns generated from the Wakala portfolio	3-Nov-25	31.3.1	1,837	1,837
USD 600 million sukuk certificates	4.64% per annum, to be serviced every six months from returns generated from the Wakala portfolio	14-May-29	31.3.1	2,204	-
USD 600 million sukuk certificates	3.9325% per annum, to be serviced every six months from returns generated from the Wakala portfolio	28-Feb-30	31.3.1	2,204	-
USD 500 million unsecured notes	5.25% per annum, payable every six months	5-Jul-19	31.3.2	-	1,837
USD 800 million unsecured notes	4.75% per annum, payable every six months	7-May-24	31.3.2	2,938	2,938
				9,183	**6,612**
Adjustments for:					
Unamortized fees, discounts and premium on issuance				(1)	26
Fair value adjustment on borrowings hedged by interest rate swaps				39	(66)
				9,221	**6,572**

31.3.1 During the year, the size of the Sukuk Trust Certificate Issuance Program ("Sukuk Program") was increased to USD 3,000 million. The size of the Sukuk Program had been increased from USD 1,000 million to USD 1,500 million in 2015 and the structure of the Program was amended to incorporate a Commodity Murabaha Investment option within the “Wakala” structure.

In November 2015, the Group issued ten year Sukuk certificates (“bonds”) under its Sukuk Program dated 8 October 2015, raising USD 500 million (AED 1,837 million). In May 2019 and October 2019, the Group issued additional long-ten year Sukuk certificates raising USD 1,200 million in tranches of USD 600 million each, to refinance existing eligible projects in accordance with the MAF Group’s Green Finance Framework. These senior unsecured bonds issued in November 2015, May 2019 and October 2019 under this program are listed on the NASDAQ Dubai, UAE and on the Euronext Dublin.

The terms of the arrangement include payment to the Group for the purchase of an Asset Portfolio by MAF Sukuk Ltd, the Issuer, and the purchase of a Commodity Murabaha Investment for a deferred sale price. The Asset Portfolio, the Commodity Murabaha Investment and all other rights arising under or with respect to such asset portfolio and the Commodity Murabaha Investment shall comprise the “Wakala Portfolio”. In substance, the Wakala Portfolio remains in control of the Group and shall continue to be serviced by the Group. The bond holders have no recourse to the assets.

The profit on these fixed rate is serviced on a semi-annual basis from returns generated from the Wakala Portfolio.

The Sukuk Program was originally listed on the London Stock Exchange in 2012. All subsequent updates of the program since then, have been listed on the Euronext Dublin and on the NASDAQ Dubai, UAE. Of the total amount raised under the Sukuk Program, USD 1,200 million (2018: USD 200 million) is hedged by interest rate swaps and accordingly, carried at fair value.

31.3.2 In July 2012, under the USD 2,000 million Global Medium Term Note (GMTN) Program (increased to USD 3,000 million in 2015), the Group issued seven year fixed rate unsecured bonds of USD 500 million, ten year fixed rate unsecured bonds in May 2014 of USD 500 million and additional USD 300 million as part of May 2014 issue in July 2016. The bonds issued in July 2012 were listed on London and NASDAQ Dubai, UAE Stock Exchange and bonds issued in May 2014 are listed on NASDAQ Dubai, UAE and Euronext Dublin. In addition the GMTN Program was originally listed on the London Stock Exchange in 2011. All subsequent updates have been listed on Euronext Dublin and on NASDAQ Dubai, UAE. Of the total amount raised under the GMTN Program, USD 375 million (2018: USD 375 million) is hedged by interest rate swaps and accordingly, carried at fair value.

During the year, the Group repaid the July 2012 seven year unsecured bonds of USD 500 million on maturity.

32. LEASES

32.1 Accounting policy

A ***As a lessee***

Policy applicable from 1 January 2019

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group uses the definition of a lease in IFRS 16.

This policy is applied to contracts entered into, on or after 1 January 2019.

At commencement or on modification of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of its relative stand-alone prices. However, for the leases of property the Group has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

The Group recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term. In addition, the right-of-use asset is periodically reduced by impairment losses and adjusted for certain remeasurements of the lease liability, if any.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

The Group determines its incremental borrowing rate by obtaining interest rates from various external financing sources and makes certain adjustments to reflect the terms of the lease and type of the asset leased.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;

- amounts expected to be payable under a residual value guarantee; and
- lease payments in an optional renewal period if the Group is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Group is reasonably certain not to terminate early.

The lease liability is measured at amortized cost using effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, if the Group changes its assessment of whether it will exercise an extension or a termination option or if there is a revised in-substance fixed lease payment.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Group, the lesse's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

The Group has applied judgement to determine the lease term for certain lease contracts in which it is a lessee that include renewable options. The assessment of whether the Group is reasonably certain to exercise such options impacts the lease term, which significantly affects the amount of lease liabilities and right-of-use assets recognized.

When the lease liability is remeasured, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Group presents right-of-use assets as a separate line item in the statement of financial position except for right-of-use asset pertaining to properties, which are classified under land and building in 'Property, plant and equipment'. Right-of-use assets that meet the definition of investment property are presented within 'Investment property'. The Group presents lease liabilities separately in the statement of financial position.

Short-term leases and leases of low-value assets

The Group has elected not to recognize right-of-use assets and lease liabilities for leases of low-value assets and short-term leases, including IT equipment. The Group recognizes the lease payments associatesd with these leases as an expense on a straight-line basis over the lease term.

Policy applicable before 1 January 2019

Determining whether an arrangement contains a lease

At inception of an arrangement, the Group determines whether the arrangement is or contains a lease. Where at inception or on reassessment of an arrangement that contains a lease, the asset and a liability are recognized at an amount equal to the fair value of the underlying asset; subsequently, the liability is reduced as payments are made and an imputed finance cost on the liability is recognized using the Group's incremental borrowing rate.

Leased assets

Assets held by the Group under leases that transfer to the Group substantially all of the risks and rewards of ownership are classified as finance leases. The leased assets are measured initially at an amount equal to the lower of their fair value and the present value of the minimum lease payments. Subsequent to the initial recognition, the assets are accounted for in accordance with the accounting policy applicable to that asset. Assets held under other leases are classified as operating leases and are not recognized in the Group's statement of financial position.

Lease payments

Lease payments incurred as lessee under operating leases are recognized as an expense in the profit or loss on a straight line basis over the lease term. Lease incentives received are recognized in profit or loss as an integral part of the total lease expense, over the term of the lease. Increases in rentals which are considered to be due to inflation are regarded as contingent rent and are recognized in the year in which that they occur.

Differences between rentals on the straight-line basis and contracted rentals are recognized as ‘accrued lease rentals’, as an asset or a liability, as the case may be. Lease rentals which are considered contingent at the inception of the lease but are confirmed at a subsequent date during the period of the lease are accounted for in the period in which they are incurred.

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance the liability.

B ***As a lessor***

At inception or on modification of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of their relative stand-alone prices.

When the Group acts as a lessor, it determines at lease inception whether each lease is a finance or an operating lease.

To classify each lease, the Group makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then it is an operating lease. As part of this assessment, the Group considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

When the Group is an intermediate lessor, it accounts for its interests in the head lease and the sub-lease separately. It assesses the lease classification of a sub-lease with reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset. If a head lease is a short-term lease to which the Group applies the exemption described above, then it classifies the sub-lease as an operating lease.

If an arrangement contains lease and non-lease components, then the Group applies IFRS 15 to allocate the consideration in the contract.

The Group applies the derecognition and impairment requirements in IFRS 9 to the net investment in lease. The Group further regularly reviews estimated unguaranteed residual values used in calculating the gross investment in the lease.

The Group recognizes lease payments received under operating leases as income on straight-line basis over the lease term as 'rental income' in revenue.

The accounting policies applicable to the Group as a lessor in the comparative period were not different from IFRS 16.

32.2 Critical accounting estimates and judgement

Lease term

In determining the lease term and assessing the length of the non-cancellable period of a lease, the Group applies the definition of a contract to determine the period for which the contract is enforceable. A lease is no longer enforceable when the Group (lessee) and the lessor, both, has the right to terminate the lease without permission from the other party with no more than an insignificant penalty.

In determining the lease term where the enforceability of the option solely rests with the Group, the management considers all facts and circumstances that create an economic incentive to exercise the option. Extension/renewal options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated). The following factors are most relevant:

- If there are significant penalties (contractual) to terminate (or not extend), the Group is typically reasonably certain to extend (or not terminate).
- If the lease improvements are expected to have a significant remaining value, the Group is typically reasonably certain to extend (or not terminate).
- Group also considers other factors including current market conditions, historical impairments on related CGUs, business plans etc.

Where the option on the lease term rests with both the Group (lessee) and the lessor, the Group considers that the option is not enforceable and that the term under the option is based on the consent of both parties is not considered in the lease term since the Group cannot enforce the extension of the lease without the agreement of the lessor. In addition, economic incentives are also considered when evaluating the enforceability rights.

Variable lease payments

When discounting the minimum lease payments to calculate the lease liability, the Group assesses whether the rebates received from lessor under the “co-tenancy” clause are substantive (i.e. variable) or merely protective (i.e. in substance fixed payments). Where the rebate is substantive the Group considers the discount when determining the minimum lease payments. If the rebate is assessed to be protective, the Group excludes the impact of the discount in calculation of the lease liability.

Incremental borrowing rate

Generally, the Group uses its incremental borrowing rate as the discount rate. To determine the incremental borrowing rate, the Group uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk for Retail sector. Given that the Group’s credit rating drives the credit spreads across all markets, individual country’s rating does not impact the spread. Base rates are adjusted based on the currencies involved.

32.3 LEASE LIABILITIES

(AED in millions)	**2019**	**2018**
At 1 January	**44**	**47**
Lease liability recognized on initial application of IFRS 16	4,180	-
Adjusted balance on 1 January 2019	**4,224**	**47**
Additions	1,082	-
Interest accrued (note 12.2)	277	-
Payments made against lease liabilities	(720)	(3)
On lease termination	(3)	-
Currency translation adjustment	(9)	-
At 31 December	**4,851**	**44**
Less: current maturity of lease liabilities	(536)	-
	4,315	**44**

* The comparative information for the Group refers to lease agreements accounted for as finance lease liabilities under IAS 17.

32.3.1 Lease liabilities are as follows:

	Future minimum lease payments		**Interest**		**Present value of minimum lease payments**	
(AED in millions)	**2019**	**2018**	**2019**	**2018**	**2019**	**2018**
Less than one year	826	2	290	2	536	-
Between one and five years	2,839	17	956	17	1,883	-
More than five years	3,563	212	1,131	168	2,432	44
	7,228	**231**	**2,377**	**187**	**4,851**	**44**

The imputed finance cost on the lease liabilities was determined based on Group's incremental borrowing rates ranging from 3.4% - 19.9% (2018: 9.5% - 9.8%).

32.3.2 The Group leases many assets, including properties, retail stores, staff accomodations, office buildings and warehouses. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants on the Group.

For the year ended 31 December 2019, the Group recognized interest expense on lease liabilities amounting to AED 277 million (note 12.2) and depreciation of right-of-use asset amounting to AED 635 million (note 16.6). Expenses relating to short-term leases and contingent rent expense, excluded from measurement of lease liabilities, amounted to AED 144 million (note 11).

Some lease contracts contain extension options exerciseable by the Group before the end of the non-cancellable contract period. Where practicable, the Group seeks to include extension options in new leases to provide operational flexibility. The Group assesses at lease commencement date whether it is reasonably certain to exercise the extension options. The Group reassess whether it is reasonably certain to exercise the options if there are significant changes in circumstances within its control.

Operating lease commitments with respect to Group's lease agreements as a lessee for comparative period are as follows:

(AED in millions)	**2018**
Less than one year	727
Between one and five years	2,266
More than five years	3,035
	6,028

32.4 LEASES AS A LESSOR

Operating leases relate to the investment property owned by the Group with lease terms typically between 3 to 10 years, with an option to extend. The Group leases out its property under operating leases as lessor. Non-cancellable operating lease rentals are receivable as follows:

(AED in millions)	**2019**	**2018**
Less than one year	2,606	2,486
Between one and five years	3,897	3,726
More than five years	216	665
	6,719	**6,877**

33. POST EMPLOYMENT BENEFIT OBLIGATIONS

33.1 Accounting policy

33.1.1 Defined benefit plan

Provision for staff terminal benefits is calculated in accordance with the labor laws of the respective country in which they are employed. The Group's net obligation in respect of staff terminal benefits is calculated by estimating the amount of future benefit that employees have earned in return for their services in the current and prior periods, and is discounted to determine the present value of the obligation. The discount rate used is the average yield on high investment grade bonds that have maturity dates approximating the terms of the Group's obligation.

The principal assumptions for the calculation of the provision for staff terminal benefits at the reporting date are as follows:

	2019	*2018*
Discount rate	3.20% - 4.30%	4.00% - 4.30%
Future salary increase	2.50% - 5.00%	2.50% - 5.00%

33.1.2 Defined contribution plan

Under the UAE Federal Law No.7 of 1999 for Pension and Social Security, employers are required to contribute 12.5% of the 'contribution calculation salary' of those employees who are UAE nationals. These employees are also required to contribute 5% of the 'contribution calculation salary' to the scheme. The Group's contribution is recognized as an expense in profit or loss as incurred.

33.2

(AED in millions)	**2019**	**2018**
Defined benefit plan	769	722
Defined contribution plan	3	3
	772	**725**

33.2.1 Reconciliation of defined benefit obligation liability at the reporting date:

(AED in millions)	**2019**	**2018**
At 1 January	722	672
Charge during the year	119	112
Payments made during the year	(72)	(60)
Currency translation adjustment	-	(2)
At 31 December	**769**	**722**

33.2.2 The amounts related to the defined contribution plan recognized in the consolidated financial statements are as follows:

(AED in millions)	**2019**	**2018**
Total expense recognized in profit or loss during the year	28	26
Contributions payable at the end of the reporting year	3	3

34. SHARE CAPITAL AND RESERVES

34.1 Accounting policy

The Group classifies capital instruments as financial liabilities or equity instruments in accordance with the substance of the contractual terms of the instruments. Incremental costs directly attributable to the issue of an equity instrument are deducted from the initial measurement of the equity instruments.

34.2 Share capital

(AED in millions)	**2019**	**2018**
Issued and fully paid 2,670,729 shares of AED 1,000 each	**2,671**	**2,671**

34.2.1 In prior year, the ultimate shareholder of the Group approved issue of additional 184,000 shares at par value (AED 184 million). The issued shares of the Company were subscribed by the Parent Company and Majid Al Futtaim Trust LLC (subsidiary of the Parent Company). The increase of the share capital was adjusted against the short term loan from the Parent Company (note 28.3).

34.3 During the year, a dividend of AED 870 million (2018: AED 1,360 million) was declared and settled by the Company.

34.4 Statutory reserve

In accordance with the respective Articles of Association of the entities within the Group and relevant local laws, 10% of the net profit for the year of the individual entities to which law is applicable is transferred to a statutory reserve. Such transfers may be discontinued when the reserve equals the limit prescribed by the relevant laws applicable to the individual entities. This reserve can be utilized only in the manner specified under the relevant laws and is not available for distribution.

34.5 Hedging reserve

The hedging reserve comprises the effective portion of the cumulative net change in the fair value of cash flow hedges related to hedged transactions that have not yet occurred.

34.6 Currency translation reserve

The currency translation reserve comprises all foreign currency differences arising from the translation of the financial statements of foreign operations.

35. HYBRID EQUITY INSTRUMENTS

(AED in millions)

Hybrid Perpetual Note Instruments	Amount	Interest rate	Call date	Reset terms	2019	2018
March 2017	USD 500 million (2017: USD 500 million)	5.5% payable semi-annually in arrears	7-Sep-22	5.5 years to first reset, thereafter 5 years and a new fixed rate plus the margin	1,828	1,828
March 2018	USD 400 million	6.375% payable semi-annually in arrears	20-Mar-26	8 years to first reset, thereafter 5 years and a new fixed rate plus the margin	1,464	1,464
					3,292	**3,292**

The Group may elect at its sole and absolute discretion not to pay interest on interest payment dates. Pursuant to the requirements of IAS 32 and the terms/conditions, these are classified as equity net of transaction costs amounting to AED 14 million (2018: AED 14 million). These hybrid prepetual note instruments are listed on the Euronext Dublin.

During the year, the Group paid coupon amounting to AED 195 million (2018: AED 216 million).

During 2018, the Group repurchased Hybrid Perpetual Notes issued in October 2013, with par value USD 500 million in two different transactions. USD 395 million (AED 1,452 million) was repurchased for USD 405 million (AED 1,488 million) in March 2018 and USD 105 million (AED 386 million) at par in October 2018 on its first call date. The repurchase was partially financed through issuance of USD 400 million (AED 1,469 million) perpetual notes issued in March 2018. USD 10 million (AED 36 million) premium paid on repurchase of these Notes was recognized in the retained earnings. The associated transaction costs against the repurchased perpetual notes amounting to AED 11 million was reclassified from hybrid equity instruments and charged to retained earnings.

36. FINANCIAL INSTRUMENTS

Financial assets of the Group include cash at bank, trade and other receivables, amounts due from related parties, positive fair value of derivative financial instruments held as cash flow hedges and accounted for as FVPL, short term loans, and long term loans, advances and receivables. Financial liabilities of the Group include amounts due to related parties, negative fair value of derivative financial instruments held as cash flow hedges and accounted for as FVPL, short term loans, bank overdraft, long term loans and trade and other payables.

36.1 Accounting policy

36.1.1 Non-derivative financial assets

On initial recognition, a financial asset is classified and measured at: amortised cost; FVOCI – debt investment; FVOCI – equity investment; or FVTPL.

Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

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

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity investment that is not held for trading, the Group may irrevocably elect to present subsequent changes in the investment's fair value in OCI. This election is made on an investment-by-investment basis.

All financial assets not classified as measured at "amortised cost" or FVOCI as described above, are measured at FVTPL. This includes all derivative financial assets. On initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Business model assessment: The Group makes an assessment of the objective of the business model in which a financial asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice. These include whether management's strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realising cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the Group's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- how managers of the business are compensated – e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- the frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity.

Assessment whether contractual cash flows are solely payments of principal and interest: For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Group considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the Group considers:

- contingent events that would change the amount or timing of cash flows;
- terms that may adjust the contractual coupon rate, including variable-rate features;
- prepayment and extension features; and
- terms that limit the Group's claim to cash flows from specified assets (e.g. non-recourse features).

A prepayment feature is consistent with the solely payments of principal and interest criterion if the prepayment amount substantially represents unpaid amounts of principal and interest on the principal amount outstanding, which may include reasonable additional compensation for early termination of the contract. Additionally, for a financial asset acquired at a discount or premium to its contractual par amount, a feature that permits or requires prepayment at an amount that substantially represents the contractual par amount plus accrued (but unpaid) contractual interest (which may also include reasonable additional compensation for early termination) is treated as consistent with this criterion if the fair value of the prepayment feature is insignificant at initial recognition.

Financial assets at FVTPL: These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in profit or loss.

Financial assets at amortised cost: These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

De-recognition

The Group derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

36.1.2 Non-derivative financial liabilities

Group initially recognizes debt securities issued and subordinated liabilities on the date that they are originated. All other financial liabilities are recognized initially on the trade date, which is the date that Group becomes a party to the contractual provisions of the instrument. Group derecognizes a financial liability when the contractual obligations are discharged, cancelled or expire.

Group classifies non-derivative financial liabilities into the other financial liabilities category. Such financial liabilities are recognized initially at fair value less any direct attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortized cost using the effective interest method.

Other financial liabilities comprise trade and other payables, accruals, retention payables, long-term loans, income tax payable, bank borrowings and related party balances.

The Group derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire. The Group also derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognised at fair value.

On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognised in profit or loss.

36.1.3 Derivative financial instruments and hedge accounting

Classification

The Group uses derivative instruments for risk management purposes to hedge its exposure to interest rate risks arising from operational, financing and investment activities. The Group enters into derivative financial instruments including forwards, futures, swaps and options in the foreign exchange and capital markets. Derivative financial instruments, that do not qualify for hedge accounting are classified as "FVTPL – financial assets held for trading" financial instruments.

Initial and subsequent measurement

In the normal course of business, the fair value of a derivative on initial recognition is the transaction price. Subsequent to initial recognition, derivative financial instruments are stated at fair values. Fair values are generally obtained by reference to quoted market prices in active markets, or by using valuation techniques when an active market does not exist.

The positive mark to market values (unrealised gains) of derivative financial instruments is included in assets. While, the negative mark to market values (unrealised losses) of derivative financial instruments is included in liabilities.

Gains and losses on subsequent measurement

The gains or losses from derivative financial instruments classified as held for trading are taken to profit or loss.

Hedging instruments

When derivatives are designated as hedges, the Group classifies them as either:

- fair value hedges which hedge the change in the fair value of recognized assets or liabilities; or
- cash flow hedges which hedge the exposure to variability in highly probable future cash flows attributable to a recognized asset or liability or a forecast transaction.

Hedge accounting is applied to derivatives designated as hedging instruments in a fair value or cash flow hedge provided certain criteria are met.

Hedge documentation

At the inception of the hedge, formal documentation of the hedge relationship must be established. The hedge documentation prepared at the inception of the hedge must include a description of the following:

- The Group's risk management objective and strategy for undertaking the hedge;
- The nature of risk being hedged;
- Clear identification of the hedged item and the hedging instrument; and
- The method the Group will adopt to assess the effectiveness of the hedging relationship on an ongoing basis.

Hedge effectiveness testing

The hedge is regarded as highly effective if both of the following conditions are met:

- At the inception of the hedge and in subsequent periods, the hedge is expected to be highly effective in offsetting the changes in fair value or cash flows of the hedging instruments with corresponding changes in the hedged risk and should be reliably measurable; and
- The actual results of the hedge are within a range of 80 to 125 percent.

Prospective hedge effectiveness is assessed by matching the critical terms of hedging instruments and hedged items.

Fair value hedges

Changes in the fair value of derivatives that are designated and qualify as fair value hedging instruments are recorded in profit or loss, along with changes in the fair value of the assets, liabilities or group thereof that are attributable to the hedged risk.

Cash flow hedges

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognized in other comprehensive income and accumulated in hedge reserve. Any change in fair value relating to an ineffective portion is recognized immediately in profit or loss.

Discontinuance of hedge accounting

The hedge accounting is discontinued when a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting. At that point of time, any cumulative gain or loss on the hedging instrument that has been recognized in other comprehensive income remains in other comprehensive income until the forecast transaction occurs. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in other comprehensive income is immediately transferred to profit or loss.

Hedges that do not qualify for hedge accounting

For hedges that do not qualify for hedge accounting, any gains or losses arising from changes in the fair value of the hedging instrument are taken directly to profit or loss.

36.2 Financial risk management objectives and policies

The Board of Directors of Majid Al Futtaim Holding LLC has the overall responsibility for the management of risk throughout its Group companies. The Board establishes and regularly reviews the Group's risk management strategy, policies and procedures to ensure that they are in line with the Group strategies and objectives. The Group has constituted Audit Committees within the board of directors of Majid Al Futtaim Holding's main operating subsidiaries who are required to review and assess the risk management process. It ensures that the internal risk management framework is effective, that a sound system of risk management is in place, and is maintained to safeguard shareholders' interests. All Group companies are required to report on risk management on a regular basis including self-certification indicating that they have reviewed the risks identified within their area, and they are satisfied that the controls are operating effectively.

The main risks arising from the Group's financial instruments are credit risk, liquidity risk, and market risk, including foreign currency risk, interest rate risk and equity risk. The management establishes and reviews policies for managing each of these risks.

36.3 Credit risk

Credit risk is the risk of financial loss to the Group if a customer or a counter party to a financial instrument fails to meet its contractual obligations and arises principally from the Group's receivables.

The operating subsidiaries have a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. Majority of the Group's income is by way of cash and advance receipts and are supported by a deposit equivalent to one month's advance rental. Credit evaluations are performed on all customers requiring credit over a certain amount. The Group has a broad base of customers with no significant concentration of credit risk within trade receivables at 31 December 2019 and 31 December 2018. Cash is placed with a diversified portfolio of reputable banks and the risk of default is considered remote. Management has assessed the recoverability of its trade receivables as at the reporting date and considers them to be recoverable. Amounts due from related parties are considered by management to be fully recoverable. All non-current receivables are due within five years of the reporting date and the fair values of trade and other receivables approximate to the carrying value.

The carrying amount of Group's financial assets represents the maximum exposure to credit risk. The maximum exposure to credit risk at the reporting date was:

(AED in millions)	**2019**	**2018**
Long term loan, advances and receivables	221	300
Trade receivables (note 22)	682	1,397
Other current receivables	966	882
Due from related parties	818	744
Cash at bank	1,204	1,345
	3,891	**4,668**

An analysis of the credit quality of trade receivables as at the reporting date is as follows is as follows:

(AED in millions)	**2019**	**2018**
Current balance	242	876
Past due 1 - 30 days	17	102
Past due 31 - 90 days	87	81
Past due 91 - 180 days	75	137
Past due over 180 days	261	201
	682	**1,397**
Less: provision for doubtful debts	(162)	(176)
	520	**1,221**

The impairment losses on financial assets recognized in profit or loss were as follows:

(AED in millions)	**2019**	**2018**
Impairment loss on trade receivables (excluding credit card receivables)	(57)	(37)
Impairment loss on credit card receivables	(86)	(110)
Impairment loss on credit card receivables on classification to held for sale (note 24.1)	(43)	-
Impairment loss on balance receivable from joint ventures	(10)	-
	(196)	**(147)**

Trade receivables (excluding credit card receivables)

For trade receivables, excluding credit card receivables the Group has established a loss allowance matrix applying expected recovery rates on forward looking default rates to derive the loss rate to be applied to past due receivables. The expected recovery rates are applied to different classes of receivables based on their risk classification. Forward looking default rates are calculated by adjusting historical credit loss rates with forward-looking information (i.e. relevant macro-economic indicators).

Loss allowance is also created for receivables that are classified as good but which become doubtful/bad as a result of certain business circumstances such as customer going into liquidation or bankruptcy, litigation, financial difficulties, etc. Such specific incidents are determined on a case-to-case basis.

The calculated provision amounts based on specific cases will be recognised after netting off the bank guarantees in hand or the security deposits received, provided the Company has the legal right to liquidate such bank guarantees or adjust such deposits against the outstanding receivables.

Credit card receivables

For credit card receivables, the Group applies three-stage approach to measure allowance for credit losses. These receivable balances migrate through three stages based on the change in credit risk since initial recognition. ECL reflects the present value of all cash shortfalls related to default events either (i) over the following twelve months or (ii) over the expected life of a financial instrument depending on credit deterioration from inception. The Group has developed methodologies and models taking in to account a number of factors linked to the quality of the credit card portfolio. These parameters are generally derived from internally developed statistical models and other historical data and are adjusted to reflect forward-looking information.

The Group formulates three economic scenarios: a base case, which is the median scenario, one upside and one downside. For credit card portfolio, three scenarios were analysed based on likelihood of occurrence – a base scenario, an adverse scenario and a probable scenario.

- The base case scenario reflects forecasts as per the final selected model, with oil and inflation as independent variables. Shocks were applied to this forecast to reflect adverse and probable scenarios.
- For the adverse scenario, positive shocks were applied to inflation, and negative shocks were applied to oil (as an increase in inflation and a decrease in oil negatively impacts PD's).
- For the probable scenario, a negative shock was applied to inflation and a positive shock was applied to oil. This scenario has been named probable as it was identified to be the most likely scenario among the three, based on a historical variance analysis of actual values and forecasts.

As described in note 24.1, at the reporting date the credit card portfolio has been classified as held for sale. For presentation purposes the credit card receivables, classified as held for sale, are presented net of the provision for doubtful debts of AED 43 million.

Impairment on other financial assets carried at amortized cost, including cash and cash equivalents have been assessed on 12-month expected loss basis and is considered to be immaterial. Credit risk from balances with banks and financial institutions is managed by the Group's treasury department in accordance with the Group's policy. Investments of surplus funds are made only with approved counterparties and within credit limits assigned to each counterparty. Counterparty credit limits are reviewed by the Group's Board of Directors on an annual basis, and may be updated subject to approval of the Board of Directors. The limits are set to minimise the concentration of risks and therefore mitigate financial loss through a counterparty's potential failure to make payments.

The movement in the provision for doubtful receivables during the year was as follows:

(AED in millions)	**2019**	**2018**
At 1 January	(176)	(166)
Adjustment on initial application of IFRS 9 (note 5.1.2)	-	1
Adjusted balance at 1 January	**(176)**	**(165)**
Impairment charge for the year	(143)	(147)
Amounts transferred and netted off against assets held for sale	43	-
Amounts written off/reversals	114	136
	(162)	**(176)**

36.4 Liquidity risk

At 31 December 2019, the Group has net current liabilities of AED 4,684 million (2018: AED 4,594 million) which includes debt maturing in the short-term of AED 255 million (2018: AED 2,179 million) and current maturity of lease liabilities of AED 536 million (2018: nil). Further, at 31 December 2019 debt maturing in the long term, including lease liabilities of AED 4,315 million (2018: 44 million) is AED 18,146 million (2018: AED 11,888 million).

At 31 December 2019, the Group has undrawn facilities of AED 9,736 million (2018: AED 8,652 million) and cash in hand and at bank of AED 1,406 million (2018: AED 1,516 million) to cover its liquidity needs for at least the next 18 months.

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure that it will always have sufficient liquidity to meet its liabilities when they become due without incurring unacceptable losses or risking damage to the Group's reputation. The Group manages liquidity risk through the use of related party loans, bank overdrafts, bank loans, and credit facilities.

(AED in millions)	Carrying amount	Contractual cash flows Less than one year	Between one to two years	Between two to five years	More than five years
As at 31 December 2019					
Bank loans	13,884	647	657	8,467	7,585
Lease liabilities	4,851	826	710	2,129	3,563
Bank overdraft	8	286	-	-	-
Loans from related parties	194	198	-	-	-
Trade and other payables	9,008	8,879	71	83	-
Due to related parties	45	45	-	-	-
Derivative liability for risk management					
- Interest rate derivatives designated as cashflow hedge	61	21	21	16	6
- Derivative instruments accounted as FVPL	58	13	2	11	45
	28,109	**10,915**	**1,461**	**10,706**	**11,199**

(AED in millions)	Carrying amount	Contractual cash flows Less than one year	Between one to two years	Between two to five years	More than five years
As at 31 December 2018					
Bank loans	13,786	2,651	1,092	4,658	10,983
Bank overdraft	92	342	-	-	-
Loan from related parties	72	44	2	6	39
Trade and other payables	7,949	7,741	73	150	212
Due to related parties	41	41	-	-	-
Derivative liability for risk management					
- Interest rate derivatives designated as cashflow hedge	31	7	7	18	-
- Derivative instruments accounted as FVPL	76	17	16	43	17
	22,047	**10,843**	**1,190**	**4,875**	**11,251**

36.5 Market risk

Market risk is the risk of changes in market prices, such as foreign exchange rates, interest rates and equity prices, which will affect the Group's income or the value of its holdings of financial instruments. The Group seeks to apply hedge accounting to manage volatility in its profit or loss in relation to its exposure to interest rate risk.

A fundamental review and reform of major interest rate benchmarks is being undertaken globally. There is uncertainty as to the timing and methods of transition for replacing existing benchmark interbank offered rates (IBORs) with alternative rates.

As a result of these uncertainties, significant accounting judgment is involved in determining whether certain hedge accounting relationships that hedge the variability of foreign exchange and interest rate risk due to expected changes in IBORs continue to qualify for hedge accounting as at 31 December 2019. IBOR continues to be used as a reference rate in financial markets and is used in the valuation of instruments with maturities that exceed the expected end date for IBOR. Therefore, the Group believes the current market structure supports the continuation of hedge accounting as at 31 December 2019.

36.5.1 Foreign currency risk

The Group is exposed to foreign currency risk on its net investments in foreign subsidiaries and operations. The Group is also exposed to foreign currency risk on purchases denominated in foreign currencies.

The Group hedges the risk by obtaining foreign exchange forward contracts on all material foreign currency purchases. All of the forward exchange contracts have maturities of less than five years after the reporting date. Where necessary, forward exchange contracts are rolled over at maturity.

Foreign currency sensitivity analysis

A significant portion of the Group's foreign currency borrowings and balances are denominated in US Dollar (USD) and other currencies linked to US Dollar. As the Group's functional currency is currently pegged to USD any fluctuation in exchange rate is not likely to have a significant impact on Group's equity and profit or loss.

Net investment hedges

The Group hedges certain foreign currency exposures due to Group's net investment in foreign subsidiaries by borrowing in foreign currencies and derivative products including forward currency contracts. To assess hedge effectiveness, the Group determines the economic relationship between the hedging instrument and the hedged item by comparing changes in the carrying amount of the hedging instrument to a change in the exchange rate with changes in the investment in the foreign operations due to movement in the spot rate (the offset method). At 31 December 2019, the Group had foreign exchange denominated debt amounting to AED 271 million (2018: AED 1,184 million) and forward contracts of AED 63 million (2018: Nil).

36.5.2 Interest rate risk

The Group's interest rate risk principally arises from long-term loans on floating rate. Loans issued at fixed rates expose the Group to fair value interest rate risk.

Interest rate risk is managed with in the frame work of the interest rate risk management policy. The Group adopts a policy of maintaining target duration on its liability portfolio of about half year to three and a half years. This is achieved through cash and / or by using derivative financial instruments which are eligible for hedge accounting.

At the reporting date the interest rate profile of the Group's interest-bearing financial instruments was:

(AED in millions)	**2019**	**2018**
Fixed rate instruments		
Financial assets	293	489
Financial liabilities	(9,221)	(6,570)
	(8,928)	**(6,081)**
Floating rate instruments		
Financial assets	864	927
Financial liabilities*	(5,005)	(7,611)
	(4,141)	**(6,684)**

* Floating rate financial liabilities include loans of AED 4,439 million (2018: AED 3,030 million) for which interest rate risk is hedged by way of interest rate derivatives.

Sensitivity analysis for variable rate instruments

A change of 100 basis points in the interest rate at the reporting date would have increased / (decreased) equity and profit or loss by the amounts shown below. This analysis assumes that all other variables in particular foreign currency rates remain constant.

	Increase / (decrease) in basis points	**Effect on profit or loss increase / (decrease)**		**Effect on other comprehensive income increase / (decrease)**	
		2019	**2018**	**2019**	**2018**
Floating rate instrument	+ 100	(41)	(66)	-	-
Interest rate swaps designated as cash flow hedges	+ 100	77	79	(77)	(79)
Interest rate swaps designated as FVPL	+ 100	(408)	(99)	-	-
Cash flow sensitivity (net)		**(372)**	**(86)**	**(77)**	**(79)**
Floating rate instrument	- 100	41	66	-	-
Interest rate swaps designated as cash flow hedges	- 100	(80)	(67)	80	67
Interest rate swaps designated as FVPL	- 100	447	107	-	-
Cash flow sensitivity (net)		**408**	**106**	**80**	**67**

In these hedge relationships, the main sources of ineffectiveness may arise because of:

- the effect of counterparty's and Group's own credit risk on the fair value of the swaps, which is not reflected in the change in the fair value of the hedged cash flows attributable to the change in interest rates; and
- differences in repricing dates between the swaps and the borrowings.

36.6 Capital management

The primary objective of the Group's capital management is to ensure that it maintains healthy capital ratios in order to support future development of the business and maximize shareholder value.

The Group uses net debt to equity ratio to monitor its capital among other metrics. Capital includes equity attributable to the equity holders including retained earnings, revaluation and other reserves. The Group has various borrowing arrangements which require maintaining certain net worth, interest coverage and debt equity ratio.

(AED in millions)	**2019**	**2018**
Interest bearing loans and borrowings	18,937	14,067
Less: cash and bank balances	(1,406)	(1,516)
Net debt	**17,531**	**12,551**
Total equity	**32,074**	**35,240**
Net debt to equity ratio	**55%**	**36%**

Following the adoption of IFRS 16 Leases net debt to equity has increased due to recognition of right-of-use assets and lease liabilities on 1 January 2019. The comparative information has not been restated (Note 5.1.1).

Regulatory capital

In respect of subsidiary of the Group (Majid Al Futtaim Finance LLC) involved in card operations the primary regulator, UAE Central Bank sets and monitors capital requirements for the subsidiary.

(AED in millions)	**2019**	**2018**
Paid up capital	150	150
Reserves	93	26
Total equity	**243**	**176**
Total borrowings	439	559
Total funds available	**682**	**735**
Capital ratio	**36%**	**24%**

In implementing current capital requirements, UAE Central Bank requires Majid Al Futtaim Finance LLC to maintain capital funds at minimum of 15% of the total funds available.

36.7 Fair value measurement of financial assets and liabilities

The following table shows the carrying amount and fair values of financial assets and financial liabilities including their levels in the fair value hierarchy.

(AED in millions)	**Carrying amount**	**Fair value Level 1**	**Level 2**	**Level 3**
At 31 December 2019				
Financial assets				
Interest rate swaps used for hedging	101	-	101	-
Financial liabilities				
Interest rate derivatives	119	-	119	-
Sukuk and Note liabilities	9,183	-	9,764	-
	9,302	**-**	**9,883**	**-**
At 31 December 2018				
Financial assets				
Interest rate swaps used for hedging	29	-	29	-
Foreign currency forward contracts	4	-	4	-
	33	**-**	**33**	**-**
Financial liabilities				
Interest rate derivatives	107	-	107	-
Sukuk and Note liabilities	6,612	-	6,921	-
	6,719		**7,028**	

The management believes that the fair value of the remaining financial assets and liabilities at the reporting date are not materially different from their carrying amounts.

When available, the Group measures the fair value of an instrument using the quoted prices in an active market for that instrument. A market is regarded as active if quoted prices are readily and regularly available and represent actual and regularly occurring market transactions on an arm's length basis.

If a market for a financial instrument is not active, the Group establishes fair value using valuation technique. Valuation techniques include using recent arm's length transactions between knowledgeable, willing parties (if available), reference to the current fair value of other instrument that are substantially the same, net present value techniques and discounted cash flow methods. The chosen valuation technique makes maximum use of market inputs, relies as little as possible on estimates specific to the Group, incorporates all factors that market participants would consider in setting a price, and is consistent with accepted economic methodologies for pricing financial instruments. Inputs to valuation techniques reasonably represent market expectations and measures of the risk-return factors inherent in the financial instrument.

The fair value of derivatives that are not exchange traded is estimated at the present value of the amount that the Group would receive or pay to terminate the contract at the reporting date taking into account current market conditions and the current creditworthiness of the counterparty.

The interest rates used to discount estimated cash flows, where applicable, are based on the spot rates derived from the interpolated per annum yield curve in respect of borrowings/derivatives which is 1.58% - 2.09% (2018: 2.45% - 2.81%) at the reporting date.

37. CONTINGENT LIABILITIES, GUARANTEES AND COMMITMENTS

(AED in millions)	**2019**	**2018**
Capital commitments	1,628	3,162
Group's share of capital commitments in relation to its equity accounted investees	442	498
Letter of credits outstanding	13	121
Bank guarantees outstanding	119	196

37.1 As at the year end, there are no significant claims or litigations outstanding which may have a material impact on these consolidated financial statements.

38. SUBSEQUENT EVENTS

There have been no significant events up to the date of authorization, which would have a material effect on these consolidated financial statements.

39. COMPARATIVES

The Group has initially applied IFRS 16. Under the transition methods chosen, comparative information has not been restated except for presenting finance lease liabilities as lease liabilities on the consolidated statement of financial position.

Certain comparative figures in the consolidated statement of financial position have been reclassified or arranged for better presentation in accordance with the requirements of International Financial Reporting Standards.