ماجد الفطيم
MAJID AL FUTTAIM

GREAT MOMENTS
FOR **EVERYONE,**
EVERYDAY

MAJID AL FUTTAIM HOLDING LLC
CONSOLIDATED
CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

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 2020. 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 23 February 2021.

Activities

Majid Al Futtaim is one of the leading shopping mall, communities, retail and leisure pioneer across the Middle East, Africa and Asia. Through 2020, the Group operated through three subsidiaries. Effective January 2021, the Ventures Operating Company was dissolved, and its business vertical consolidated under two new Operating Companies. These OpCos (Leisure, Entertainment & Cinemas [LEC], and Lifestyle) were effective as of 1 Jan 2021 and so for the purposes of this report their activities remain under the Ventures (MAFV) nomenclature.

Majid Al Futtaim Properties	Majid Al Futtaim Retail	Majid Al Futtaim Ventures
❖ Owns, develops and operates **27**[1] destination shopping malls across the region ❖ Owns **13** hotels operated by international brands ❖ Develops and manages **5** mixed use communities	❖ Operates a portfolio of more than **300** outlets ❖ Geographical footprint in **17** countries ❖ Exclusive rights to the Carrefour franchise in a number of markets across Middle East, Africa and Asia	❖ Operates more than **500** VOX Cinema screens and **35** Magic Planet sites ❖ Unique leisure offerings Ski Dubai, Ski Egypt and Dreamscape ❖ Lifestyle retail stores representing international brands ❖ Operates Enova[2], a facility and energy management company

Economic Backdrop and COVID 19 impact

A recent Washington Post poll [3]asked readers to describe 2020 in one word or phrase. Of the 2000 people that responded, 'exhausting', 'lost' and 'chaotic', were the top three submissions. In a year punctuated by social unrest, geopolitical upheaval and ecological disasters, the most impactful event over the past 12 months stemmed from the smallest of influences. In the three months it took from initial reports of a mysterious virus running rampant across China's Hubei Province, to being declared a global pandemic [4] that continues to plague every corner of the planet, COVID 19 has effectively reshaped global industries, local and international business and set out a New Normal for our societies.

The ripple effect of the rapidly spreading pandemic has seen governments, authorities and advisory councils around the world mandate appropriately drastic measures intended to control transmission. These have included restrictions on movement, temporary travel bans, quarantines, density limitations and social distancing measures, as well as the closures of businesses deemed to increase the potential for exposure to the virus. While this has seen some industries (particularly those in the tech

[1] The shopping malls portfolio includes Mall of the Emirates, Mall of Egypt, City Centre malls and My City Centre neighbourhood centres, and 5 community malls which are in joint venture with the Government of Sharjah.
[2] The Group operates Enova through a joint venture operation with Veolia, a global leader in optimized environment resource management.
[3] www.washingtonpost.com/graphics/2020/lifestyle/2020-in-one-word/
[4] www.who.int\news\item\27-04-2020-who-timeline---covid-19

and digital space) flourish overall, there has been a strongly adverse effect on discretionary spending and consumer confidence. Oil prices have also experienced a slump on the back of these preventative measures, taking a significant dip in Q2 2020, and only recently witnessed a recovery approaching pre-COVID 19 levels.

Here in the GCC, economies bolstered with large hydrocarbon industries suffered the double impact of sharply lower-than-expected oil revenue, in addition to the impact of the coronavirus on the non-oil sectors. Transport, logistics, retail, leisure and entertainment and hospitality sectors were among the most affected by the pandemic as borders were closed and the volume of global trade declined. International tourism was also severely impacted by border closures.

In short, the global economy has been and continues to be heavily impacted by the COVID-19 pandemic and, while the public and private sector continue to take action within their scope to stem the damage, the long-term repercussions are as yet unknown.

COVID 19 and MENA

At the onset of the pandemic, the authorities in **UAE** enacted several measures to limit the spread of the virus, including closure of schools, shopping malls, restaurants, public spaces and tourist attractions as well as imposing wide-ranging travel and movement restrictions and suspending large gatherings. Alongside these efforts, the authorities introduced a country-wide testing campaign and scaled up disinfection efforts – while this resulted in a series of curfews and full lockdowns across the Emirates, the proactive approach has been recognised by international bodies for its effectiveness in stemming the infection rates. [5] This swift and decisive action was seen across the region, with similar mandated closures, curfews and lockdowns being introduced across the majority of MENA as the infection spread across the region. The UAE Government took additional steps to ensure an uninterrupted supply of consumer goods as well as launching stimulus packages for local businesses and provided additional liquidity to the banking system, enhancing relief for consumer and commercial borrowers affected by the pandemic.

Looking ahead, the UAE economy is expected to recover in 2021 as a result of a rebound in tourism and the recovery of oil prices, as well as reaping the benefits of strong links to emerging markets. The influx of tourism from Expo 2020, which was postponed from 2020 until October 2021 and will extend up until March 2022, is expected to play an important role in positively impacting the hospitality sector as well as contributing to the overall economy. Following the recent changes to naturalization and citizenship, both the property sector and knowledge economy are expected to see a boost; while improvement in relations with both Israel and Qatar will likely be positive economically for GCC countries. Overall, UAE GDP is forecast to expand at an annual average of 3.5% between 2021 and 2025.[6]

[5] The United Nations General Secretariat has praised the digital initiatives launched by the UAE to confront the spread of the new Corona virus, COVID-19, and reduce its social, health and economic repercussions, noting that these initiatives offered a global model on how to harness digital solutions and benefit from them to fight the pandemic. https://wam.ae/en/details/1395302875825

The United Nation has commended the UAE's humanitarian efforts to provide medical and protective supplies to African countries amidst the global fight against COVID-19. https://www.mofaic.gov.ae/en/mediahub/news/2020/4/15/15-02-2020-uae-un

UAE Ministry of Health and Prevention (MoHAP) has been recognised by the International Hospital Federation's Beyond the Call of Duty for COVID-19 Programme for its response to the pandemic https://gulfnews.com/uae/health/uae-health-ministry-earns-global-recognition-for-strategic-response-to-covid-19-1.75964812

[6] UAE Country Forecast, Economist Intelligence Unit Report - Jan 2021

Turning to **KSA**, the Saudi Government continues unabated in driving delivery of its Vision 2030 objectives, focusing its efforts on measures creating a better quality of life and a diversified economy with high local content. The Group's investment in Retail and Cinema is expected to continue benefiting from this increased focus on liberalisation, privatisation, foreign investment and greater economic diversification.

Outside the GCC, despite the pandemic and strict lockdown measures, the IMF commended **Egypt's** economic performance in its October 2020 World Economic Outlook[7]. Various structural reforms launched over the past few years mitigated the economic shock of the pandemic to a certain extent and inflation in Egypt has now stabilized at c. 5%. As a result of consumer spending and an increase in rental levels, the Group's valuations on Egypt property portfolio have shown a net positive growth.

At the other end of the spectrum, the worsening financial crisis in **Lebanon** coupled with the crippling impact of COVID-19 pandemic resulted in it reaching hyperinflationary status[8] with very high downside risk on the official USD pegged exchange rate. The resulting impact is not material to the Group's operations as Lebanon contributes less than 1% to Group's total assets.

COVID-19 impact on Group

It goes without saying that measures introduced to curb the spread of COVID 19 significantly impacted our operations. While the Majid Al Futtaim Retail business fell within the sectors deemed 'essential services' and thus continued to operate and at pace, all other aspects of our portfolio ground to a halt. Consequently, the Group experienced significant reduction in income and revenues.

From the early stages, through COVID 19's peak and in to the state of recovery we see today, the Group's priority continues to be the health and safety of our people, our customers and all our stakeholders, including our extended value chain. We continue to safeguard the future of our businesses and have undertaken initiatives to stabilise operations, ensure liquidity and strengthen our balance sheet.

Group response to COVID-19

To secure the Group's financial health, duty of care, brand equity and business performance, the Group introduced and integrated COVID-19 response plans at the very early signs of the pandemic. The plans cover multiple streams of action cutting across business and regions, including health and safety, business continuity, brand protection and financial mitigation plan, with executive oversight and continuous monitoring mechanisms in place to ensure the effectiveness of each of the streams.

The financial mitigation plan primarily focused on preserving and generating cash, aimed at:

- reviewing the cost base and developing a roadmap to mitigate the impacts through; implementation of savings on staff cost with temporary suspension of certain allowances and bonuses, significant reduction in all non-essential spending and discretionary cost; and phasing and deferral of capital expenditure;
- focusing on cash management and ensuring liquidity;
- continuous engagement with all relevant external stakeholders, including the governments and business partners;
- improving services and fulfilment approach through expansion of online platform and omnichannel presence; and

[7] https://www.imf.org/en/Publications/WEO/Issues/2020/09/30/world-economic-outlook-october-2020
[8] https://www.reuters.com/article/lebanon-crisis-inflation-idUSL8N2FS5TU

- robust supplier engagement processes across the total business to maintain continuity of supply.

Our operations and supporting frameworks have adapted and continue to evolve to ensure full compliance with guidance provided by respective governments, including temporary closures, the introduction of social distancing measures and stringent sanitation protocols across our stores, offices, hotels, and shopping malls.

In addition to HSE measures, the Group has expanded its consideration of health & safety to include mental well-being. In addition to an inhouse support network launched in 2020 and staffed by employees and leadership teams, a work from home policy for all office-based workers has been implemented following feedback as to the positive impact of remote working during the lockdown and curfew measures of the previous year.

The full extent of COVID 19's impact will be determined by factors that continue to evolve, including but not limited to: the availability and effectiveness of vaccines, the extent and success of government-led support measures, volume and velocity of the tourism trade, changes in consumer sentiment and tenant relations, pace and scale of online penetration, scope and duration of potential further restrictions as well as the overall ability of the wider economy to recover. To ensure continued resilience, alternative scenarios for the duration of the pandemic and pattern of economic recovery form the basis of our business planning, financial forecasting, and liquidity optimisation processes.

Risk management and governance
To improve the Group's ability to leverage emerging opportunities and reduce its risk exposure, its Management has developed an enterprise-wide risk management capability integrated into its planning, forecasting and decision-making processes. This facilitates taking a scenarios-based view on principal risks (including geo-political and macroeconomic volatility, supply and demand imbalance and changes in laws and regulations) and mitigation strategies, as well as framing trade-offs. Business continuity management, disaster recovery and crisis management programmes are linked to the risk management framework to support effective management of disruptive events. Early warning signals in the form of Key Risk Indicators have been introduced to ensure a continuous monitoring of the risk landscape.

The Group has set out a strong governance model focused on cost efficiency, operational excellence, liquidity management and careful assessment of priorities, emerging threats and returns. However, our commitment to prudent planning has spurred the adaption of our strategy over medium and long-term to facilitate sustainable growth in spite of the shifting sands. Key to our success is active stakeholder engagement, investments in digital assets and an agile business model.

Significant developments
Despite the challenging macroeconomics conditions, Majid Al Futtaim continues to make progress with its expansion plans across the United Arab Emirates, as well as in Egypt, Saudi Arabia, and Oman.

2020 saw **Majid Al Futtaim Properties** successfully open a community shopping mall in joint venture with Government of Sharjah as well as make progress with its pipeline development projects, which will see it open two key shopping malls in UAE and Oman over the coming 12 months. In addition, the OpCo completed the planned redevelopment of the Group's earliest shopping mall, City Centre Deira and introduced a new Food Hall concept that brings 'food truck' experiences together with retail theatre to create a new anchor point for the mall.

Majid Al Futtaim Retail also made solid progress in growing its footprint, opening 48 new hypermarkets and supermarkets across the region over the course of the year. Of particular note is the new country entry of Uzbekistan, a first not only for the Group but also marks the first entry of an international grocery retailer into the Central Asian country. The total number of stores now exceeds 300 across the region.

Turning towards its digital transformation, spurred on by movement restrictions Majid Al Futtaim Retail accelerated its digital offering, bringing a slew of new platforms online including Carrefour's Marketplace and Click & Collect. As well as strengthening last mile delivery capabilities with new fulfilment centres and darkstores across the region, the Retail business activated a number of existing stores to fulfil the surge in online sales – which had increased by 188%, contributing 3% of Carrefour's total revenue.

Majid Al Futtaim Ventures continued its expansion across the region through its diversified portfolio of businesses. In KSA, VOX Cinemas further strengthened its market share, opening 42 new screens and bringing the total number opened in the Kingdom to 124.

In the UAE, following the government-mandated temporary closure of cinemas in the UAE, **LEC** response was to partner with SMBU to launch VOX Cinemas Drive-In. Located on the rooftop of Mall of the Emirates, the drive in movie theatre garnered significant media coverage, which was then further boosted through carbon-offsetting activities. In addition, the business set about growing its customer base through its partnership with local food delivery apps to bring the VOX Cinema experience to UAE residents' homes.

Faced with the closure of its physical stores, the **Lifestyle** business successfully pivoted to offer a fully digital shopping experience, ensuring customers could continue accessing its brands, including the launch of the Group's first omnichannel concept store – THAT.

Digital transformation has been a keystone in our ability to successfully weather the COVID-19 story, advancing our capabilities in data and analytics, technology and online customer experience. When considering the swift and dramatic shift COVID-19 enforced on consumer adoption rates, Majid Al Futtaim's early efforts to future-proof the business and enhance its digital capabilities have positioned the Group well to respond to shifting consumer behaviour.

Majid Al Futtaim will continue to support sustainable economic development in its efforts towards economic recovery, while maintaining a disciplined financial management approach. The Group is fully committed to the markets in which it operates whilst striving to bring the right product to market at the right time to deliver maximum value for customers and tenants.

Financial results and highlights

The Group started the year with a strong performance across all its operating units. At the onset of the pandemic, the positive results started to erode with the temporary asset closure of our assets and other measures intended to control the spread of the virus. Despite these macroeconomic conditions, the company witnessed growth in its grocery retail business.

REVENUE	EBITDA[9]	NET LOSS	OPERATING CASHFLOWS	NET DEBT
AED 32,575 MILLION	AED 3,762 MILLION	AED 2,709 MILLION	AED 4,444 MILLION	AED 12,391M MILLION
2019: 35,156M	2019: 4,631M	2019: 1,923M	2019: 6,356M	2019: 12,756M

Large-scale business disruption, combined with a much more cautious consumer sentiment resulting from the COVID 19 pandemic saw the Group report revenue of **AED 32,575 million** and EBITDA of **AED 3,762 million**, representing declines of 7% and 19% respectively.

The Group offered rent relief during the temporary suspension period to all affected retail partners and discretionary rent incentive programme for eligible tenants as part of its commitment to supporting tenants post lockdown period. Tenant sales projected positive traction recovering from -52% decline in Q2 2020 vs prior period to -7% decline in Q4 2020 vs PY, with overall decline of -3% in Q4 2020 vs PY excluding the industry outliers, i.e. heavily affected industries (such as L&E, cinemas and F&B) and Carrefour sales.

Cost reduction was, and continues to be, a key focus area with the Group achieving a reduction of 12% in operating expenses. Operating cash flow deteriorated by 30% to **AED 4,444 million**, driven by build-up in trade and other receivables due to liquidity stress experienced by retail partners, increased accrued income arising from issuance of discretionary rent relief; partially mitigated by focus on working capital and cash collections from tenants. Net Debt ended at **AED 12,391 million** in 2020, a notable reduction versus 2019 level of AED 12,756 million. This represents the Group's ability to manage its leverage in difficult market conditions and was achieved through rigorous cash flow management, across operational, investment and financing elements.

2020 ended with a net loss of **AED 2,709 million** compared to a net loss of AED 1,923 million in 2019 and the Group's assets decreased by 6% to **AED 59 billion**, primarily driven by the challenging operational markets faced by our retail customers during the year, an issue accelerated by COVID 19. This has resulted in revaluation[10] and impairment losses across a number of properties and development projects.

- Fair value loss of AED 2,954 million was taken on completed properties versus a loss of AED 2,787 million in the previous year. This reflects Group's approach to be financially responsible and commitment to transparent and high-quality disclosures

[9] 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. To ensure consistency and relevance of EBITDA as a measure of operating performance, EBITDA has been adjusted with the impact of fixed rent expense, which has been derecognized on adoption of IFRS 16 in 2019.

[10] Prepared in accordance with the global RICS Valuation standards and determined by independent external RICS Chartered Surveyors and Valuers

- Impairment loss of AED 1,389 million (2019: loss of AED 1,191 million) was recognised on properties under construction, certain store assets and intangibles. The primary reasons are the challenging economic environment, more prudent occupancy, and growth levels, based on market realities.

Financing

Majid Al Futtaim has a long history of upholding a prudent approach to financial risk management. The Group's robust balance sheet has allowed it to maintain a strong financial and liquidity position even amidst extraordinarily stressed circumstances, with cash reserves to cover its net financing needs for up to 46 months, without any interventions to its previous plans. Majid Al Futtaim's debt maturity profile is light over the next three years, with no material debt maturity until 2023.

Despite weakening macroeconomic conditions, the company's BBB credit rating and 'stable outlook' have been reaffirmed by Standard & Poor's in its most recent report. This reiterates the Group's strong governance, resilience of its diversified business model, proactive and speedy approach to tackling the COVID 19 crisis, healthy liquidity position and continued prudent financial management.

Sustainability

Majid Al Futtaim's investments in sustainable experiences and initiatives continued to grow in 2020. The Group's sustainability strategy, Dare Today, Change Tomorrow, brings together all Majid Al Futtaim's businesses under one overarching sustainability vision.

Throughout the pandemic, we have and will continue to support our people, our businesses, our communities, and our planet. We ensure that resilience and sustainability, articulated through our Dare Today, Change Tomorrow ambitions, are at the heart of our response to the international crisis.

We aim to provide for a positive future and committed to an ambitious set of sustainability targets across three focus areas of Transforming Lives, Rethinking Resources and Empowering Our People. Launched in 2019, we were able to achieve a result of 81% against the company-wide, globally benchmarked targets. Alongside that strategy, the Group has introduced a suite of policies and procedures in line with global best practice that are reviewed and updated on an annual basis and support the translation of that strategy into achievable and measurable actions.

These measures, and our progress in meeting the targets the support, places us on track to meet our 2022 Sustainable Business Commitments and meaningfully contribute towards 10 of the United Nations Sustainable Development Goals.

The Group's commitment to the tenets of its sustainability strategy was been underpinned at the start of 2021 when it joined more than 60 leading global organisations in signing up to report on Stakeholder Capitalism metrics. The environmental, social and governance (ESG) metrics and disclosures released by the World Economic Forum and its International Business Council (IBC) in September 2020, measure the long-term enterprise value creation for all stakeholders. In becoming a signatory, Majid Al Futtaim joins a community of companies dedicated to supporting the effort to provide concise, consistent and comparable metrics & disclosures for the shared value creation of all stakeholders.

Our sustainability targets, as well as our 2018 and 2019's environmental data for Majid Al Futtaim Green Sukuk portfolio, have also been fully assured. The detail of our 2019 target performance, assurance report and Sustainalytics reports can be found on our website at:
www.majidalfuttaim.com/en/who-we-are/sustainability-and-impact/sustainability and https://maf.am/SRTarg

Dividend

In the current year, the Company declared a dividend of AED 635 million (2019: AED 870 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
- Lord Stuart Rose
- Philip Bowman
- 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

DocuSigned by:
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Khaled Rabbani

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Interim Company Secretary

KPMG Lower Gulf Limited
The Offices 5 at One Central
Level 4, Office No: 04.01
Sheikh Zayed Road, P.O. Box 3800
Dubai, United Arab Emirates
Tel. +971 (4) 4030300, www.kpmg.com/ae

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 2020, 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 2020, 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 International Code of Ethics for Professional Accountants (including International Independence Standards) (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 property plant and equipment and investment properties	
Refer to notes 15 and 17 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, heighted by COVID-19 pandemic 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 external valuers' valuation for hotels as at 31 December 2020 contains a 'material valuation uncertainty' clause due to the market disruption caused by the COVID-19 pandemic. This clause does not invalidate the valuation but implies that there is substantially more uncertainty than under normal market conditions (see note 17.4.2).	• 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 on a sample basis 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.

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

Valuation of property plant and equipment, and investment properties *(continued)*

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-flow method. 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.

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 shopping mall 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.

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.

- We virtually met with the external valuers of the property portfolio to discuss the results of their work.
- We involved our real estate valuation specialists to assess the valuation methodology and determine whether 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 judgment and key assumptions.

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

Valuation of property, plant and equipment, and investment properties *(continued)*

The effect of these matters is that, as part of our risk assessment, we determined that the valuation of properties has a high degree of estimation uncertainty, with a potentially significant range of reasonable outcomes.

- We evaluated year-on-year movements of significant valuation assumptions 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.

Impairment of assets under construction comprising of investment properties

Refer to notes 15 and 17 to the consolidated financial statements

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 if there are any indicator of 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.

- We evaluated management's process for identification of indicators of impairment of assets.

- In respect of properties under construction, we have reviewed management's assessment of the cost to complete of the projects by examining a sample of the underlying agreements and payment certificates with the contractors, the latest budgeted capital expenditure and minutes of meeting of the Project Cost Review (PCR)

- 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 judgments.

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

Impairment of assets under construction comprising of investment properties *(continued)*

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 assessed the reasonableness of the significant assumptions including forecasted lease rent, operating expenses, forecasted additional costs to complete, forecasted occupancy rates and growth rate by comparing these with the financial budgets approved by the Board of Directors and current year performance achieved by similar assets.
- We involved our real estate valuation specialists to determine whether the discount/ yield rates are within an acceptable range.
- Based on the outcome of our evaluation, we assessed the adequacy of disclosures in the consolidated financial statements.

Supplier rebates and benefits

Refer to notes 10 and 11 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 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.

- We obtained an understanding of the internal controls implemented by the management on the measurement and the recognition of rebates and benefits, assessed their design and implementation and tested the operating effectiveness of the internal controls on a sample of supplier arrangements.
- 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.

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

Supplier rebates and benefits *(continued)*

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 arrangements. This requires a detailed understanding of the contractual arrangements as well as complete and accurate source data to calculate the supplier rebates, benefits and service income due to the Group. There may also be incentives or pressures for management to manipulate the timing of recognition of these benefits, to meet internal targets.

Considering the material impact of these arrangements on financial results, 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 rebates and benefits to be a key audit matter.

- We performed tests on a sample basis to assess whether the accounting treatment of supplier rebates and benefits was appropriate, including verifying that amounts recognised were accurate and recorded in the correct accounting period based on the contractual performance terms mentioned in the related supplier agreements

- We performed revenue and gross 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.

Other Information

Management is responsible for the other information. The other information comprises the Directors' report.

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 reparation 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 auditors' 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.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism 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.

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

- 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.

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

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 for the year ended 31 December 2020:

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 is consistent with the books of account of the Group;

v) as disclosed in note 7 to the consolidated financial statements, the Group has purchased shares during the year ended 31 December 2020;

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 2020 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 2020; and

viii) note 12 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: 23 February 2021

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

(AED in millions)	Note	2020	2019
Revenue	10	32,575	35,156
Cost of sales	11.2	(22,859)	(23,658)
Operating expenses	12	(7,220)	(8,218)
Finance costs - net	13.2	(653)	(772)
Other income/(expense) - net	14	42	(106)
Impairment loss on non-financial assets - net	15.3	(1,389)	(1,191)
Impairment loss on financial assets - net	15.4	(185)	(196)
Share of profit in equity-accounted investees - net of tax	18.3 & 18.4	48	49
Profit before valuation loss on land and buildings		**359**	**1,064**
Net valuation loss on land and buildings	17.5.1	(2,954)	(2,787)
Loss before tax		**(2,595)**	**(1,723)**
Income tax expense - net	16.2	(114)	(200)
Loss for the year		**(2,709)**	**(1,923)**
Loss for the year attributable to:			
- Owners of the Company		(2,659)	(1,940)
- Non-controlling interests	7.3	(50)	17
Loss for the year		**(2,709)**	**(1,923)**
Loss for the year		**(2,709)**	**(1,923)**
Other comprehensive income			
Items that will not be reclassified to profit or loss:			
Net valuation loss on land and buildings	17.4.2	(500)	(241)
Deferred tax on revaluation of land and buildings	16.4 & 16.5	(5)	(21)
		(505)	**(262)**
Items that are or may be reclassified subsequently to profit or loss:			
Foreign operations - foreign currency translation differences	34.6	(758)	201
Net change in fair value of cash flow hedges	13.5	(67)	(53)
		(825)	**148**
Total other comprehensive income for the year		**(1,330)**	**(114)**
Total comprehensive income for the year		**(4,039)**	**(2,037)**
Total comprehensive income for the year attributable to:			
- Owners of the Company		(3,971)	(2,054)
- Non-controlling interests	7.3	(68)	17
Total comprehensive income for the year		**(4,039)**	**(2,037)**

The notes on pages 25 to 80 are an integral part of these consolidated financial statements.

The independent auditors' report is set out on pages 9 to 17.

Consolidated statement of financial position as at 31 December

(AED in millions)	Note	2020	2019
Non-current assets			
Property, plant and equipment	17.4	10,885	12,181
Investment property	17.5	32,576	36,167
Right-of-use assets	17.6	3,753	4,563
Equity-accounted investees	18.2	859	796
Long term receivable from related parties	28.1	-	17
Intangible assets and goodwill	19.2	1,469	1,555
Deferred tax assets	16.4	103	55
Other non-current assets	20	675	676
Total non-current assets		**50,320**	**56,010**
Current assets			
Development property	17.7	13	-
Inventories	21	2,268	2,325
Trade and other receivables	22	2,254	1,855
Short term receivable from related parties	28.2	61	162
Due from related parties	28.4	288	656
Cash in hand and at bank	23	3,699	1,406
		8,583	**6,404**
Assets held for sale	24	194	671
Total current assets		**8,777**	**7,075**
Total assets		**59,097**	**63,085**
Current liabilities			
Trade and other payables	25	8,507	8,668
Provisions	26.2	200	370
Other liabilities	27	1,670	1,841
Short term loan from a related party	28.3	44	164
Due to related parties	28.5	131	45
Bank overdraft	29	-	8
Current maturity of long term loans	31	41	83
Current maturity of lease liabilities	32.3	568	536
		11,161	**11,715**
Liabilities directly associated with assets held for sale	24	35	44
Total current liabilities		**11,196**	**11,759**
Non-current liabilities			
Long term loans	31	15,917	13,801
Long term loans from related parties		-	30
Lease liabilities	32.3	3,668	4,315
Deferred tax liabilities	16.5	226	190
Provisions	26.2	48	53
Post employment benefit obligations	33	812	772
Other liabilities	27	51	91
Total non-current liabilities		**20,722**	**19,252**
Total liabilities		**31,918**	**31,011**
Net assets		**27,179**	**32,074**

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

(AED in millions)	Note	2020	2019
Equity			
Share capital	34.2	2,671	2,671
Statutory reserve	34.4	2,984	2,984
Revaluation reserve		17,643	18,148
Retained earnings		2,705	6,194
Hedging reserve	34.5	(132)	(65)
Currency translation reserve	34.6	(2,433)	(1,693)
Total equity attributable to the owners of the Company		**23,438**	**28,239**
Hybrid equity instrument	35	3,292	3,292
Non-controlling interests	7.3	449	543
Total equity		**27,179**	**32,074**

The consolidated financial statements were approved by the Board of Directors and signed on their behalf of 23 February 2021:

DocuSigned by:
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Alain Bejjani

Majid Al Futtaim Holding LLC
Chief Executive Officer

DocuSigned by:
Shrimati Damal
9118B021E2BB40A...

Majid Al Futtaim Holding LLC
Chief Financial Officer

The notes on pages 25 to 80 are an integral part of these consolidated financial statements.
The independent auditors' report is set out on pages 9 to 17.

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Consolidated statement of cash flows for the year ended 31 December

(AED in millions)	**Note**	**2020**	**2019**
Cash flows from operating activities			
Loss for the year after tax		(2,709)	(1,923)
Adjustments for:			
Depreciation and amortization (including amortization of lease premium)	12	2,193	2,181
Rent concessions received due to COVID-19		(133)	-
Finance costs - net	13.2	653	772
Assets written-off	14	-	64
Impairment loss on non-financial assets - net	15.3	1,389	1,191
Impairment loss on financial assets - net	15.4	185	196
Net valuation loss on land and buildings	17.5.1	2,954	2,787
Share of profit in equity-accounted investees - net of tax	18.3 & 18.4	(48)	(49)
Gain on loss of control in a subsidiary	7.4 & 14	(6)	-
Loss on disposal of investment in a joint venture	24.2	-	29
Changes to post employment benefit obligations		40	47
Income tax expense - net	16.2	114	200
		4,632	**5,495**
Changes to working capital			
Inventories		57	7
Trade and other receivables		(22)	(63)
Trade and other payables		(360)	960
Due from/to related parties - net		231	39
		(94)	**943**
Tax paid		(94)	(82)
Net cash generated from operating activities		**4,444**	**6,356**
Cash flow from investing activities			
Acquisition of property, plant and equipment and investment property		(1,965)	(3,768)
Payment of deferred consideration for acquisition of a business	27.1	(36)	(38)
Payments against intangible assets	19.2	(123)	(156)
Investment in equity accounted investees		(14)	-
Payment of liability for acquisition of intangible asset		(4)	-
Proceeds from sale of property, plant and equipment and investment properties		6	19
Movement in fixed deposits - net		147	49
Dividend received from equity-accounted investees	18.3 & 18.4	113	45
Finance income received		45	49
Net cash used in investing activities		**(1,831)**	**(3,800)**

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

(AED in millions)	**Note**	**2020**	**2019**
Cash flow from financing activities			
Proceeds from term loans received from related parties	28.3	175	172
Repayment of term loan to related parties	28.3	(930)	(919)
Term loans granted to related parties		-	(4)
Term loans repaid by a related party		-	11
Long term loans received	31	6,190	14,823
Long term loans repaid	31	(4,463)	(14,935)
Short term loans received	30	235	786
Short term loans repaid	30	(235)	(859)
Payment against lease liability	32.3	(645)	(720)
Collateral received against derivative instruments - net		166	49
Realized fair value of derivative instruments - net		193	-
Finance cost paid		(591)	(678)
Capital reduction in a subsidiary by a non-controlling interest - net		(17)	(15)
Coupon paid on hybrid equity instrument	35	(195)	(195)
Dividend paid to non-controlling interest		(18)	(49)
Net cash flows used in financing activities		**(135)**	**(2,533)**
Net increase in cash and cash equivalents		**2,478**	**23**
Cash and cash equivalents at the beginning of the year*		1,251	1,228
Effect of movements in exchange rates on cash held		(30)	-
Cash and cash equivalents at the end of the year	**23.5**	**3,699**	**1,251**

* 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 25 to 80 are an integral part of these consolidated financial statements.

The independent auditors' report is set out on pages 9 to 17.

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 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 valuation loss on land and buildings (note 17.4.2)	-	-	(241)	-	-	-	**(241)**	-	-	**(241)**
Deferred tax liability arising on revaluation of land and buildings (note 16.4 and 16.5)	-	-	(21)	-	-	-	**(21)**	-	-	**(21)**
Net change in fair value of cash flow hedges (note 13.5)	-	-	-	-	(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 25 to 80 are an integral part of these consolidated financial statements.

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

(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
	Attributable to owners of the Company									
At 1 January 2020	**2,671**	**2,984**	**18,148**	**6,194**	**(65)**	**(1,693)**	**28,239**	**3,292**	**543**	**32,074**
Total comprehensive income for the year										
Net loss for the year	-	-	-	(2,659)	-	-	(2,659)	-	(50)	(2,709)
Other comprehensive income										
Net valuation loss on land and buildings (note 17.4.2)	-	-	(500)	-	-	-	(500)	-	-	(500)
Deferred tax liability arising on revaluation of land and buildings (note 16.4 and 16.5)	-	-	(5)	-	-	-	(5)	-	-	(5)
Net change in fair value of cash flow hedges (note 13.5)	-	-	-	-	(67)	-	(67)	-	-	(67)
Currency translation differences in foreign operations (note 34.6)	-	-	-	-	-	(740)	(740)	-	(18)	(758)
Total comprehensive income for the year	**-**	**-**	**(505)**	**(2,659)**	**(67)**	**(740)**	**(3,971)**	**-**	**(68)**	**(4,039)**
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	-	-	-	-	-	-	-	-	6	6
Repayment of shareholder's contribution	-	-	-	-	-	-	-	-	(23)	(23)
Changes in ownership interest of subsidiary	-	-	-	-	-	-	-	-	9	9
Dividend declared and settled / paid (note 34.3)	-	-	-	(635)	-	-	(635)	-	(18)	(653)
Total contribution by and distribution to owners	**-**	**-**	**-**	**(635)**	**-**	**-**	**(635)**	**-**	**(26)**	**(661)**
Hybrid prepetual note instruments										
Coupon paid on hybrid equity instrument (note 35)	-	-	-	(195)	-	-	(195)	-	-	(195)
	-	**-**	**-**	**(195)**	**-**	**-**	**(195)**	**-**	**-**	**(195)**
At 31 December 2020	**2,671**	**2,984**	**17,643**	**2,705**	**(132)**	**(2,433)**	**23,438**	**3,292**	**449**	**27,179**

The notes on pages 25 to 80 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.

UAE Federal Decree-Law No. 26 of 2020 which amends certain provisions of Federal Law No. 2 of 2015 on Commercial Companies was issued on 27 September 2020 and the amendments came into effect on 2 January 2021. The Group is in the process of reviewing the new provisions and will apply the requirements thereof no later than one year from the date on which the amendments came into effect.

These consolidated financial statements have been prepared under the historical cost convention unless otherwise indicated.

The following assets and liabilities 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 23 February 2021.

3. COVID-19 IMPACT

On March 11, 2020, the World Health Organization declared the novel strain of coronavirus, or COVID-19, a global pandemic and recommended containment and mitigation measures worldwide. The COVID-19 pandemic had a significant impact on economic and market conditions around the world during 2020 and continues to adversely impact economic activity. The impact of the COVID-19 continues to evolve and governments and other authorities, including where the Group operates, have imposed measures intended to control its spread, including restrictions on freedom of movement, group gatherings and business operations such as travel bans, border closings, business closures, quarantines, stay-at-home, capacity limitations and social distancing measures. Governments and other authorities are in varying stages of lifting or modifying some of these measures, however certain governments and other authorities have already been forced to, and others may in the future, reinstate these measures or impose new, more restrictive measures, if the risks, or the tenants' and customers' perception of the risks, related to the COVID-19 pandemic worsen at any time.

The full impact of COVID-19 remains uncertain and will be determined by factors that continue to evolve. Even after certain restrictions have been lifted and reduced, the willingness of customers to visit public places is likely to be reduced and Group's tenants businesses are likely to be adversely affected, based upon many factors, including whether the number of COVID-19 transmissions are materially reduced, the vaccination which prevents or reduces the severity of COVID-19 is effective and readily available, or a cure or treatment is identified and becomes readily available. Further, demand could remain subdued due to heightened sensitivity to risks associated with the transmission of COVID-19 or other associated diseases.

The Group's businesses in shopping malls, hospitality, fashion retail, cinemas and leisure and entertainment have been impacted by the measures taken by governments and authorities to contain the spread of the COVID-19 pandemic. Shopping malls in the UAE, Egypt, Lebanon, Oman and Bahrain were closed for various periods mainly between March 2020 and June 2020. The Group's hotels experienced an overall drop in occupancies and had temporary closures for majority of its assets for various lengths and periods. Group's cinemas and leisure and entertainment units have experienced extended closure periods across all geographies and even after re-opening these units have been operating at limited capacity. The majority of the Group's business is consumer driven and the current situation has impacted the consumer confidence and purchasing power. Consequently, the Group experienced significant reduction in income and revenues.

The Group has a documented business continuity plan (BCP) that has been activated to ensure safe and stable continuation of its business operations as well as safety of all internal and external stakeholders. The Group has proactively introduced comprehensive measures to address and mitigate key operational and financial issues arising from the current situation. Management continues to assess and monitor the impact of COVID-19 on its businesses, particularly the effect on its operations. The crisis management plan, including stress testing under adverse scenario and enterprise risk management, aims at protecting core businesses. The Group has a strong governance model which focuses on cost efficiency, operational excellence, liquidity management and careful assessment of priorities and returns.

By the end of the year Group's shopping malls, hotels and fashion retail, which had been temporarily closed during the year due to government mandates, had reopened. Whereas Group's assets in cinemas and leisure and entertainment businesses were open, at limited capacities, in all geographies except for Kuwait and Bahrain.

In response to the crisis, the Group's focus has been on the health and safety of employees, customers and the local communities where the Group operates. To secure the Group’s financial health, duty of care, brand equity and business performance, the Group introduced and integrated COVID-19 response plans at the very early signs of the pandemic. The plans cover multiple streams of action cutting across business and regions, including health and safety, business continuity, brand protection and financial mitigation plan. The plans implemented series of actions, including:

- draw down on committed revolving credit facilities to maximize liquidity and increase cash on hand;
- significant reduction in discretionary spending, suspending staff allowances and bonuses and negotiating rent concessions with landlords;
- reallocation of staff from its cinemas and leisure and entertainment businesses to more performing businesses such as grocery retail; and
- phasing and deferral of certain capital expenditure.

The Group continues to conduct on-going scenario-based risk analyses, considering the high level of uncertainty, to anticipate impacts on: revenue, working capital, and asset values. At the same time, the Group is also adapting its strategy over medium and long term to enable and continue sustainable growth in the changing landscape through investments in digital assets, omni-channel, agile business model and operational excellence programs.

The Group has assessed the impact of COVID-19 on its businesses and how it is reflected in its consolidated financial position and performance, which involved significant judgements, estimates and assumptions that were subject to a lesser degree of certainty as compared to those made in the prior year. The impact of COVID-19 on significant areas are set out in the respective notes and are summarized below:

• Rental income and tenant incentives	Note 10.2.1 & 10.2.2
• Impairment of non-financial assets	Note 15.3
• Impairment of financial assets	Note 15.4
• Valuation of properties	Note 17.3
• Assets held for sale	Note 24.1
• Credit risk	Note 36.3
• Liquidity risk	Note 36.4

4. 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 17.2
• Valuation of properties and apportionment fair values between land and buildings	Note 17.2
• Estimation or forecast of cost to complete	Note 17.2
• Impairment of non-financial assets	Note 15.2, 15.3.1 & 15.3.2
• Supplier balances and sourcing (rebates)	Note 11.1
• 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
• Foreign currency exchange rate for translation of Lebanon operations	Note 36.5.1

5. FAIR VALUE MEASUREMENT

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or in its absence, the most advantageous market to which the Group has access at that date. The fair value of a liability reflects its non-performance risk. 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 or liabilities; or other valuation techniques where all significant inputs are directly or indirectly observable from market data.

Level 3: Inputs for the assets or liabilities 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.

6. SIGNIFICANT ACCOUNTING POLICIES

The Group has applied the accounting policies given below in these consolidated financial statements.

6.1 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 2020:

- *Amendments to References to Conceptual Framework in IFRS Standards*
- *Definition of Material (Amendments to IAS 1 and IAS 8)*
- *Definition of a Business (Amendments to IFRS 3)*
- *Interest Rate Benchmark Reform (Amendments to IFRS 9, IAS 39 and IFRS 7)*
- *COVID-19-Related Rent Concessions (Amendment to IFRS 16) (note 6.1.1)*

Except as disclosed below, these standards and amendments do not have a significant impact on the Group's consolidated financial statements as at 31 December 2020.

6.1.1 Amendments to IFRS 16 Leases

The International Accounting Standards Board (IASB) issued amendments to IFRS 16 in May 2020, providing relief for lessees in accounting for rent concessions granted as a direct consequence of COVID-19. This is applicable for periods beginning on or after 1 June 2020, with early application permitted. The Group has early adopted the amendment to the standard and has applied the relief to eligible rent concessions received during the year.

The amendments provide the Group, as a lessee, with an exemption from the requirements to determine whether a COVID-19 related rent concession is a lease modification, provided the following conditions are met:

- The rent concessions are a direct consequence of the COVID-19 pandemic;
- The change in lease payments result in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
- The reduction in lease payments affect only payments originally due on or before 30 June 2021; and
- There is no substantive change to other terms and conditions of the lease.

The Group has applied the practical expedient to all eligible rent concessions and in applying this the Group has recognized rent concessions amounting to AED 133 million (note 12 and 32.3) during the year within the operating expenses.

6.2 Other standards

A number of new standards are effective for annual periods beginning after 1 January 2020 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
• *Interest Rate Benchmark Reform - Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16)*	1 January 2021
• *Onerous Contracts - Cost of Fulfilling a Contract (Amendments to IAS 37)*	1 January 2022
• *Annual Improvements to IFRS Standards 2018-2020*	1 January 2022
• *Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16)*	1 January 2022
• *Reference to Conceptual Framework (Amendments to IFRS 3)*	1 January 2022
• *Classification of Liabilities as Current or Non-current (Amendments to IAS 1)*	1 January 2023
• *IFRS 17 Insurance Contracts and amendments to IFRS 17 Insurance Contracts*	1 January 2023

6.3 General accounting policies

6.3.1 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.

6.3.2 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.

6.3.3 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.

7. SUBSIDIARIES

7.1 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.

7.2 Principal subsidiaries

The Group had the following principal subsidiaries at 31 December 2020:

			Effective ownership	
Name of subsidiary	**Country of incorporation**	**Nature of business**	**2020**	**2019**
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%	100%
Majid Al Futtaim Global Solutions LLC	United Arab Emirates	Operating and managing Group's shared services	100%	-
IAMAI Portal LLC	United Arab Emirates	Developing, operating and managing mobile applications	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 2020 amounts to AED 449 million (2019: AED 543 million).

7.3 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 2020	2019
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 (note 7.4)	United Arab Emirates	Fashion retailer	-	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 summarized financial information for the subsidiaries within the Group that have material non-controlling interest:

31 December 2020 *(AED in millions)*	UAE	Other GCC	Others	Total
Non-current assets	392	1,989	96	**2,477**
Current assets	119	61	22	**202**
Current liabilities	(2)	(76)	39	**(39)**
Non-current liabilities	(82)	(197)	-	**(279)**
Net assets	**427**	**1,777**	**157**	**2,361**
Net assets attributable to non-controlling interests	**149**	**297**	**3**	**449**
Revenue	116	58	67	**241**
Loss for the year	(7)	(123)	(66)	**(196)**
Other comprehensive income	-	(2)	-	**(2)**
Loss for the year attributable to non-controlling interest	**(1)**	**(42)**	**(7)**	**(50)**
Total comprehensive income attributable to non-controlling interest	**(1)**	**(42)**	**(25)**	**(68)**

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)**
Profit for the year attributable to non-controlling interest	**-**	**13**	**4**	**17**
Total comprehensive income attributable to non-controlling interest	**-**	**13**	**4**	**17**

7.4 In 2015, the Group and Accessories Ireland Limited entered into a shareholder's agreement in connection with establishment and operations of "Monsoon" and "Accessories" brand across various jurisdiction in the middle east ("Monsoon operation"). As per the agreement, the Group had control over relevant activities of Monsoon operations for a period of five years, ending on 31 August 2020. Accordingly, the Group has deconsolidated operations from 1 September 2020 on account of loss of control over relevant activities of Monsoon operations.

Upon loss of control, the Group derecognized the net liabilities at book value and net gain of AED 6 million has been recognized as difference between the fair value (AED nil) and the carrying amount of net liabilities, after impairment of loan and the investment, on 31 August 2020.

At the reporting date, the shareholders are in process of devising memorandum of understanding (MOU) under which the Group will exit the joint venture and the remaining shareholder will gain full control from the date of execution of the transfer deed at the notary public in Dubai, United Arab Emirates.

7.5 During the year, the Group repaid shareholder' contribution to non-controlling interest partners amounting to AED 23 million (2019: AED 26 million).

8. BUSINESS COMBINATIONS

8.1 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 recognized 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.

9. OPERATING SEGMENTS

9.1 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 and head office. The 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, 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 or 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 consistency and relevance of EBITDA as a measure of operating performance, EBITDA has been adjusted with the impact of fixed rent expense, which has been derecognized on adoption of IFRS 16 in 2019.

9.2 Segment reporting by business

The segment information provided to the Board of Directors for reportable segments for the year ended 31 December 2020 and 31 December 2019 are as follows:

9.2.1 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 2020				
Gross revenue	3,490	27,979	1,427	**32,896**
Eliminations of intercompany rental income	(321)	-	-	**(321)**
Revenue from external customers	**3,169**	**27,979**	**1,427**	**32,575**
External revenue from major service/product lines				
Sale of goods	-	25,468	413	**25,881**
Service income and commissions	-	2,406	-	**2,406**
Leisure and entertainment	92	-	789	**881**
Hospitality revenue	236	-	-	**236**
Others	38	71	-	**109**
	366	**27,945**	**1,202**	**29,513**
Rental income	2,803	34	-	**2,837**
Financial services revenue	-	-	225	**225**
	3,169	**27,979**	**1,427**	**32,575**

(AED in millions)	Properties	Retail	Ventures	Total
31 December 2019				
Gross revenue	4,613	28,137	2,795	**35,545**
Eliminations of intercompany rental income	(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**

9.2.2 Disaggregation of results from operations by business

(AED in millions)	Properties	Retail	Ventures	Head office	Total
31 December 2020					
EBITDA	2,351	2,198	79	(119)	4,509
Rent expense derecognized on adoption of IFRS 16	(9)	(567)	(171)	-	(747)
Adjusted EBITDA	**2,342**	**1,631**	**(92)**	**(119)**	**3,762**
Depreciation and amortization expense	(433)	(1,170)	(638)	(53)	(2,294)
Eliminations and adjustments					101
					(2,193)
Valuation loss on land and buildings - net	(3,211)	(4)	-	-	(3,215)
Eliminations and adjustments					261
					(2,954)
Net finance (cost)/income	(342)	(236)	(262)	481	(359)
Eliminations and adjustments					(294)
					(653)
Net profit/(loss) after tax	(2,839)	882	(841)	316	(2,482)
Eliminations and adjustments					(227)
					(2,709)
31 December 2019					
EBITDA	2,984	1,973	591	(195)	5,353
Rent expense derecognized on adoption of IFRS 16	(10)	(537)	(175)	-	(722)
Adjusted EBITDA	**2,974**	**1,436**	**416**	**(195)**	**4,631**
Depreciation and amortization expense	(490)	(1,125)	(623)	(34)	(2,272)
Eliminations and adjustments					91
					(2,181)
Valuation loss on land and buildings - net	(3,041)	(3)	-	-	(3,044)
Eliminations and adjustments					257
					(2,787)
Net finance (cost)/income - external	(405)	(264)	(261)	66	(864)
Adjustments					92
					(772)
Net profit/(loss) after tax	(2,224)	682	(397)	(103)	(2,042)
Eliminations and adjustments					119
					(1,923)

9.2.3 Disaggregation of capital expenditure by business

(AED in millions)	Properties	Retail	Ventures	Head office	Total
31 December 2020					
Capital expenditure	(1,320)	(366)	(298)	(104)	**(2,088)**
31 December 2019					
Capital expenditure	(2,407)	(483)	(672)	(101)	**(3,663)**

9.2.4 Disaggregation of total assets by business

(AED in millions)	Properties	Retail	Ventures	Head office	Total
31 December 2020					
Total assets	42,174	12,118	4,547	2,991	61,830
Eliminations and adjustments					(2,733)
					59,097

(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

9.3 Segment revenue and assets by geography

	Total revenue		Total assets	
(AED in millions)	**2020**	**2019**	**2020**	**2019**
UAE (country of domicile)	15,492	17,006	41,326	42,016
Saudi Arabia	3,395	3,244	4,264	4,427
Egypt	3,225	3,083	3,800	3,326
Qatar	2,698	2,601	988	1,340
Oman	1,599	1,893	2,850	3,584
Jordan	1,221	1,472	542	556
Bahrain	1,128	1,429	3,563	4,152
Kuwait	1,001	1,308	707	918
Pakistan	559	735	284	334
Georgia	578	632	151	229
Lebanon	439	631	283	1,793
Kenya	848	651	199	247
Iraq	331	431	83	115
Armenia	37	38	15	23
Uganda	23	2	22	22
Uzbekistan	1	-	20	-
Kazakhstan	-	-	-	3
	32,575	**35,156**	**59,097**	**63,085**

10. REVENUE

10.1 Accounting policy

Revenue from contracts with customers

The Group recognizes 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 : Recognize revenue when (or as) the Group satisfies a performance obligation.

The Group satisfies a performance obligation and recognizes 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 recognized when the Group sells a product to the customer. For goods sold in store, revenue is recognized at the point of sale. For online or wholesale slaes of goods, revenue is recognized on collection by, or delivery 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 falling within the ordinary activities of the Group and are recognised at the time of check-out sales when persuasive evidence exists that the control passes from the Group to the customer satisfying the performance obligation, 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 recognized to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognized will not occur. Therefore, the amount of revenue recognized 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 recognized.

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 recognized 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 deducted from the cost of those inventories, and recognized 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 recognized.

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 recognized 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 recognized 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. Refer to note 32.1 for accounting policy on leases.

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.

10.2

(AED in millions)	**2020**	**2019**
Revenue from contract with customers	29,513	31,427
Other revenue		
- Rental income	2,837	3,418
- Financial services revenue	225	311
	32,575	**35,156**

10.2.1 During the year, the impact of the COVID-19 pandemic evolved rapidly and the governments and other authorities across the geographies where the Group operates imposed strict measures that resulted in temporary closure of the Group’s assets. Shopping malls in the UAE, Bahrain, Oman, Egypt and Lebanon were closed for various periods mainly between March 2020 and June 2020. The Group assessed that under the applicable commercial laws in the jurisdictions of the Group’s operations, tenants have a legal entitlement to rent concession during the respective temporary closure period. As a result, rental income of AED 340 million, pertaining to the temporary closure period, was not recognized by the Group. This did not constitute a lease modification.

10.2.2 During the year, the Group has provided a discretionary rent relief program totaling AED 284 million as part of the Group’s commitment to supporting its tenants subsequent to the re-opening of the Group’s shopping malls post lockdown period. The rent relief program was awarded to eligible tenants through modification of lease terms and, hence, amortized over the new lease term in accordance with IFRS 16. The associated charge to the consolidated statement of profit or loss for the year amounted to AED 24 million.

11. COST OF SALES

11.1 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.

11.2

(AED in millions)	**2020**	**2019**
Opening inventories	(2,325)	(2,332)
Purchases	(25,533)	(25,620)
Closing inventories	2,268	2,325
Supplier rebates and discounts	2,731	1,969
	(22,859)	**(23,658)**

12. OPERATING EXPENSES

(AED in millions)	**2020**	**2019**
Staff costs (note 12.1)	(3,054)	(3,563)
Depreciation and amortization (note 12.2)	(2,193)	(2,181)
Utilities	(445)	(501)
Repair and maintenance	(253)	(284)
Legal and consultancy expenses	(194)	(220)
Bank charges	(190)	(194)
Advertising, selling and marketing expenses	(155)	(323)
Security expenses	(140)	(154)
Franchise and management fees	(134)	(147)
House keeping and cleaning	(93)	(115)
Insurance charges	(41)	(37)
Business travel expenses	(15)	(47)
Rent (note 12.4 and 32.3.2)	(2)	(144)
Other general and administrative expenses	(311)	(308)
	(7,220)	**(8,218)**

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

(AED in millions)	**2020**	**2019**
Gratuity cost	(123)	(119)
Pension cost	(23)	(28)
Staff cost capitalized	80	147

12.2 Depreciation and amotization includes following:

(AED in millions)	**2020**	**2019**
Property, plant and equipment (note 17.4)	(1,343)	(1,364)
Right-of-assets (note 17.6)	(652)	(635)
Intangible assets (note 19.2)	(179)	(145)
Prepaid lease premium	(64)	(64)
Recharged out to related parties	45	27
	(2,193)	**(2,181)**

12.3 The number of employees at 31 December 2020 was 40,622 (2019: 42,735).

12.4 Rent concessions amounting to AED 133 million (2019: AED nil) have been netted off against the rent expense for the year (note 6.1.1 and 32.3).

12.5 During the year, the Group paid AED 4 million (2019: AED 5 million) for various social contribution purposes.

13. FINANCE COSTS - NET

13.1 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.

13.2

	(AED in millions)	**2020**	**2019**
(i)	*Finance costs:*		
	Arrangement and participation fee	(38)	(62)
	Interest charges on bank loans (note 13.3)	(515)	(677)
	Interest expense on lease liabilities (note 32.3)	(272)	(277)
	Interest charges on related party balances	(12)	(16)
	Capitalized interest on development expenditure	194	205
		(643)	**(827)**
	Changes in the fair value/settlement of derivatives held as FVPL	(1)	(4)
	Cash flow hedges reclassified from hedging reserve	(64)	(13)
	Bond programme cost	2	(7)
	Total finance costs	**(706)**	**(851)**
(ii)	*Finance income:*		
	Interest income on bank balances	45	49
	Interest income from operational financing	1	4
	Unwinding of discount on long term receivable balances	7	3
	Cash flow hedges reclassified from hedging reserve	-	12
	Changes in the fair value/settlement of derivatives held as FVPL	-	11
	Total finance income	**53**	**79**
	Finance costs - net	**(653)**	**(772)**

13.3 Included within interest charges on bank loans, fair value gain of AED 316 million (2019: AED 96 million) in relation to derivatives used in fair value hedge relationship, with an offsetting fair value changes of the underlying debt being hedged.

13.4 The capitalization rate used to determine the amount of borrowing cost eligible for capitalization varies from 4.28% to 4.45% (2019: 4.67% to 19.50%) depending on the effective interest rate over the tenure of the borrowing for individual developments.

13.5 Net changes in fair value recognized directly in other comprehensive income:

(AED in millions)	**2020**	**2019**
Effective portion of changes in fair value of cash flow hedges	(131)	(54)
Cash flow hedges reclassified to profit or loss - net	64	1
	(67)	**(53)**

14. OTHER INCOME/EXPENSES - NET

(AED in millions)	**2020**	**2019**
Foreign exchange gain - net	24	24
Fixed assets/project costs written off	-	(64)
Development expenses written off	(1)	(30)
Gain on loss of control in a subsidiary (note 7.4)	6	-
Loss on disposal of investment in a joint venture (note 24.2)	-	(29)
Loss on disposal of non-current assets	(2)	(12)
Other income - net	15	5
	42	**(106)**

15. IMPAIRMENT

15.1 Accounting policy

15.1.1 *Equity-accounted investees*

An impairment loss in respect of an equity-accounted investee is measured by comparing the recoverable amount of the investment with its carrying amount. An impairment loss is recognized in profit or loss, and is reversed if there has been a favorable change in the estimates used to determine the recoverable amount.

15.1.2 *Non-financial assets*

The carrying amounts of the Group's non-financial assets except investment properties and property, plant and equipment 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.

15.1.3 *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
- trade receivables, other than 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:

- No. of times 30 days past due or restructured >=1 in the past 12 months; or
- Categorized as ''High Risk'' for any two of the three risk parameters - industry risk classification, Payment ratio, PD pools.

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 realizing 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.

The Group measures loss allowances for its financial assets measured at amortized cost at an amount equal to lifetime ECLs. Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument.

Assets that are individually significant are tested individually whereas others are grouped together with financial assets of similar credit risk characteristics and assessed collectively. Impairment loss is reversed if the reversal can be objectively related to an event that has occurred after the impairment loss was recognized. For financial assets that are measured at amortized cost, the reversal is recognized in profit or loss account.

For credit card receivables, the Group applies three-stage approach 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. The Group formulates three economic scenarios: a base case, which is assigned a 55% probability of occurring, an upside scenario with 10% probability of occuring and one downside which assigned a 35% probability of occurring.

For credit card portfolio, PD and LGD models are adjusted with macroeconomic overlays and scenario modeling to determine the scaler factor in order to arrive at the point in time (PIT) estimates of PD and LGD from the through the cycle (TTC) estimates derived from the PD and LGD modeling mentioned above.

Macroeconomic indicators considered for PD model are - real GDP growth, oil price, unemployment rate and lagged moving average of historical default rates.

Each variable is assigned a weight based on it's quantum in explaining forecasted default rates and the sensitity to defult rates in response to upward or downward shocks to the variable values.

The final weights assigned to the variables are as follows:

• Real GDP growth rate	30%
• Oil price	15%
• Unemployment rate	5%
• Lagged 6 months moving average of historical default rates	50%

For LGD model, to convert the TTC estimates to PIT estimates the macroeconomic factors considered are - Consumer credit, Inflation and M3.

Weighting of scenarios

The IFRS 9 regulations stress the importance of macro-economic indicators and probability weighted outcomes, especially when accounting for impairment in financial assets. It suggests that Banks and financial companies be more forward looking in their assessment of credit losses, with the macroeconomic indicators taking a central place in any forecast.

Finally, each scenario is assigned a weight based upon the likelihood of that particular scenario's occurrence. The methodology behind the scenario calculation is outlined below:

- Historical values of each variable are obtained, and the mean and standard deviation of each variable are computed.
- The values corresponding to one standard deviation to the left of the mean and one standard deviation to the right of the mean are computed.
- If the value of the variable is lesser than the value that is one standard deviation to the left, the variable is tagged as an adverse case. Similarly, if the value of the variable is higher than the value that is one standard deviation to the right, the variable is tagged as an upside case. If the value falls between the value that is one standard deviation to the left and one standard deviation to the right, the variable is tagged as a base case.

The final scenario weights are calculated using the formula below:

(No.of cases tagged as Base, Upside or Adverse)/(Total No.of Cases)

- The weights obtained are thus as follows

Scenario	*Weights*	*LGD*
Base	0.55	0.70
Probable	0.10	0.10
Adverse	0.35	0.20

Thus, the final weights are 10% for the probable scenario, 30% for the adverse scenario, and 60% for the base scenario. The weights applied are more conservative than the ones actually calculated. In the context of IFRS 9, this is a "probability weighted amount".

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;
- 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;
- it is probable that borrower will enter bankruptcy or other financial reorganization; or
- the disappearance of an active market for a security because of financial difficulties.

Presentation of allowance for ECL on the statement of financial position

Loss allowances for financial assets measured at amortized 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.

15.2 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.

15.3 IMPAIRMENT OF NON-FINANCIAL ASSETS

The Group's operating units (retail, leisure and entertainment, cinema and fashion) were severely affected in 2020 by the COVID-19 coronavirus pandemic and the measures taken to contain it. The impairment testing of these assets is based on cash flow projections using financial budgets and business plans. The budgets and business plans are updated to reflect the most recent developments as at the reporting date. Management's expectations reflect performance to date and are based on its experience in times of recession and consistent with the assumptions that a market participant would make. The assumptions given below have been adjusted to reflect higher degree of estimation, uncertainty and different recovery paths specific to respective geographies in which the assets operate.

(AED in millions)	**2020**	**2019**
Impairment of property, plant and equipment:		
- Furniture and fixtures (note 15.3.1)	(108)	(97)
- Capital work in progress (note 15.3.1)	(6)	(8)
Impairment of investment properties (note 15.3.2)	(1,292)	(1,084)
Impairment of right-of-use assets (note 15.3.1)	(29)	(8)
Impairment of intangible assets		
- Goodwill (note 19.2)	(14)	(32)
- Other intangible assets (note 15.3.3)	-	(7)
Impairment of equity accounted investees (note 15.3.4)	(19)	(5)
Reversal of impairment of equity accounted investees (note 18.4.5)	39	-
Reversal of impairment of property, plant and equipment (note 15.3.5)	40	50
	(1,389)	**(1,191)**

15.3.1 Impairment losses on the assets were recognized (including right-of-use assets) on certain operating units (retail, leisure and entertainment, cinema and fashion) 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.

For Group's retail business the cash flow projections included specific estimates for five years at an average growth rate of 2.1% to 5.3% (2019: 2.8% to 3%) and a stable growth rate of 3% (2019: 3%) thereafter. The stable growth rate was determined based on management's estimate of the long-term standard inflation rate, consistent with the assumptions that a market participant would use. The Group used post-tax industry average Weighted Average Cost of Capital ('WACC') which reflects the country specific risk adjusted discount rate. Discount rates ranging from 9.5% to 27.5% (2019: 9.5% to 21.5%) have been determined and applied.

For leisure and entertainment operating units pre-tax discount rates ranging from 11.5% to 29.5% (2019: 10 to 13%) and growth rates ranging from 2% to 10% (2019: 0% to 2.8%) were used. For fashion retail operating units discount rates of 9.5% to 13.5% (2019: 10% to 13.5%) and growth rate of from 2% (2019: 2%) were used. For cinema operating unit pre-tax discount rates ranging from 9% to 27.5% (2019: 9% to 20.5%) and growth rates ranging from 2% to 5% (2019: 0% to 4%) were used.

Included within the charge is impairment amounting to nil (2019: AED 6 million) on fixed assets relating to credit card business, no longer considered to be recoverable (note 24.1).

15.3.2 During the current year, a total impairment loss of AED 1,292 million (2019: AED 1,084 million) was recognized for shopping malls classified as properties under construction, as the carrying amount of each individual asset exceeded its recoverable amount. Following assessment of the COVID-19 impact and deterioration in market conditions, the recoverable amounts of these properties under construction were reduced. Cash flow forecasts were revised to reflect the key changes including delays in anticipated opening dates ranging from 5 to 6 months (based on phased opening), increase in total development cost due to delays in construction, overall decrease in estimated lease and other income and occupancy levels as a result of challenges in securing lease commitments due to competitive leasing terms and overall impact of COVID-19 in the retail market. In addition, WACC rates used in discounting cash flows increased between 10 bps to 20 bps (versus the previous period) taking into account the heightened risk incorporated in the cash flows and incremental borrowing costs that were recognized and provided for.

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 rental rates;
- Total development costs; 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:

(AED in millions)	**Asset 1**	**Asset 2**	**Asset 3***	**Asset 4****
At 31 December 2020				
Recoverable amount	652	1,093	190	-
Impairment loss	(771)	(494)	(35)	8
Discount rate	10.5%	9.8%	N/A	N/A
Yield rate	N/A	8.0%	N/A	N/A
At 31 December 2019				
Recoverable amount	910	1,227	N/A	-
Impairment loss	(242)	(622)	N/A	(220)
Discount rate	10.3%	9.7%	N/A	N/A
Yield rate	N/A	8.0%	N/A	N/A

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);
- the total development costs increase/(decrease); and
- the discount or yield rates were higher/(lower).

* During the year, the Group re-assessed the pre development costs and, as a result, provided for an impairment loss of AED 35 million (2019: nil), representing the costs relating to work carried out that are no longer considered relevant to the current development.

** During the year, final statement of accounts with contractors have been closed resulting in reversal of costs previously impaired amounting to AED 8 million. In 2019, the Group re-assessed its strategic plan for this asset and, as a result, provided for an impairment loss of AED 220 million for the year ended 31 December 2019, representing the cost of property under construction incurred as at the reporting date.

15.3.3 Represents impairment loss recognized in 2019 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).

15.3.4 During the year, the Group reviewed the carrying value of its equity accounted investments and assessed that the investments have been eroded due to adverse market and business conditions and, therefore, recognized an impairment loss of AED 19 million (2019: AED 5 million) (note 18.3 & 18.4).

15.3.5 AED 40 million (2019: AED 50 million) impairment was reversed due to improved performance and future projections of certain operating units.

15.4 IMPAIRMENT OF FINANCIAL ASSETS

(AED in millions)	**2020**	**2019**
Impairment loss on trade and other receivables (note 36.3)	(179)	(143)
Impairment loss on assets held for sale (note 24.1)	(6)	(43)
Impairment loss on balance receivable from joint ventures	-	(10)
	(185)	**(196)**

16. TAX

16.1 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

Group calculates current income taxes according to the tax laws applicable to each subsidiary in the countries in which such subsidiary operates. In some cases, certain adjustments can only be determined after the balance sheet is issued. In cases in which the final tax outcome is different from the amounts that were initially recorded, such differences will impact the income tax in the period in which such determination is made.

Current tax for the current and prior periods is recognized as a liability to the extent that it has not yet been settled, and as an asset to the extent that the amounts already paid exceed the amount due. Current tax assets and liabilities are measured at the amount expected to be paid to (recovered from) taxation authorities, using the rates/laws that have been enacted or substantively enacted by the balance sheet date.

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.

16.2 INCOME TAX EXPENSE - NET

(AED in millions)	**2020**	**2019**
Current tax		
Current year	(109)	(126)
Adjustment for prior years	(19)	(3)
	(128)	**(129)**
Deferred tax		
Origination of temporary differences - net	14	(71)
	14	**(71)**
	(114)	**(200)**

16.3 Reconciliation of effective tax rate

(AED in millions)		**2020**		**2019**
Loss after tax for the year		(2,709)		(1,923)
Income tax charge - net		(114)		(200)
(Loss)/profit before tax for the year		**(2,595)**		**(1,723)**
Effect of tax rates in foreign jurisdictions	4.2%	(109)	7.3%	(126)
Deferred tax for temporary differences	-0.5%	12	4.0%	(69)
Tax losses	-0.1%	2	0.0%	(2)
Prior period adjustments	0.7%	(19)	0.2%	(3)
Total	**4.4%**	**(114)**	**11.5%**	**(200)**

16.4 DEFERRED TAX ASSETS

(AED in millions)	2020	2019
At 1 January	55	68
Credited/(charged) in profit or loss	47	(1)
Credited/(charged) to equity	1	(12)
At 31 December	**103**	**55**

16.4.1 Deferred tax asset amounting to AED 52 million (2019: AED 30 million) is in respect of tax losses carried forward and temporary differences on depreciation of assets and provisions. Deferred tax asset amounting to AED 51 million (2019: AED 17 million) pertains to valuation losses on investment property.

During the year, the Group has unrecognized deferred tax assets relating to certain subsidiaries in Oman, Egypt and Lebanon of AED 432 million (2019: AED 436 million). Based on the Group's strategic plan and taking into account the local tax laws and regulations in these countries, the recognition of deferred tax asset is limited to the extent of future taxable profits. Full recoverability of deferred tax assets is unlikely since the subsidiaries in Oman, Egypt and Lebanon (2019: Oman and Egypt) are not expected to generate sufficient taxable profits and valuation gains in the foreseeable future.

16.5 DEFERRED TAX LIABILITIES

(AED in millions)	2020	2019
At 1 January	190	106
Charged to profit or loss	33	70
Charged to equity	6	9
Foreign currency translation difference from foreign operations	(3)	5
At 31 December	**226**	**190**

16.5.1 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% (2019: 22.5%) and 15% (2019: 15%) respectively. The corresponding valuation gain or loss has been recognized in profit or loss. Accordingly, the resulting net deferred tax expense/(credit) has been recognized in the profit or loss.

17. TANGIBLE FIXED ASSETS

17.1 Accounting policy

17.1.1 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 leasehold improvements, fixtures and fitouts and 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 labor, 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 less any residual value 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 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.

17.1.2 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 stage 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.

17.1.3 Investment property including properties under construction

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.

17.1.4 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.

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, unless the lease transfers ownership of the underlying asset to the Group by the end of the lease term or the cost of the right-of-use asset reflects that the Group will exercise a purchase option. In that case the right-of-use asset will be depreciated over the useful life of the underlying asset, which is 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.

17.1.5 Development property

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 realizable value. Net realizable 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 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. 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

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 analyzed for completeness. Any gaps in the report (early warnings, leasing changes etc.) are adjusted within the forecast to complete.

17.3 Measurement of fair values and valuation process

The fair value of the investment property and land and buildings included within property, plant and equipment is determined twice a year at 31 December and 30 June by independent external RICS Chartered Surveyors with the valuers having sufficient current local and international knowledge of the respective property markets. The valuation has been prepared in accordance with the RICS Valuation Global Standards-2017 in conjunction with the International Valuations Standards and the RICS Professional Standards (the 'Red unprecedented set of circumstances on which to base Book'). Given the significant uncertainty and these estimates, the valuation for the hotel portfolio is subject to "material valuation uncertainty" as set out in the RICS Valuation Global Standards as disclosed below.

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

In addition to the key drivers of valuations set out below, judgment this year has had to also include assumptions with regards the timing and strength of the recovery from the COVID-19 pandemic, heightened creditworthiness of tenants as well as the associated impact of changes in consumer behaviour (including a greater share of online sales).

The key drivers of the property valuations in relation to the shopping malls are the discount rates applied as well as the leases that are in place at the valuation date. Current leases determine the secured cash flow profile of the property and therefore form the base of the valuation. The valuations assume market rent is achieved on expiry of the contractual term of each lease. The market rent is calculated based on market evidence and recent leasing transactions, which 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 (stabilized)	Discounted cash flows (DCF)	The gross fair value (net of costs to complete) is derived using DCF and is benchmarked against net initial yield and comparable transactions.
Shopping malls [fair value is reliably determinable (non-operational/ newly operational)]	Income capitalization approach	Where the external valuer can reliably determine the fair value of the asset, the gross fair value (net of 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 analyzing 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.

17.4.2 Summary of valuation of Group's property portfolio, including capital work in progress is given below.

	Property, plant and equipment		**Investment property**	
(AED in millions)	**2020**	**2019**	**2020**	**2019**
Assets valued by independent external valuers	6,410	7,417	29,185	32,331
Assets valued internally	151	160	3,391	3,836
	6,561	**7,577**	**32,576**	**36,167**

The fair values are categorized as a Level 3 fair value based on the inputs to the valuation technique used. The independent external valuers adopted consistent valuations methodology consistent with the previous cycles with specific adjustments made to the Shopping Malls portfolio to reflect the impact of COVID-19, as follows:

- Estimated rental value reduced by 9% across the portfolio reflecting the completed deals in 2020 including Group deals, as well as future leasing prospects.
- Short-term vacancy increased by up to 36 months and long term vacancy increased between 0.5% and 3% on average.

For the hotel portfolio, the key drivers to the valuation are the discount rates applied and forecasted EBITDA generated from each asset's operations. The independent external valuers have made specific adjustments to exit capitalization rates to reflect the more cautious investor sentiment for hotel assets as a result of the income stream being purely unsecured. A 25 basis point increase in discount rate has been reflected across the board for the hotel portfolio. EBITDA projections reflected in Year 1 are muted as a result of the adverse impact on occupancy levels as a result of COVID-19. Consequently, overall CAGR has increased due to ramp up in forecasted EBITDA in the following years. Accordingly, a 50 basis point increase in exit yield results in a fair value decrease by approximately -4% and 50 basis point decrease in exit yield results in a fair value increase by approximately +3%.

With the heightened degree of uncertainty resulting from the COVID-19 pandemic, there is increased difficulty in exercising professional judgements to determine asset values when there are few, if any, comparable transactions in the new environment. Consequently, the external valuation report contains the following material uncertainty statement with regards to the valuation of hotel assets, valued at AED 3,079 million (2019: AED 3,632 million), as part of the valuation which is consistent with the guidance issued by RICS Valuation Global Standards.

The outbreak of the Novel Coronavirus (COVID-19), declared by the World Health Organisation as a “Global Pandemic” on the 11th March 2020, continues to impact many aspects of daily life and the global economy – with some real estate markets having experienced lower levels of transactional activity and liquidity. Travel, movement and operational restrictions have been implemented by many countries. In some cases, “lockdowns” have been applied – in varying degrees – to reflect further ‘waves’ of COVID-19.

While these may imply a new stage of the crisis, they are not unprecedented in the same way as the initial impact. The pandemic and the measures taken to tackle COVID-19 continue to affect economies and real estate markets globally. In the case of the properties set out within this report, as at the valuation date, we continue to be faced with an unprecedented set of circumstances caused by COVID-19 and an absence of relevant market evidence on which to base our judgements. Our valuation is therefore reported as being subject to ‘material valuation uncertainty’, as set out in VPS 3 and VPGA 10 of the RICS Valuation – Global Standards. Consequently, in respect of these valuations less certainty – and a higher degree of caution – should be attached to our valuation than would normally be the case.

For the avoidance of doubt, this explanatory note – including the ‘material valuation uncertainty’ declaration – does not mean that the valuation cannot be relied upon. Rather, it has been included to ensure transparency and to provide further insight as to the market context under which the valuation opinion was prepared. In recognition of the potential for market conditions to move rapidly in response to changes in the control or future spread of COVID-19, we highlight the importance of the valuation date.

For the year ended 31 December 2020, a net valuation loss of AED 3,454 million (2019: AED 3,028 million) has been recognized. This comprises a net valuation loss of AED 500 million (2019: AED 241 million) recognized in other comprehensive income and a net valuation loss of AED 2,954 million (2019: AED 2,787 million) recognized in profit or loss.

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

Class of asset	**Key unobservable inputs**	**2020**	**2019**
Shopping malls	Discount rates on income streams	7% to 25%	7% to 25.5%
	Compound annual growth rates of net operating income	1.98%	1.94%
Hotels	Discount rate	10.25% to 11.75%	10% to 11.5%
	Compound annual growth rates of EBITDA	13.98%	5.49%
Offices	Equivalent yield	8% to 9.25%	8% 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).

Management has critically assessed the asset valuations and, in the current environment, are satisfied with the assumptions adopted and valuations reported.

17.4 PROPERTY, PLANT AND EQUIPMENT

(AED in millions)	Land and buildings	Furniture fixtures and equipment	Capital work in progress	Total
Cost/valuation				
At 1 January 2019	**7,671**	**9,048**	**1,011**	**17,730**
Right-of-use asset recognized on initial application of IFRS 16	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 17.5)	134	-	-	**134**
Assets placed in service	-	1,143	(1,143)	**-**
Net loss on valuation of properties (note 17.4.2)	(179)	-	-	**(179)**
Accumulated depreciation and impairment eliminated on valuation	(425)	-	-	**(425)**
Effect of foreign exchange movements	26	39	6	**71**
At 1 January 2020	**7,446**	**10,407**	**686**	**18,539**
Additions	-	301	598	**899**
Disposals/write offs/adjustments	7	(176)	69	**(100)**
On loss of control in a subsidiary	-	(48)	-	**(48)**
Transfer from investment properties-net (note 17.5)	7	-	-	**7**
Assets placed in service	34	576	(610)	**-**
Net loss on valuation of properties (note 17.4.2)	(639)	-	-	**(639)**
Accumulated depreciation and impairment eliminated on valuation	(370)	-	-	**(370)**
Effect of foreign exchange movements	(55)	(226)	(6)	**(287)**
At 31 December 2020	**6,430**	**10,834**	**737**	**18,001**
Accumulated depreciation/impairment				
At 1 January 2019	**-**	**(5,341)**	**(135)**	**(5,476)**
Charged during the year	(425)	(939)	-	**(1,364)**
Impairment loss (note 15.3)	-	(97)	(8)	**(105)**
Reversal of impairment (note 15.3)	-	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 1 January 2020	**-**	**(6,220)**	**(138)**	**(6,358)**
Charged during the year	(370)	(966)	(7)	**(1,343)**
Impairment loss (note 15.3)	-	(108)	(6)	**(114)**
Reversal of impairment (note 15.3)	-	39	1	**40**
Reclassification	-	(123)	123	**-**
Accumulated depreciation and impairment eliminated on valuation	370	-	-	**370**
On disposals/write offs	-	92	-	**92**
On loss of control in a subsidiary	-	34	-	**34**
Effect of foreign exchange movements	-	163	-	**163**
At 31 December 2020	**-**	**(7,089)**	**(27)**	**(7,116)**
Carrying amounts				
At 31 December 2019	**7,446**	**4,187**	**548**	**12,181**
At 31 December 2020	**6,430**	**3,745**	**710**	**10,885**

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

(AED in millions)	**2020**	**2019**
Loss recognized in revaluation reserve	(500)	(241)
Net gain/(loss) recognized in profit or loss (note 17.5.1)	(139)	62
	(639)	**(179)**

17.4.3 Accrued lease income at the reporting date, relating to the accounting for operating lease rentals on a straight line basis as per IFRS 16, advances to contractors, finance lease liability, project related accruals and retention from contractor payments have been adjusted from the valuation of developed properties, in order to avoid double counting of assets and liabilities, as mentioned below:

(AED in millions)	**2020**	**2019**
Fair value of land and buildings	6,291	7,280
Less: Adjustment for accrued operating lease income	(3)	(1)
Less: Advances to contractors	(1)	(2)
Add: Lease liability	121	128
Add: Retention from contractor payments	14	17
Add: Project related accruals	8	24
Net adjusted fair value	**6,430**	**7,446**

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

	2020		**2019**	
(AED in millions)	**Land**	**Buildings**	**Land**	**Buildings**
Cost	764	6,854	771	6,793
Accumulated depreciation	-	(3,865)	-	(3,564)
Net carrying amount	**764**	**2,989**	**771**	**3,229**

17.4.5 The carrying amount as at the reporting date includes an operational shopping mall in UAE amounting to AED 59 million (2019: AED 109 million) and an operational shopping mall in Oman amounting to AED 68 million (2019: AED 98 million), which are constructed on leasehold lands (right-of-use assets).

17.5 INVESTMENT PROPERTY

(AED in millions)	**Land-Undeveloped**	**Land and buildings**	**Capital work in progress**	**Total**
Cost/revaluation				
At 1 January 2019	**1,860**	**31,234**	**4,215**	**37,309**
Additions	-	264	2,438	**2,702**
Net valuation (loss)/gain recognized in profit or loss (note 17.5.1)	(93)	(2,756)	-	**(2,849)**
Assets placed in service	379	1,527	(1,906)	**-**
Transfer to property, plant and equipment-net (note 17.4)	-	(134)	-	**(134)**
Impairment loss (note 16.3)	-	-	(1,084)	**(1,084)**
Effect of foreign exchange movements	2	171	50	**223**
At 1 January 2020	**2,148**	**30,306**	**3,713**	**36,167**
Additions	-	97	876	**973**
Net valuation loss recognized in profit or loss (note 17.5.1)	(76)	(2,739)	-	**(2,815)**
Assets placed in service	-	27	(27)	**-**
Transfer to property, plant and equipment-net (note 17.4)	-	(7)	-	**(7)**
Impairment loss (note 15.3)	-	-	(1,292)	**(1,292)**
Effect of foreign exchange movements	(146)	(305)	1	**(450)**
At 31 December 2020	**1,926**	**27,379**	**3,271**	**32,576**

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

(AED in millions)	**2020**	**2019**
Net gain/(loss) taken on valuation of property, plant and equipment (note 17.4.2)	(139)	62
Loss on valuation of investment properties	(2,815)	(2,849)
	(2,954)	**(2,787)**

17.5.2 Rental income derived from investment properties during the current year is AED 2,845 million (2019: AED 3,418 million). The direct operating expenses arising from investment property that generated rental income during the current year amounted to AED 905 million (2019: AED 1,019 million).

17.5.3 Accrued lease income at the reporting date, relating to the accounting for operating lease rentals on a straight line basis as per IFRS 16, advances to contractors, finance lease liability, project related accruals and retention from contractor payments have been adjusted from the valuation of developed properties, in order to avoid double counting of assets and liabilities, as mentioned below:

(AED in millions)	**2020**	**2019**
Fair value of land and buildings	27,707	30,217
Less: Adjustment for accrued operating lease income	(486)	(228)
Less: Advances to contractors	(5)	(14)
Add: Retention from contractor payments	79	112
Add: Project related accruals	84	219
Net adjusted fair value	**27,379**	**30,306**

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

17.5.5 The carrying value of properties (including property, plant and equipment) mortgaged against bank loans aggregates to nil (2019: AED 621 million) (note 31.1.1).

17.5.6 The carrying value as at the reporting date includes a shopping mall under construction in Oman amounting to AED 652 million (2019: AED 910 million), on leasehold land (right-of-use assets).

17.6 RIGHT-OF-USE-ASSETS

Right-of-use assets related to leased assets that do not meet definition of investment property (note 17.5) or classification of property, plant and equipment carried at revalued amounts (note 17.4) are presented as a separate line item on statement of financial position. Movement in these is as follows:

(AED in millions)	**2020**	**2019**
Cost		
At 1 January	**5,208**	-
Recognition of right-of-use asset on initial application of IFRS 16	-	4,135
Adjusted balance at 1 January	**5,208**	**4,135**
Additions during the year (note 32.3)	407	1,082
Derecognized on lease termination and modifications - net (note 32.3 and note 32.3.1)	(583)	(3)
On loss of control in a subsidiary	(20)	-
Effect of foreign exchange movements	(60)	(6)
At 31 December	**4,952**	**5,208**
Accumulated depreciation/impairment		
At 1 January	**(645)**	-
Depreciation charge for the year	(652)	(635)
Depreciation capitalized to the asset before site opening	-	(2)
On lease modification and termination (note 32.3 and note 32.3.1)	148	-
Impairment loss	(29)	(8)
Effect of foreign exchange movements	(21)	-
At 31 December	**(1,199)**	**(645)**
Carrying amount at 31 December	**3,753**	**4,563**

17.7 DEVELOPMENT PROPERTY

(AED in millions)	2020	2019
At 1 January	**-**	**-**
Transfer from a joint venture	13	-
At 31 December	**13**	**-**

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 recognizing 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)	2020	2019
Investment in associates (note 18.3)	70	64
Investment in joint ventures (note 18.4)	789	732
	859	**796**

18.3 INVESTMENT IN ASSOCIATES

(AED in millions)	2020	2019
At 1 January	64	61
Share of profit accounted through profit or loss	30	36
Dividend income received	(16)	(28)
Impairment charge (notes 15.3)	(5)	(5)
Foreign currency translation differences from foreign operations	(3)	-
At 31 December	**70**	**64**

18.3.2 Details of Group's material associates are as follows:

Name of associate	Country of incorporation	Nature of business	Effective ownership 2020	2019
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 associates in UAE is set out as follows:

(AED in millions)	2020	2019
Total assets	472	439
Total liabilities	(326)	(297)
Net assets	**146**	**142**
Carrying amount of interest in investee at the year end	**70**	**64**
Revenue	846	679
Profit for the year	59	57
Share of profit for the year	**30**	**36**

18.4 **INVESTMENT IN JOINT VENTURES**

(AED in millions)	2020	2019
At 1 January	**732**	**813**
Additions during the year	14	-
Share of profit accounted through profit or loss (note 18.4.3)	18	13
Dividend income:		
- Declared and received (note 18.4.5)	(39)	-
- Declared but not received at the reporting date (note 18.4.1 and 18.4.4)	38	(96)
Impairment charge (note 15.3)	(14)	-
Impairment reversal (note 18.4.5)	39	-
Foreign currency translation differences from foreign operations	1	2
At 31 December	**789**	**732**

18.4.1 During the year, the Group received AED 39 million and AED 58 million cash for the dividend declared in 2020 and 2019, respectively (2019: AED 17 million cash from a joint venture for a dividend declared in 2018).

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 2020	2019
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%

18.4.3 Summarized unaudited 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 2020				
Non-current assets	743	382	137	**1,262**
Current assets	1,014	2,336	60	**3,410**
Current liabilities	(492)	(1,363)	(122)	**(1,977)**
Non-current liabilities	(631)	(512)	(11)	**(1,154)**
Net assets	**634**	**843**	**64**	**1,541**
Carrying amount of interest in the investee at the year end*	**336**	**421**	**33**	**790**
Revenue	484	263	585	**1,332**
(Loss)/profit for the year	(4)	3	110	**109**
Share of (loss)/profit for the year	**(3)**	**(4)**	**25**	**18**

(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*	**338**	**387**	**7**	**732**
Revenue	166	783	84	**1,033**
(Loss)/profit for the year	(91)	117	(12)	**14**
Share of profit for the year	**(45)**	**58**	**-**	**13**

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

18.4.4 During the year, Al Mouj Muscat S.A.O.C has restructured its credit facility and, consequently, dividend declarations/payments to its shareholders have been restricted until the joint venture is able to revert to the existing repayment schedule (commencing 2022), provide for a plan for reduction of short-term loan facilities and comply with all of its debt covenants. Accordingly, the Group's dividend receivable amounting to AED 38 million has been reversed.

18.4.5 The carrying amount of Group's investment in Waterfront City SARL had been impaired to nil in prior years, During the year, the joint venture declared dividend amounting to AED 39 million and reversed the impairment to the extent of dividend received. Further, the current year share of profit from Waterfront City SARL amounting to AED 26 million (2019: AED nil) is net of AED 6 million loss pertaining to 2019. In 2019, the Group had stopped recognizing its share of loss to the extent it exceeded the carrying amount of the investment.

18.4.6 The Group’s share of loss from a joint venture in the UAE exceeded the carrying amount of the investment. Accordingly, the Group has discontinued recognizing its aggregate share of loss amounting to AED 30 million (2019: AED 3 million) as the Group’s interest in the joint venture was reduced to zero. The unaudited financial results of the joint venture include a right-of-use asset (before any impairment) and lease liabilities of AED 311 million and AED 357 million, respectively, and given the headwinds faced by the Project due to unfavorable leasing conditions, the joint venture is currently finalizing feasibilities on the way forward for the Project. The investment in joint venture was made through a SPV and its investment in the equity accounted investee remains fully provided for as at the reporting date and in the prior year.

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 capitalized 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 recognized 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	2 years
Others	3 - 4 years

19.2

(AED in millions)	**Goodwill**	**Others**	**Total**
Cost			
At 1 January 2019	**1,320**	**657**	**1,977**
Additions	-	183	**183**
At 1 January 2020	**1,320**	**840**	**2,160**
Additions	-	123	**123**
Disposals/write-offs	-	(15)	**(15)**
On loss of control in a subsidiary	(15)	(11)	**(26)**
Foreign currency translation differences from foreign operations	(1)	-	**(1)**
At 31 December 2020	**1,304**	**937**	**2,241**
Accumulated amortization/impairment			
At 1 January 2019	**(34)**	**(387)**	**(421)**
Charge for the year	-	(145)	**(145)**
Impairment loss (note 15.3 and 19.4)	(32)	(7)	**(39)**
At 1 January 2020	**(66)**	**(539)**	**(605)**
Charge for the year	-	(179)	**(179)**
On disposal/write-offs	-	15	**15**
On loss of control in a subsidiary	-	11	**11**
Impairment loss (note 15.3 and 19.4)	(14)	-	**(14)**
At 31 December 2020	**(80)**	**(692)**	**(772)**
Carrying amounts			
At 31 December 2019	**1,254**	**301**	**1,555**
At 31 December 2020	**1,224**	**245**	**1,469**

19.3 In 2019, the Group had 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 were recorded, which are being amortized over the contract period using the cost of capital of the Group at 9.1% p.a, and a corresponding long term liability was recorded (note 27.2).

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 14 million (2019: AED 32 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 15.3.1

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 (2019: 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 4.5% (2019: 1.2% to 8.2%) and a stable growth rate of 1.3% to 3% (2019: 2.5% to 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 12.5% (2019: 9.5% 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 and would increase/(decrease) if:

- the growth rates were higher/(lower);
- discount rates were lower/(higher)

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 (2019:

20. OTHER NON-CURRENT ASSETS

(AED in millions)	**2020**	**2019**
Long term portion of:		
- Advances and deposits (note 22)	160	204
- Accrued income on operating leases (note 22)	301	158
- Prepaid rentals (note 22)	9	12
Long term prepaid lease premium (note 20.1)	205	269
Other long term receivables - net	-	33
	675	**676**

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 amortized 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)	**2020**	**2019**
Inventory held for sale (net of provisions)	2,412	2,462
Reduction in cost from incidence of rebates and discounts	(173)	(177)
Goods in transit	8	12
Spares and consumables	21	28
	2,268	**2,325**

Provision for stock obsolescence as at the year end amounted to AED 77 million (2019: AED 73 million). The Group estimates provision for stock obsolescence through a method based on ageing, rotation and profitability of an item. Provision rates have been determined specific to the nature of ageing of the items. Besides the above, specific provision is made on a case to case basis as deemed appropriate by management.

Inventories of AED Nil (2019: AED 11.9 million) are pledged against bank facilities of the Group (note 31.1.2).

22. TRADE AND OTHER RECEIVABLES

(AED in millions)	**2020**	**2019**
Trade receivables	868	682
Advances and deposits	857	1,004
Prepayments	263	309
Accrued income on operating leases	488	230
Positive fair value of derivatives	319	101
Other receivables	143	65
	2,938	**2,391**
Provision for loss allowances (note 36.3)	(214)	(162)
	2,724	**2,229**
Less: long term portion (note 20)	(470)	(374)
Current portion	**2,254**	**1,855**

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)	**2020**	**2019**
Cash in hand	194	202
Fixed deposits (note 36.3)	-	293
Cash at bank (note 36.3)	3,505	911
	3,699	**1,406**

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)	**2020**	**2019**
Cash in hand and at bank	3,699	1,406
Less: fixed deposits with an original maturity of more than three months	-	(147)
Less: bank overdraft	-	(8)
	3,699	**1,251**

24. ASSETS AND LIABILITIES CLASSIFIED AS HELD FOR SALE

24.1 During 2019, the Group decided to dispose off the credit card portfolio of a wholly owned subsidiary and was in negotiation with a potential buyer. Accordingly, the credit card portfolio and associated liabilities were presented as held for sale separately in these consolidated financial statements. Due to the impact of COVID-19, the offer to acquire the credit card portfolio was put on hold and the transaction could not be concluded.

The Group remains committed to sale and has taken actions during the year to reduce the size of its credit card portfolio. Subsequent to the reporting date, a commercial agreement outlining the terms of sale of remaining credit card portfolio were agreed and signed. The carrying value of the credit card portfolio in statement of financial position as of 31 December 2020 is AED 194 million (2019: AED 671 million).

Total charge of AED 9 million (2019: AED 79 million), with respect to 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 15.4).

(AED in millions)	**2020**	**2019**
Assets classified as held for sale		
Credit card receivables - net of provision for impairment of AED 39 million (2019: AED 43 million)	194	671
Liabilities directly associated with assets classified as held for sale		
Payables and provisions	(35)	(44)
Net assets held for sale	**159**	**627**

Management expects that the sale will be concluded during 2021 subject to regulatory approval from the Central Bank of UAE.

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 during 2019, the terms of sale of a joint venture were finalized and a loss of AED 29 million was recognized in the consolidated statement of profit or loss under other under other income/expenses - net (note 14).

25. TRADE AND OTHER PAYABLES

(AED in millions)	**2020**	**2019**
Trade payables	5,690	5,516
Accruals	1,877	2,276
Retentions payable	255	355
Tax payable	128	118
Negative fair value of derivatives	129	119
Deposits against fair value movement of derivatives - interest bearing	187	21
Other payables	241	263
	8,507	**8,668**

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)	**2020**	**2019**
Bonus provisions (note 26.3)	133	319
Other provisions (note 26.4)	115	104
	248	**423**
Non-current	48	53
Current	200	370
	248	**423**

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

(AED in millions)	**2020**	**2019**
At 1 January	319	245
Additions during the year - net	67	244
Payments made during the year	(253)	(170)
At 31 December	**133**	**319**
Less: Current portion	(85)	(266)
Non-current portion	**48**	**53**

The provision for bonus includes AED 48 million (2019: AED 99 million) in respect of deferred bonus plan for the senior management staff of the Group.

26.4 Provisions movement during the year:

(AED in millions)	**2020**	**2019**
At 1 January	104	116
Charge during the year	43	120
Payments/adjustments made during the year	(27)	(134)
Currency translation adjustments	(5)	2
At 31 December	**115**	**104**
Less: Current portion	(115)	(104)
Non-current portion	-	-

27. OTHER LIABILITIES

(AED in millions)	**2020**	**2019**
Advance receipts	952	1,012
Unearned rental income	638	768
Deferred consideration (note 27.1)	86	112
Deferred liability (note 27.2)	23	27
Unredeemed points liability (note 27.3)	22	12
Other liabilities	-	1
	1,721	**1,932**
Non-current	51	91
Current	1,670	1,841
	1,721	**1,932**

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)	**2020**	**2019**
At 1 January	112	137
Interest accrued during the year	10	13
Payments made during the year	(36)	(38)
At 31 December	**86**	**112**
Less: Current portion	(35)	(36)
Non-current portion	**51**	**76**

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

(AED in millions)	**2020**	**2019**
At 1 January	27	-
Arising on metro naming rights contracted during the year	-	27
Payments made during the year	(4)	-
At 31 December	**23**	**27**
Less: Current portion	(23)	(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 22 million (2019: AED 12 million) at year-end. Breakage on points liability amounted to AED 7 million (2019: AED 1 million).

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 A RELATED PARTY

(AED in millions)	**2020**	**2019**
Receivable from a minority shareholder (note 28.2.2)	**-**	**17**

28.2 SHORT TERM RECEIVABLE FROM RELATED PARTIES

(AED in millions)	**2020**	**2019**
Receivable from joint ventures (note 28.2.1)	44	162
Receivable from a minority shareholder (note 28.1)	17	-
	61	**162**

28.2.1 AED 43 million (2019: 42 million) from a joint venture in Egypt, expected to be settled following joint venture's normal operating cycle.

28.2.2 Long term receivable from a minority shareholder has been reclassified to short term receivable as it is expected to be settled within twelve months from the reporting date.

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)	**2020**	**2019**
At 1 January	164	41
Borrowed during the year	175	172
Repaid during the year	(930)	(919)
Adjusted for dividend settlement (note 34.3)	635	870
At 31 December	**44**	**164**

28.4 DUE FROM RELATED PARTIES

(AED in millions)	**2020**	**2019**
Parent company	131	133
Subsidiaries of the parent company	4	10
Joint ventures	92	477
Associates	1	1
Others	68	51
	296	**672**
Provision for doubtful receivables	(8)	(16)
	288	**656**

28.5 DUE TO RELATED PARTIES

(AED in millions)	**2020**	**2019**
Subsidiaries of the parent company	87	-
Others	44	45
	131	**45**

28.6 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)	**2020**	**2019**
Directors' fees and expenses	16	18
Employee benefits (salaries and allowances including provision for bonus)	53	108
Post employment benefits (provision for end of service benefits)	3	3
	72	**129**

28.7 OTHER TRANSACTIONS WITH RELATED PARTIES DURING THE YEAR

28.7.1 During the year, the Parent Company has borne a proportion of costs, amounting to AED 7 million (2019: AED 11 million), incurred in respect of operations of the Leadership Institute.

28.7.2 During the year, certain projects and activities were undertaken on behalf of the Parent Company. Accordingly, operating costs relating to such projects and proportion of management time and travel costs, amounting to AED 165 million (2019: AED 138 million) and depreciation and amortization amounting to AED 45 million (2019: AED 27 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)	**2020**	**2019**
Bank overdraft	-	8

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 1,514 million (2019: AED 1,396 million). The facilities carry interest at 0.25% - 3.5% (2019: 0.75% - 3.5%) above the base lending equivalent and the drawn amounts are repayable on demand.

30. SHORT TERM LOAN

(AED in millions)	**2020**	**2019**
At 1 January	-	73
Borrowed during the year	235	786
Repaid during the year	(235)	(859)
	-	-

The loan is an uncommitted 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)	**2020**	**2019**
At 1 January	**13,884**	**13,786**
Borrowed during the year	6,190	14,823
Repaid during the year	(4,463)	(14,935)
Interest capitalized as part of loan principal	-	61
Fair value movement	460	105
Net movement in unamortized arrangement and agency fee	6	6
Currency translation adjustment	(119)	38
At 31 December	**15,958**	**13,884**
Less: Current maturity of long term loans	(41)	(83)
Non-current portion	**15,917**	**13,801**

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 2020	31 December 2019
LBP 170,633	Annual	20-Mar-16	20-Sep-22	31.1.1	-	251
PKR 1,850	Quarterly	6-Aug-18	6-May-21	31.1.2	-	18
USD 200	Quarterly	10-Jun-21	10-Mar-29	31.1.3	595	512
					595	**781**
Adjustments for:						
Unamortized fees on issuance					(4)	(5)
					591	**776**

The floating rate term loan carries margin of 1.35% (2019: 1.0% to 2.5%) per annum over the base lending rate.

31.1.1 The loan facility was obtained by a subsidiary in Lebanon during 2011 and 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. During the year, the Group pre-paid the term loan in full. Upon pre-payment of the facility, the charge over the asset and the assignment over lease rentals was released.

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. The term loan facility was repaid in full during the year.

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 2019, 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.

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

(AED in millions)

Loan facility 'in millions	Maturity date	31 December 2020	31 December 2019
USD 560	26-Feb-23	2,426	-
AED 3,562	26-Feb-23	1,047	3,560
USD 100	30-Sep-23	-	367
USD 350	24-Sep-24	735	-
AED 2,387	24-Sep-24	-	-
USD 655	23-Jan-25	592	-
AED 1,267	23-Jan-25	551	-
KES 3,000	15-Jan-22	-	2
		5,351	**3,929**
Adjustments for:			
Unamortized fees on issuance		(31)	(42)
		5,320	**3,887**

The Group has unsecured committed revolving facilities aggregating to AED 13,434 million (2019: AED 13,441 million). These floating rate facilities carry margins ranging from 1.0% to 1.35% (2019: 1.0% to 1.35%) 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 2020**	**31 December 2019**
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	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	2,204
USD 100 million sukuk certificates	3.15% per annum, to be serviced every six months from returns generated from the Wakala portfolio	30-Nov-28	31.3.1	367	-
USD 800 million unsecured notes	4.75% per annum, payable every six months	7-May-24	31.3.2	2,938	2,938
				9,550	**9,183**
Adjustments for:					
Unamortized fees, discounts and premium on issuance				(1)	(1)
Fair value adjustment on borrowings hedged by interest rate swaps				498	39
				10,047	**9,221**

31.3.1 During 2019, 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. In November 2020, the Group issued unrated and unlisted eight year Sukuk certificates amounting to USD 100 million (AED 367 million) through a private placement under the Sukuk Program.

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 Sukuk certificates 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 750 million (2019: USD 1,200 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 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 250 million (2019: USD 375 million) is hedged by interest rate swaps and accordingly, carried at fair value.

32. LEASES

32.1 Accounting policy

A *As a lessee*

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 lessee'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 associated with these leases as an expense on a straight-line basis over the lease term.

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 rebate when determining the minimum lease payments. If the rebate is assessed to be protective, the Group excludes the impact of the rebate 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 relevant 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)	2020	2019
At 1 January	**4,851**	**44**
Lease liability recognized on initial application of IFRS 16	-	4,180
Adjusted balance on 1 January	**4,851**	**4,224**
Additions (note 17.6)	407	1,082
Interest accrued (note 13.2 and 32.3.3)	272	277
Payments made against lease liabilities	(645)	(720)
COVID-19 related lease concessions	(133)	-
Derecognized on lease termination and modification (note 32.3.1)	(435)	(3)
On loss of control in a subsidiary	(26)	-
Currency translation adjustment	(55)	(9)
At 31 December	**4,236**	**4,851**
Less: current maturity of lease liabilities (note 32.3.2)	(568)	(536)
Non-current portion	**3,668**	**4,315**

32.3.1 Due to the ongoing uncertain economic circumstances post COVID-19 pandemic, the Group reassessed the lease term of its lease portfolio, including the probability of exercising early termination and renewal options. Based on this reassessment the Group derecognized lease liabilities amounting to AED 435 million with a corresponding change in right-of-use assets (note 17.6).

32.3.2 Lease liabilities are as follows:

	Future minimum lease payments		**Interest**		**Present value of minimum lease payments**	
(AED in millions)	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**
Less than one year	782	826	214	290	568	536
Between one and five years	2,381	2,839	640	956	1,741	1,883
More than five years	2,638	3,563	711	1,131	1,927	2,432
	5,801	**7,228**	**1,565**	**2,377**	**4,236**	**4,851**

The Group has discounted lease liabilities using incremental borrowing rates ranging from 1.01% -19.9% (2019: 3.4% - 19.9%).

32.3.3 The Group leases many assets, including properties, retail stores, staff accommodations, 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 2020, the Group recognized interest expense on lease liabilities amounting to AED 272 million (2019: AED 277 million) (note 13.2) and depreciation of right-of-use asset amounting to AED 652 million (2019: AED 635 million) (note 17.6). Expenses relating to short-term leases and contingent rent expense - net of rent concessions received, excluded from measurement of lease liabilities, amounted to AED 2 million (2019: AED 144 million) (note 12).

Some lease contracts contain extension options exercisable 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.

32.4 LEASES AS A LESSOR

The Group leases out its investment property with lease terms typically between 3 to 10 years. These are classified as operating lease since they do not transfer substantially all of the risks and rewards incidental to the ownership of the assets.

The lessee does not have an option to purchase the property at the expiry of the lease period. Furthermore, the lessee does not have the right to assign or sublet the lease or the unit without the prior written consent of the Group.

The Group signs up leases in advance of shopping mall openings and lessees require time to fit out their stores prior to opening. The Group has a right of recourse in the event that the lessee chooses not to open; the exercise of the Group's right will depend on commercial and operational factors.

The maturity analysis of undiscounted lease payments to be received after reporting date are as follows:

(AED in millions)	2020	2019
Less than one year	2,395	2,609
One to two years	1,662	1,817
Two to three years	1,038	1,104
Three to four years	581	662
Four to five years	267	364
More than five years	233	289
	6,176	**6,845**

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:

	2020	*2019*
Discount rate	2.25% - 2.50%	3.20% - 4.30%
Future salary increase	2.00% - 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)	2020	2019
Defined benefit plan	810	769
Defined contribution plan	2	3
	812	**772**

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

(AED in millions)	2020	2019
At 1 January	769	722
Charge during the year	123	119
Payments made during the year	(76)	(72)
Currency translation adjustment	(6)	-
At 31 December	**810**	**769**

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

(AED in millions)	2020	2019
Total expense recognized in profit or loss during the year	23	28
Contributions payable at the end of the reporting year	2	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)	**2020**	**2019**
Issued and fully paid 2,670,729 shares of AED 1,000 each	**2,671**	**2,671**

34.3 During the year, a dividend of AED 635 million (2019: AED 870 million) was declared and settled by the Company (note 28.3).

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.

As described in note 36.5.1, the financial crisis in Lebanon and in particular the difficulty of accessing foreign currency and credit have created significant liquidity pressure for businesses in Lebanon. Accordingly, management has assessed and adopted the Sayrafa rate in translating its operations in Lebanon to the Group's functional currency commencing 1 July 2020 and closed the year at an estimated rate of LBP 2,287 against AED. The drop in the exchange rate resulted in AED 754 million net foreign currency translation loss recognized in the statement of 'other comprehensive income' for the year ended 31 December 2020 in accordance with IAS 21.

35. HYBRID EQUITY INSTRUMENTS

(AED in millions)

Hybrid Perpetual Note Instruments	**Amount**	**Interest rate**	**Call date**	**Reset terms**	**2020**	**2019**
March 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 (2019: AED 14 million). These hybrid perpetual note instruments are listed on the Euronext Dublin.

During the year, the Group paid coupon amounting to AED 195 million (2019: AED 195 million).

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: amortized 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 amortized 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 "amortized 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 amortized 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 realizing 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 recognized in profit or loss.

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

De-recognition

The Group derecognizes 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 derecognizes a financial liability when its contractual obligations are discharged or cancelled, or expire. The Group also derecognizes 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 recognized 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 recognized 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 (unrealized gains) of derivative financial instruments is included in assets. While, the negative mark to market values (unrealized 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 and it'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 three 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 2020 and 31 December 2019. 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 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)	**2020**	**2019**
Long term loan, advances and receivables	160	221
Trade receivables (note 22)	868	682
Other current receivables	1,159	966
Due from related parties	349	818
Cash at bank	3,505	1,204
	6,041	**3,891**

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

(AED in millions)	**2020**	**2019**
Current balance	266	242
Past due 1 - 30 days	15	17
Past due 31 - 90 days	299	87
Past due 91 - 180 days	200	75
Past due over 180 days	88	261
	868	**682**
Less: provision for doubtful debts	(214)	(162)
	654	**520**

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

(AED in millions)	**2020**	**2019**
Impairment loss on trade receivables (excluding credit card receivables)	(114)	(57)
Impairment loss on credit card receivables classified as held for sale	(65)	(86)
Impairment loss on other financial assets classified as held for sale (note 24.1)	(6)	(43)
Impairment loss on balance receivable from joint ventures	-	(10)
	(185)	**(196)**

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 recognized 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.

The specific provisioning and ECL model were reassessed for the impact of COVID-19, mainly due to the operational disruption faced by the tenants, volatility in the current economic conditions, incidence of default and deterioration on tenant credit standing, that may lead to an increase in impairment on trade receivables. Given the increase in risk of default by tenants and customers, the Group has recognized impairment loss on trade receivables for the year amounting to AED 114 million (2019: AED 57 million).

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 analyzed 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 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 39 million (2019: AED 43 million). An impairment charge of AED 65 million (2019: AED 86 million) has been recognized in the income statement and write offs/reversals amounting to AED 69 million (2019: AED 99 million) have been adjusted against the provision.

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

(AED in millions)	**2020**	**2019**
At 1 January	(162)	(176)
Impairment charge for the year	(114)	(143)
Amounts transferred and netted off against assets held for sale	-	43
Amounts written off/reversals	62	114
	(214)	**(162)**

Cash and deposits with banks and financial institutions

The Group's cash and deposit balances with banks and financial institutions amounted to AED 3,505 million at 31 December 2020 (2019: AED 1,204 million). Impairment on cash and cash equivalents has been measured on a 12-month expected loss basis, reflecting the short maturities of the exposures, and is not considered material to the Group's consolidated financial statements.

To manage the credit risk, the Group has concentrated its main activities with counter-parties which are deemed creditworthy based on internal assessment on each counter-party's financial position, credit rating and track record. Individual counterparty credit risk limits and concentration of exposures are set and actively monitored by the Group's treasury department. The Group considers that its cash and deposits with banks and financial institutions have low credit risk based on internal assessment which takes into consideration the external credit ratings of the counterparties.

Impairment on other financial assets carried at amortized cost, have been assessed on 12-month expected loss basis and is considered to be immaterial.

36.4 Liquidity risk

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.

At 31 December 2020, the Group has net current liabilities of AED 2,419 million (2019: AED 4,684 million) which includes debt maturing in the short-term of AED 85 million (2019: AED 255 million) and current maturity of lease liabilities of AED 568 million (2019: AED 536 million). Further, at 31 December 2020 debt maturing in the long term, including lease liabilities of AED 3,668 million (2019: 4,315 million) is AED 19,585 million (2019: AED 18,146 million).

At 31 December 2020, the Group has undrawn facilities of AED 8,223 million (2019: AED 9,736 million) and cash in hand and at bank of AED 3,699 million (2019: AED 1,406 million) to cover its liquidity needs for at least the next 18 months.

The Group has a strong asset base of AED 59,097 million (2019: AED 63,085 million) and equity of AED 27,179 million (2019: AED 32,074 million) and manages liquidity to ensure that the Group is able to meet its obligations when they become due without incurring losses or risking damage to the Group's reputation. The Group's assessment of funding and liquidity shows sufficient liquidity for the foreseeable future through its cash and available committed lines. Despite short-term reduction in income due to COVID-19 pandemic, the Group continues to maintain sufficient headroom on its debt covenants relating to net worth, net debt to equity and interest coverage.

The Group's liquidity cover and a BBB credit rating reiterates its credit strength, resilience of business model, quality of assets, strong corporate governance and prudent financial management.

		Contractual cash flows			
(AED in millions)	**Carrying amount**	**Less than one year**	**Between one to two years**	**Between two to five years**	**More than five years**
As at 31 December 2020					
Bank loans	15,958	545	563	11,423	5,855
Lease liabilities	4,236	782	595	1,786	2,638
Loans from related parties	44	45	-	-	-
Trade and other payables	8,647	8,548	71	43	-
Due to related parties	131	131	-	-	-
Derivative liability for risk management					
- Interest rate derivatives designated as cashflow hedge	127	59	31	37	-
- Derivative instruments accounted as FVPL	2	-	1	1	-
	29,145	**10,110**	**1,261**	**13,290**	**8,493**
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	-	-	-
Loan 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**

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 2020. 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 2020.

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.

Lebanon foreign currency crisis

Lebanon political and economic crisis continued to deteriorate during the year. In June 2020, the central bank started foreign exchange rate management with the help of regulated exchange houses to stabilize the economy and attract foreign inflow and subsequently introduced a secondary exchange rate, referred to as "Sayrafa" rate. This secondary exchange rate trades at a discount of approximately 60% to the official pegged rate suggesting that the peg is extremely stressed and is likely to break.

As a consequence of developing currency crisis, in July 2020, the Group moved to Sayrafa rate for translating its Lebanese operations, thereby devaluing the currency from Lebanese Pound (LBP) 412 to LBP 1,055 against AED. With crisis further deepening and the market even diverging away from the Sayrafa rate, the Group reassessed the exchange rate to be applied for translating its Lebanese operations and devalued the currency further by LBP 1,232 against AED to LBP 2,287.

To manage the Group's currency exposure on cash and bank balances held in Lebanon, the Group utilized the local cash to pre-pay its local debt facility (note 31.1.1).

Furthermore, the Lebanese economy was designated as hyperinflationary during the year, consequently resulting in application of IAS 29, Financial Reporting in Hyperinflationary Economies' to all the Group entities whose functional currency is the LBP. The impact of the application of IAS 29 is immaterial for Group's consolidated financial statements.

At the reporting date, the Group translated its financial position at LBP 2,287 against AED and the results from operations were translated at the average rate prevailing during the year. The Group's operations in Lebanon contributed a net loss of AED 185 million (2019: AED 227 million) to Group's consolidated results and the net assets amounted to AED 156 million at 31 December 2020 (2019: 1,033 million). A further devaluation of 25% in the exchange rate used would result in a decline in net assets of Lebanon by AED 39 million.

Aside from the foreign currency risk from Lebanon, 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 2020, the Group had foreign exchange denominated debt amounting to Nil (2019: AED 271 million) and forward contracts of AED 465 million (2019: AED 63 million).

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)	**2020**	**2019**
Fixed rate instruments		
Financial assets	-	293
Financial liabilities	(10,047)	(9,221)
	(10,047)	**(8,928)**

(AED in millions)	**2020**	**2019**
Floating rate instruments		
Financial assets	513	864
Financial liabilities*	(6,271)	(5,005)
	(5,758)	**(4,141)**

* Floating rate financial liabilities include loans of AED 5,946 million (2019: AED 4,439 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)**	
		2020	**2019**	**2020**	**2019**
Floating rate instrument	+ 100	(59)	(41)	-	-
Interest rate swaps designated as cash flow hedges	+ 100	58	77	(58)	(77)
Interest rate swaps designated as FVPL	+ 100	(244)	(408)	-	-
Cash flow sensitivity (net)		**(245)**	**(372)**	**(58)**	**(77)**
Floating rate instrument	- 100	59	41	-	-
Interest rate swaps designated as cash flow hedges	- 100	(59)	(80)	59	80
Interest rate swaps designated as FVPL	- 100	265	447	-	-
Cash flow sensitivity (net)		**265**	**408**	**59**	**80**

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)	**2020**	**2019**
Interest bearing loans and borrowings	20,238	18,937
Less: cash and bank balances	(3,699)	(1,406)
Net debt	**16,539**	**17,531**
Total equity	**27,179**	**32,074**
Net debt to equity ratio	**61%**	**55%**

Regulatory capital

In respect of subsidiary of the Group (Majid Al Futtaim Finance LLC) involved in card operations (note 24.1) the primary regulator, UAE Central Bank sets and monitors capital requirements for the subsidiary.

(AED in millions)	**2020**	**2019**
Paid up capital	150	150
Reserves	10	22
Total equity	**160**	**172**
Total borrowings	3	439
Total funds available	**163**	**611**
Capital ratio	**98%**	**28%**

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.

	Carrying	**Fair value**		
(AED in millions)	**amount**	**Level 1**	**Level 2**	**Level 3**
At 31 December 2020				
Financial assets				
Derivative instruments for risk management	319	-	319	-
Financial liabilities				
Derivative instruments for risk management	129	-	129	-
Sukuk and Note liabilities*	9,183	-	10,106	-
	9,312	**-**	**10,235**	**-**
At 31 December 2019				
Financial assets				
Derivative instruments for risk management	101	-	101	-
Financial liabilities				
Derivative instruments for risk management	119	-	119	-
Sukuk and Note liabilities	9,183	-	9,764	-
	9,302	**-**	**9,883**	**-**

* USD 100 million Sukuk certificates issued through a private placement during the year (note 31.3.1) under the Sukuk Program are not listed on any stock exchanges. Accordingly, the carrying amount of these certificates approximates the fair value.

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 0.16% - 0.91% (2019: 1.58% - 2.09%) at the reporting date.

37. CONTINGENT LIABILITIES, GUARANTEES AND COMMITMENTS

(AED in millions)	**2020**	**2019**
Capital commitments	1,033	1,628
Group's share of capital commitments in relation to its equity accounted investees	343	442
Letter of credits outstanding	13	13
Bank guarantees outstanding	123	119

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

Aside from the matters noted in note 3, in particular the ongoing impact of COVID-19 there has been no significant event subsequent to the reporting date and up to the date of authorization on **23 February 2021**, which would have a material effect on the consolidated financial statements.

39. COMPARATIVES

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.