MAJID AL FUTTAIM HOLDING LLC

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

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 2017. 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 2018.

Activities

Majid Al Futtaim is the leading shopping mall, communities, retail and leisure pioneer across the Middle East, Africa and Asia. Through its three subsidiaries Properties, Retail and Ventures the Group:

- Owns and operates 22 shopping malls, 12 hotels and 3 mixed used communities, with further developments underway in the region. The shopping malls portfolio includes Mall of the Emirates, Mall of Egypt, City Centre malls and My City Centre malls, and 4 community malls which are in joint venture with the Government of Sharjah.
- Operates a portfolio of 97 hypermarkets and 134 supermarkets, across 14 countries as part of its exclusive rights to the Carrefour franchise in 38 markets across Middle East, Africa and Asia.
- Operates 301 VOX Cinema screens and 32 Magic Planet family entertainment centres across the region, in addition to iconic leisure and entertainment facilities such as Ski Dubai and Ski Egypt, among others. Also, Majid Al Futtaim is parent to the consumer finance company issuing 'Najm' and 'Voyager' credit cards, and Fashion and Home retail business, representing international brands.
  In addition, it operates Enova, a facility and energy management company, through a joint venture operation with Veolia, a global leader in optimised environment resource management, owns the rights to The LEGO Store and American Girl in the Middle East and operates in the food and beverage industry through a partnership with Gourmet Gulf.

Significant developments

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

During 2017, Majid Al Futtaim Properties successfully opened Mall of Egypt, the country's first super-regional shopping mall. Commenced work on two destinations in Abu Dhabi; City Centre Al Jazira and My City Centre Masdar.
My City Centre Al Dhait in Ras Al Khaimah opened in 2018 and work continues on a mix of super regional, regional and community shopping mall projects; City Centre Al Zahia in Sharjah, City Centre Almaza in Egypt, Mall of Oman, My City Centre Sur and City Centre Sohar in Oman, City Centre Ishbiliah and Mall of Saudi in Riyadh, Saudi Arabia and a Aloft City Centre Deira Hotel.

In 2017, Majid Al Futtaim Retail further grew its grocery retail market share in the region and opened 8 new hypermarkets and 21 new supermarkets, completed acquisition of Retail Arabia, the franchise owner of Geant in UAE, Bahrain and Kuwait. In total 58 stores were added in 2017, including two new stores in Kenya, increasing the number of outlets to 231.

Majid Al Futtaim Ventures continued its expansion across the region through its diversified portfolio of businesses. The Leisure and Entertainment business introduced several new experiences, including Orbi, Ski Egypt and a first Magic Planet in Kenya. Vox Cinemas added 59 new screens in 2017, including Egypt and Bahrain. The Fashions business opened 27 stores and launched its new "home pillar" which includes 2 Maisons du Monde and franchise partnership with Crate and Barrel.

In 2017, the Group opened Majid Al Futtaim School of Analytics and Technology and introduced Advanced Analytics Centre of Excellence, to develop its data and analytics capabilities.

The Group further enhanced its digital and e-commerce capabilities by investing in omni-channel solutions that optimize customer journey. Carrefour launched its online retail platform in Abu Dhabi and Dubai and the Group also invested in last mile delivery start-up, Fetchr.

Financial Results and highlights

Majid Al Futtaim's revenue for the year 2017 was AED 32,274 million, an 8% increase over 2016 revenue of AED 29,851 million. EBITDA is considered to be a key measure of Group's operating performance and cash generation. It is defined as earnings before interest, tax, non-controlling interests, depreciation, amortization impairment and other exceptional items or charges or credits that are one-off in nature and significance.

In 2017, EBITDA has increased by 1% to AED 4,232 million (2016: AED 4,206 million). The slower growth in EBITDA predominantly resulted from a change in business mix across the portfolio with food grocery growing at a faster rate than the higher margin Properties businesses. At constant foreign exchange rates, overall revenue would have grown by 14% and EBITDA by 5%. The difference can be largely attributed to the EGP devaluation that occurred in the last quarter of 2016. The balance sheet position remains strong with total assets at AED 59,058 million (2016: AED 52,736 million) and a net debt of around AED 10,347 million (2016: AED 9,688 million).

Net Profit decreased by 21% to AED 2,193 million (2016: AED 2,784 million) mainly on account of valuation and impairment losses on certain properties.

Financing

In 2017 BBB credit rating was reaffirmed by both Standard & Poor's and Fitch, for a sixth consecutive year. In the first quarter of 2017 the Company issued a new USD 500 million corporate hybrid.

The Company also improved its liquidity profile by refinancing about USD 1.5 billion of near term maturities while adding an additional USD 0.3 billion via syndicated facilities from regional and international banks. The capital raised supports Majid Al Futtaim's ongoing expansion in shopping malls, retail, residential communities, leisure, and other sectors across the Middle East, Africa and Asia.

Sustainability

Majid Al Futtaim launched a Net Positive Strategy, in strengthening its commitment to sustainability. This aims to reduce water consumption and carbon emissions to the extent that the Group will put more back into the environment than it takes out by 2040. Majid Al Futtaim is the first in the region to make such a significant commitment.

Dividend

In the current year, the Company declared a dividend of AED 370 million (2016: AED 210 million).

Directors

The following comprise the Board of Directors:

- Sir Michael Rake (Chairman)
- Khalifa Mohamed Sulaiman (Deputy Chairman)
- Tariq Al Futtaim
- Alain Bejjani
- Ian Davis
- Alain Keir
- Victor Chu (since 30 September 2017)

Auditors

A resolution to re-appoint KPMG as auditors of Majid Al Futtaim Holding LLC shall be proposed at the forthcoming Board meeting.

By the order of the Board

Company Secretary

KPMG

KPMG Lower Gulf Limited
Level 13, Boulevard Plaza Tower One
Mohammed Bin Rashid Boulevard, Downtown Dubai, UAE
Tel. +971 (4) 403 0300, Fax +971 (4) 330 1515

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 2017, 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 2017, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

Basis for Opinion

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

Key Audit Matters

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

Key audit matter	How our audit addressed the key audit matter

Valuation of properties

Refer to note 16 to the consolidated financial statements

The Group's accounting policy is to state its properties (primarily comprising of shopping malls, hotels, and offices) at fair value at each reporting date. The property portfolio is valued at AED 44,128 million. The valuation of the property portfolio is a significant area of judgment and is underpinned by a number of assumptions. The existence of significant estimation uncertainty and lack of comparable transactions warrants specific audit focus on this area. The Group engaged professionally qualified external valuers to fair value its property portfolio performing their work in accordance with the Royal Institution of Chartered Surveyors ('RICS') Valuation – Professional Standards. The property portfolio (excluding properties under development where the external valuers stated that fair value is not reliably determinable) was valued by using discounted cashflows. Key inputs into the valuation process included discount rates, yield rates and contracted lease rent, 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. Properties under construction, where the fair value cannot be measured reliably, are accounted for using the cost model until the earlier of the date on which the fair value of the property can be measured reliably or the date on which the construction is completed. Management assesses the potential for impairment in relation to the carrying value of these properties held at cost.	• 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 in the consolidated statement of financial position. • We carried out procedures on the largest properties of the portfolio to test whether property specific standing data supplied to the external valuers by management reflects the underlying property records held by the Group which have been tested during our audit. • We met with the external valuers of the property portfolio to discuss the results of their work. We discussed and challenged the valuation process, overall performance of the portfolio and the significant assumptions and critical areas of judgement. • In relation to those properties held at cost where an impairment analysis was required to be performed, we considered the Group's procedures used to develop the forecasts and the principles and integrity of the Group's discounted cash flow model, re-performed the calculations of the model results to test their accuracy and performed a sensitivity analysis on key assumptions and judgements. To challenge the reasonableness of those cash flows, we assessed the historical accuracy of the Group's forecasting and challenged the significant assumptions and critical areas of judgement.

Key audit matter *(continued)*	**How our audit addressed the key audit matter** *(continued)*
Valuation of properties (continued)	
	• We evaluated year-on-year movements in property valuations with reference to published benchmarks, if any. Where assumptions were outside the expected range or otherwise deemed unusual, and/or valuations appeared to experience unexpected movements, we undertook further inquiries and, where necessary, held further discussions with the external valuers in order to challenge the assumptions. • Based on the outcome of our evaluation, we assessed the adequacy of the disclosures in the consolidated financial statements.
Business acquisition	
Refer to note 7 to the consolidated financial statements	
Effective 1 July 2017, the Group acquired 100% shareholding in Retail Arabia B.S.C. ("Retail Arabia"), for a total consideration of AED 1,792 million. The Group has engaged an external valuation specialist to determine the provisional fair value of the net identifiable assets that arose from the acquisition of AED 770 million, including an intangible asset in respect of the lease premium of AED 547 million. This has resulted in goodwill being recognised of AED 1,022 million. We have determined this to be a key audit matter due to the significance of management judgment and estimates made in respect of the determination of the fair value of net identifiable assets and the allocation of the purchase price in accordance with IFRS 3 (Revised): Business Combinations ('IFRS 3').	• We have evaluated management's assessment that acquisition should be accounted for as a business combination in accordance with the requirements of IFRS 3. • We assessed the appropriateness of the identifiable assets acquired and the liabilities assumed at the acquisition date by considering the relevant financial information of Retail Arabia and the key clauses in the sale and purchase agreement related to the acquisition. • We evaluated management's process for determining the fair value of the net identifiable assets acquired by comparing the valuation methodologies, inputs and assumptions used by management to relevant available information, including the assessment by the external valuation specialist engaged by the Group.

Key audit matter *(continued)*	How our audit addressed the key audit matter *(continued)*
Business acquisition (continued)	
The significant management judgment and estimates made in the acquisition accounting mainly relate to the determination of the fair value of the net identifiable assets, particularly property, plant and equipment, investment properties, inventories and lease premium. The valuation methodologies, as well as the inputs and assumptions in the valuation model, affect the fair value of the net identifiable assets.	• We involved our valuation specialists in assessing the management's key assumptions, estimates and judgements used in measuring the fair value of the net identifiable assets. • We also assessed the adequacy of the related disclosures in the consolidated financial statements.
Impairment provision	
Refer to notes 14 and 19 to the consolidated financial statements.	
The Group has investments in hypermarkets, supermarkets, retail stores (all forming part of property, plant and equipment), and joint ventures, associates and goodwill.	• We examined underperforming assets, assessed for indicators of impairment and evaluated management's impairment assessment including performing sensitivity analysis on the key assumptions used. • Where any indicators of impairment existed, we reviewed management's impairment analysis and we considered the Group's procedures used to develop the forecasts, and discounted cash flow model and re-performed the calculations of the model results to test their accuracy. To challenge the reasonableness of those cash flows, we assessed the historical accuracy of the Group's forecasting and challenged the significant assumptions and critical areas of judgment.

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

Impairment provision (continued)

Goodwill is tested annually for impairment and is carried at cost less accumulated impairment losses, if any. The impairment test is based on the "value in use" calculation.

There is a risk that the carrying value of these assets may not be reflective of their recoverable amounts as at the reporting date which would require an impairment provision. Where there are indicators of impairment, the Group undertakes impairment testing using free cash flow projections based on forecasts estimated by management. There is inherent uncertainty involved in forecasting and discounting future cash flows, which forms the basis of the assessment of recoverability.

- We assessed the appropriateness of management's identification of the Group's cash generating units ("CGUs") and the process of identifying indicators of impairment.
- We evaluated the suitability and appropriateness of the impairment model as prepared by management.
- We also focused on understanding and challenging management's future growth assumptions used in the impairment test for each of the CGUs. We reviewed the key assumptions in management's forecasts such as revenue, profit growth rates and changes in the overhead costs with relevant economic and industry indicators.

Supplier balances and sourcing (rebates)

Refer to notes 9 and 10 to the consolidated financial statements

Discounts and rebates are received retrospectively according to the quantity of goods bought as well as promotional and marketing activity performed in stores. The agreements with suppliers can include a number of characteristics that require significant judgment in determining the appropriate accounting treatment including estimating the rebate eligibility and determining the period over which the reduction in cost of sales should be recognized. This requires a detailed understanding of the contractual arrangements as well as complete and accurate source data to calculate the rebate amount due to the Group.

- We performed tests to assess whether the accounting treatment was appropriate including the timing of recognition of rebates, and on a sample basis, verifying that amounts recognised were accurate and recorded in the correct accounting period based on the contractual performance terms mentioned in the individual supplier agreements.
- We performed revenue and margin analysis to understand trends by product category in order to identify, and test anomalies (if any), which may indicate potential rebate accounting errors.

Key audit matter *(continued)*	**How our audit addressed the key audit matter** *(continued)*
Supplier balances and sourcing (rebates) (continued)	
There may also be incentives or pressures for buyers to manipulate the timing of when the rebate is recognised to meet internal targets. The Group recognizes a reduction in cost of sales as a result of amounts receivable from suppliers, primarily comprising contributions in relation to strategic volumes purchased by the Group and some annual volume-based rebates.	• We tested, on a sample basis, supplier reconciliation statements and supplier balance confirmations / statements to verify that any significant reconciling items including rebates are valid and cleared in a timely manner. • Our IT specialists tested the general IT control and access control environment of the merchandising and rebate 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 the rebate terms in the rebate application.

Other information

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

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

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

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

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

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

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

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

As part of an audit in accordance with ISAs, we exercise professional judgement 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.

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

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

- 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 to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

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

Report on Other Legal and Regulatory Requirements

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

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

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

iii) the Group has maintained proper books of account;

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

v) as disclosed in note 18 to the consolidated financial statements, the Group has purchased shares during the financial year ended 31 December 2017;

vi) note 26 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 2017 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 2017; and

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

KPMG Lower Gulf Limited

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

Date: 23 February 2018

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

(AED in millions)	Note	2017	2016
Revenue	9.2	32,274	29,851
Cost of sales	10.2	(21,711)	(20,025)
Operating expenses	11	(7,800)	(6,852)
Finance costs - net	12.2	(452)	(398)
Other expenses - net	13	(33)	(125)
Impairment charge - net	14.3	(641)	(168)
Share of profit from joint ventures and associates - net	18.3 & 18.4	114	129
Profit before valuation gain on land and buildings		**1,751**	**2,412**
Net valuation gain on land and buildings	16.5.1	503	421
Profit before tax		**2,254**	**2,833**
Tax charge - net	15.2	(61)	(49)
Profit for the year		**2,193**	**2,784**
Profit for the year attributable to:			
- Owners of the Company		2,160	2,752
- Non-controlling interests	6.3	33	32
Profit for the year		**2,193**	**2,784**
Profit for the year		**2,193**	**2,784**
Other comprehensive income			
Items that will never be reclassified to profit or loss:			
Net valuation gain on land and buildings - net	16.4.2	344	264
Deferred tax (charged)/credited on revaluation of land and buildings	15.4 & 15.5	(13)	16
		331	**280**
Items that are or may be reclassified subsequently to profit or loss:			
Foreign currency translation differences from foreign operations	31.6	23	(1,439)
Net change in fair value of cash flow hedges	12.4	9	61
Share of other comprehensive income of equity accounted investments	18.3	(1)	-
		31	**(1,378)**
Total other comprehensive income for the year		**362**	**(1,098)**
Total comprehensive income for the year		**2,555**	**1,686**
Total comprehensive income for the period attributable to:			
- Owners of the Company		2,522	1,654
- Non-controlling interests		33	32
Total comprehensive income for the year		**2,555**	**1,686**

The notes on pages 20 to 66 are an integral part of these consolidated financial statements.

The independent auditors' report is set out on pages 4 to 12.

Consolidated statement of financial position as at 31 December

(AED in millions)	Note	2017	2016
Non-current assets			
Property, plant and equipment	16.4	11,900	11,780
Investment properties	16.5	36,305	33,104
Investments	18.2	1,054	1,251
Long term receivable from related parties	26.1	31	72
Intangible assets and goodwill	19.2	1,557	454
Deferred tax assets	15.4	50	37
Other non-current assets	20	1,181	515
Total non-current assets		**52,078**	**47,213**
Current assets			
Development properties	17.2	251	245
Inventories	21	2,304	1,689
Trade and other receivables	22	2,552	2,189
Short term loan to a related party	26.2	92	24
Due from related parties	26.5	597	114
Cash in hand and at bank	23	1,131	1,262
		6,927	**5,523**
Assets held for sale	24	53	-
Total current assets		**6,980**	**5,523**
Total assets		**59,058**	**52,736**
Current liabilities			
Trade payables, other liabilities and provisions	25.2	9,375	7,634
Short term loan from a related party	26.3	21	2
Due to related parties	26.6	41	38
Bank overdraft	27	130	539
Short term loan	28	55	51
Current maturity of long term loans	29	326	2,509
		9,948	**10,773**
Liabilities directly associated with assets held for sale	24	13	-
Total current liabilities		**9,961**	**10,773**
Non-current liabilities			
Long term loans	29	10,868	7,766
Long term loans from related parties	26.4	31	33
Deferred tax liabilities	15.5	110	81
Other long term liabilities and provisions	30.2	1,114	976
Total non-current liabilities		**12,123**	**8,856**
Total liabilities		**22,084**	**19,629**
Net assets		**36,974**	**33,107**

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

(AED in millions)	Note	2017	2016
Equity			
Share capital	31.2	2,487	2,487
Statutory reserve	31.4	2,882	2,438
Revaluation reserve		18,510	18,179
Other reserves		8,932	7,736
Total equity attributable to the owners of the Company		**32,811**	**30,840**
Hybrid equity instrument	32	3,654	1,826
Non-controlling interests	6.3	509	441
Total equity		**36,974**	**33,107**

By the order of the Board on 23 February 2018:

Majid Al Futtaim Holding LLC
Chief Executive Officer

Majid Al Futtaim Holding LLC
Chief Financial Officer

The notes on pages 20 to 66 are an integral part of these consolidated financial statements.
The independent auditors' report is set out on pages 4 to 12.

Consolidated statement of cash flows for the year ended 31 December

(AED in millions)	Note	2017	2016
Cash flows from operating activities			
Profit for the year after tax		2,193	2,784
Adjustments:			
Net valuation gain on land and buildings	16.5.1	(503)	(421)
Finance costs - net	12.2	452	398
Depreciation and amortisation	11	1,377	1,189
Tax charge - net	15.2	61	49
Share of profit from joint ventures and associates	18.3 & 18.4	(114)	(129)
Impairment charge - net	14.3	641	168
Provision for bad debts	11	142	128
Provision for staff terminal benefits	30.3	126	110
		4,375	**4,276**
Changes to working capital			
Inventories		(495)	25
Trade and other receivables		(619)	(543)
Trade and other payables		1,477	130
Due from/to related parties - net		(81)	(55)
Tax paid		(85)	(65)
Payment of staff terminal benefits	30.3	(31)	(42)
Net cash generated from operating activities		**4,541**	**3,726**
Cash flow from investing activities			
Acquisition of property, plant and equipment, investment property and development property		(4,137)	(3,644)
Purchase consideration paid and settled for business acquisition, net of cash acquired		(1,583)	(146)
Payments against acquisition of intangible assets		(109)	(33)
Lease premium paid during the year		(69)	-
Investment in joint ventures and associates		(93)	(19)
Payment of liability for acquisition of intangible asset		(9)	-
Proceeds from sale of property, plant and equipment and investment properties		34	38
Proceeds from disposal of available for sale investments		81	-
Proceeds from sale of an investment in associate	18.3.4	10	-
Encashment in fixed deposits		(15)	(84)
Dividend received from associates	18.3	23	16
Finance income received		88	31
Net cash used in investing activities		**(5,779)**	**(3,841)**

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

(AED in millions)	Note	2017	2016
Cash flow from financing activities			
Proceeds from term loans received from related parties	26.3	181	1,046
Repayment of term loan to related parties	26.3	(532)	(1,274)
Term loans granted to related parties		(29)	(24)
Long term loans received	29	5,967	3,640
Long term loans repaid	29	(5,144)	(3,341)
Short term loans received	28	2,395	2,020
Short term loans repaid	28	(2,391)	(1,969)
Payment against finance lease liability		(33)	(39)
Issuance of hybrid equity instrument - net	32	1,828	-
Capital contribution/(repayment) in a subsidiary by/(to) a non-controlling interest		48	(1)
Finance cost paid		(595)	(555)
Coupon paid on hybrid equity instrument	32	(181)	(131)
Dividend paid to non-controlling interest		(13)	(12)
Net cash from/(used in) financing activities		**1,501**	**(640)**
Net increase/(decrease) in cash and cash equivalents		**263**	**(755)**
Cash and cash equivalents at the beginning of the year		631	1,386
Cash and cash equivalents at the end of the year	**23.5**	**894**	**631**

The notes on pages 20 to 66 are an integral part of these consolidated financial statements.

The independent auditors' report is set out on pages 4 to 12.

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

	Attributable to owners of the Company										
				Other reserves							
(AED in millions)	Share capital	Statutory reserve	Revaluation reserve	Retained earnings	Hedging reserve	Currency translation reserve	Total other reserves	Total equity	Hybrid equity instrument	Non-controlling interests	Total
At 1 January 2016	**2,487**	**2,046**	**17,899**	**7,662**	**(96)**	**(461)**	**7,105**	**29,537**	**1,826**	**368**	**31,731**
Total comprehensive income for the year											
Net profit for the year	-	-	-	2,752	-	-	2,752	2,752	-	32	2,784
Other comprehensive income											
Net gain on valuation of land and buildings (note 16.4.2)	-	-	264	-	-	-	-	264	-	-	264
Deferred tax credit arising on revaluation of land and buildings (note 15.5)	-	-	16	-	-	-	-	16	-	-	16
Net change in fair value of cash flow hedges (note 12.4)	-	-	-	-	61	-	61	61	-	-	61
Currency translation differences in foreign operations (note 31.6)	-	-	-	-	-	(1,439)	(1,439)	(1,439)	-	-	(1,439)
Total comprehensive income for the year	**-**	**-**	**280**	**2,752**	**61**	**(1,439)**	**1,374**	**1,654**	**-**	**32**	**1,686**
Transactions with owners recorded directly in equity											
Contribution by and distributions to owners and other movement in equity											
Acquisition of subsidiaries with non-controlling interest (note 7.3)	-	-	-	-	-	-	-	-	-	44	44
Capital reduction in a subsidiary by non-controlling interest	-	-	-	-	-	-	-	-	-	(1)	(1)
Reclassifications during the year	-	-	-	(10)	-	-	(10)	(10)	-	10	-
Dividend declared and settled / paid	-	-	-	(210)	-	-	(210)	(210)	-	(12)	(222)
Transfer to statutory reserve (note 31.4)	-	392	-	(392)	-	-	(392)	-	-	-	-
Total contribution by and distribution to owners	**-**	**392**	**-**	**(612)**	**-**	**-**	**(612)**	**(220)**	**-**	**41**	**(179)**
Coupon paid on hybrid equity instrument	-	-	-	(131)	-		(131)	(131)	-	-	(131)
At 31 December 2016	**2,487**	**2,438**	**18,179**	**9,671**	**(35)**	**(1,900)**	**7,736**	**30,840**	**1,826**	**441**	**33,107**

The notes on pages 20 to 66 are an integral part of these consolidated financial statements.

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

	Attributable to owners of the Company										
				Other reserves							
(AED in millions)	Share capital	Statutory reserve	Revaluation reserve	Retained earnings	Hedging reserve	Currency translation reserve	Total other reserves	Total equity	Hybrid equity instrument	Non-controlling interests	Total
At 1 January 2017	**2,487**	**2,438**	**18,179**	**9,671**	**(35)**	**(1,900)**	**7,736**	**30,840**	**1,826**	**441**	**33,107**
Total comprehensive income for the year											
Net profit for the year	-	-	-	2,160	-	-	2,160	2,160	-	33	2,193
Other comprehensive income											
Net gain on valuation of land and buildings (note 16.4.2)	-	-	344	-	-	-	-	344	-	-	344
Deferred tax charge arising on revaluation of land and buildings (note 15.5)	-	-	(13)	-	-	-	-	(13)	-	-	(13)
Net change in fair value of cash flow hedges (note 12.4)	-	-	-	-	9	-	9	9	-	-	9
Currency translation differences in foreign operations (note 31.6)	-	-	-	-	-	23	23	23	-	-	23
Share of other comprehensive income of equity accounted investments	-	-	-	-	-	(1)	(1)	(1)	-	-	(1)
Total comprehensive income for the year	**-**	**-**	**331**	**2,160**	**9**	**22**	**2,191**	**2,522**	**-**	**33**	**2,555**
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	-	-	-	-	-	-	-	-	-	48	48
Dividend declared and settled / paid	-	-	-	(370)	-	-	(370)	(370)	-	(13)	(383)
Transfer to statutory reserve (note 31.4)		444		(444)	-	-	(444)	-	-	-	-
Total contribution by and distribution to owners	**-**	**444**	**-**	**(814)**	**-**	**-**	**(814)**	**(370)**	**-**	**35**	**(335)**
Issuance of hybrid equity instrument	-	-	-	-	-	-	-	-	1,828	-	1,828
Coupon paid on hybrid equity instrument	-	-	-	(181)	-	-	(181)	(181)	-	-	(181)
At 31 December 2017	**2,487**	**2,882**	**18,510**	**10,836**	**(26)**	**(1,878)**	**8,932**	**32,811**	**3,654**	**509**	**36,974**

The notes on pages 20 to 66 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 are the establishment and management of shopping malls, hotels, residential projects, hypermarkets, supermarkets, fashion retailing, leisure and entertainment, credit cards operations, leasing, food and beverages, healthcare 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 includes the financial position and performance of the Company, it's subsidiaries, associates and joint ventures, have been prepared 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.

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

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

These consolidated financial statements were authorized for issue by the Board of Directors on 23 February 2018.

3. USE OF JUDGEMENTS AND ESTIMATES

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

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

• Classification of properties	Note 16.2
• Valuation of properties and apportionment fair values between land and buildings	Note 16.2
• Estimation or forecast of cost to complete	Note 16.2
• Impairment	Note 14.2
• Supplier balances and sourcing (rebates)	Note 10.1
• Purchase price allocation for acquisitions	Note 7.2

4. FAIR VALUE MEASUREMENT

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

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

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

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

5. SIGNIFICANT ACCOUNTING POLICIES

The Group has consistently applied the following accounting policies to all periods presented in these consolidated financial statements. Details of significant accounting policies are available on the pages that follow.

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

In the current year, the Group has applied a number of amendments to IFRSs that are mandatorily effective for an accounting period that begins on or after 1 January 2017.

- Disclosure Initiative (Amendments to IAS 7)
- Recognition of Deferred Tax Assets for Unrealised Losses (Amendments to IAS 12)
- Annual Improvements to IFRSs 2014–2016 Cycle – various standards (Amendments to IFRS 12)

The adoption of these amendments did not have a significant impact on the current period or any prior period and is not likely to affect future periods.

5.2 New and revised IFRSs in issue but not yet effective

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning after 1 January 2018, and have not been early adopted in preparing these consolidated financial statements.

- IFRS 9, 'Financial instruments', effective from 1 January 2018.
- IFRS 15, 'Revenue from contracts with customers', effective from 1 January 2018.
- IFRS 16, 'Leases', effective from 1 January 2019.
- IFRS 17, Insurance Contracts, effective from 1 January 2021.

The Group is required to adopt IFRS 9 'Financial Instruments' and IFRS 15 'Revenue from Contracts with Customers' from 1 January 2018. The Group has assessed the estimated impact that the initial application of IFRS 9 and IFRS 15 will have on its consolidated financial statements. The estimated impact of the adoption of these standards on the Group's equity as at 1 January 2018 is based on initial assessments undertaken to date and is summarised below.

The actual impact of adopting the above standards at 1 January 2018 may vary as the new accounting policies are subject to change until the Group presents its first financial statements that include the date of initial application.

IFRS 9, 'Financial instruments'

Nature of change	IFRS 9 addresses the classification, measurement and derecognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets.
Impact	The group has reviewed its financial assets and liabilities and is expecting the following impact from the adoption of the new standard on 1 January 2018: • Loans and receivables currently classified as held-to-maturity and measured at amortised cost which meet the conditions for classification at amortised cost under IFRS 9. Accordingly, the Group does not expect the new guidance to affect the classification and measurement of these financial assets. • IFRS 9 largely retains the existing requirements in IAS 39 for the classification of financial liabilities. However, under IAS 39 all fair value changes of liabilities designated as at FVTPL are recognised in profit or loss, whereas under IFRS 9 these fair value changes are generally presented in OCI to the extent of fair value changes attributable to changes in credit risk and the remaining amount of change in the fair value is presented in the profit or loss. The Group does not expect any changes in negative fair values of its derivatives designated as FVTPL due to credit risk and accordingly, no material impact regarding classification of financial liabilities is expected at 1 January 2018. • The new hedge accounting rules will align the accounting for hedging instruments more closely with the group's risk management practices. As a general rule, more hedge relationships might be eligible for hedge accounting, as the standard introduces a more principles-based approach. The Group has confirmed that its current hedge relationships will qualify as continuing hedges upon the adoption of IFRS 9. • The new impairment model requires the recognition of impairment provisions based on expected credit losses (ECL) rather than only incurred credit losses as is the case under IAS 39. It applies to financial assets classified at amortised cost and lease receivables. Based on the assessments undertaken to date, the Group expects a decrease in the provision for trade receivables by approximately AED 3 million in relation to credit card and lease receivables. • The new standard also introduces expanded disclosure requirements and changes in presentation. These are expected to change the nature and extent of the Group's disclosures about its financial instruments particularly in the year of the adoption of the new standard.
Date of adoption by Group	Must be applied for financial years commencing on or after 1 January 2018. The Group intends to adopt the cumulative effect method and accordingly, will recognize the impact in retained earnings as of 1 January 2018, with the practical expedients permitted under the standard. Comparatives for 2017 will not be restated.

IFRS 15, 'Revenue from contracts with customers'

Nature of change	The IASB has issued a new standard for the recognition of revenue. This will replace IAS 18 which covers the contracts for goods and services and IAS 11 which covers construction contracts. The new standard is based on the principle that revenue is recognized as and when the performance obligation is satisfied. The standard permits either a full retrospective or a cumulative effect method for the adoption.
Impact	Management has assessed the effects of applying the new standard on the Group's financial statements and has identified the following areas that will be affected;

- Currently, Group's sale of properties is carried out through joint ventures accounted for under the equity method. The Group previously recognized revenue for sale of properties when the risk and rewards of ownership were transferred to the buyer. The significant risks and rewards were deemed to be transferred when the title deed was registered in the name of the buyer or in certain circumstances when equitable interest in the property vest with the buyer before legal title passes. Under IFRS 15, revenue is recognized as and when the performance obligation of the Group is satisfied. Accordingly, the Group estimates that retained earnings would be increased by AED 107 million on 1 January 2018 due to impact on share of profit / (loss) from joint ventures with a corresponding increase in the balance of investments in joint ventures.
- Accounting for customer loyalty programmes – IFRS 15 requires that the total consideration received must be allocated to the loyalty points and goods sold based on relative stand-alone selling prices rather than based on the residual value method. This will result in higher amounts being allocated to the goods sold and result in an earlier recognition of a portion of the revenue. The management has estimated the impact on retained earnings at 1 January 2018 it is considered to be insignificant.

Date of adoption by Group	Mandatory for financial years commencing on or after 1 January 2018. The Group intends to adopt the standard using the cumulative effect method which means that the cumulative impact of the adoption will be recognised in retained earnings as of 1 January 2018 and that comparatives for 2017 will not be restated.

IFRS 16, 'Leases'

Nature of change	IFRS 16 was issued in January 2016. It will result in almost all leases being recognised on the balance sheet, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases. The accounting for lessors will not significantly change.
Impact	The standard will affect primarily the accounting for the Group's operating leases. The Group's operating lease commitments are disclosed in Note 35.1 to the consolidated financial statements. However, the Group has not yet assessed what other adjustments, if any, are necessary for example because of the change in the definition of the lease term and the different treatment of variable lease payments and of extension and termination options. It is therefore not yet possible to estimate the amount of right-of-use assets and lease liabilities that will have to be recognised on adoption of the new standard and how this may affect the Group's profit or loss and classification of cash flows going forward.
Date of adoption by Group	Mandatory for financial years commencing on or after 1 January 2019. At this stage, the Group does not intend to adopt the standard before its effective date. The Group intends to apply the simplified transition approach and will not restate comparative amounts for the year prior to first adoption.

5.3 General accounting policies

5.3.1 Foreign currency

Foreign currency transactions

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

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

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

5.3.2 Offsetting

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

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

5.3.3 Assets classified as held for sale

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

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

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

6. SUBSIDIARIES

6.1 Accounting policy

Subsidiaries

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

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

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

Transactions eliminated on consolidation

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

Non-controlling interests

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

Interests in other entities

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

6.2 Principal subsidiaries

The Group had the following principal subsidiaries at 31 December 2017:

			Effective ownership	
Name of subsidiary	**Country of incorporation**	**Nature of business**	**2017**	**2016**
Majid Al Futtaim Properties LLC*	United Arab Emirates	Operating and managing commercial projects including shopping malls, hotels, restaurants, leisure, entertainment and investing in joint ventures and associates	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 activities entertainment, credit cards, food and beverage and healthcare services	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%	-

* 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 2017 amounts to AED 509 million (2016: AED 441 million).

6.3 Non-controlling interests

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

Name of subsidiary	Country of incorporation	Nature of business	Non-controlling interest 2017	Non-controlling interest 2016
Fujairah City Centre Investment Company LLC	United Arab Emirates	Property developer	37.5%	37.5%
Aswaq Al Emarat Trading CJSC	Kingdom of Saudi Arabia	Property developer	15%	15%
MAF IT Sugar LLC	United Arab Emirates	Retail	25%	25%
Attractions and Leisure Services Company WLL	Kuwait	Leisure and Entertainment	50%	50%
Perfect World for Kids Entertainment Co.	Jordan	Leisure and Entertainment	50%	50%
Majid Al Futtaim Accessories LLC	United Arab Emirates	Fashion retailer	49%	49%
Suburban Development Company SAL	Lebanon	Property developer	7.2%	7.2%
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%	-
Vox Kuwait Avenues	Kuwait	Cinema	50%	-

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

31 December 2017 *(AED in millions)*	UAE	Other GCC	Others	Total
Non-current assets	1,440	1,238	8	**2,686**
Current assets	275	664	9	**948**
Current liabilities	(426)	(128)	(3)	**(557)**
Non-current liabilities	(429)	(4)	-	**(433)**
Net assets	**860**	**1,770**	**14**	**2,644**
Net assets attributable to non-controlling interests	**157**	**344**	**8**	**509**
Revenue	394	259	5	**658**
Profit/(loss) for the year	66	50	(1)	**115**
Other comprehensive income	-	1	-	**1**
Total comprehensive income attributable to non-controlling interest	**4**	**18**	**11**	**33**

31 December 2016 *(AED in millions)*	UAE	Other GCC	Others	Total
Non-current assets	1,435	1,148	8	**2,591**
Current assets	373	566	10	**949**
Current liabilities	(346)	(90)	(3)	**(439)**
Non-current liabilities	(667)	(2)	-	**(669)**
Net assets	**795**	**1,622**	**15**	**2,432**
Net assets attributable to non-controlling interests	**153**	**279**	**9**	**441**
Revenue	396	110	6	**512**
Profit/(loss) for the year	91	30	-	**121**
Other comprehensive income	-	-	-	**-**
Total comprehensive income attributable to non-controlling interest	**15**	**17**	**-**	**32**

6.3.1 *The Avenues Cinema Bahrain W.L.L and Vox Kuwait Avenues*

Following entities were incorporated in accordance with the Shareholders' Agreements dated 13 June 2017 and 1 May 2017, respectively, with M.H. Alshaya Co W.L.L and Retail International Co:

- Vox Kuwait Avenues - Both the shareholders have contributed AED 14 million, each, towards establishing the cinema business in Kuwait. As at the year-end, the entity was still in the process of incorporation and has not commenced its operations.
- Avenues Cinema Bahrain W.L.L - Incorporated for establishing cinema business in Bahrain and commenced operations from 28 November 2017. For the period ended 31 December 2017, the entity contributed revenue of AED 2 million and loss of AED 2 million to the Group's results. Both the shareholders have contributed AED 25 million, each.

The Group owns 50% shareholding in the above entities. The Group has determined that is has control over relevant activities of both the entities by virtue of having simple majority on the Board of Directors as per the Shareholders' Agreements. Accordingly, they are considered as subsidiaries of the Group.

7. BUSINESS COMBINATIONS

7.1 Accounting policy

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

Business combinations involving entities under common control

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

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

7.2 2017 business combinations

7.2.1 *Retail Arabia*

Effective 1 July 2017, the Group acquired 100% equity stake in Retail Arabia B.S.C. (“Retail Arabia”), a closed joint stock company incorporated in the Kingdom of Bahrain. Retail Arabia owned five subsidiaries as at the acquisition date and operated in UAE, Bahrain and Kuwait.

Fair value of identified assets/(liabilities), consideration paid and the resulting goodwill is as follows:

(AED in millions)	**1 Jul 2017**
Property, plant and equipment (note 16.4)	209
Investment properties (note 16.5)	30
Available for sale investments	80
Inventories	119
Other receivables	33
Cash and cash equivalents	313
Long term bank loans (note 29)	(103)
Provision for staff terminal benefits (note 30.3)	(38)
Trade and other payables	(420)
Fair value of identifiable net assets acquired (A)	**223**
Fair value of lease premium recognized on acquisition (B) (note 20.1)	547
Purchase consideration paid (C)	1,792
Goodwill (C-B-A) (note 19.2)	**1,022**

- For the year ended 31 December 2017, Retail Arabia Group has contributed revenue of AED 1,132 million and net loss of AED 25.1 million to the Group's results, since the acquisition date.
- The amortisation of lease premium recognised on acquisition amounted to AED 41.6 million, since the acquisition date.
- The Group incurred various costs amounting to AED 26.7 million towards legal and professional fees, due diligence and other acquisition-related activities. These costs have been recognised in profit or loss for the year as legal and consultancy expenses under the 'Operating expenses'.

The fair values identified assets/liabilities have been measured on a provisional basis. If new information obtained within one year of the date of acquisition about facts and circumstances that existed at the date of acquisition identifies adjustments to the above amounts, or any additional provisions that existed at the date of acquisition, then the accounting for the acquisition will be revised. The valuation techniques used for measuring the fair value of material assets/liabilities acquired are as follows:

- The valuation model used in measuring fair values for property, plant and equipment (other than buildings) involves establishing the current replacement cost of the asset and then depreciating this value to reflect the anticipated effective useful life and estimated residual value at the end of the asset's useful life. The fair value is also adjusted for functional and economic obsolescence.
- For investment properties and buildings the fair value has been determined using sales comparable method - market approach having regard to market information availability and transactional evidence.
- The fair value of lease premium has been determined using an income approach and considers the economic worth to gain access to certain key locations.
- The fair value of inventories is determined based on the estimated selling price in the ordinary course of business less the estimated costs of completion and sale, and a reasonable profit margin based on the effort required to complete and sell the inventories.
- Long-term bank loans and trade payable balances are considered to be at prevailing market terms, hence the fair value was estimated to equal the carrying value as at the acquisition date.

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 is tested annually for impairment. Goodwill has been allocated to the acquired businesses in each of the countries i.e. UAE, Bahrain and Kuwait. 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 cash generating unit ('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 included specific estimates for five years at an average growth rate of 9% to 10% and a stable growth rate of 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 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 10 – 12 % has been determined and applied.

As of 31 December 2017, estimated recoverable amount of the CGUs exceeded its carrying amount, accordingly, no impairment loss has been recognized against goodwill in the current year. Any unfavourable changes in the key assumptions could cause the carrying amount to exceed the recoverable amount. Management is confident that actual results will meet the projections and that the assumptions in relation to the goodwill impairment test are reasonable.

7.2.2 *Crate & Barrel*

Pursuant to the Business Transfer and Transitional Services Agreement dated 9 August 2017 with Al Tayer Trends LLC ("the seller"), the seller terminated the franchise agreement with Crate & Barrel. The Group agreed to take over the stores, along with any left over inventories, for the purchase price of AED 65 million.

- For the year ended 31 December 2017, Crate & Barrel contributed revenue of AED 26.5 million and net profit of AED 3.4 million to the Group's results, since acquisition.
- The Group incurred acquisition related costs of AED 0.3 million on account of due diligence. These costs were included in 'Operating expenses'.

The following table summarizes the provisional fair values of major class of assets acquired and consideration transferred at the date of acquisition:

(AED in millions)	**9 Aug 2017**
Property, plant and equipment (note 16.4)	12
Intangible assets (note 19.2)	23
Inventories	4
Provisional fair value of net identifiable net assets acquired (A)	**39**
Purchase consideration paid (B)	65
Goodwill (B-A) (note 19.2)	**26**

Management is in the process of completing the purchase price allocation of this acquisition. The fair values of property and equipment and inventories were determined by management with the assistance of an independent external valuer. Management has identified franchise agreement with Crate & Barrel, USA as an intangible as part of the acquisition.

The valuation technique used for measuring the fair value of property and equipment and inventory acquired was on the basis of depreciated replacement cost approach. Intangible asset represents Franchisee rights acquired that was measured based on Multi-period excess earning method ('MEEM') consierding expected EBITDA to be earned over franchise period i.e. 10 years.

7.3 2016 business combinations

7.3.1 *Oman Arab Cinema Company*

On 30 June 2016, the Group entered into a shareholder agreement to purchase 80% shares and voting rights in Oman Arab Cinema Company LLC. The effective date of acquisition is 24 August 2016. As part of the share purchase agreement the Group has a call option to acquire the remaining 20% of the shares and voting interest on the third anniversary of the closing date. The management has assessed that the value of option is immaterial and hence it is not recorded in these consolidated financial statements.

- For the year ended 31 December 2017, Oman Arab Cinema Company LLC contributed revenue of AED 63.3 million (2016: AED 22.8 million) and loss of AED 6.3 million (2016: AED 0.9 million) to the Group’s results.
- The valuation technique used for measuring the fair value of assets acquired was on the basis of depreciated replacement cost approach. Intangible assets are measured using discounted cashflows of the variance between actual payout rate in comparison with market rate. The following tables summarizes recognized amounts of the assets acquired, liabilities assumed and consideration transferred at the date of acquisition:

(AED in millions)	**24 Aug 2016**
Property, plant and equipment (note 16.4)	65
Intangible assets - favourable terms lease contract (note 19.2)	50
Others	(1)
Fair value of net identifiable net assets acquired (A)	**114**
Non-controlling interest, based on proportionate interest recognised (B)	23
Purchase consideration paid (C)	147
Goodwill (C+B-A)	**56**

- The Group incurred acquisition-related costs of AED 1 million in 2016 on legal fees and due deligence cost. These costs were included in 'Operating expenses'.

7.3.2 *Vox Cineco Company*

Pursuant to the shareholders agreement dated 27 September 2016 between the Group and Bahrain Cinema Company BSC ('the seller'), the Group acquired a component of the seller's cinema business. During the prior year, the acquired Cinema was transferred to a separate Company by the name of Vox Cineco Cinema Company W.L.L. ('Cineco'). The Group owns 50% shares and has control over relevant activities of Cineco and accordingly, considered as a subsidiary of the Group.

- For the period ended December 31, 2017, Cineco contributed revenue of AED 137 million (2016: AED 31 million) and profit of AED 42 million (2016: AED 11 million) to the Group’s results.
- Management had recorded a provisional goodwill of AED 158 million in the consolidated financial statements of 31 December 2016. During the current year, the Group completed the purchase price allocation and identified the fair value of certain assets, including intangible assets on account of favourable leases. Corresponding adjustment has been made to the the goodwill (note 19.2).

The following table summarizes the the amount of goodwill recognized:

(AED in millions)	**31 Dec 2017**	**1 Oct 2016**
Property, plant and equipment	43	42
Intangible assets - favourable terms lease contract	28	-
Other payables	(5)	-
Fair value of net identifiable net assets acquired (A)	**66**	**42**
Non-controlling interest, based on proportionate interest recognised (B)	19	21
Deferred consideration* (C)	179	179
Goodwill (C+B-A)	**132**	**158**

*The current portion of the above consideration amounts to AED 39 million (2016: AED 40 million), refer to note 25.2.

8. OPERATING SEGMENTS

8.1 Accounting policy

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

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

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

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

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

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

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

EBITDA

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

8.2 Segment reporting by business

At year-end, the Group initiated active plans to dispose of its healthcare clinics, which are part of a wholly owned subsidiary of Ventures and are treated as a separate line of business by Ventures. However, the operations of the healthcare clinics do not form a separate major line of business for the Group and accordingly, have not been classified as discontinued operations in the consolidated statement of profit or loss and other comprehensive income. The segment results for Ventures have been presented by including the healthcare clinic results, except for EBITDA which excludes the results of the healthcare clinics.

The segment information provided to the Board of Directors for reportable segments for the year ended 31 December 2017 and 31 December 2016 are as follows:

(AED in millions)	Properties	Retail	Ventures	Head office	Total
For the year ended 31 December 2017:					
Revenue					
Gross revenue	4,606	25,888	2,120	-	32,614
Eliminations and adjustments	(340)	-	-	-	(340)
Revenue from external customers	**4,266**	**25,888**	**2,120**	**-**	**32,274**
Results from operations					
EBITDA	2,939	1,212	258**	(160)	4,249
Eliminations and adjustments					(17)
					4,232
Depreciation and amortisation expense	(443)	(414)	(321)	(12)	(1,190)
Eliminations and adjustments					(187)
					(1,377)
Valuation gain on land and buildings - net	589	-	-	-	589
Eliminations and adjustments					(86)
					503
Net finance (cost)/income	(477)	43	(117)	579	28
Eliminations and adjustments					(480)
					(452)
Net profit/(loss) after tax	2,193	754	(399)	282	2,830
Eliminations and adjustments					(637)
					2,193
Capital expenditure	**(2,494)**	**(2,463)**	**(765)**	**(44)**	**(5,766)**
As at 31 December 2017:					
Total assets	48,179	7,241	3,761	488	59,669
Eliminations and adjustments					(611)
					59,058
For the year ended 31 December 2016:					
Revenue					
Gross revenue	4,491	23,824	1,856	-	30,171
Eliminations and adjustments	(320)	-	-	-	(320)
Revenue from external customers	**4,171**	**23,824**	**1,856**	**-**	**29,851**
Results from operations					
EBITDA	2,855	1,232	265**	(133)	4,219
Eliminations and adjustments					(13)
					4,206
Depreciation and amortisation expense	(479)	(330)	(223)	(6)	(1,038)
Eliminations and adjustments					(151)
					(1,189)
Valuation gain on land and buildings - net	392	-	-	-	392
Eliminations and adjustments					29
					421
Net finance (cost)/income	(362)	68	(61)	467	112
Eliminations and adjustments					(510)
					(398)
Net profit/(loss) after tax	2,360	868	(112)	331	3,447
Eliminations and adjustments					(663)
					2,784
Capital expenditure	**(3,103)**	**(488)**	**(586)**	**-**	**(4,177)**
As at 31 December 2016:					
Total assets	45,286	6,092	3,149	288	54,815
Eliminations and adjustments					(2,079)
					52,736

** Excludes negative EBITDA of AED 51 million (2016: AED 34 million) from healthcare clinics.

8.3 Segment reporting by geography

	Revenue		Total assets	
(AED in millions)	**2017**	**2016**	**2017**	**2016**
UAE (country of domicile)	17,187	15,886	41,838	37,630
Saudi Arabia	2,792	2,563	2,767	2,553
Qatar	2,517	2,269	765	459
Egypt	1,985	2,853	2,645	2,142
Oman	1,731	1,638	3,028	2,717
Jordan	1,387	1,301	363	346
Bahrain	1,236	810	4,143	3,799
Kuwait	853	583	587	209
Pakistan	825	604	315	267
Georgia	543	409	212	153
Lebanon	498	433	2,194	2,228
Iraq	365	336	67	108
Kenya	296	55	112	84
Kazakhastan	37	81	4	26
Armenia	22	30	18	15
	32,274	**29,851**	**59,058**	**52,736**

9. REVENUE

9.1 Accounting policy

Revenue includes amounts derived from the provision of goods and services falling within the Group's ordinary activities and includes revenue from the following sources:

Goods sold

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

Rebates and other supplier benefits

Income from rebates and other supplier benefits is recognized on an accrual basis, according to the agreements with suppliers. For the purpose of presentation, income from rebates is netted off from cost of sales. Income from other supplier benefits is included as part of revenue.

Listing and gondola fees

Listing and gondola fees are recognized as income on an accrual basis, when the 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 a customer loyalty programme 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 revenue is also released to profit or loss when it is no longer considered probable that the tickets/ loyalty points will be redeemed.

Rental income

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

Services

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

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

9.2

(AED in millions)	**2017**	**2016**
Sale of goods	23,967	22,296
Listing fees, gondola fees and commissions	2,104	1,807
Rental income	3,317	3,171
Leisure and entertainment	1,626	1,409
Hospitality revenue	680	713
Others	580	455
	32,274	**29,851**

10. COST OF SALES

10.1 Critical accounting estimate and judgement

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

10.2

(AED in millions)	**2017**	**2016**
Opening inventories	(1,689)	(1,712)
Purchases	(24,107)	(21,680)
Closing inventories	2,304	1,689
Supplier rebates and discounts	1,781	1,678
	(21,711)	**(20,025)**

11. OPERATING EXPENSES

(AED in millions)	**2017**	**2016**
Staff costs (note 11.1)	(3,152)	(2,778)
Depreciation (note 16.4)	(1,246)	(1,135)
Utilities	(404)	(371)
Rent	(744)	(592)
Advertising, selling and marketing expenses	(336)	(293)
Legal and consultancy expenses	(247)	(186)
Bank charges	(168)	(147)
Repair and maintenance	(266)	(242)
Franchise and management fees	(156)	(155)
Security expenses	(126)	(110)
Amortisation	(131)	(54)
House keeping and cleaning	(93)	(86)
Bad debts expense (note 33.3.1)	(142)	(128)
Other general and administrative expenses	(589)	(575)
	(7,800)	**(6,852)**

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

(AED in millions)	**2017**	**2016**
Gratuity cost	(126)	(110)
Pension cost	(21)	(16)
Recharges to the Group companies (note 26.8)	53	59
Staff cost capitalised	45	99

11.2 The number of employees at 31 December 2017 was 40,923 (2016: 34,145).

11.3 During the year ended 31 December 2017, the Group paid AED 5 million (2016: 6 million) for various social contribution purposes.

12. FINANCE COSTS - NET

12.1 Accounting policy

Interest income and expense

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

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

Borrowing costs

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

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

12.2

(AED in millions)	2017	2016
Finance costs:		
Arrangement and participation fee	(52)	(45)
Interest charges on bank loans	(550)	(503)
Interest charges on related party balances	(19)	(6)
Capitalized interest on development expenditure	91	168
	(530)	(386)
Changes in the fair value/settlement of derivatives held as FVPL	(1)	(33)
Cash flow hedges reclassified from hedging reserve	(16)	(55)
Bond programme cost	(7)	(4)
	(554)	**(478)**
Finance income:		
Interest income on bank balances	49	31
Interest income from operational financing	20	22
Cash flow hedges reclassified from hedging reserve	15	3
Changes in the fair value/settlement of derivatives held as FVPL	18	24
	102	**80**
	(452)	**(398)**

12.3 The capitalization rate used to determine the amount of borrowing cost eligible for capitalization varies from 4.49% to 19.96% (2016: 4.11% to 17.75%) depending on the effective interest rate over the tenure of the borrowing.

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

(AED in millions)	2017	2016
Effective portion of changes in fair value of cash flow hedges	8	9
Cash flow hedges reclassified to profit or loss - net	1	52
	9	**61**

13. OTHER EXPENSES - NET

(AED in millions)	2017	2016
Foreign exchange gain/(loss) - net	1	(76)
Fixed assets/project costs written off	(4)	(10)
Loss on disposal of non-current assets	(12)	(6)
Development expenses written off	(26)	(34)
Profit on sale of an associate (note 18.3.4 & 14.3)	10	-
Other (expense)/income	(2)	1
	(33)	**(125)**

14. IMPAIRMENT CHARGE – NET

14.1 Accounting policy

Financial assets

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset. Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics. In assessing collective impairment the Group uses historical trends of the probability of default, timing of recoveries and the amount of loss incurred, adjusted for management's judgment as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical trends.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate.

All impairment losses are recognized in profit or loss. An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognized. For the financial assets measured at amortized cost the reversal is recognized in the profit or loss.

Non-financial assets

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

14.2 Critical accounting estimate and judgement

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

14.3

(AED in millions)	**2017**	**2016**
Impairment of property, plant and equipment:		
- Furniture and fixtures (note 14.4)	(61)	(74)
- Capital work in progress (note 14.4)	(122)	(22)
Impairment of investment property (note 14.5)	(467)	(8)
Impairment of intangible assets		
- Goodwill (note 19.2)	(19)	-
- Other intangible assets	(3)	-
Impairment of investment in associates (note 14.6)	(2)	(91)
Other impairment charges	(1)	(1)
Reversal of impairment of property, plant and equipment (note 14.7)	34	28
	(641)	**(168)**

14.4 Represents impairment loss on the assets of certain operating units (retail and leisure and entertainment) as the recoverable amount, which was estimated based on the value in use of the cash generating units, was lower than the carrying amount of the assets. A pre-tax discount rate specific to the country of operation of the retail business was used to derive the net present value of the future cash flows for retail stores. For leisure and entertainment operating units pre-tax discount rates ranging from 9% to 14.5% and growth rates ranging from 2% to 5% were used.

14.5 Represents impairment with respect to shopping malls under construction in Egypt and Oman. Significant unobservable inputs used in assessing the realisbale value include discount rate of 19.70% and income capitalization rate of 11.34%, respectively. The estimated impairment loss would (increase) / decrease if the discount rates were (higher) / lower.

14.6 In prior year, management reviewed the carrying value of its investment in an associate and assessed that the investment had been eroded due to adverse market and business conditions and, therefore, recognized a full impairment loss of AED 91 million (note 18.3.4) in 2016.

14.7 The reversal represents the balance after utilizing an impairment provision amounting to AED 27.3 million (2016: AED 5.4 million) during the year on the disposal/ write off of assets.

15. TAX

15.1 Accounting policy

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

Current tax

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

Deferred tax

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

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

Deferred tax assets are recognized for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which 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

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 investment property measured at fair value is presumed to be recovered through sale, and the Group has not rebutted this presumption.

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

15.2 Tax charge - net

(AED in millions)	**2017**	**2016**
Current tax		
Current year	(57)	(73)
Adjustment for prior years	(1)	(1)
	(58)	**(74)**
Deferred tax		
Origination of temporary differences - net	(9)	25
Change in tax rates	6	-
	(3)	**25**
	(61)	**(49)**

15.3 Reconciliation of effective tax rate

(AED in millions)		**2017**		**2016**
Profit after tax for the year		2,193		2,784
Income tax charge - net		61		49
Profit before tax for the year		**2,254**		**2,833**
Effect of tax rates in foreign jurisdictions	-2.44%	(55)	-2.47%	(70)
Non-deductible expenses	-0.09%	(2)	-0.11%	(3)
Deferred tax for temporary differences	-0.40%	(9)	0.88%	25
Change in tax rates	0.27%	6	0.00%	-
Prior period adjustments	-0.04%	(1)	-0.04%	(1)
Total	**-2.71%**	**(61)**	**-1.73%**	**(49)**

15.4 Deferred tax assets

(AED in millions)	**2017**	**2016**
At 1 January	37	43
Recognized in profit or loss	12	9
Reclassified during the year (note 15.5)	-	1
Foreign currency translation difference from foreign operations	1	(16)
At 31 December	**50**	**37**

15.4.1 Deferred tax asset amounting to AED 39 million (2016: AED 26 million) is in respect of tax losses carried forward and temporary differences on depreciation of assets and provisions. Deferred tax asset has also been recognised on valuation losses on properties in Lebanon, where the tax rate is 15% (2016: 10%).

15.5 Deferred tax liabilities

(AED in millions)	**2017**	**2016**
At 1 January	81	196
Charges/(credited) to profit or loss	15	(16)
Charged/(credited) to equity	13	(16)
Reclassified during the year (note 15.4)	-	1
Foreign currency translation difference from foreign operations	1	(84)
At 31 December	**110**	**81**

15.5.1 Deferred tax liability has been computed on the taxable temporary differences arising as a result of valuation gain/losses on properties in Egypt and Oman. The tax rates in these countries are 22.5% (2016: 22.5%) and 15% (2016: 12%) respectively.

16. TANGIBLE FIXED ASSETS

16.1 Accounting policy

16.1.1 Property, plant and equipment

Recognition and measurement

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

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

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

Subsequent cost

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance costs are charged to profit or loss during the financial year in which they are incurred.

Depreciation

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

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

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

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

Revaluation reserve

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

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

De-recognition

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

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

16.1.2 Capital work in progress

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

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

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

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

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

16.1.3 Investment property

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

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

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

Reclassification

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

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

De-recognition

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

16.2 Critical accounting estimates and judgement

Classification of properties

Investment property - accounting for dual-use properties

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

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

For dual use properties where properties have been 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 of the property 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 property is classified as investment property, otherwise, it is classified as property, plant and equipment.

Valuation and apportionment fair values between land and buildings

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

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

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

Estimation or forecast of cost to complete (CTC)

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

16.3 Measurement of fair values and valuation process

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

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

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

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

Class of asset	Principle valuation techniques	Description
Shopping malls	Discounted cash flows (DCF)	The fair value is derived using DCF for Shopping Malls is benchmarked against net initial yield methodology.
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.
Properties under construction ("PUC")	Income capitalization approach	PUC where substantial part of the project's uncertainty has been eliminated, are valued by estimating the fair value of the completed property using the income capitalization approach and deducting the estimated costs to complete the construction.
	Cost of land plus work-in-progress less any impairment	PUC which are still substantially under progress are carried at cost of the land plus work-in-progress less any impairment until the earlier of the date that construction is completed or the date at which fair value becomes reliably measurable.
Lands	Comparable market transactions approach	Properties held for future development ('land bank') are valued using comparable methodology which involves analysing other relevant market transactions. Comparable methodology can involve a parcelisation approach where it is assumed a larger plot is subdivided and sold in smaller lot sizes over a period of time.

- The fair value measurement of property, plant and equipment of AED 7,823 million (2016: AED 8,311 million) has been categorized as a Level 3 fair value based on the inputs to the valuation technique used.
- The fair value measurement of investment properties of AED 36,305 million (2016: AED 33,104 million) has been categorized as a Level 3 fair value based on the inputs to the valuation technique used.

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

Class of asset		**Key unobservable inputs** 2017	2016
Shopping malls	Discount rates on income streams	10.00% to 27.50%	10.00% to 27.50%
	Equivalent yield	8.00% to	8.00% to
	Compound annual growth rates of net operating income	3.59%	3.25%
Hotels	Discount rate	10.25% to	11.25% to
	Compound annual growth rates of EBITDA	5.98%	5.78%

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 growth rates were higher/(lower); or

16.4 Property, plant and equipment

(AED in millions)	**Land and buildings**	**Motor vehicles**	**Furniture fixtures and equipment**	**Capital work in progress**	**Total**
Cost/valuation					
At 1 January 2016	**8,517**	**14**	**6,015**	**530**	**15,076**
Additions	130	2	620	682	**1,434**
Acquired in business combination (note 7.3)	-	1	178	5	**184**
Disposals/write offs/adjustments	3	(1)	(416)	(11)	**(425)**
Transfer from investment properties-net (note 16.5)	15	-	-	138	**153**
Transfer to intangible assets (note 19.2)	-	-	(30)	-	**(30)**
Assets placed in service	-	-	308	(308)	**-**
Net gain on valuation of properties (note 16.4.1)	232	-	-	-	**232**
Accumulated depreciation and impairment eliminated on valuation	(486)	-	-	-	**(486)**
Effect of foreign exchange movements	(100)	-	(322)	(53)	**(475)**
At 1 January 2017	**8,311**	**16**	**6,353**	**983**	**15,663**
Additions	111	-	468	1,313	**1,892**
Acquired in business combination (note 7.2)	-	2	247	5	**254**
Disposals/write offs/adjustments	(3)	(2)	(164)	(95)	**(264)**
Transfer to investment properties-net (note 16.5 & 16.4.1)	(553)	-	-	(18)	**(571)**
Transfer to intangible assets (note 19.2)	-	-	(20)	(4)	**(24)**
Transfer to a related party	-	-	-	(9)	**(9)**
Reclassification to assets held for sale (note 24)	-	-	(71)	(1)	**(72)**
Assets placed in service	-	-	962	(962)	**-**
Net gain on valuation of properties (note 16.4.1)	242	-	-	(118)	**124**
Accumulated depreciation and impairment eliminated on valuation	(458)	-	-	-	**(458)**
Effect of foreign exchange movements	2	-	(5)	1	**(2)**
At 31 December 2017	**7,652**	**16**	**7,770**	**1,095**	**16,533**

(AED in millions)	Land and buildings	Motor vehicles	Furniture fixtures and equipment	Capital work in progress	Total
Accumulated depreciation/impairment					
At 1 January 2016	**-**	**(6)**	**(3,629)**	**(30)**	**(3,665)**
Charged during the year	(486)	(2)	(647)	-	**(1,135)**
Impairment loss (note 14.3)	-	-	(74)	(22)	**(96)**
Reversal of impairment (note 14.3)	-	-	28	-	**28**
Acquired in business combination (note 7.3)	-	(1)	(76)	-	**(77)**
Transfer to intangible assets (note 19.2)	-	-	12	-	**12**
Accumulated depreciation and impairment eliminated on valuation	486	-	-	-	**486**
On disposals/write offs	-	1	386	-	**387**
Effect of foreign exchange movements	-	-	177	-	**177**
At 1 January 2017	**-**	**(8)**	**(3,823)**	**(52)**	**(3,883)**
Charged during the year	(458)	(2)	(786)	-	**(1,246)**
Impairment loss (note 14.3)	-	-	(61)	(122)	**(183)**
Reversal of impairment (note 14.3)	-	-	34	-	**34**
Acquired in business combination (note 7.2)	-	-	(33)	-	**(33)**
Transfer to intangible assets (note 19.2)	-	-	4	-	**4**
Reclassification to assets held for sale (note 24)	-	-	36	3	**39**
Accumulated depreciation and impairment eliminated on valuation	458	-	-	-	**458**
On disposals/write offs	-	2	146	30	**178**
Effect of foreign exchange movements	-	-	(1)	-	**(1)**
At 31 December 2017	**-**	**(8)**	**(4,484)**	**(141)**	**(4,633)**
Carrying amounts					
At 31 December 2016	**8,311**	**8**	**2,530**	**931**	**11,780**
At 31 December 2017	**7,652**	**8**	**3,286**	**954**	**11,900**

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

- Developed properties in Oman, fully classified as property, plant and equipment have been split between property, plant and equipment and investment properties based on a legal opinion obtained during the year confirming the Group's ability to sell or finance lease a portion of these properties separately. Accordingly, the Group's transferred portion of it's shopping malls amounting to AED 1,327 million to investment property as at the reporting date.
- During the year, the Group completed construction of a shopping mall amounting to AED 900 million in Egypt. AED 180 million, representing the own-use portion of the shopping mall which was transferred from investment property to property, plant and equipment.
- During the year, the Group completed expansion, amounting to AED 633 million, for two shopping malls in UAE. AED 165 million, representing the owned use portion of the shopping malls were transferred from investment property to property, plant and equipment.
- During the year the net transfers amounted to AED 429 million from investment property to property, plant and equipment on account of increase in proportion of the portion of properties held for own use by the Group.

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

(AED in millions)	2017	2016
Gain recognized in revaluation reserve	344	264
Net loss recognized in profit or loss	(220)	(32)
	124	**232**

16.4.3 Accrued income relating to the accounting for lease rentals on a straight line basis as per IAS 17 have been eliminated from the valuation of developed properties, in order to avoid double counting of assets, as mentioned below:

(AED in millions)	**2017**	**2016**
Fair value of land and buildings	7,658	8,316
Less: adjustment for accrued operating lease income	(6)	(5)
Net adjusted fair value	**7,652**	**8,311**

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

	2017		**2016**	
(AED in millions)	**Land**	**Buildings**	**Land**	**Buildings**
Cost	695	5,897	764	6,473
Accumulated depreciation	-	(2,795)	-	(2,662)
Net carrying amount	**695**	**3,102**	**764**	**3,811**

16.4.4 Certain lands are held in the personal name of the majority shareholder of the Parent Company for the beneficial interest of the Group. In prior year, title to properties amounting to AED 1,809 million were transferred to the Group.

16.5 Investment properties

(AED in millions)	**Land-Undeveloped**	**Land and buildings**	**Capital work in progress**	**Total**
Cost/valuation				
At 1 January 2016	**935**	**27,477**	**4,059**	**32,471**
Additions	766	477	1,123	**2,366**
Net valuation (loss)/gain recognized in profit or loss (note 16.5.1)	(26)	725	(246)	**453**
Assets placed in service	4	57	(61)	**-**
Transfer to property, plant and equipment-net (note 16.4)	(4)	(8)	(141)	**(153)**
Transfer to development properties (note 17.2)	(243)	-	-	**(243)**
Effect of foreign exchange movements	(19)	(462)	(1,309)	**(1,790)**
At 1 January 2017	**1,413**	**28,266**	**3,425**	**33,104**
Additions	-	519	1,811	**2,330**
Acquired in business combination (note 7.2)	-	30	-	**30**
Net valuation gain/(loss) recognized in profit or loss (note 16.5.1)	-	729	(6)	**723**
Assets placed in service	-	1,533	(1,533)	**-**
Transfer from property, plant and equipment-net (note 16.4)	-	553	18	**571**
Transfer to capital capital work in progress on commencement of development	(96)	-	96	**-**
Impairment loss (note 14.3)	-	-	(467)	**(467)**
Effect of foreign exchange movements	-	8	6	**14**
At 31 December 2017	**1,317**	**31,638**	**3,350**	**36,305**

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

(AED in millions)	**2017**	**2016**
Net loss taken on valuation of property, plant and equipment	(220)	(32)
Gain on valuation of investment properties	723	453
	503	**421**

16.5.2 Rental income derived from investment properties during the current year is AED 3,092 million (2016: AED 2,979 million). The direct operating expenses arising from investment property that generated rental income during the current year amounted to AED 712 million (2016: AED 654 million).

16.5.3 Accrued income relating to the accounting for lease rentals on a straight line basis as per IAS 17 has been eliminated from the valuation of developed properties, in order to avoid double counting of assets, as mentioned below:

(AED in millions)	**2017**	**2016**
Fair value of land and buildings	31,846	28,459
Less: adjustment for accrued operating lease income	(208)	(193)
Net adjusted fair value	**31,638**	**28,266**

16.5.4 Certain lands are held in the personal name of the majority shareholder of the Parent Company for the beneficial interest of the Group. During prior year, the title to properties amounting to AED 17,317 million were transferred to the Group.

16.5.5 The carrying value of properties (including property, plant and equipment) mortgaged against bank loans aggregates to AED 2,204 million (2016: AED 2,025 million).

17. DEVELOPMENT PROPERTIES

17.1 Accounting policy

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

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

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

17.2

(AED in millions)	**2017**	**2016**
At 1 January	245	-
Additions during the year	6	2
Transferred from investment properties (note 16.5)	-	243
	251	**245**

18. INVESTMENTS

18.1 Accounting policy

Interests in equity-accounted investees: Associates and Joint ventures

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

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

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

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

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

Interests in joint arrangements

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

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

18.2

(AED in millions)	2017	2016
Investments held at fair value through profit or loss (FVPL):		
- Unlisted equities	-	3
Investment in associates (note 18.3)	131	63
Investment in joint ventures (note 18.4)	923	1,185
	1,054	**1,251**

18.3 Investment in associates

(AED in millions)	2017	2016
At 1 January	63	147
Additions/transfers during the year (note 18.3.1)	83	19
Share of profit accounted through profit or loss	11	4
Share of other comprehensive income from equity accounted investees	(1)	-
Dividend income received	(23)	(16)
Impairment charge (notes 14.3 & 18.3.4)	(2)	(91)
	131	**63**

18.3.1 During the year the Group invested USD 22.4 million (AED 83 million) in MENA 360 Holding Limited, a company incorporated and registered in Cayman Islands by converting its convertible loan amounting to USD 4 million (AED 15 million) to equity, participating in issuance for preference shares amounting to USD 10 million (AED 37 million) and acquiring additional ordinary shares amounting to USD 8.4 million (AED 31 million). The Group has an effective ownership of 15.9% in MENA 360 Holding Limited as at 31 December 2017.

Given Group's position as the third largest shareholder and the Group's reserved right for representation in the Board of Directors, the management has concluded that the Group has significant influence over MENA 360 Holding Limited and accordingly, accounted for the investee as an associate.

18.3.2 Details of Group's associates are as follows:

			Effective ownership	
Name of associate	**Country of incorporation**	**Nature of business**	**2017**	**2016**
Enova Facilities Management	United Arab Emirates	Facilities management services	51%	51%
Hollister Fashion LLC	United Arab Emirates	Fashion retailer	51%	51%
MENA 360 Holding Limited	Cayman Islands	Logistics	15.9%	-
Beam Global Limited (note 18.3.3)	Bermuda	Mobile technology	-	30%
Beam Portal LLC (note 18.3.3)	United Arab Emirates	Mobile technology	-	70%
Enshaa PJSC (note 18.3.4)	United Arab Emirates	Contracting and developer	-	28.44%

18.3.3 ***Beam Global Limited and Beam Portal LLC***

Due to adverse financial performance and continuing losses, the Group's investment in Beam Global Limited and Beam Portal LLC was brought to Nil on account of Group's share of losses in both associates.

On 19 December 2017, the Group gave up its effective ownership in Beam Global Limited and Majid Al Futtaim Investments LLC (a subsidiary of the Parent Company) acquired the remaining 30% effective ownership of Beam Portal LLC. Concurrently, the Group also agreed to transfer its holding of 70% in Beam Portal LLC to Majid Al Futtaim Investments LLC and accordingly, holds it for the benefit of Majid Al Futtaim Investments LLC as at 31 December 2017.

As of 19 December 2017, Beam Portal LLC is accounted for as a wholly owned subsidiary of Majid Al Futtaim Investments LLC.

18.3.4 ***Enshaa PJSC***

During the year, Group sold its investment in Enshaa PJSC for AED 10 million. The Group had fully impaired its investment in Enshaa PJSC in the prior year.

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

(AED in millions)	2017	2016
Total assets	369	355
Total liabilities	(239)	(275)
Net assets	**130**	**80**
Group's share in net assets of the investee at year end	**71**	**52**
Goodwill and impairment adjustments	60	11
Carrying amount of interest in all the associates at the year end*	**131**	**63**
Revenue	646	597
(Loss)/profit for the year	(35)	7
Share of profit for the year	**11**	**4**

* Share of net assets disclosed above in associates is net of impairment.

18.4 Investment in joint ventures

(AED in millions)	2017	2016
At 1 January	1,185	1,054
Additions/reclassifications during the year (note 18.4.1)	25	33
Transfer to due from related parties (note 26.5)	(392)	-
Share of profit accounted through profit or loss (note 18.4.3)	103	125
Foreign currency translation differences from foreign operations	2	(27)
	923	**1,185**

18.4.1 Investment amounts in various entities include capital contributions made by the Group in its capacity as a shareholder. These balances are unsecured and interest free in nature and will not be called for repayment, except at the sole discretion of the joint venture entities. During the current year, the Group has made an investment in Al Jazira City Center LLC of AED 25 million. During the prior year, a portion of the balance receivable amounting to AED 33 million, was reclassified to investment in joint ventures as part of the consideration for additional shareholder contribution (note 26.1.1).

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

Name of associate	Country of incorporation	Nature of business	Effective ownership 2017	Effective ownership 2016
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%
The Egypt Emirates Mall Group SAE	Egypt	Property developer	50%	50%
Gourmet Gulf Co. LLC	United Arab Emirates	Food and Beverage	50.66%	50.66%
Al Mamzar Island Development LLC	United Arab Emirates	Property developer	50%	50%
Al Jazira City Centre LLC	United Arab Emirates	Property developer	50%	50%

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

31 December 2017 (AED in millions)	UAE	Other GCC	Others	Total
Non-current assets	367	406	173	**946**
Current assets	2,533	2,337	1,659	**6,529**
Current liabilities	(2,122)	(1,263)	(1,116)	**(4,501)**
Non-current liabilities	(120)	(752)	(579)	**(1,451)**
Net assets	**658**	**728**	**137**	**1,523**
Carrying amount of interest in the investee at the year end*	**401**	**450**	**72**	**923**
Revenue	261	284	1,301	**1,846**
(Loss)/profit for the year	(30)	65	174	**209**
Share of (loss)/profit for the year	**(16)**	**32**	**87**	**103**

31 December 2016 *(AED in millions)*	**UAE**	**Other GCC**	**Others**	**Total**
Non-current assets	423	303	157	**883**
Current assets	1,419	2,110	2,158	**5,687**
Current liabilities	(1,019)	(927)	(120)	**(2,066)**
Non-current liabilities	(137)	(824)	(1,448)	**(2,409)**
Net assets	**686**	**662**	**747**	**2,095**
Carrying amount of interest in the investee at the year end*	**392**	**417**	**376**	**1,185**
Revenue	620	678	4	**1,302**
Profit for the year	78	156	17	**251**
Share of profit for the year	**39**	**78**	**8**	**125**

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

19. INTANGIBLE ASSETS AND GOODWILL

19.1 Accounting policy

Goodwill

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

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

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

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

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

Other intangible assets

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

Amortization

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

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

19.2

(AED in millions)	2017 Goodwill	2017 Others	2016 Goodwill	2016 Others
Cost				
At 1 January	299	359	85	248
Additions during the year	-	109	-	33
Acquired in business combination (note 7.2.1 & 7.2.2)	1,048	23	215	50
Adjustment on finalization of purchase price allocation (note 7.3.2)	2	-	-	-
Transfer from property, plant and equipment (note 16.4)	-	24	-	30
Disposals/write offs/adjustments		(2)	(1)	-
Reclassification adjustments on finalization of purchase price allocation (note 7.3.2)	(28)	28	-	-
Reclassification to assets held for sale	-	(1)	-	-
Effect of foreign exchange movements	-	-	-	(2)
	1,321	**540**	**299**	**359**
Accumulated amortization/impairment				
At 1 January	(3)	(201)	-	(145)
Charge for the year	-	(76)	-	(45)
Impairment loss (note 14.3)	(19)	(3)	(3)	-
On disposals/write offs	-	1	-	1
Reclassification to assets held for sale	-	1	-	-
On transfers from property, plant and equipment (note 16.4)	-	(4)	-	(12)
	(22)	**(282)**	**(3)**	**(201)**
Carrying amount - net	**1,299**	**258**	**296**	**158**

19.3 Others mainly include intangible assets in respect of metro naming rights. In 2008, the Group entered into an agreement with a Government entity in the UAE to acquire naming rights for two stations of Dubai Metro for a period of 10 years commencing from 2009, when the Metro became operational. Based on the present value of the future payments to be made, an intangible asset has been recorded which is being amortized over the contract period using the incremental borrowing cost of the Group at that time of 4.5% p.a and a corresponding long term liability has been recorded (note 30.5).

19.4 The management has carried out impairment tests for goodwill acquired through business combinations. Management has estimated the recoverable amount of the assets based on a value in use calculation and accordingly, recognized an impairment loss of AED 19 million on goodwill.

Goodwill arising on the acquisitions during the year shall be tested for impairment upon completion of one year from the date of acquisition.

20. OTHER NON-CURRENT ASSETS

(AED in millions)	2017	2016
Long term portion of:		
- Advances and deposits (note 22)	436	302
- Accrued income on operating leases (note 22)	152	142
- Prepaid rentals (note 22)	14	10
Long term prepaid lease premium (note 20.1)	540	61
Other long term receivables	39	-
	1,181	**515**

20.1 This mainly represents the unamortized value of the payments made to the previous tenants of a hypermarket and a supermarket in respect of the right to enter as a lessee and also includes the payments made to the landlord of a hypermarket towards the cost of construction of the building in which the hypermarket is situated. These payments are in the nature of lease premiums and are amortised over the period of the respective leases which range from 2 to 20 years.

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 first-in first-out principle (FIFO) for certain inventory items (retail, consumables, stores and F&B) and weighted average cost for others (fashion goods), and includes expenditure incurred in acquiring the inventories, production or conversion costs 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)	2017	2016
Inventory held for sale (net of provisions) (note 29.9)	2,410	1,768
Reduction in cost from incidence of rebates and discounts	(169)	(127)
Goods in transit	34	17
Spares and consumables	29	31
	2,304	**1,689**

Provision for stock obsolescence as at the year end amounted to AED 42 million (2016: AED 34 million).

22. TRADE AND OTHER RECEIVABLES

(AED in millions)	2017	2016
Trade receivables	1,406	1,112
Advances and deposits	1,099	835
Prepayments	511	458
Accrued income on operating leases	214	198
Positive fair value of derivatives	58	90
Other receivables	32	88
	3,320	**2,781**
Provision for doubtful receivables (note 33.3.1)	(166)	(138)
	3,154	**2,643**
Less: long term portion (note 20)	(602)	(454)
Current portion	**2,552**	**2,189**

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 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)	2017	2016
Cash in hand	215	202
Fixed deposits	388	215
Cash at bank	528	845
	1,131	**1,262**

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)	**2017**	**2016**
Cash in hand and at bank	1,131	1,262
Less: fixed deposits with an original maturity of more than three months	(107)	(92)
Less: bank overdraft	(130)	(539)
	894	**631**

24. ASSETS CLASSIFIED AS HELD FOR SALE

In December 2017, the Group decided to dispose off assets and liabilities of its healthcare clinics and initiated an active program to locate a buyer. The following assets and liabilities attributable to these healthcare clinics, which are expected to be sold within twelve months, have been classified as held for sale.

(AED in millions)	**31 Dec 2017**
Assets held for sale	
Property, plant and equipment (note 16.4)	33
Trade receivables and prepayments	17
Inventories	3
	53
Liabilities directly associated with assets held for sale	
Trade payables, other liabilities and provisions	9
Provision for staff terminal benefits (note 30.3)	3
Accrued lease rentals	1
	13

On reclassification, the assets were brought to lower of their carrying amount or realizable value and accordingly, an Impairment loss of AED 6 million has been included in impairment charge for the year.

25. TRADE PAYABLES, OTHER LIABILITIES AND PROVISIONS

25.1 Accounting policy

25.1.1 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.

25.2

(AED in millions)	**2017**	**2016**
Trade payables	4,395	3,599
Accruals	2,023	1,385
Advance receipts	938	822
Unearned rental income	878	803
Retentions payable	258	192
Current portion of provision for bonus (note 30.4)	236	196
Provisions (note 25.3)	144	129
Tax payable	132	133
Negative fair value of derivatives	103	131
Deferred consideration - current portion (note 7.3.2)	39	40
Current portion of finance lease liability (note 30.6)	-	26
Current portion of deferred liability (note 30.5)	11	9
Other payables	218	169
	9,375	**7,634**

25.3 Provisions movement during the year:

(AED in millions)	**2017**	**2016**
At 1 January	129	101
Charge during the year	58	96
Payments/adjustments made during the year	(43)	(61)
Currency translation adjustments	-	(7)
At 31 December	**144**	**129**

26. 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.

26.1 Long term receivables from related parties

(AED in millions)	**2017**	**2016**
Receivable from joint ventures (note 26.1.1)	13	62
Less: discounting of receivable	-	(13)
	13	**49**
Receivable from a minority shareholder (note 26.1.2)	16	19
Receivable from a joint operator	2	4
	31	**72**

26.1.1 In the previous year, a portion of the interest free receivable of AED 82 million due from a joint venture, was adjusted to the extent of AED 33 million (note 18.4) with a corresponding increase in investment in the joint venture. The new balance was re-measured at fair value of AED 45 million net of discounting of AED 4 million. In the current year the balance has been reclassified from long term to short term.

26.1.2 A subsidiary of the Group, and its minority shareholder ('the minority shareholder") entered into a loan agreement on 25 November 2010. According to the loan agreement, the minority shareholder, shall repay to the subsidiary, the aggregate principal amount together with all accrued interest therein on the final maturity date of 31 December 2020. Accordingly, the balance is classified as long term in these consolidated financial statements. Interest has been accrued at the rate of 6 months EIBOR plus a margin of 3.5% p.a. compounded on a monthly basis.

26.2 Short term loans to related parties

(AED in millions)	**2017**	**2016**
Receivable from joint ventures (note 26.2.1)	81	24
Receivable from an associate (note 26.2.2)	11	-
	92	**24**

26.2.1 These short term loans to joint ventures include:

- AED 45 million receivable from a joint venture in UAE, refer to note 26.1.1.
- In September 2016, a subsidiary of the Group, entered into an agreement with its joint venture in Egypt, to provide a loan of EGP 118.5 million, amounting to AED 25 million (2016: AED 24 million). The loan is expected to be settled within one year from the reporting date.
- During the year, the Group entered into a loan agreement with a joint venture in UAE amounting to AED 11 million. The loan is repayable at the earlier of buyout or twelve months.

26.2.2 During the year, the Group entered into a loan agreement with an associate amounting to AED 11 million which is expected to be settled within one year from the reporting date.

26.3 Short term loan from a related party

The loan is obtained from the Parent Company, against a loan facility of AED 800 million, renewable every year with a final maturity in 2019.

(AED in millions)	2017	2016
At 1 January	2	53
Borrowed during the year	181	1,013
Repaid during the year	(532)	(1,274)
Adjusted for dividend settlement	370	210
At 31 December	**21**	**2**

26.4 Long term loan from related parties

Long term loans from related parties include:

- An un-secured loan amounting to AED 30 million (2016: AED 30 million) obtained by a Group's subsidiary from it's non-controlling shareholder repayable upon the fifth anniversary of the agreement dated August 2015.
- AED 1 million (2016: AED 3 million) loan is obtained by a Group's joint operation from a joint operator.

26.5 Due from related parties

(AED in millions)	2017	2016
Parent company	56	35
Subsidiaries of the parent company	60	-
Joint ventures (note 18.4)	474	88
Associates	1	-
Others	33	18
	624	**141**
Provision for doubtful receivables	(27)	(27)
	597	**114**

26.6 Due to related parties

(AED in millions)	2017	2016
Others	**41**	**38**

26.7 Compensation to key management personnel

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

(AED in millions)	2017	2016
Directors' fees and expenses	17	13
Employee benefits (salaries and allowances including provision for bonus)	106	105
Post employment benefits (provision for end of service benefits)	6	6
	129	**124**

26.8 Other transactions with related parties during the year

26.8.1 During the year, the Parent Company has borne a proportion of costs, amounting to AED 13 million (2016: AED 15 million), incurred in respect of rollout and operations of Leadership Institute.

26.8.2 During the year, certain projects and activities were undertaken on behalf of the Parent Company. Accordingly, costs relating to such projects and proportion of management time and travel costs, amounting to AED 37 million (2016: AED 40 million), incurred on these projects have been cross charged to the Parent Company. Service recharges amounting to AED 3 million (2016: AED 4 million) were charged to other group companies of the Parent Company.

27. BANK OVERDRAFT

(AED in millions)	2017	2016
Bank overdraft	130	539

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 1,120 million (2016: AED 914 million). The facilities carry interest at 0.75% - 3% above the base lending equivalent and the drawn amounts are repayable on demand.

28. SHORT TERM LOAN

(AED in millions)	**2017**	**2016**
At 1 January	51	-
Borrowed during the year	2,395	2,020
Repaid during the year	(2,391)	(1,969)
	55	**51**

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

29. LONG TERM LOANS

(AED in millions)	**2017**	**2016**
At 1 January	10,275	10,586
Borrowed during the year	5,967	3,640
Assumed on a business combination (note 7.2.1)	103	-
Fair value movement	(13)	(63)
Repaid during the year	(5,144)	(3,341)
Currency translation adjustment	6	(547)
	11,194	**10,275**
Less: Current maturity of long term loans	(326)	(2,509)
Non-current portion	**10,868**	**7,766**

29.1 The details of long term loans are mentioned below:

Loan facility 'in millions	**Repayment interval**	**Repayment commencing**	**Maturity date**	**Note**	**31 December 2017** *(AED in millions)*	**31 December 2016**
EGP 3,000	Unequal	26-Jul-17	28-Apr-26	29.3	-	514
AED 225	Semi-annual	29-Sep-13	22-Mar-20	29.4	67	155
USD 45	Semi-annual	5-Nov-15	5-Nov-18	29.5	13	115
USD 8.3	Annual	27-Sep-16	27-Sep-18	29.5	8	19
LBP 170,633	Annual	20-Mar-16	20-Sep-22	29.5	349	395
EGP 2,500	Unequal installments every year	28-Sep-21	28-Sep-30	29.6	137	-
OMR 175	Unequal installments every year	31-Dec-20	30-Sep-30	29.7	55	-
KES 1,530	Semi-annual	31-Dec-18	15-Sep-19	29.8	30	36
GEL 10.9	Semi-annual	17-Mar-18	17-Mar-21	29.8	16	15
PKR 1,850	Quarterly	6-Aug-18	6-May-21	29.9	61	39
USD 400	Bullet	NA	7-Feb-17	29.10	-	1,469
USD 500	Bullet	NA	3-Nov-25	29.10	1,810	1,809
USD 200	Revolver	NA	26-Feb-22		218	-
AED 3,049	Revolver	NA	26-Feb-22		906	-
USD 500	Bullet	NA	5-Jul-19	29.11	1,835	1,829
USD 800	Bullet	NA	7-May-24	29.11	2,984	3,007
USD 100	Revolver	NA	24-Jul-19		220	367
USD 800	Revolver	NA	11-Sep-20		2,145	506
USD 800	Revolver	NA	30-Jun-22		340	-
					11,194	**10,275**

29.2 The floating rate loans carry margins ranging from 1% to 4.1% (2016: 1% to 3.75%) per annum over the base lending rate, whilst fixed rate on loans ranges from 4.5% to 5.25% (2016: 4.5% to 5.9%). 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.

29.3 In 2013, a loan facility of EGP 3,000 million was obtained by a subsidiary in Egypt in relation to the construction of a shopping mall, which is secured by first degree mortgage over property, assignment of lease proceeds and insurance contracts. During the year, the Group repaid the loan facility in full.

29.4 The loan facility is secured by way of a first degree mortgage over land and building of a shopping mall in UAE, assignment of insurance policies of the property and lease rentals of the shopping mall.

29.5 These loan facilities were obtained by a subsidiary in Lebanon during 2011 and are 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.

29.6 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 is secured by assignment of lease proceeds and insurance contracts.

29.7 During the year, a loan facility of OMR 175 million was obtained by a subsidiary in Oman in relation to the construction of a shopping mall, which is secured by assignment of lease proceeds, insurance and construction contracts.

29.8 In 2016, term loan facilities of KES 1,530 million and GEL 10.9 million were obtained by the Group's subsidiaries in Kenya and Georgia respectively.

29.9 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.

29.10 In 2015, the size of the Sukuk Trust Certificate Issuance Program was increased to USD 1,500 million, from USD 1,000 million, 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 1,836.5 million). The ten year senior unsecured bonds issued in November under this program are listed on the NASDAQ Dubai, UAE and on the Irish Stock Exchange. 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. These bonds bear a fixed profit rate of 4.5% per annum on a semi-annual basis to be serviced 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 Irish Stock Exchange and on the NASDAQ Dubai, UAE. Of the total amount raised under the Sukuk Program, USD 200 million (2016: USD 600 million) is hedged by interest rate swaps and accordingly, carried at fair value.

In February 2017, the Group repaid the five year Sukuk certificates amounting to USD 400 milion (AED 1,469 million) on maturity.

29.11 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 had issued seven year fixed rate unsecured bonds of USD 500 million (AED 1,837 million), ten year fixed rate unsecured bonds in May 2014 of USD 500 million (AED 1,837 million) and additional USD 300 million (AED 1,102 million) as part of May 2014 issue in July 2016. The bonds carry coupon rates ranging from 4.75% to 5.25% per annum, payable every six months. The bonds issued in July 2012 are listed on London and NASDAQ Dubai, UAE Stock Exchanges and bonds issued in May 2014 are listed on NASDAQ Dubai, UAE and Irish Stock Exchanges. In addition the GMTN Program was originally listed on the London Stock Exchange in 2011. All subsequent updates have been listed on Irish Stock Exchange and on NASDAQ Dubai, UAE. Of the total amount raised under the GMTN Program, USD 625 million (2016: USD 825 million) is hedged by interest rate swaps and accordingly, carried at fair value.

30. OTHER LONG TERM LIABILITIES AND PROVISIONS

30.1 Accounting policy

30.1.1 Staff terminal and retirement benefits

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.

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.

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

	2017	*2016*
Discount rate	3.00% - 4.50%	2.58% - 6.00%
Future salary increase	3% - 5%	3% - 5%

30.1.2 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. The principal assumptions underlying the estimates are as follows:

	2017	*2016*
Discount rate	3.00% - 4.50%	2.58% - 6.00%
Annual rate of employees expected to leave scheme	0% - 50%	0% - 50%

30.1.3 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

30.1.4 Leases

Determining whether an arrangement contains a lease

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

Leased assets

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

Lease payments

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

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

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

30.2

(AED in millions)	**2017**	**2016**
Provision for staff terminal benefits (note 30.3)	676	546
Deferred consideration - non-current portion (note 7.3.2)	122	143
Accrued lease rentals	218	202
Provision for bonus (note 30.4)	50	47
Deferred liability (note 30.5)	-	11
Finance lease liabilities (note 30.6)	47	24
Other long term liabilities	1	3
	1,114	**976**

30.3 The movement in provision for staff terminal benefits is analysed as follows:

(AED in millions)	**2017**	**2016**
At 1 January	546	481
Charge during the year	126	110
Payments made during the year	(31)	(42)
Addition on acquisition of a subsidiary (note 7.2.1)	38	-
Reclassification to liabilities directly associated with assets held for sale (note 24)	(3)	-
Currency translation adjustment	-	(3)
At 31 December	**676**	**546**

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

(AED in millions)	**2017**	**2016**
At 1 January	243	212
Additions during the year	269	233
Payments/transfers made during the year	(226)	(189)
Currency translation adjustment	-	(13)
At 31 December	**286**	**243**
Less: Current portion (note 25.2)	(236)	(196)
Non-current portion	**50**	**47**

The provision for bonus includes AED 67 million (2016: AED 41 million) in respect of deferred bonus plan for the senior management staff of the Group, and a portion of this is expected to be paid within twelve months from the reporting date.

30.5 The movement in the deferred liability is as follows:

(AED in millions)	**2017**	**2016**
At 1 January	**20**	31
Interest accrued during the year	1	1
Payments made during the year	(10)	(12)
At 31 December	**11**	**20**
Less: Current portion (note 25.2)	(11)	(9)
Non-current portion	**-**	**11**

Also refer to note 19.3

30.6 Finance lease liabilities are as follows:

	Future minimum lease		Interest		Present value of minimum	
(AED in millions)	2017	2016	2017	2016	2017	2016
Less than one year	2	31	2	5	-	26
Between one and five years	15	8	15	8	-	-
More than five years	217	124	170	100	47	24
	234	**163**	**187**	**113**	**47**	**50**

The imputed finance cost on the finance lease liabilities was determined based on Group's subsidiaries incremental borrowing rate of 0.3% - 10%.

31. SHARE CAPITAL AND RESERVES

31.1 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.

31.2 Share capital

(AED in millions)	2017	2016
Issued and fully paid 2,486,729 shares of AED 1,000 each	**2,487**	**2,487**

31.3 During the year, a dividend of AED 370 million (2016: 210 million) was declared and settled by the Company.

31.4 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.

31.5 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.

31.6 Currency translation reserve

The currency translation reserve comprises all foreign currency differences arising from the translation of the financial statements of foreign operations. During the prior year the Central Bank of Egypt floated its controlled currency which led to devaluation of Egyptian Pound by 57% and resulted in an impact of AED 1,434 million in the currency translation reserve in prior year.

32. HYBRID EQUITY INSTRUMENTS

(AED in millions)

Note Instruments	Amount	Interest rate	Call date	Reset terms	2017	2016
October 2013	USD 500 million	7.125% p.a. payable semi-annually in arrears	29-Oct-18	5 years to a new fixed rate plus the margin	1,826	1,826
March 2017	USD 500 million	5.5% p.a. 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	-
					3,654	**1,826**

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 19.4 million (2016: AED 10.5 million). These hybrid prepetual note instruments are listed on the Irish Stock Exchange.

33. 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.

33.1 Accounting policy

33.1.1 Non-derivative financial assets

Classification

A financial instrument is any contract that gives rise to both a financial asset of the Group and a financial liability or equity instrument for another party. The Group principally classifies its financial assets at initial recognition in the following categories:

Financial assets at fair value through profit or loss: This category has the following two sub-categories; financial assets held for trading or designated to be fair valued through profit or loss at inception. Financial assets are designated at fair value through profit or loss if the Group manages such investments and makes purchase and sale decisions based on their fair value in accordance with the Group's documented risk management or investment strategy.

Loans and receivables: Loans and receivables are non-derivative financial assets with fixed and determinable payments that are not quoted in an active market. These arise when the Group provides money directly to the counterparty with no intention of trading the receivable.

Initial recognition

Purchases and sales of investment securities are recognized on the trade date which is the date on which the Group commits to purchase or sell the securities. Loans and advances are recognized when cash is advanced to the counter party. Financial assets are initially recognized at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss.

Subsequent measurement

Financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables are carried at amortized cost using the effective interest method, less impairment allowances, if any. Gains and losses arising from changes in the fair value of the investments in the fair value through profit or loss category are included in profit or loss in the period in which they arise.

De-recognition

Financial assets are derecognized when the rights to receive cash flows from the financial assets have expired or where the Group has transferred substantially all the risks and rewards of ownership.

33.1.2 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.

33.1.3 Derivative financial instruments

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 "FVPL – financial assets held for trading" financial instruments.

Initial and subsequent measurement

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

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

Gains and losses on subsequent measurement

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

Hedging instruments

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

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

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

Hedge documentation

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

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

Hedge effectiveness testing

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

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

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

Fair value hedges

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

Cash flow hedges

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

Discontinuance of hedge accounting

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

Hedges that do not qualify for hedge accounting

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

33.2 Financial risk management objectives and policies

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

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

33.3 Credit risk

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

The operating subsidiaries have a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. Majority of the Group's income is by way of cash and advance receipts and are supported by a deposit equivalent to one month's advance rental. Credit evaluations are performed on all customers requiring credit over a certain amount. The Group has a broad base of customers with no concentration of credit risk within trade receivables at 31 December 2017 and 31 December 2016. Cash is placed with a diversified portfolio of reputable banks and the risk of default is considered remote. Management has assessed the recoverability of its trade receivables as at the reporting date and considers them to be recoverable. Amounts due from related parties are considered by management to be fully recoverable. All non-current receivables are due within five years of the reporting date and the fair values of trade and other receivables approximate to the carrying value.

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

(AED in millions)	**2017**	**2016**
Investments held as FVPL	-	3
Long term loan, advances and receivables	467	374
Trade receivables (note 22)	1,406	1,112
Other current receivables	587	573
Due from related parties	597	114
Cash at bank	916	1,060
	3,973	**3,236**

33.3.1 Provision for bad and doubtful debts is based on the age of the overdue amount and the percentage of the respective age bucket. For tenant receivables provision 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 movement in the provision for doubtful receivables during the year was as follows:

(AED in millions)	2017	2016
At 1 January	(138)	(96)
Bad debt expense for the year (note 11)	(142)	(128)
Amounts written off/reversals	112	85
Foreign exchange differences	2	1
	(166)	**(138)**

The other classes within trade and other receivables do not contain impaired assets.

33.3.2 At the reporting date, the ageing of trade and other receivables is as follows:

(AED in millions)	2017	2016
Current balance	1,031	821
Past due 1 - 30 days	24	35
Past due 31 - 90 days	100	103
Past due 91 - 180 days	98	86
Past due over 180 days	153	67
	1,406	**1,112**
Less: provision for doubtful debts	(166)	(138)
	1,240	**974**

33.4 Liquidity risk

At 31 December 2017, the Group has net current liabilities of AED 2,981 million (2016: AED 5,250 million) which includes debt maturing in the short-term of AED 532 million (2016: AED 3,127 million). Further, at 31 December 2017 debt maturing in the long term is AED 10,946 million (2016: AED 7,823 million).

At 31 December 2017, the Group has undrawn facilities of AED 8,147 million (2016: AED 10,897 million) and cash in hand and at bank of AED 1,131 million (2016: AED 1,262 million) to cover its liquidity needs for at least the next 18 months.

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

		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 2017					
Bank loans	11,194	902	2,431	5,063	5,388
Bank overdraft	130	333	-	-	-
Loans from related parties	52	23	2	6	39
Trade and other payables	7,468	7,022	92	116	249
Due to related parties	41	41	-	-	-
Derivative liability for risk management					
- Interest rate derivatives designated as cashflow hedge	45	10	8	22	7
- Derivative instruments accounted as FVPL	58	8	10	39	31
	18,988	**8,339**	**2,543**	**5,246**	**5,714**

(AED in millions)	Carrying amount	Contractual cash flows: Less than one year	Between one to two years	Between two to five years	More than five years
As at 31 December 2016					
Bank loans	10,274	3,056	558	3,335	6,069
Bank overdraft	539	539	-	-	-
Loan from related parties	35	4	2	6	43
Trade and other payables	5,974	5,751	100	117	189
Due to related parties	38	38	-	-	-
Derivative liability for risk management					
- Interest rate derivatives designated as cashflow hedge	57	13	10	25	15
- Derivative instruments accounted as FVPL	75	13	10	24	36
	16,992	**9,414**	**680**	**3,507**	**6,352**

33.5 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.

33.5.1 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 one year after the reporting date. Where necessary, forward exchange contracts are rolled over at maturity.

Foreign currency sensitivity analysis

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

33.5.2 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)	2017	2016
Fixed rate instruments		
Financial assets	388	215
Financial liabilities	(6,629)	(8,114)
	(6,241)	**(7,899)**
Floating rate instruments		
Financial assets	96	109
Financial liabilities*	(4,984)	(2,976)
	(4,888)	**(2,867)**

* Floating rate financial liabilities include loans of AED 2,999 million (2016: AED 1,007 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)	
		2017	2016	2017	2016
Floating rate instrument	+ 100	(48)	(28)	-	-
Interest rate swaps designated as cash flow hedges	+ 100	79	59	(79)	(59)
Interest rate swaps designated as FVPL	+ 100	(185)	(211)	-	-
Cash flow sensitivity (net)		**(154)**	**(180)**	**(79)**	**(59)**
Floating rate instrument	- 100	48	28	-	-
Interest rate swaps designated as cash flow hedges	- 100	(83)	(64)	83	64
Interest rate swaps designated as FVPL	- 100	199	228	-	-
Cash flow sensitivity (net)		**164**	**192**	**83**	**64**

33.6 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)	2017	2016
Interest bearing loans and borrowings	11,478	10,950
Less: cash and bank balances	(1,131)	(1,262)
Net debt	**10,347**	**9,688**
Total equity	**36,974**	**33,107**
Net debt to equity ratio	**28%**	**29%**

Regulatory capital

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

(AED in millions)	2017	2016
Paid up capital	150	150
Reserves	31	68
Total equity	**181**	**218**
Total borrowings	615	413
Total funds available	**796**	**631**
Capital ratio	**23%**	**35%**

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.

33.7 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.

At 31 December 2017 *(AED in millions)*	Carrying amount	Fair value Level 1	Level 2	Level 3
Financial assets				
Interest rate derivatives	58	-	58	-
Financial liabilities				
Interest rate derivatives	103	-	103	-
Sukuk and Note liabilities	6,629	-	6,921	-
	6,732	**-**	**7,024**	**-**

At 31 December 2016 *(AED in millions)*	Carrying amount	Fair value Level 1	Level 2	Level 3
Financial assets				
Interest rate derivatives	90	-	90	-
Equities held at fair value through profit and loss	3	-	3	-
	93	**-**	**93**	**-**
Financial liabilities				
Interest rate derivatives	131	-	131	-
Sukuk and Note liabilities	8,114	-	8,343	-
	8,245		**8,474**	

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

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

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

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

The interest rates used to discount estimated cash flows, where applicable, are based on the spot rates derived from the interpolated per annum yield curve in respect of borrowings/derivatives which is 1.69% - 2.42% (2016: 1.00% - 2.47%) at the reporting date.

34. CONTINGENT LIABILITIES, GUARANTEES AND COMMITMENTS

(AED in millions)	2017	2016
Capital commitments	4,815	2,983
Group's share of capital commitments in relation to its equity accounted investees	582	729
Letter of credits outstanding	27	1
Bank guarantees outstanding	226	192

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

35. OPERATING LEASE COMMITMENTS

35.1 Leases as a lessor

Operating leases relate to the investment property owned by the Group with lease terms typically between 3 to 10 years, with an option to extend.

In the current year, the Group has restated commitments disclosure relating to minimum lease payments from the identification of a correction required in the last years disclosure arising from a data entry issue. Moreover, the management decided to take a holistic view of measuring minimum lease payments under non-cancellable operating leases. Previously, the Group used to take into account all signed leases including those where the malls had not yet opened, the management believes it is more appropriate that a signed lease should only be included when the respective mall has opened. The revision in this measurement basis doesn't result in significant change in the amounts.

The Group leases out its property under operating leases as lessor. Non-cancellable operating lease rentals are receivable as follows:

(AED in millions)	**2017**	**2016 (as restated)**
Less than one year	2,435	2,274
Between one and five years	4,106	4,358
More than five years	216	380
	6,757	**7,012**

35.2 Leases as a lessee

(AED in millions)	**2017**	**2016**
Less than one year	671	605
Between one and five years	2,344	2,016
More than five years	3,231	2,934
	6,246	**5,555**

36. SUBSEQUENT EVENTS

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

37. COMPARATIVES

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