ماجد الفطيم
MAJID AL FUTTAIM

GREAT MOMENTS
FOR EVERYONE,
EVERYDAY

Majid Al Futtaim Holding LLC

Consolidated Financial Statements

Year ended 31 December 2021

Contents

Directors' Report

The Directors' report and 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 2021. 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 **21 February 2022**.

Commemoration Of The Founder

The year ended with great sadness for the Group with the passing of its founder, Mr. Majid Al Futtaim. Mr. Majid was a visionary entrepreneur who transformed retailing in the UAE and across the region. His extraordinary foresight and clarity of purpose not only set the Company on the path to success, but greatly contributed towards the UAE's global reputation for innovation and excellence.

Mr. Majid believed wholeheartedly in robust private-sector institutions and the role they should play in driving sustainable economic growth and human development. He believed that if a company did not add value to its environment, if it did not deliver sustained positive impact to people's lives, it had no reason to exist.

He set out to create an enterprise that would serve as a beacon for the private sector and actively demonstrate how meaningful and enduring contributions to economies create a better future for generations to come. His diligent and unwavering commitment to building a professionally led and independently governed institution has ensured the Group operates as a world-class organisation driven by the best regional and international talent.

In doing so, Mr. Majid's vision has become globally synonymous with retailing innovation and expertise across the Group's industries, a magnet for global talent in the Middle East and a champion for public/private sector collaboration across its markets. The 43,000 people representing the Group today are his mindset brought to life and are as much a part of his vision as contributors to his legacy.

Group Structure And Ownership

The Group remains fully owned by Majid Al Futtaim Capital LLC ("the Parent Company"). Prior to his passing, Mr. Majid Al Futtaim owned 99.6% of the shares in Majid Al Futtaim Capital LLC. Mr. Tariq Al Futtaim (a Non-Executive Director of both the Parent Company and the Company) held the remaining 0.4%. Following Mr. Majid's death, ownership of the shares that he held in Majid Al Futtaim Capital LLC will pass to his ten heirs, including Mr. Tariq Al Futtaim.

Majid Al Futtaim Capital LLC remains the owner and shareholder of Majid Al Futtaim Holdings LLC. All current decision-making authorities and accountabilities within the Delegation of Authority to the Boards and to Management remain in effect, ensuring the Group and its businesses continue to operate as normal.

Majid Al Futtaim Properties	Majid Al Futtaim Retail	Majid Al Futtaim LEC	Majid Al Futtaim Lifestyle
• Owns, develops and operates **29**[7] destination shopping malls across the region • Owns **13** hotels operated by international brands • Develops and manages **5** mixed use communities • Operates Enova[8] a facility and energy management company	• Operates a portfolio of more than **375** outlets • Geographical footprint covering **17** countries • Exclusive rights to the Carrefour franchise in markets across Middle East, Africa and Asia	• Operates over **600** VOX Cinema screens and Magic Planet sites • Unique leisure offerings Ski Dubai, Ski Egypt and Dreamscape	• World-class fashion and retail brands with more than 100 stores across the MENA region • Representing international brands including Abercrombie & Fitch, Lululemon, Crate & Barrel and many other

Majid Al Futtaim Global Solutions
• Technology, Finance, Human Capital and Procurement services • Service delivery centers in UAE, Egypt and India

Financial Results And Highlights

2021 was a year of evolution and renewal for the Group. The business had to address the challenges of new COVID variants and their impact on the regional and global economic environment, which included supply-side shortages, disruptions to labour markets, production and supply chain bottlenecks, fluctuations in global energy markets, as well as shipping and transportation constraints, all adding to existing inflationary pressures.

The comprehensive vaccine programmes and robust pandemic mitigation plans across the region saw an ease in travel restrictions and a subsequent increase in consumer spend, driving an overall increase in consumer confidence across the GCC. The advent of EXPO2020 Dubai in Q4 further contributed to positive business and consumer sentiment. With over 10 million visits at the end of January 2022, EXPO2020 has been a catalyst for growth in the region, driving increases in hotel occupancy and residential real-estate prices.

7 The shopping malls portfolio includes Mall of the Emirates, Mall of Egypt, Mall of Oman, City Centre malls and My City Centre neighbourhood centres, and 5 community malls which are in joint venture with the Government of Sharjah.

8 The Group owns Enova through a joint venture operation with Veolia, a global leader in optimized environment resource management.

This story of continued recovery was reflected in November's Purchasing Managers' Index[1] for the non-oil sector, which rose to its highest level since June 2019. It remained elevated through December, signaling a strong improvement in business conditions as the GCC economy closed out the year at almost pre-pandemic levels[2].

Against this backdrop, the Group has maintained robust cash flows and a strong balance sheet, ending 2021 with a good performance across all its operating units. The Group reported a decline in revenue by 1% and an increase in EBITDA[3] by 4%.

Properties revenue grew by 26% to **AED 4,406 million**. This was achieved despite lower revenue resulting from temporary closures and COVID-19 impacted footfall and sales. Following the swift roll-out of vaccinations, footfall and sales are picking up. Tilal Al Ghaf contributed AED 504 million as the project met revenue recognition criteria for the first time in 2021.

Strong Group Performance

REVENUE	2021 **AED 32,291m**	2020 **AED 32,575m**
EBITDA	2021 **AED 3,906m**	2020 **AED 3,762m**
NET PROFIT	2021 **AED 2,461m**	2020 **NET LOSS** **(AED 2,709m)**
OPERATING CASHFLOW	2021 **AED 5,288m**	2020 **AED 4,444m**

Retail revenue saw an overall decline of 6% to **AED 26,304 million**. The business started the year facing continued geopolitical and economic headwinds, as well as exposure to activism as a result of sub-brand association. The trend had reversed by the end of Q2, buoyed by increased tourism and again in Q3 as the commencement of EXPO2020 approached, although the business continued to be impacted throughout the year. In comparison, Majid Al Futtaim Retail's 2020 financial performance had benefited from household overstocking during the early days of the pandemic.

LEC revenue grew by 65% to **AED 1,302 million** from a low base in 2020 as a result of government-mandated temporary closures. New content releases and the easing of restrictions are contributing to increased revenue and footfall.

Lifestyle reported a revenue of **AED 580 million** versus AED 413 million for 2020. Revenue increased by 40% reflecting strong performance by brands such as Lululemon, Crate and Barrel, and THAT Concept store in 2021.

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

2021 ended with a net profit of **AED 2,461 million** compared to a net loss of AED 2,709 million in 2020. This is primarily driven by strong performance and a stable market outlook as the Group reported valuation gains of AED 933 million compared to valuation losses of AED 2,954 million in 2020.

The Group's focus on generating and preserving cash, by driving trade through promotions and clearance, strengthening our online offer and capacity, managing working capital by reducing inventory intake and optimising supplier payment terms, increased the cash flow from operations to **AED 5,288 million**.

The Group continues to manage its balance sheet to ensure that shareholders' wealth is protected while simultaneously ensuring it remains well-positioned to fuel future growth opportunities.

At the end of 2021, Net Debt ended at **AED 11,977 million**, a reduction of AED 414 million versus 2020 levels. This was driven by the Group's ability to generate cash from increased EBITDA, improved working capital performance and successful monetisation of the credit card portfolio. The Group continues to manage its debt position and leverage at prudent levels to ensure its ability to maintain its credit rating and confidence of the market. This is achieved through prudent cash flow management, across operational, investment and financing elements.

Robust Balance Sheet

	2021	2020
TANGIBLE FIXED ASSETS	AED 45,749m	AED 43,474m
NET DEBT	AED 11,977m	AED 12,391m
TOTAL EQUITY	AED 29,050m	AED 27,179m

Significant Developments

The Group entered 2021 in a strong financial position with the capacity to make progress and execute delivery of its expansion plans across the UAE, as well as in Egypt, Saudi Arabia, and Oman.

During 2021, **Majid Al Futtaim Properties** successfully opened City Centre Al Zahia in March 2021, and Mall of Oman in September 2021, adding a total of 276,200 sqm gross leasable space to its portfolio. City Center Al Zahia is the largest shopping mall in the Northern Emirates and the centerpiece of the Group's development in Sharjah. The opening of Mall of Oman marked Majid Al Futtaim's fifth and largest mall in Oman. Groundwork on Mall of Saudi began in November 2021.

SHOPPING MALLS

- Valued at 34bn
- 2 new super regional malls
- 18% increase in GLA
- 26% increase in total tenant sales
- 23% increase in total footfall

HOTELS

- Valued at 3.2bn
- 100% increase in RevPAR
- 33% increase in occupancy
- Hotel partner for UK Pavilion at Expo 2020

COMMUNITIES

- 4 new phases launched - Harmony II & III, Aura and Aura Gardens
- AED 5.1bn gross sales
- 1,514 units sold in 2021

New community launches in Tilal Al Ghaf were well received by the market and recorded sales of AED 5,066 million, with 1,514 units sold by end of the year.

Majid Al Futtaim Retail made solid progress in growing its footprint last year, opening 69 new hypermarkets and supermarkets across the region and taking the total number of hypermarket/ supermarkets to over 400.

Continued movement restrictions further accelerated Majid Al Futtaim Retail's digital offering, including the introduction of the region's first AI powered Carrefour City+, and the continued enhancement of its omnichannel offering, such as Carrefour's Marketplace and Click & Collect.

RETAIL

- Expansion in Uganda
- Net 2021 openings: 8 new hypermarkets and 61 new supermarkets
- 10% increase in customers
- Region's first AI powered contactless store

RETAIL ONLINE

- 44% increase in online sales
- 94% increase in fulfilled orders
- 50 new fulfilment centers
- Introduction of Click & Collect and Marketplace

As well as strengthening last mile delivery capabilities with new fulfilment centres and dark stores across the region, the Retail business activated a number of existing stores to fulfil the growth in online sales, which now represents 5% of Carrefour's total revenue.

Majid Al Futtaim LEC continued its expansion across the region through its diversified portfolio of businesses. VOX Cinemas further strengthened its market share, opening 61 new screens in 2021, including its first hybrid cinema and family entertainment centre in the UAE. In August, VOX Cinemas launched CTRL, the Middle East's first interactive movie experience in the UAE and KSA.

In KSA, the business continues to deliver on its commitment to bring world-class cinema experience to Saudi-based customers. The opening of the country's first multiscreen-multiplex brings the total number of screens in the country to 154 across 15 movie theatres in 5 cities.

LEISURE ENTERTAINMENT AND CINEMAS

- 61 new screens
- 60% increase in admissions
- CTRL: Region's first interactive movie experience
- Opened its first hybrid cinema and FEC in UAE
- Exclusive distribution rights for Japanese Anime Titles

Majid Al Futtaim Lifestyle remains focused on delivering on the Group's strategic imperative - to become as prominent digitally as it is physically. This has translated to bringing a number of omnichannel retailing experiences to its customers – including the launch of the Group's first omnichannel concept store (THAT) in early 2021.

LIFESTYLE

- Launch of THAT concept store
- Launched CB2

Majid Al Futtaim Global Solutions completed its first year as a shared services hub for key support functions. Through the course of the year, the new Operating Company was focused on the consolidation and standardisation of processes and support services across the Group. It has continued to build capacity in its service delivery centres across Egypt, UAE and India with a number of key processes 'going live' towards the last quarter of the year.

GLOBAL SOLUTIONS

- Servicing Finance, IT, Human Capital and Procurement services across the Group
- 753 employees across UAE, Egypt and India

Digital transformation remains foundational to the Group's growth plans. Continued progress in the application of block chain technology, fintech and AI as well as the advancing capabilities in data and analytics, are set to well-position the Group in future-proofing its interests.

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

Financing

Despite challenging macroeconomic conditions, the Group's BBB credit rating and 'stable outlook' were reaffirmed by Standard & Poor's and Fitch Ratings in Q4 2021. This reiterates Majid Al Futtaim's strong governance, resilience of its diversified business model, proactive approach to tackling the COVID-19 crisis, a healthy liquidity position and continued prudent financial management.

Risk Management And Governance

The Group is committed to protecting and enhancing its resilience and sustainability. A robust risk assessment framework has enabled it to incorporate learnings and insights arising from the various economic and operational challenges it has identified, further bolstering its business continuity planning and crisis management modeling to ensure a proactive and positive state of readiness.

Decisions pertaining to delivery of the Group's strategy are supported by stringent governance and risk management. This discipline remains a key part of the Group's operational DNA.

ESG And Stakeholder Capitalism

The tenets of stakeholder capitalism and a commitment to triple bottom-line sustainability efforts are the foundations on which the Group was formed. A key aspect of its longevity and resilience, these ambitions remain at the centre of its activities.

In parallel and fueled by an increased awareness and engagement in better, 'greener' practices, ESG-related credentials and commitments are increasingly informing consumer purchasing and community engagement choices. As a regional market-leader with a global reputation, the Group understands the importance of being a role model for sustainable business practices.

In 2021, the Group became the first privately-owned corporation in Dubai to secure a Sustainability Linked Loan (SLL) facility of AED 5.6 billion. A landmark transaction in the region, the SLL aims to facilitate and support environmentally and socially sustainable economic activity and growth by incentivising ambitious, predetermined sustainability performance objectives across three key areas: green building, carbon reduction and diversity and inclusion.

The Group also attained 'Green Star' status from the Global Real Estate Sustainability Benchmark (GRESB) for the eighth consecutive year, maintained its Sustainalytics ESG low risk rating and was awarded Regional Leadership Leader by the USGBC. The Group continues to actively seek opportunities to deliver on its ESG ambitions.

Environment	Social	Governance
• World's first hotel portfolio to receive LEED Platinum certification • Committed to set science-based targets for all Operating Companies • Launched a major 17-megawatt solar park in Jordan	• Invested AED 45m in additional infrastructure for Al Zahia community development, creating a mosque, an electric substation, roads, as well as a greywater treatment plant • Committed to hire 3,000 Emiratis over five years, as part of NAFIS, the UAE Government's 'Projects of the 50'	• Conducted a comprehensive climate risk assessment at business and asset level and progressing into climate risk management implementation • Committed to disclose potential impacts of climate change on the business, as a supporter of the TCFD

Further details on Majid Al Futtaim's ESG commitments can be found at:
https://www.majidalfuttaim.com/en/who-we-are/sustainability-and-esg/reports

Outlook

While there is still some uncertainty around the pandemic and the emergence of new variants, last year ended on an optimistic note, with higher consumer sentiment[4] and continuing economic recovery. 2022 is starting on a firm footing, with the region set to benefit from continued policy innovation, a rebound in tourism and a gradual global recovery.

COVID-19 variants may continue to present some risk to the outlook, but the underlying drivers of growth remain firm, and confidence remains high with the economy set to continue to grow in 2022, albeit at a slower pace of 3.3% compared with 3.8% in 2021[5]. While this will see the non-oil sector lag the energy sector for the first time since 2018, the positive factors outlined are set to see non-oil GDP growth close to 2.5% over the medium term.

The acceleration in demand for digital experiences, in particular towards high-quality omnichannel retailing, is set to continue as consumers seek out experiences that bring together the best aspects of e-commerce and physical retail, while placing strong favour on convenience in meeting their needs. It is expected that 2022 will see a continuation and extension of these trends.

Although visitor numbers are unlikely to return to pre-pandemic levels until 2023[6], tourism is expected to continue to rebound, further boosted by sustained vaccination drives and the measured easing of movement restrictions.

The adoption of a shorter working week in the UAE is also expected to further bolster the economy[7]. While it is early days for this new model, and the full effect is yet to be felt, it is likely to give leisure & entertainment a boost as people put their additional free-time to good use[3]. In addition, this change will help to make the UAE a more attractive destination for international talent considering relocation.

Majid Al Futtaim is well-placed to benefit from the improving conditions and has started to see positive signs through higher footfall, increased consumer spending and an uptick in hotel occupancy levels. We remain focused on what matters most and continue to put our purpose and people at the heart of what we do, as we take strength from the Group's deep foundations and rich history supported by a diverse portfolio, strong capital base and wealth of talent.

4 Internal MAF Shopping Malls footfall data, January 2019 - December 2021
5 Oxford Economics
6 Tourism Economics
7 Financial Times

Dividend

In the current year, the Company declared a dividend of AED 675 million (2020: AED 635 million).

Directors

The following comprise the Board of Directors:

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

Auditors

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

By the order of the Board

DocuSigned by:

43D3CB2D8723445...

Company Secretary

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

Independent Auditors' Report

To the Shareholders of Majid Al Futtaim Holding LLC

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Majid Al Futtaim Holding LLC the Company") and its subsidiaries ("the Group"), which comprise the consolidated statement of financial position as at 31 December 2021, 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 2021 and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

Basis for Opinion

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

Key Audit Matters

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

Valuation of property, plant and equipment and investment property	
Refer to note 17 to the consolidated financial statements	
The key audit matter	**How the matter was addressed in our audit**
The Group's accounting policy is to state its properties (primarily comprising of shopping malls, hotels, offices and land) at fair value at each reporting date. The valuation of the property portfolio is a significant area of judgement and is underpinned by a number of assumptions. The existence of significant estimation uncertainty and lack of comparable transactions, heightened by the ongoing COVID-19 pandemic warrants specific audit focus on this area. The Group engaged professionally qualified external valuers to fair value its property portfolio performing their work in accordance with the Royal Institution of Chartered Surveyors ('RICS') Valuation - Professional Standards. Key inputs in the valuation process included discount rates, yield rates, average daily rates, contracted estimated rental values, forecasted operating expenses and cost to complete estimates, which are influenced by prevailing market forces and the specific characteristics, such as property location, income return, growth rate, occupancy rate and development progress, of each property in the portfolio. The property portfolio (excluding land bank and properties under development where the external valuers stated that fair value is not reliably determinable) was valued using discounted cash-flows method. The valuation of land is based on sales comparison method.	- We assessed the competence, independence and integrity of the external valuers and whether the valuation approach was suitable for use in determining the fair value of the properties in the consolidated statement of financial position. - We reviewed the terms of engagement of the external valuers with the Group to determine whether there were any matters that might have affected their objectivity or may have imposed limitations upon their scope of work. - We carried out procedures on selected properties of the portfolio to test on a sample basis whether property-specific current information supplied to the external valuers by management reflects the underlying property records held by the Group, which have been tested during our audit. - We met with the external valuers of the property portfolio to discuss the results of their work. - We involved our real estate valuation specialists to assess the valuation methodology and determine whether significant assumptions including market comparability for land, discount rates, compounded annual growth rate, EBITDA margin, yield rates for certain shopping malls and hotels are within an acceptable range. - We discussed and challenged the valuation process, overall performance of the portfolio, significant areas of judgment and key assumptions.

Valuation of property, plant and equipment and investment property (continued)	
Refer to note 17 to the consolidated financial statements	
The key audit matter (continued)	**How the matter was addressed in our audit (continued)**
The key driver of the property valuations in relation to the shopping malls is the contracted terms of the leases in place at the valuation date. These determine the majority of the secured cash flow profile of the property for the contracted lease term and therefore form the base of the valuation. The shopping mall valuation assumes adjustments from the existing contracted rental values in place at the valuation date to the estimated market rent at the time of the next rent review and as existing lease contracts expire and are expected to be replaced by new leases. These estimates can be several years into the future. The key driver of the property valuations in relation to hotels is the estimated EBITDA (Earnings before interest, tax, depreciation and amortisation) that a market participant would expect to generate from the hotel operations. The effect of these matters is that, as part of our risk assessment, we determined that the valuation of properties has a high degree of estimation uncertainty, with a potentially significant range of reasonable outcomes.	- We evaluated year-on-year movements of significant valuation assumptions with reference to published benchmarks, if any. Where assumptions were outside the expected range or otherwise deemed unusual, and / or valuations appeared to experience unexpected movements, we undertook further inquiries and, where necessary, held further discussions with the external valuers in order to challenge the assumptions. - Based on the outcome of our evaluation, we assessed the adequacy of disclosures in the consolidated financial statements.

<table>
<tr><th colspan="2">Supplier rebates and benefits</th></tr>
<tr><td colspan="2">Refer to notes 10 and 11 to the consolidated financial statements</td></tr>
<tr><td>The key audit matter</td><td>How the matter was addressed in our audit</td></tr>
<tr><td>Within the scope of its retail activities, the Group receives rebates and benefits from its suppliers in the form of discounts and commercial cooperation fees. These rebates and benefits, generally based on a percentage defined contractually, and on purchases made from suppliers, are recorded as a deduction from cost of goods sold.

Additionally, the Group also receives service income from certain suppliers towards promotional, marketing and other specific services including in-store displays which are recorded as revenue.

The variety and number of the buying arrangements with suppliers on rebates and benefits can make it judgmental to determine the performance conditions associated with these supplier arrangements. This requires a detailed understanding of the contractual arrangements as well as complete and accurate source data to calculate the supplier rebates, benefits and service income due to the Group. There may also be incentives or pressures for management to manipulate the timing of recognition of these benefits, to meet internal targets.

Considering the material impact of these arrangements on financial results, the large number of contracts concerned and the necessity for management to estimate the purchases covered by these rebates and benefits for each supplier, we considered accounting for rebates and benefits to be a key audit matter.</td><td>- We obtained an understanding of the internal controls implemented by the management on the measurement and the recognition of rebates and benefits, assessed their design and implementation and tested the operating effectiveness of the internal controls on a sample of supplier arrangements.

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

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

- We performed revenue and gross margin analysis to understand trends by product category in order to identify, and test anomalies, if any, which may indicate potential errors in accounting for supplier rebates and benefits.

- We tested, on a sample basis, supplier reconciliation statements and supplier balance confirmations / statements to verify that any significant reconciling items including supplier rebates and benefits are valid and are cleared in a timely manner.</td></tr>
</table>

Other Information

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

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

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

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

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

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

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

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

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

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

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

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

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

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

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

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

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

Report on Other Legal and Regulatory Requirements

Further, as required by the UAE Federal Law No. (2) of 2015 (as amended) we report that for the year ended 31 December 2021:

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 (as amended);

iii) the Group has maintained proper books of account;

iv) the financial information included in the Directors' report is consistent with the books of account of the Group;

v) as disclosed in note 37 to the consolidated financial statements, the Group has purchased shares during the year ended 31 December 2021;

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

vii) based on the information that has been made available to us, nothing has come to our attention which causes us to believe that the Group has contravened during the financial year ended 31 December 2021 any of the applicable provisions of the UAE Federal Law No.(2) of 2015 (as amended) 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 2021; and

viii) note 12.5 to the consolidated financial statements discloses the social contributions made during the year ended 31 December 2021.

KPMG Lower Gulf Limited

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

Date: 21 February 2022

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

(AED in millions)	Note	2021	2020
Revenue	10	32,291	32,575
Cost of sales	11.2	(22,012)	(22,859)
Operating expenses	12	(7,776)	(7,220)
Finance costs - net	13.2	(677)	(653)
Other income - net	14	4	42
Impairment loss on non-financial assets - net	15.3	(177)	(1,389)
Impairment loss on financial assets - net	15.4	(51)	(185)
Share of profit in equity-accounted investees - net of tax	18.3 & 18.4	97	48
Profit before net valuation gains/(loss) on land and buildings		**1,699**	**359**
Net valuation gain/(loss) on land and buildings	17.5.1	933	(2,954)
Profit/(loss) before tax		**2,632**	**(2,595)**
Income tax expense - net	16.2	(171)	(114)
Profit/(loss) for the year		**2,461**	**(2,709)**
Profit/(loss) for the year attributable to:			
- Owners of the Company		2,476	(2,659)
- Non-controlling interests	7.3	(15)	(50)
Profit/(loss) for the year		**2,461**	**(2,709)**
Profit/(loss) for the year		**2,461**	**(2,709)**
Other comprehensive income			
Items that will not be reclassified to profit or loss:			
Net valuation gain/(loss) on land and buildings	17.4.2	526	(500)
Deferred tax on revaluation of land and buildings	16.4 & 16.5	(10)	(5)
		516	**(505)**
Items that are or may be reclassified subsequently to profit or loss:			
Foreign operations - foreign currency translation differences	33.6	(167)	(758)
Net change in fair value of cash flow hedges	13.5	82	(67)
		(85)	**(825)**
Total other comprehensive income for the year		**431**	**(1,330)**
Total comprehensive income for the year		**2,892**	**(4,039)**
Total comprehensive income for the year attributable to:			
- Owners of the Company		2,908	(3,971)
- Non-controlling interests		(16)	(68)
Total comprehensive income for the year		**2,892**	**(4,039)**

The notes on pages 24 to 78 are an integral part of these consolidated financial statements.
The independent auditors' report is set out on pages 10 to 16.

Consolidated statement of financial position as at 31 December

(AED in millions)	Note	2021	2020
Non-current assets			
Property, plant and equipment	17.4	12,568	10,885
Investment property	17.5	32,572	32,576
Right-of-use assets	17.6	3,586	3,753
Equity-accounted investees	18.2	855	859
Intangible assets and goodwill	19.2	1,608	1,469
Deferred tax assets	16.4	150	103
Due from related parties	28.3	30	-
Other non-current assets	20	920	675
Total non-current assets		**52,289**	**50,320**
Current assets			
Development property	17.7	609	13
Inventories	21.2	2,469	2,268
Trade and other receivables	22	2,087	2,254
Short term receivable from related parties	28.1	43	61
Due from related parties	28.3	148	288
Restricted cash	23.2	1,342	-
Cash in hand and at bank	23.2	1,601	3,699
		8,299	**8,583**
Assets held for sale	24	-	194
Total current assets		**8,299**	**8,777**
Total assets		**60,588**	**59,097**
Current liabilities			
Trade and other payables	25	8,874	8,507
Provisions	26.2	327	200
Other liabilities	27	3,014	1,670
Short term loan from a related party	28.2	18	44
Due to related parties	28.4	378	131
Bank overdraft	29	225	-
Current maturity of long term loans	30	55	41
Current maturity of lease liabilities	31.3	621	568
		13,512	**11,161**
Liabilities directly associated with assets held for sale	24	6	35
Total current liabilities		**13,518**	**11,196**
Non-current liabilities			
Long term loans	30	13,189	15,917
Lease liabilities	31.3	3,524	3,668
Deferred tax liabilities	16.5	352	226
Provisions	26.2	62	48
Post employment benefit obligations	32	779	812
Other liabilities	27	114	51
Total non-current liabilities		**18,020**	**20,722**
Total liabilities		**31,538**	**31,918**
Net assets		**29,050**	**27,179**

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

(AED in millions)	Note	2021	2020
Equity			
Share capital	33.2	2,671	2,671
Statutory reserve	33.4	2,984	2,984
Revaluation reserve		18,159	17,643
Retained earnings		4,174	2,705
Hedging reserve	33.5	(50)	(132)
Currency translation reserve	33.6	(2,599)	(2,433)
Total equity attributable to the owners of the Company		**25,339**	**23,438**
Hybrid equity instrument	34	3,292	3,292
Non-controlling interests	7.3	419	449
Total equity		**29,050**	**27,179**

The consolidated financial statements were approved by the Board of Directors and signed on their behalf on 21 February 2022:

DocuSigned by:
402551F85DA44C8...

DocuSigned by:
Ziad Chalhoub
E591558358F54F0...

Majid Al Futtaim Holding LLC
Chief Executive Officer

Majid Al Futtaim Holding LLC
Chief Financial Officer

The notes on pages 24 to 78 are an integral part of these consolidated financial statements.
The independent auditors' report is set out on pages 10 to 16.

DS

Consolidated statement of cash flows for the year ended 31 December

(AED in millions)	Note	2021	2020
Cash flows from operating activities			
Profit/(loss) for the year after tax		2,461	(2,709)
Adjustments for:			
Depreciation and amortization	12	2,203	2,193
Rent concessions received due to COVID-19	12.4	(51)	(133)
Finance costs - net	13.2	677	653
Impairment loss on non-financial assets - net	15.3	177	1,389
Impairment loss on financial assets - net	15.4	51	185
Net valuation loss on land and buildings	17.5.1	(933)	2,954
Share of profit in equity-accounted investees - net of tax	18.3 & 18.4	(97)	(48)
Gain on loss of control in a subsidiary		-	(6)
Changes to post employment benefit obligations		(34)	40
Other income	14	(54)	-
Income tax expense - net	16.2	171	114
		4,571	**4,632**
Changes to working capital			
Inventories		(201)	57
Development property		(49)	-
Trade and other receivables		265	(22)
Trade and other payables		1,912	(360)
Restricted cash		(1,059)	-
Due from/to related parties - net		(8)	231
		860	**(94)**
Tax paid		(143)	(94)
Net cash from operating activities		**5,288**	**4,444**
Cash flow from investing activities			
Acquisition of property, plant and equipment and investment property		(2,240)	(1,965)
Payments against intangible assets		(175)	(123)
Payment of deferred consideration for acquisition of a business	27.3	(35)	(36)
Lease premium paid		(25)	-
Payment of liability for acquisition of intangible asset		(23)	(4)
Investment in equity accounted investees		(3)	(14)
Proceeds from divestment in a subsidiary	14	54	-
Proceeds from sale of property, plant and equipment and investment properties		4	6
Movement in fixed deposits - net		-	147
Dividend received from equity-accounted investees	18.3 & 18.4	38	113
Finance income received		23	45
Net cash used in investing activities		**(2,382)**	**(1,831)**

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

(AED in millions)	Note	2021	2020
Cash flow from financing activities			
Proceeds from term loans received from related parties	28.2	206	175
Repayment of term loan to related parties	28.2	(1,200)	(930)
Long term loans received	30	5,174	6,190
Long term loans repaid	30	(7,659)	(4,463)
Payment against lease liabilities	31.3	(782)	(645)
Collateral (paid)/received against derivative instruments - net		(155)	166
Realized fair value of derivative instruments - net		-	193
Finance cost paid		(600)	(591)
Capital contribution in a subsidiary by a non-controlling interest	7.4	7	6
Capital reduction in a subsidiary by a non-controlling interest		-	(23)
Consideration paid for acquisition of non-controlling interest	7.5	(11)	-
Coupon paid on hybrid equity instrument	34	(195)	(195)
Dividend paid to non-controlling interest		-	(18)
Net cash flows used in financing activities		**(5,215)**	**(135)**
Net increase in cash and cash equivalents		**(2,309)**	**2,478**
Cash and cash equivalents at the beginning of the year*		3,699	1,251
Effect of movements in exchange rates on cash held		(14)	(30)
Cash and cash equivalents at the end of the year	**23.6**	**1,376**	**3,699**

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

The notes on pages 24 to 78 are an integral part of these consolidated financial statements.

The independent auditors' report is set out on pages 10 to 16.

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

	Attributable to the owners of the Company									
(AED in millions)	Share capital	Statutory reserve	Revaluation reserve	Retained earnings	Hedging reserve	Currency translation reserve	Total equity	Hybrid equity instrument	Non-controlling interests	Total
At 1 January 2020	**2,671**	**2,984**	**18,148**	**6,194**	**(65)**	**(1,693)**	**28,239**	**3,292**	**543**	**32,074**
Total comprehensive income for the year										
Net loss for the year	-	-	-	(2,659)	-	-	**(2,659)**	-	(50)	**(2,709)**
Other comprehensive income										
Net valuation loss on land and buildings (note 17.4.2)	-	-	(500)	-	-	-	**(500)**	-	-	**(500)**
Deferred tax liability on revaluation of land and buildings (note 16.4 & 16.5)	-	-	(5)	-	-	-	**(5)**	-	-	**(5)**
Net change in fair value of cash flow hedges (note 13.5)	-	-	-	-	(67)	-	**(67)**	-	-	**(67)**
Currency translation differences in foreign operations (note 33.6)	-	-	-	-	-	(740)	**(740)**	-	(18)	**(758)**
Total comprehensive income for the year	**-**	**-**	**(505)**	**(2,659)**	**(67)**	**(740)**	**(3,971)**	**-**	**(68)**	**(4,039)**
Transactions with owners recorded directly in equity										
Contribution by and distributions to owners and other movement in equity										
Capital contribution by a non-controlling shareholder	-	-	-	-	-	-	**-**	-	6	**6**
Repayment of shareholder's contribution	-	-	-	-	-	-	**-**	-	(23)	**(23)**
Changes in ownership interest of subsidiary	-	-	-	-	-	-	**-**	-	9	**9**
Dividend declared and settled / paid (note 33.3)	-	-	-	(635)	-	-	**(635)**	-	(18)	**(653)**
Total contribution by and distribution to owners	**-**	**-**	**-**	**(635)**	**-**	**-**	**(635)**	**-**	**(26)**	**(661)**
Hybrid prepetual note instruments										
Coupon paid on hybrid equity instrument (note 34)	-	-	-	(195)	-	-	**(195)**	-	-	**(195)**
	-	**-**	**-**	**(195)**	**-**	**-**	**(195)**	**-**	**-**	**(195)**
At 31 December 2020	**2,671**	**2,984**	**17,643**	**2,705**	**(132)**	**(2,433)**	**23,438**	**3,292**	**449**	**27,179**

The notes on pages 24 to 78 are an integral part of these consolidated financial statements.

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

	Attributable to the owners of the Company									
(AED in millions)	Share capital	Statutory reserve	Revaluation reserve	Retained earnings	Hedging reserve	Currency translation reserve	Total equity	Hybrid equity instrument	Non-controlling interests	Total
At 1 January 2021	**2,671**	**2,984**	**17,643**	**2,705**	**(132)**	**(2,433)**	**23,438**	**3,292**	**449**	**27,179**
Total comprehensive income for the year										
Net profit/(loss) for the year	-	-	-	2,476	-	-	2,476	-	(15)	2,461
Other comprehensive income										
Net valuation gain on land and buildings (note 17.4.2)	-	-	526	-	-	-	526	-	-	526
Deferred tax liability on revaluation of land and buildings (note 16.4 & 16.5)	-	-	(10)	-	-	-	(10)	-	-	(10)
Net change in fair value of cash flow hedges (note 13.5)	-	-	-	-	82	-	82	-	-	82
Currency translation differences in foreign operations (note 33.6)	-	-	-	-	-	(166)	(166)	-	(1)	(167)
Total comprehensive income for the year	**-**	**-**	**516**	**2,476**	**82**	**(166)**	**2,908**	**-**	**(16)**	**2,892**
Transactions with owners recorded directly in equity										
Contribution by and distributions to owners an other movement in equity										
Capital contribution by a non-controlling shareholder (note 7.4)	-	-	-	-	-	-	-	-	7	7
Acquisition of non-controlling interest without a change in control (note 7.5)	-	-	-	(5)	-	-	(5)	-	(6)	(11)
Dividend declared and settled / paid (note 33.3)	-	-	-	(675)	-	-	(675)	-	(18)	(693)
Reclassification	-	-	-	(3)	-	-	(3)	-	3	-
Acquisition of a subsidiary under common control transaction (note 37)	-	-	-	(129)	-	-	(129)	-	-	(129)
Total contribution by and distribution to owners	**-**	**-**	**-**	**(812)**	**-**	**-**	**(812)**	**-**	**(14)**	**(826)**
Hybrid prepetual note instruments										
Coupon paid on hybrid equity instrument (note 34)	-	-	-	(195)	-	-	(195)	-	-	(195)
	-	**-**	**-**	**(195)**	**-**	**-**	**(195)**	**-**	**-**	**(195)**
At 31 December 2021	**2,671**	**2,984**	**18,159**	**4,174**	**(50)**	**(2,599)**	**25,339**	**3,292**	**419**	**29,050**

The notes on pages 24 to 78 are an integral part of these consolidated financial statements.

Notes to the consolidated financial statements

1. LEGAL STATUS AND PRINCIPAL ACTIVITES

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

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

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

2. BASIS OF PREPARATION

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

Effective 2 January 2022, the UAE Federal Law by Decree No. (32) of 2021 has been implemented repealing the UAE Federal Law No. (2) of 2015 (as amended). The Group is in the process of reviewing the new provisions and will apply the requirements thereof no later than one year from the date on which the amendments came into effect.

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

The following assets and liabilities are measured at fair value:
- Investment properties
- Certain classes of property, plant and equipment
- Certain non-derivative financial instruments at fair value through profit or loss
- Derivative financial instruments

These consolidated financial statements were authorized for issue by the Board of Directors on 21 February 2022.

3. COVID-19 IMPACT

On March 11, 2020, the World Health Organization declared the novel strain of coronavirus, or COVID-19, a global pandemic and recommended containment and mitigation measures worldwide. COVID-19 was an unprecedented, fast moving crisis which continues to have a far reaching global impact and it is likely to lead to long-term or permanent change in behaviours which will affect the businesses and society more broadly.

The progress in producing and administering vaccines through 2021 has resulted in gradual relaxation of social distancing rules, leading to improved economic activity. However, the economic situation remains highly fluid globally and will be determined by factors that continue to evolve, such as availability of vaccine, resurgence of variants, success of support measures introduced by governments, the ability of businesses to manage their operations during these times and the effectiveness of public policies intended to contain the spread.

The Group's businesses in shopping malls, hospitality, cinemas and leisure and entertainment have been impacted by the measures taken by governments and authorities to contain the spread of the COVID-19 pandemic. During the year, some of the Group's businesses across were closed as follows:

- Shopping malls in Bahrain and Oman were temporarily closed for various periods mainly between May 2021 and June 2021 while a shopping mall in Lebanon was temporarily closed from January 2021 to February 2021. In addition, shopping malls across all geographies were mandated to operate at reduced capacity / reduced hours for various periods between January 2021 and June 2021. In prior year, the Group's shopping malls across all geographies where the Group operates were closed for various periods mainly between March 2020 and December 2020.
- Hotels in UAE and Bahrain operated at reduced capacity for various lengths during the period and a hotel in Bahrain was temporarily closed during the summer months. In prior period, Group's hotel operations in UAE and Bahrain were temporarily suspended for longer periods.
- Cinemas and leisure and entertainment sites have experienced extended closure periods in Kuwait, Bahrain, Lebanon, Abu Dhabi and Qatar and the sites currently open are operating at limited capacities. In prior year, Group's Cinemas and leisure and entertainment sites were closed across all territories for various periods.

As the effect of COVID-19 on businesses continues to evolve, there are potential risks and uncertainties impacting the business. To ensure continued resilience, the Group continues to update its plans and liquidity optimization processes, taking into account alternative scenarios for the duration of the pandemic and pattern of economic recovery. Business continuity plan, disaster recovery and crisis management programmes are linked to the risk management framework to support effective management of disruptive events. At the same time, the Group is adapting its strategy over medium and long term to enable and continue sustainable growth in the changing landscape through investments in digital assets, omni-channel, agile business model and operational excellence programs.

The Group has assessed the impact of COVID-19 to the consolidated financial statements as set out in the following notes:

• Rental income and tenant incentives	Note 10.3.1 & 10.3.2
• Impairment of non-financial assets	Note 15.3
• Impairment of financial assets	Note 15.4
• Valuation of properties	Note 17.3
• Credit risk	Note 35.3
• Liquidity risk	Note 35.4

4. USE OF JUDGEMENTS AND ESTIMATES

In preparing the consolidated financial statements, management has made judgements, 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.

• Recognition of property sale revenue	Note 10.2
• Classification of properties	Note 17.2
• Valuation of properties and apportionment of fair values between land and buildings	Note 17.2
• Estimation or forecast of cost to complete	Note 17.2
• Impairment of non-financial assets	Note 15.2 & 15.3.1
• Supplier balances and sourcing (rebates)	Note 11.1
• Impairment testing of goodwill	Note 19.4
• Determining lease term, payments and incremental borrowing rates in calculating lease liabilities	Note 31.2
• Measurement of defined benefit obligations	Note 32.1.1
• Foreign currency exchange rate for translation of foreign operations	Note 35.5.1

5. FAIR VALUE MEASUREMENT

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or in its absence, the most advantageous market to which the Group has access at that date. The fair value of a liability reflects its non-performance risk. The Group measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

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

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

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

6. SIGNIFICANT ACCOUNTING POLICIES

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

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

6.1.1 Interest Rate Benchmark Reform - Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16)

The Group has adopted *Interest Rate Benchmark Reform - Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16)* from 1 January 2021.

The Group has applied the Phase 2 amendments retrospectively. However, in accordance with exceptions permitted in the Phase 2 amendments, the Group has elected not to restate comparatives for the prior periods to reflect the application of these amendments. Since the Group had no transactions for which the benchmark rate has been replaced with an alternative benchmark as at 31 December 2020, there is no impact on opening equity balances as a result of retrospective application.

Specific policies applicable from 1 January 2021 for interest rate benchmark reform

The Phase 2 amendments provide practical relief from certain requirements in IFRS. These reliefs relate to modifications of financial instruments and lease contracts or hedging relationships triggered by a replacement of a benchmark interest rate in a contract with a new alternative benchmark rate.

If the basis for determining the contractual cash flows of a financial asset or financial liability measured at amortized cost changed as a result of interest rate benchmark reform, the Group updated the effective interest rate of the financial asset or financial liability to reflect the change that is required by the reform. A change in the basis for determining the contractual cash flows is required by interest rate benchmark reform if the following conditions are met:

- the change is necessary as a direct consequence of the reform; and
- the new basis for determining the contractual cash flows is economically equivalent to the previous basis - i.e. the basis immediately before the change.

When changes were made to a financial asset or financial liability in addition to changes to the basis for determining the contractual cash flows required by interest rate benchmark reform, the Group updates the effective interest rate of the financial asset or financial liability to reflect the change that is required by interest rate benchmark reform. Given that no benchmarks have been changed for Group's financial assets and liabilities, there has been no impact of interest rate benchmark reform on the Group's consolidated financial statements.

The amendments also provide an exception to use a revised discount rate that reflects the change in interest rate when remeasuring a lease liability because of a lease modification that is required by interest rate benchmark reform.

6.1.2 Amendments to IFRS 16 Leases

In May 2020, the Board issued COVID-19-Related Rent Concessions (the 2020 amendments), which amended IFRS 16 Leases. The 2020 amendments introduced an optional practical expedient that simplifies how a lessee accounts for rent concessions that are a direct consequence of COVID-19. Under that practical expedient, a lessee is not required to assess whether eligible rent concessions are lease modifications, instead account for them in accordance with other applicable guidance.

The practical expedient introduced in the 2020 amendments only applies to rent concessions for which any reduction in lease payments affects solely payments originally due on or before 30 June 2021. If the Board had taken no further action, the practical expedient would have expired in a few months.

The economic challenges presented by the COVID-19 pandemic have persisted longer than anticipated. As a result, lessors and lessees negotiated rent concessions that extend beyond 30 June 2021. The Board has therefore extended the practical expedient by 12 months – i.e. permitting lessees to apply it to rent concessions for which any reduction in lease payments affects only payments originally due on or before 30 June 2022.

The original version of the practical expedient was, and remains, optional. However, the 2021 amendments are, in effect, not optional. This is because a lessee that chose to apply the practical expedient introduced by the 2020 amendments has to consistently apply the extension to eligible contracts with similar characteristics and in similar circumstances. This means that lessees will need to reverse previous lease modification accounting if a rent concession was ineligible for the original practical expedient under the 2020 amendments but becomes eligible as a result of the extension.

The Group has applied the practical expedient to all eligible rent concessions and in applying this the Group has recognized rent concessions amounting to AED 51 million (2020: AED 133 million) (note 12 and 31.3) during the year within the operating expenses.

6.2 Other standards

A number of new standards are effective for annual periods beginning after 1 January 2022 and earlier adoption is permitted. However, the Group has not early adopted the new or amended standards in preparing these consolidated financial statements.

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

	Effective date
• *Onerous Contracts - Cost of Fulfilling a Contract (Amendments to IAS 37)*	1 January 2022
• *Annual Improvements to IFRS Standards 2018-2020*	1 January 2022
• *Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16)*	1 January 2022
• *Reference to Conceptual Framework (Amendments to IFRS 3)*	1 January 2022
• *Classification of Liabilities as Current or Non-current (Amendments to IAS 1)*	1 January 2023
• *IFRS 17 Insurance Contracts and amendments to IFRS 17 Insurance Contracts*	1 January 2023
• *Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2)*	1 January 2023
• *Definition of Accounting Estimates (Amendments to IAS 8)*	1 January 2023
• *Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12)*	1 January 2023

6.3 General accounting policies

6.3.1 Foreign currency

Foreign currency transactions

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

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

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

Foreign operations

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

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

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

In 2020, Lebanon became a hyperinflationary economy. Management performed a detailed assessment of the impact of applying IAS 29 Financial Reporting in Hyperinflationary Economies. Based on these assessments, the consolidated financial statements in 2020 and 2021, management determined that the impact of applying IAS 29 is not material to the Group (note 33.6).

6.3.2 Offsetting

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

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

6.3.3 Assets classified as held for sale

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

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

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

7. SUBSIDIARIES

7.1 Accounting policy

Subsidiaries

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

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

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

Transactions eliminated on consolidation

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

Non-controlling interests

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

Interests in other entities

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

7.2 Principal subsidiaries

The Group had the following principal subsidiaries at 31 December 2021:

			Effective ownership	
Name of subsidiary	**Country of incorporation**	**Nature of business**	**2021**	**2020**
Majid Al Futtaim Properties LLC*	United Arab Emirates	Operating and managing commercial projects including shopping malls, hotels, leisure and entertainment, residential 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 cinemas, leisure and entertainment and food and beverage	100%	100%
Majid Al Futtaim Fashion LLC*	United Arab Emirates	Establishment and management of retail, home furniture and retail stores	100%	100%
MAF Global Securities Limited	Cayman Islands	Structured entity established for issuance of bonds	100%	100%
Majid Al Futtaim Rewards LLC	United Arab Emirates	Operation and management of Group's customer loyalty program	100%	100%
Majid Al Futtaim Global Solutions LLC	United Arab Emirates	Operating and managing Group's shared services	100%	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 2021 amounts to AED 419 million (2020: AED 449 million).

7.3 Non-controlling interests

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

(AED in millions)		Proportion of ownership and voting rights held by NCI		Profit/(loss) allocated to Non-controlling interest		Accumulated Non-controlling interest	
Name of subsidiary	**Country**	**2021**	**2020**	**2021**	**2020**	**2021**	**2020**
Fujairah City Centre Investment Company LLC	UAE	37.5%	37.5%	21	7	152	149
Aswaq Al Emarat Trading CJSC (note 7.4)	KSA	15.0%	15.0%	(21)	(7)	230	244
Oman Arab Cinemas Co. LLC (note 7.5)	Oman	-	20.0%	(4)	(6)	-	10
The Avenues Cinema Bahrain W.L.L	Bahrain	50.0%	50.0%	(12)	(13)	(2)	10
VOX Cinemas for Movie Screening LLC	Kuwait	50.0%	50.0%	3	(8)	31	28
Individually immaterial subsidiaries with NCI		Various	Various	(2)	(23)	8	8
				(15)	**(50)**	**419**	**449**

7.4 During the year, an additional contribution of AED 7 million (2020: AED 6 million) has been made by the non-controlling interest.

7.5 During the year, the Group acquired the remaining 20% shareholding in Oman Arab Cinemas Co. for AED 11 million, thus increasing its ownership from 80% to 100%. The carrying amount of net assets of the investee in the Group's consolidated financial statement on the date of acquisition was AED 28 million.

8. BUSINESS COMBINATIONS

8.1 Accounting policy

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

Business combinations involving entities under common control

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

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

9. OPERATING SEGMENTS

9.1 Accounting policy

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

The Group has six segments, consistent with internal reporting and are considered the Group's strategic business units. The strategic business 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 include 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 supermarkets in accordance with the franchise agreement with Carrefour Partenariat International, a Carrefour SA affiliate.

Leisure, Entertainment and Cinemas (LEC): The principal activities include establishing, through subsidiaries, establishment and management of cinemas, family entertainment centers, leisure and entertainment activities and food and beverage.

Lifestyle: The principal activities include establishing, investing in and operating fashion, home furniture and retail stores through its subsidiaries.

Global Solutions (GS): The principal activities include providing finance, human capital, technology and procurement services across the Group.

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

As of January 2021, the Ventures segment was dissolved, and its business vertical consolidated under two new operating segments, LEC and Lifestyle. Additionally, the Group's 51% investment in Enova Facilities Management Services LLC, an equity accounted investee, was transferred from Ventures to Properties as a common control transaction.

EBITDA (non-GAAP measure)

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

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

9.2 Segment reporting by business

The segment information provided to the Board of Directors for reportable segments for the year ended 31 December 2021 and 31 December 2020 are as follows:

9.2.1 Disaggregation of revenue by business

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

(AED in millions)	Properties	Retail	LEC	Lifestyle	Total
31 December 2021					
Gross revenue	4,406	26,304	1,352	580	**32,642**
Eliminations of intercompany rental income	(351)	-	-	-	**(351)**
Revenue from external customers	**4,055**	**26,304**	**1,352**	**580**	**32,291**
External revenue from major service/product lines					
Sale of goods	-	23,889	-	580	**24,469**
Service income and commissions	-	2,310	-	-	**2,310**
Sale of property	504	-	-	-	**504**
Leisure and entertainment	160	-	1,302	-	**1,462**
Hospitality revenue	453	-	-	-	**453**
Others	45	69	-	-	**114**
	1,162	**26,268**	**1,302**	**580**	**29,312**
Rental income	2,893	36	-	-	**2,929**
Financial services revenue	-	-	50	-	**50**
	4,055	**26,304**	**1,352**	**580**	**32,291**

(AED in millions)	Properties	Retail	LEC	Lifestyle	Total
31 December 2020					
Gross revenue	3,490	27,979	1,014	413	**32,896**
Eliminations of intercompany rental income	(321)	-	-	-	**(321)**
Revenue from external customers	**3,169**	**27,979**	**1,014**	**413**	**32,575**
External revenue from major service/product lines					
Sale of goods	-	25,468	-	413	**25,881**
Service income and commissions	-	2,406	-	-	**2,406**
Leisure and entertainment	92	-	789	-	**881**
Hospitality revenue	236	-	-	-	**236**
Others	38	71	-	-	**109**
	366	**27,945**	**789**	**413**	**29,513**
Rental income	2,803	34	-	-	**2,837**
Financial services revenue	-	-	225	-	**225**
	3,169	**27,979**	**1,014**	**413**	**32,575**

9.2.2 Disaggregation of revenue from contracts with customers

(AED in millions)	Properties	Retail	LEC	Lifestyle	Total
31 December 2021					
Over period of time	504	2,310	-	-	**2,814**
At a point in time	658	23,958	1,302	580	**26,498**
	1,162	**26,268**	**1,302**	**580**	**29,312**
31 December 2020					
Over period of time	-	2,406	-	-	**2,406**
At a point in time	366	25,539	789	413	**27,107**
	366	**27,945**	**789**	**413**	**29,513**

9.2.3 Disaggregation of results from operations by business

(AED in millions)	Properties	Retail	LEC	Lifestyle	GS	Head office	Total
31 December 2021							
EBITDA	2,608	2,019	216	44	(64)	(161)	4,662
Eliminations and adjustments	(5)	(572)	(141)	(38)	-	-	(756)
Adjusted EBITDA	**2,603**	**1,447**	**75**	**6**	**(64)**	**(161)**	**3,906**
Depreciation and amortization expense	(366)	(1,139)	(545)	(103)	(9)	(58)	(2,220)
Eliminations and adjustments							17
							(2,203)
Valuation gain on land and buildings - net	1,039	1	-	-	-	-	1,040
Eliminations and adjustments							(107)
							933
Net finance (cost)/income	(370)	(216)	(155)	(32)	(1)	(165)	(939)
Eliminations and adjustments							262
							(677)
Net profit/(loss) after tax	2,848	775	(500)	(57)	(73)	(385)	2,608
Eliminations and adjustments							(147)
							2,461

(AED in millions)	Properties	Retail	LEC	Lifestyle	GS	Head office	Total
31 December 2020							
EBITDA	2,351	2,198	56	23	-	(119)	4,509
Eliminations and adjustments	(9)	(567)	(128)	(43)	-	-	(747)
Adjusted EBITDA	**2,342**	**1,631**	**(72)**	**(20)**	**-**	**(119)**	**3,762**
Depreciation and amortization expense	(433)	(1,170)	(545)	(93)	-	(53)	(2,294)
Eliminations and adjustments							101
							(2,193)
Valuation loss on land and buildings - net	(3,211)	(4)	-	-	-	-	(3,215)
Eliminations and adjustments							261
							(2,954)
Net finance (cost)/income	(342)	(236)	(211)	(51)	-	481	(359)
Adjustments							(294)
							(653)
Net profit/(loss) after tax	(2,839)	882	(766)	(75)	-	364	(2,434)
Eliminations and adjustments							(275)
							(2,709)

9.2.4 Disaggregation of capital expenditure by business

(AED in millions)	Properties	Retail	LEC	Lifestyle	GS	Head office	Total
31 December 2021							
Capital expenditure	(1,367)	(416)	(491)	(60)	(46)	(121)	**(2,501)**
31 December 2020							
Capital expenditure	(1,320)	(366)	(258)	(40)	-	(104)	**(2,088)**

9.2.5 Disaggregation of total assets by business

(AED in millions)	Properties	Retail	LEC	Lifestyle	GS	Head office	Total
31 December 2021							
Total assets	46,401	12,605	3,829	817	164	651	64,467
Eliminations and adjustments							(3,879)
							60,588
31 December 2020							
Total assets	42,174	12,118	3,864	683	-	2,991	61,830
Eliminations and adjustments							(2,733)
							59,097

9.3 Segment revenue and assets by geography

	Total revenue		Total assets	
(AED in millions)	**2021**	**2020**	**2021**	**2020**
UAE (country of domicile)	15,776	15,492	40,943	41,326
Saudi Arabia	3,106	3,395	4,414	4,264
Egypt	3,577	3,225	4,785	3,800
Qatar	2,263	2,698	907	988
Oman	1,449	1,599	3,606	2,850
Jordan	1,219	1,221	471	542
Bahrain	1,009	1,128	3,541	3,563
Kuwait	957	1,001	698	707
Pakistan	589	559	267	284
Georgia	668	578	208	151
Lebanon	170	439	116	283
Kenya	1,067	848	361	199
Iraq	305	331	80	83
Armenia	41	37	24	15
Uganda	63	23	117	22
Uzbekistan	32	1	50	20
	32,291	**32,575**	**60,588**	**59,097**

10. REVENUE

10.1 Accounting policy

Revenue from contracts with customers

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

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

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

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

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

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

The Group satisfies a performance obligation and recognizes revenue over time, if one of the following criteria is met:

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

For performance obligations where one of the above conditions are not met, revenue is recognized at the point in time at which performance obligation is satisfied.

When the Group satisfies a performance obligation by delivering the promised goods or services, it creates a contract asset based on the amount of consideration earned by the performance. Where the amount of consideration received from a customer exceeds the amount of revenue recognized this gives rise to a contract liability. Contract asset is currently presented as "Unbilled receivables" under trade and other receivables. Contract liabilities is currently presented as "Advances from customers" under trade and other payables.

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

Revenue is recognized in the income statement to the extent that it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably.

Sale of goods

Revenue from the sale of goods is recognized when the Group sells a product to the customer. For goods sold in store, revenue is recognized at the point of sale. For online or wholesale sale of goods, revenue is recognized on collection by, or delivery to, the customer. Payment of the transaction price is due immediately when the customer purchases the goods and takes delivery in store.

Revenue from the sale of goods is measured at the fair value of the consideration received or receivable, net of returns and discounts. Revenue comprises amounts derived from the sale of goods falling within the ordinary activities of the Group and are recognized at the time of check-out sales when persuasive evidence exists that the control passes from the Group to the customer satisfying the performance obligation, and the amount of revenue can be measured reliably. Discounts are recognized as a reduction of revenue as the sales are recognized.

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

Sale of property

Revenue from property sales is recognized upon satisfaction of performance obligation by delivering the promised goods or services.

During the period of construction, the Group has no alternative use of the unit being created and where the local law permits has an enforceable right to force the collection in full over customers. Accordingly, in these circumstances the Group recognizes revenue over the period of construction based on percentage of completion. The percentage of completion is obtained from the commercial team.

Where the above criteria are not fulfilled, revenue is recognized at a point in time. In these cases, revenue is recognized when the control over the asset that is subject of the contract is transferred to the customer. In the case of contracts to sell real estate assets this is generally when the unit has been handed over to the customer

Rebates and other supplier benefits

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

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

Listing and gondola fees

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

Opening fees

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

Commission

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

Loyalty programmes

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

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

Rental income

Rental income, including fixed rental uplifts, from properties leased out under an operating lease is recognized in profit or loss on a straight-line basis over the term of the lease. Lease incentives being offered to lessees to enter into a lease, such as an initial rent-free period or a cash contribution to fit-out or similar costs, are an integral part of the net rental income and are therefore recognized on the same straight-line basis. Contingent rents, being lease payments that are not fixed at the inception of the lease, for example turnover rents, are recorded as income in the periods in which they are earned. Refer to note 31.1 for accounting policy on leases.

Services

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

Sale of alcohol

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

10.2 Critical accounting estimate and judgement

Revenue from contracts with customers is recognized in accordance with IFRS 15 which requires management to make the following judgements and estimations:

Satisfaction of performance obligations

The Group is required to assess each of its contracts with customers to determine whether performance obligations are satisfied over time or at a point in time in order to determine the appropriate method of recognizing revenue. The Group has assessed that based on the sale and purchase agreements entered into with customers and the provisions of relevant laws and regulations, where contracts are entered into to provide real estate assets customer, the Group creates an asset with no alternative use to the Group and has an enforceable right to payment for performance completed to date. In these circumstances, the Group recognizes revenue over time. Where this is not the case, revenue is recognized at a point in time.

Determination of transaction price

The Group is required to determine the transaction price in respect of each of its contracts with customers. In making such judgement the Group assess the impact of any variable consideration in the contract, due to discounts or penalties, the existence of any significant financing component in the contract and any non-cash consideration in the contract. In determining the impact of variable consideration, the Group uses the “most-likely amount” method in IFRS whereby the transaction price is determined by reference to the single most likely amount in a range of possible consideration amounts.

Transfer of control in contracts with customers

In cases where the Group determines that performance obligations are satisfied at a point in time, revenue is recognized when control over the assets that is the subject of the contract is transferred to the customer. In the case of contracts to sell real estate assets, this is generally when the unit has been handed over to the customer and when the consideration for the unit has been substantially received.

Allocation of transaction price to performance obligation in contracts with customers

The Group has elected to apply the input method in allocating the transaction price to performance obligations where revenue is recognized over time. The Group considers that the use of the input method which requires revenue recognition based on the Group's efforts to the satisfaction of the performance obligation which provides the best reference of revenue earned. In applying the input method, the Group estimates the cost to complete the projects in order to determine the amount of revenue to be recognized.

Cost to complete the projects

The Group estimates the cost to complete the projects in order to determine the cost attributable to revenue being recognized. These estimates include the cost of providing infrastructure, potential claims by contractors as evaluated by the project management business unit and the cost of meeting other contractual obligations to the customers.

10.3

(AED in millions)	2021	2020
Revenue from contract with customers	29,312	29,513
Other revenue		
- Rental income	2,929	2,837
- Financial services revenue	50	225
	32,291	**32,575**

10.3.1 During the current year, the impact of the COVID-19 pandemic continued to evolve and governments and other authorities in certain geographies where the Group operates imposed measures that resulted in temporary closure of the Group's certain assets. Shopping malls in Bahrain and Oman were temporarily closed for various periods between May 2021 and June 2021 while a shopping mall in Lebanon was temporarily closed from January 2021 to February 2021. In 2020, the Group's shopping malls across all geographies where the Group operates were closed for various periods mainly between March 2020 and June 2020. Management assessed that under the applicable commercial laws in the jurisdictions of the Group's operations, tenants have a legal entitlement to rent concession during the respective temporary closure period. As a result, rental income of AED 27 million (2020: AED 340 million) was not recognized during the closure period. This did not constitute as a lease modification.

10.3.2 During the current year, management provided a discretionary rent relief of AED 310 million (2020: AED 284 million) as part of the Group's commitment to supporting its tenants subsequent to the re-opening of the Group's shopping malls post lockdown period. The rent relief program was awarded to eligible tenants through modification of lease terms and, hence, amortized over the new lease term in accordance with IFRS 16. The associated charge to the consolidated statement of profit or loss for the year ended 31 December 2021 amounted to AED 128 million (2020: AED 24 million). As at reporting date, the unamortized portion of this rent relief is AED 158 million (2020: AED 260 million).

10.3.3 Revenue from contract with customers includes revenue from Retail's online business amounting to AED 1,437 million (2020: AED 988 million).

11. COST OF SALES

11.1 Critical accounting estimate and judgement

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

11.2

(AED in millions)	2021	2020
Cost of goods sold		
Opening inventories (note 21.2)	(2,268)	(2,325)
Purchases	(24,667)	(25,533)
Closing inventories (note 21.2)	2,469	2,268
Supplier rebates and discounts	2,828	2,731
	(21,638)	**(22,859)**
Cost of property sold	(374)	-
	(22,012)	**(22,859)**

12. OPERATING EXPENSES

(AED in millions)	2021	2020
Staff costs (note 12.1)	(3,269)	(3,054)
Depreciation and amortization (note 12.2)	(2,203)	(2,193)
Utilities	(483)	(445)
Repair and maintenance	(297)	(253)
Legal and consultancy expenses	(232)	(194)
Bank charges	(198)	(190)
Advertising, selling and marketing expenses	(292)	(155)
Security expenses	(147)	(140)
Franchise and management fees	(158)	(134)
House keeping and cleaning	(116)	(93)
Insurance charges	(40)	(41)
Business travel expenses	(21)	(15)
Rent (note 12.4 and 31.3.2)	(112)	(2)
Other general and administrative expenses	(208)	(311)
	(7,776)	**(7,220)**

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

(AED in millions)	2021	2020
Gratuity cost	(58)	(123)
Pension cost	(24)	(23)
Staff cost capitalized	99	80

12.2 Depreciation and amortization includes following:

(AED in millions)	2021	2020
Property, plant and equipment (note 17.4)	(1,370)	(1,343)
Right-of-assets (note 17.6)	(646)	(652)
Intangible assets (note 19.2)	(166)	(179)
Prepaid lease premium (note 20.1)	(64)	(64)
Recharged out to related parties (note 28.6.2)	43	45
	(2,203)	**(2,193)**

12.3 The number of employees at 31 December 2021 was 41,832 (2020: 40,622).

12.4 Rent concessions amounting to AED 51 million (2020: AED 133 million) have been netted off against the rent expense for the year (note 6.1.2 and 31.3).

12.5 During the year, the Group paid AED 8 million (2020: AED 4 million) for various social contribution purposes.

13. FINANCE COSTS - NET

13.1 Accounting policy

Interest income and expense

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

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

Borrowing costs

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

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

13.2

	(AED in millions)	2021	2020
(i)	*Finance costs:*		
	Arrangement and participation fee	(55)	(38)
	Interest charges on bank loans (note 13.3)	(408)	(515)
	Interest expense on lease liabilities (note 31.3)	(226)	(272)
	Interest charges on related party balances	(8)	(12)
	Capitalized interest on development expenditure	84	194
		(613)	**(643)**
	Changes in the fair value/settlement of derivatives held as FVTPL	(11)	(1)
	Cash flow hedges reclassified from hedging reserve	(65)	(64)
	Discounting of long term receivable balances	(11)	-
	Bond programme cost	(4)	2
	Total finance costs	**(704)**	**(706)**
(ii)	*Finance income:*		
	Interest income on bank balances	23	45
	Interest income from operational financing	-	1
	Unwinding of discount on long term receivable balances	3	7
	Cash flow hedges reclassified from hedging reserve	1	-
	Total finance income	**27**	**53**
	Finance costs - net	**(677)**	**(653)**

13.3 Included within interest charges on bank loans, net fair value loss of AED 102 million (2020: fair value gain of AED 316 million) in relation to derivatives used in fair value hedge relationship, with an offsetting fair value changes of the underlying debt being hedged.

13.4 The capitalization rate used to determine the amount of borrowing cost eligible for capitalization varies from 2.95% to 3.97% (2020: 4.28% to 4.45%) depending on the effective interest rate over the tenure of the borrowing for individual developments.

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

(AED in millions)	2021	2020
Effective portion of changes in fair value of cash flow hedges	18	(131)
Cash flow hedges reclassified to profit or loss - net	64	64
	82	**(67)**

14. OTHER INCOME/EXPENSES - NET

(AED in millions)	2021	2020
Foreign exchange (loss)/gain - net	(17)	24
Development expenses written off	(5)	(1)
Gain on loss of control in a subsidiary	-	6
Loss on disposal of non-current assets	(6)	(2)
Other income - net	32	15
	4	**42**

Other income - net includes AED 54 million (2020: Nil) in respect of gain from divestment in a subsidiary that was fully impaired in prior years.

15. IMPAIRMENT

15.1 Accounting policy

15.1.1 *Equity-accounted investees*

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

15.1.2 *Non-financial assets*

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

15.1.3 *Financial assets*

Financial instruments and contract assets

The Group recognizes loss allowances for ECL's on financial assets measured at amortized cost.
The Group measures loss allowances at an amount equal to lifetime ECLs, except for the following, which are measured at 12-month ECLs:

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

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

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

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

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

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

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

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

Measurement of ECLs

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

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

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

Credit-impaired financial assets

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

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

Presentation of allowance for ECL on the statement of financial position

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

Write-off

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

15.2 Critical accounting estimate and judgement for non-financial assets

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

15.3 IMPAIRMENT LOSS ON NON-FINANCIAL ASSETS - NET

(AED in millions)	2021	2020
Impairment of property, plant and equipment:		
- Furniture and fixtures (note 15.3.1)	(68)	(108)
- Capital work in progress (note 15.3.1)	(2)	(6)
Impairment of investment properties (note 15.3.2)	(122)	(1,292)
Impairment of right-of-use assets (note 15.3.1 and 17.6)	(42)	(29)
Impairment of intangible assets		
- Goodwill (note 19.2)	-	(14)
Impairment of equity accounted investees	(4)	(19)
Reversal of impairment of equity accounted investees	-	39
Reversal of impairment of property, plant and equipment (note 15.3.3)	61	40
	(177)	**(1,389)**

The Group's operating units (leisure and entertainment and cinema) continue to be impacted by the pandemic and the measures taken to contain it. Impairment testing of these assets is based on cash flow projections using financial budgets and business plans. The budgets and business plans are updated to reflect the most recent developments as at the reporting date. Management's expectations reflect performance to date and are based on its experience in times of recession and consistent with the assumptions that a market participant would make.

15.3.1 Impairment losses on assets (including right-of-use assets) pertaining to certain operating units (retail, leisure and entertainment, cinema and lifestyle) were recognized as the recoverable amount, which was estimated based on the value in use of the cash generating units, was lower than the carrying amount of the assets.

For the Group's retail business the cash flow projections included specific estimates for five years and a stable growth rate thereafter. The stable growth rate was determined based on management's estimate of the long-term standard inflation rate, consistent with the assumptions that a market participant would use. The Group used post-tax industry average Weighted Average Cost of Capital ('WACC') which reflects the country specific risk adjusted discount rate. Discount rates ranging from 8.5% to 43.5% (2020: 9.5% to 27.5%) have been determined and applied.

For leisure and entertainment and cinema operating units pre-tax discount rates ranging from 8.5% to 22.5% (2020: 2% to 29.5%) and growth rates ranging from 2% to 12% (2020: 2% to 10%) were used. For lifestyle operating unit discount rates of 9.5% to 13.5% (2020: 9.5% to 13.5%) and growth rates from 2% to 12% (2020: 2%) were used.

15.3.2 During the year, a total impairment loss of AED 122 million was recognized for the pre-development cost of a shopping mall and related infrastructure under development, as the carrying amount of the individual asset exceeded its recoverable amount. Management assessed that these impaired costs represented works carried out in prior years that were superseded or no longer relevant to the current development.

In the prior year, a total impairment loss of AED 1,292 million was recognized on shopping malls classified as properties under construction, as the carrying amount of each individual asset exceeded its recoverable amount. The significant unobservable inputs used in the measurement of the recoverable amounts were as follows:

- Forecasted cash flows and growth rates;
- Expected opening dates;
- Forecasted occupancy levels and rental rates;
- Total development costs; and
- Discount and yield rates.

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

(AED in millions)	Asset 1*	Asset 2*	Asset 3	Asset 4
At 31 December 2021				
Recoverable amount	-	-	129	-
Impairment loss	-	-	(122)	-
At 31 December 2020				
Recoverable amount	652	1,093	190	-
Impairment (loss)/reversal	(771)	(494)	(35)	8
Discount rate	10.5%	9.8%	N/A	N/A
Yield rate	N/A	8.0%	N/A	N/A

* Construction of Assets 1 and 2 has been completed during the year and the completed properties have been subjected to valuation by an independent external valuer.

15.3.3 AED 61 million (2020: AED 40 million) impairment was reversed due to improved performance and future projections of certain operating units.

15.4 IMPAIRMENT OF FINANCIAL ASSETS

(AED in millions)	2021	2020
Impairment loss on trade and other receivables (note 35.3)	(44)	(179)
Impairment loss on assets held for sale (note 24.1)	(7)	(6)
	(51)	**(185)**

16. TAX

16.1 Accounting policy

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

Current tax

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

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

Deferred tax

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

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

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

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

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

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

16.2 INCOME TAX EXPENSE - NET

(AED in millions)	2021	2020
Current tax		
Current year	(98)	(109)
Adjustment for prior years	(7)	(19)
	(105)	**(128)**
Deferred tax		
Origination of temporary differences - net	(66)	14
	(66)	**14**
	(171)	**(114)**

16.3 Reconciliation of effective tax rate

(AED in millions)		2021		2020
Profit/(loss) after tax for the year		2,461		(2,709)
Income tax charge - net		(171)		(114)
Profit/(loss) before tax for the year		**2,632**		**(2,595)**
Effect of tax rates in foreign jurisdictions	-3.7%	(98)	4.2%	(109)
Deferred tax for temporary differences	-2.5%	(67)	-0.5%	12
Tax losses	0.0%	1	0.0%	2
Prior period adjustments	-0.3%	(7)	0.7%	(19)
Total	**-6.5%**	**(171)**	**4.5%**	**(114)**

16.4 DEFERRED TAX ASSETS

(AED in millions)	**2021**	**2020**
At 1 January	103	55
Credited in profit or loss	49	47
Credited to equity	2	1
Foreign currency translation difference from foreign operations	(4)	-
At 31 December	**150**	**103**

16.4.1 Deferred tax asset amounting to AED 59 million (2020: AED 52 million) is in respect of tax losses carried forward and temporary differences on depreciation of assets and provisions. Deferred tax asset amounting to AED 91 million (2020: AED 51 million) pertains to valuation losses on investment property.

During the year, the Group has unrecognized deferred tax assets of AED 318 million (2020: AED 432 million) relating to its subsidiaries in Oman, Egypt and Lebanon. Based on the Group's strategic plan and taking into account the local taxation laws and regulation in those countries, the recognition of deferred tax asset is limited to the extent of future taxable profits and full recoverability of deferred tax asset is unlikely since these subsidiaries are not expected to generate sufficient taxable profits and valuation gains in the foreseeable future.

16.5 DEFERRED TAX LIABILITIES

(AED in millions)	**2021**	**2020**
At 1 January	226	190
Charged to profit or loss	115	33
Charged to equity	12	6
Foreign currency translation difference from foreign operations	(1)	(3)
At 31 December	**352**	**226**

16.5.1 A portion of the deferred tax liability has been computed on the taxable temporary differences arising as a result of valuation gains on properties in Oman and Egypt. The tax rates in these countries are 15% and 22.5%, respectively (2020: 15% and 22.5%, respectively). The corresponding valuation gain or loss has been recognized in profit or loss and equity. Accordingly, the resulting net deferred tax expense/(credit) has been recognized in profit or loss and equity, respectively.

17. TANGIBLE FIXED ASSETS

17.1 Accounting policy

17.1.1 Property, plant and equipment

Recognition and measurement

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

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

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

Subsequent cost

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

Depreciation

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

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

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

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

Revaluation reserve

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

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

De-recognition

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

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

17.1.2 Capital work in progress

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

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

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

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

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

17.1.3 Investment property including properties under construction

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

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

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

Reclassification

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

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

De-recognition

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

17.1.4 Right-of-use assets

Recognition and measurement

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

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term, unless the lease transfers ownership of the underlying asset to the Group by the end of the lease term or the cost of the right-of-use asset reflects that the Group will exercise a purchase option. In that case the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property, plant and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

17.1.5 Development property

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

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

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

Development property are classified as real estate inventory (within Development property) when the property is ready for handover and at cost which becomes its deemed cost for subsequent accounting. Subsequent to initial recognition, real estate inventories are valued at lower of cost and net realizable value. Costs are those expenses incurred in bringing each housing unit to its present location and condition. Costs which can be specifically allocated to a particular phase/area of the development are allocated to the property units constructed in that phase/area based on the GFA (Gross Floor Area) of each unit. Other common costs unrelated to a particular phase/area are recorded in a separate account as incurred and allocated to the revenue generating units. The Group allocates such costs on the basis of factors relevant to the units constructed.

17.2 Critical accounting estimates and judgement

Classification of properties

Investment property - accounting for dual-use properties

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

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

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

Valuation and apportionment fair values between land and buildings

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

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

Estimation or forecast of cost to complete (CTC)

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

Net realizable values of development property and real estate inventory

Properties in the process of construction or development for the purpose of sale on completion are classified as development property. In determining whether development property are measured at the lower of cost and net realizable value, the management makes judgements as to whether there is any observable data indicating that there is a reasonable measurable decrease in the estimated future selling price of the real estate properties. Accordingly, an impairment provision is made where there is a potential loss event or condition which, based on previous experience, is evidence of a reduction in the future selling price of the real estate properties. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses. Cost of development property is determined on the basis of the cost of land plus construction costs incurred and includes borrowing and staff costs capitalized.

17.3 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 31 December and 30 June by independent external valuer with sufficient current local and international knowledge of the respective property markets and member of the Royal Institution of Chartered Surveyors (RICS). The valuation has been prepared in accordance with the RICS Valuation Global Standards-2020 in conjunction with the International Valuations Standards and the RICS Professional Standards (the 'Red Book').

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

The key drivers of the property valuations in relation to the shopping malls are the discount rates applied and the leases that are in place at the valuation date. Current leases determine the secured cash flow profile of the property and therefore form the base of the valuation. The valuations assume market rent is achieved on expiry of the contractual term of each lease. The market rent is calculated based on market evidence and recent leasing transactions, which is based on evidence available at the date of valuation.

During the year, the overall valuation of the Group's shopping malls portfolio recorded gain compared to 31 December 2020 valuation. This is primarily driven by the following:

- Long term renewals secured with minimal changes in the rental assumptions forecast in the prior year. Whereas, in 2020 estimated rental values were reduced by 9% across the portfolio.
- COVID-19 related vacancy assumptions have been reduced for a number of shopping malls. In 2020, short-term vacancy was increased by up to 36 months and long term vacanciies were increased by 0.5% to 3% on average.
- Gradual rebound in retail and steady recovery in footfall as consumers return to pre-COVID spending habits.
- Opening of two super-regional shopping malls, City Centre Al Zahia in March 2021 and Mall of Oman in September 2021.
- Positive sales growth in Egypt malls and improving retail market.

For the hotel portfolio, the key drivers to the valuation are the discount rates applied and forecasted EBITDA generated from each asset's operations. During the year, the overall valuation of the Group's hotel portfolio had a resulted in a net valuation gain of AED 281 million compared to 31 December 2020 hotel portfolio valuation. The stabilization of the fair value vs prior year has been driven by the gradual improvement in performance as a result of relaxation of global lockdowns, lifting of travel restrictions during the year and the positive impact due to the Expo 2020 Dubai resulting in flattening out of COVID-19 related assumptions and reduction in discount rate by 50 basis points. In comparison, a 25 basis point increase in discount rate along with muted EBITDA projects for Year 1 had been reflected across the board for the hotel portfolio for valuations carried out in prior year.

During 2020, there was a heightened degree of uncertainty in the valuation of the Group's property portfolio during the onset of the COVID-19 pandemic resulting in increased difficulty in exercising professional judgement to determine the asset values when there were few comparable transactions in the new environment. Consequently, the external valuation report in the prior year contained a material uncertainty statement as part of their valuation which was consistent with the guidance issued by RICS Valuation Global Standards. The external valuer's report as at 31 December 2021 does not contain a material uncertainty statement.

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

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

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

(AED in millions)	Property, plant and equipment 2021	2020	Investment property 2021	2020
Assets valued by independent external valuers	7,999	6,410	30,955	29,185
Assets valued internally	146	151	1,617	3,391
	8,145	**6,561**	**32,572**	**32,576**

The fair values are categorized as a Level 3 fair value based on the inputs to the valuation technique used. The independent external valuers adopted consistent valuations methodology consistent with the previous cycles.

For the year ended 31 December 2021, a net valuation gain of AED 1,459 million (2020: loss of AED 3,454 million) has been recognized. This comprises a net valuation gain of AED 526 million (2020: loss of AED 500 million) recognized in other comprehensive income and a net valuation gain of AED 933 million (2020: loss of AED 2,954 million) recognized in profit or loss.

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

Class of asset	Key unobservable inputs	2021	2020
Shopping malls	Discount rates on income streams	7% to 25%	7% to 25%
	Compound annual growth rates of net operating income	2.67%	1.98%
Hotels	Discount rate	9.75% to 11.25%	10.25% to 11.75%
	Compound annual growth rates of EBITDA	12.25%	13.98%
Offices	Equivalent yield	8% to 9.25%	8% to 9.25%

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

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

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

17.4 PROPERTY, PLANT AND EQUIPMENT

(AED in millions)	Land and buildings	Furniture fixtures and equipment	Capital work in progress	Total
Cost/revaluation				
At 1 January 2020	**7,446**	**10,407**	**686**	**18,539**
Additions	-	301	598	**899**
Disposals/write offs/adjustments	7	(176)	69	**(100)**
On loss of control in a subsidiary	-	(48)	-	**(48)**
Transfer from investment properties-net (note 17.5)	7	-	-	**7**
Assets placed in service	34	576	(610)	**-**
Net loss on revaluation of properties (note 17.4.2)	(639)	-	-	**(639)**
Accumulated depreciation and impairment eliminated on revaluation	(370)	-	-	**(370)**
Effect of foreign exchange movements	(55)	(226)	(6)	**(287)**
At 1 January 2021	**6,430**	**10,834**	**737**	**18,001**
Additions	258	137	909	**1,304**
Acquired under common control transaction (note 37)	6	7	-	**13**
Disposals/write offs/adjustments	-	(106)	(10)	**(116)**
Transfer from investment properties-net (note 17.4.1 and 17.5)	1,227	68	-	**1,295**
Transfer to intangible assets (note 19.2)	-	-	(20)	**(20)**
Assets placed in service	-	991	(991)	**-**
Net gain on revaluation of properties (note 17.4.2)	535	-	-	**535**
Accumulated depreciation and impairment eliminated on revaluation	(435)	-	-	**(435)**
Effect of foreign exchange movements	(7)	(218)	95	**(130)**
At 31 December 2021	**8,014**	**11,713**	**720**	**20,447**

(AED in millions)	Land and buildings	Furniture fixtures and equipment	Capital work in progress	Total
Accumulated depreciation/impairment				
At 1 January 2020	**-**	**(6,220)**	**(138)**	**(6,358)**
Charged during the year	(370)	(966)	(7)	**(1,343)**
Impairment loss (note 15.3)	-	(108)	(6)	**(114)**
Reversal of impairment (note 15.3)	-	39	1	**40**
Reclassification	-	(123)	123	**-**
Accumulated depreciation and impairment eliminated on revaluation	370	-	-	**370**
On disposals/write offs	-	92	-	**92**
On loss of control in a subsidiary	-	34	-	**34**
Effect of foreign exchange movements	-	163	-	**163**
At 1 January 2021	**-**	**(7,089)**	**(27)**	**(7,116)**
Charged during the year	(435)	(935)	-	**(1,370)**
Acquired under common control transaction (note 37)	-	(5)	-	**(5)**
Impairment loss (note 15.3)	-	(68)	(2)	**(70)**
Reversal of impairment (note 15.3)	-	61	-	**61**
Reclassification	-	-	-	**-**
Accumulated depreciation and impairment eliminated on revaluation	435	-	-	**435**
On disposals/write offs	-	96	10	**106**
Effect of foreign exchange movements	-	72	8	**80**
At 31 December 2021	**-**	**(7,868)**	**(11)**	**(7,879)**
Carrying amounts				
At 31 December 2020	**6,430**	**3,745**	**710**	**10,885**
At 31 December 2021	**8,014**	**3,845**	**709**	**12,568**

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

- Net transfers amounted to AED 270 million (2020: Nil) from investment property to property, plant and equipment on account of increase in proportion of properties held for own use by the Group.
- During the year, the Group completed construction of a shopping mall amounting to AED 1,327 million in UAE and AED 756 million in Oman. AED 1,025 million, representing owned use portion of these shopping malls has been transferred to property, plant and equipment.

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

(AED in millions)	2021	2020
Gain/(loss) recognized in revaluation reserve	526	(500)
Net gain/(loss) recognized in profit or loss (note 17.5.1)	9	(139)
	535	**(639)**

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

(AED in millions)	2021	2020
Fair value of land and buildings	7,665	6,291
Less: Adjustment for accrued operating lease income	(31)	(3)
Less: Advances to contractors	-	(1)
Add: Lease liability	140	121
Add: Retention from contractor payments	89	14
Add: Project related accruals	151	8
Net adjusted fair value	**8,014**	**6,430**

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

	2021		2020	
(AED in millions)	Land	Buildings	Land	Buildings
Cost	911	10,323	764	6,854
Accumulated depreciation	-	(4,244)	-	(3,865)
Net carrying amount	**911**	**6,079**	**764**	**2,989**

17.4.5 The carrying amount as at the reporting date includes an operational shopping mall in UAE amounting to AED 30 million (2020: AED 59 million) and operational shopping malls in Oman amounting to AED 860 million (2020: AED 68 million), which are constructed on leasehold lands (right-of-use assets). These leasehold lands are restricted to be used for commercial purposes in relation to the Group's businesses and the right to renew the lease is reserved with the Governments of Oman and UAE, respectively. If the respective leases are not renewed the land and buildings will be transferred to the Governments of UAE and Oman respectively at the end of the lease term.

17.5 INVESTMENT PROPERTY

(AED in millions)	Land Undeveloped	Land and buildings	Capital work	Total
Cost/fair value				
At 1 January 2020	**2,148**	**30,306**	**3,713**	**36,167**
Additions	-	97	876	**973**
Net valuation loss recognized in profit or loss (note 17.5.1)	(76)	(2,739)	-	**(2,815)**
Assets placed in service	-	27	(27)	**-**
Transfer to property, plant and equipment-net (note 17.4)	-	(7)	-	**(7)**
Impairment loss (note 16.3)	-	-	(1,292)	**(1,292)**
Effect of foreign exchange movements	(146)	(305)	1	**(450)**
At 1 January 2021	**1,926**	**27,379**	**3,271**	**32,576**
Additions	-	125	429	**554**
Net valuation gain recognized in profit or loss (note 17.5.1)	(186)	1,110	-	**924**
Assets placed in service	-	2,083	(2,083)	**-**
Transfer to property, plant and equipment-net (note 17.4)	-	(1,295)	-	**(1,295)**
Impairment loss (note 15.3)	-	-	(122)	**(122)**
Effect of foreign exchange movements	(25)	(40)	-	**(65)**
At 31 December 2021	**1,715**	**29,362**	**1,495**	**32,572**

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

(AED in millions)	2021	2020
Net gain/(loss) taken on revaluation of property, plant and equipment (note 17.4.2)	9	(139)
Gain/(loss) on valuation of investment properties	924	(2,815)
	933	**(2,954)**

17.5.2 Rental income derived from investment properties during the current year is AED 2,929 million (2020: AED 2,837 million). The direct operating expenses arising from investment property that generated rental income during the current year amounted to AED 1,019 million (2020: AED 905 million).

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

(AED in millions)	2021	2020
Fair value of land and buildings	29,620	27,707
Less: Adjustment for accrued operating lease income	(410)	(486)
Less: Advances to contractors	(1)	(5)
Add: Retention from contractor payments	12	79
Add: Project related accruals	141	84
Net adjusted fair value	**29,362**	**27,379**

17.5.4 Two plots of land in Oman, measuring 12,023 sqm with carrying amount of AED 13 million (2020: AED 13 million) are held in the estate of the late majority shareholder (deceased) of the Parent Company for the beneficial interest of the Group.

17.5.5 The carrying value as at the reporting date includes a shopping mall under construction in Oman amounting to nil (2020: AED 652 million), on leasehold land (right-of-use assets).

17.6 RIGHT-OF-USE-ASSETS

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

(AED in millions)	2021	2020
Cost		
At 1 January	**4,952**	**5,208**
Additions during the year (note 31.3)	560	407
Derecognized on lease termination and modifications - net (note 31.3 and note 31.3.1)	(225)	(583)
On loss of control in a subsidiary	-	(20)
Effect of foreign exchange movements	(12)	(60)
At 31 December	**5,275**	**4,952**
Accumulated depreciation/impairment		
At 1 January	**(1,199)**	**(645)**
Depreciation charge for the year (note 12.2)	(646)	(652)
On lease modification and termination (note 31.3 and note 31.3.1)	194	148
Impairment loss	(42)	(29)
Effect of foreign exchange movements	4	(21)
At 31 December	**(1,689)**	**(1,199)**
Carrying amount at 31 December	**3,586**	**3,753**

17.7 DEVELOPMENT PROPERTY

(AED in millions)	2021	2020
At 1 January	**13**	**-**
Acquired under common control transaction (note 37)	299	-
Additions during the year	643	-
Transferred to cost of sales and inventory	(346)	-
Transfer from a joint venture	-	13
At 31 December	**609**	**13**

17.7.1 During the year, development property amounting to AED 299 million (note 37) was acquired under common control transfer as a result of transfer of beneficial ownership of Tilal Al Ghaf Phase A entity to the Group.

17.7.2 The Group has entered into an agreement with Tilal Al Ghaf Development LLC, a wholly owned subsidiary of the Parent Company, to develop and sell the project development over the land owned by Tilal Al Ghaf Development LLC. The agreement entitles Tilal Al Ghaf Development LLC to compensation equivalent to cost of land for which the control has been transferred to the Group based on agreed percentage of construction completion. The cost of land will be settled by the Group upon actual handover of units to the customers within the normal operating cycle. During the year, cost of land transferred to the Group amounted to AED 248 million (2020: Nil) for phases which reached the required percentage of completion. Furthermore, The Group has also contracted sales with third parties for certain plots for which the cost of underlying land will be transferred upon satisfaction of conditions as per the terms of the agreement.

18. EQUITY-ACCOUNTED INVESTEES

18.1 Accounting policy

Interests in equity-accounted investees: Associates and Joint ventures

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

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

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

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

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

Interests in joint arrangements

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

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

18.2

(AED in millions)	2021	2020
Investment in associates (note 18.3)	70	70
Investment in joint ventures (note 18.4)	785	789
	855	**859**

18.3 INVESTMENT IN ASSOCIATES

(AED in millions)	2021	2020
At 1 January	70	64
Additions during the year	3	-
Share of profit accounted through profit or loss	42	30
Dividend income received	(38)	(16)
Impairment charge (notes 15.3)	(4)	(5)
Foreign currency translation differences from foreign operations	(3)	(3)
At 31 December	**70**	**70**

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

			Effective ownership	
Name of associate	**Country of incorporation**	**Nature of business**	**2021**	**2020**
Enova Facilities Management Services LLC ('Enova')	United Arab Emirates	Facilities management services	51%	51%
Hollister Fashion LLC	United Arab Emirates	Fashion retailer	51%	51%

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

(AED in millions)	2021	2020
Total assets	551	472
Total liabilities	(369)	(326)
Net assets	**182**	**146**
Carrying amount of interest in investee at the year end	**70**	**70**
Revenue	816	846
Profit for the year	82	59
Share of profit for the year	**42**	**30**

18.4 INVESTMENT IN JOINT VENTURES

(AED in millions)	2021	2020
At 1 January	**789**	**732**
Additions during the year	-	14
Share of profit accounted through profit or loss (note 18.4.4)	55	18
Dividend income:		
- Declared and received (note 18.4.5)	-	(39)
- Declared but not received at the reporting date (note 18.4.1 and 18.4.2)	(38)	38
Impairment charge	-	(14)
Impairment reversal	-	39
Foreign currency translation differences from foreign operations	(21)	1
At 31 December	**785**	**789**

18.4.1 During the year, the Group did not receive any dividends from its investments in joint ventures. In prior year, the Group received AED 39 million and AED 58 million cash from a joint venture for a dividend declared in 2020 and 2019, respectively.

18.4.2 During the year, the Group reinstated the dividend receivable of AED 38 million from Al Mouj Muscat S.A.O.C. subsequent to confirmation of the joint venture compliance with its loan covenants in April 2021 and the joint venture's plan to settle the dividend over three years. Accordingly, the receivable of AED 38 million was discounted and recorded at its present value of AED 27 million, with AED 11 million recorded in finance cost (note 13.2).

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

			Effective ownership	
Name of joint venture	**Country of incorporation**	**Nature of business**	**2021**	**2020**
Sharjah Holding Co. PJSC	United Arab Emirates	Property developer	50%	50%
Waterfront City SARL	Lebanon	Property developer	50%	50%
Al Mouj Muscat S.A.O.C	Oman	Property developer	50%	50%

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

(AED in millions)	UAE	Other GCC	Others	Total
31 December 2021				
Non-current assets	423	387	45	**855**
Current assets	1,241	2,392	20	**3,653**
Current liabilities	(652)	(1,425)	(41)	**(2,118)**
Non-current liabilities	(276)	(540)	(2)	**(818)**
Net assets	**736**	**814**	**22**	**1,572**
Carrying amount of interest in the investee at the year end*	**365**	**407**	**13**	**785**
Revenue	537	447	10	**994**
Profit for the year	59	44	1	**104**
Share of profit for the year	**29**	**25**	**1**	**55**

(AED in millions)	UAE	Other GCC	Others	Total
31 December 2020				
Non-current assets	743	382	137	**1,262**
Current assets	1,014	2,336	60	**3,410**
Current liabilities	(492)	(1,363)	(122)	**(1,977)**
Non-current liabilities	(631)	(512)	(11)	**(1,154)**
Net assets	**634**	**843**	**64**	**1,541**
Carrying amount of interest in the investee at the year end*	**336**	**421**	**32**	**789**
Revenue	484	263	585	**1,332**
(Loss)/profit for the year	(4)	3	110	**109**
Share of (loss)/profit for the year	**(3)**	**(4)**	**25**	**18**

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

18.4.5 During the year, the Board of Directors of a joint venture in UAE has resolved to amicably wind up the joint venture company and terminate the Musataha Agreement. The Group's share of loss from the joint venture exceeded the carrying amount of the investment and, accordingly, the Group has discontinued recognizing its aggregate share of loss amounting to AED 7 million (2020: AED 30 million) as the Group's interest in the joint venture was reduced to zero and remains fully provided for as at the reporting date and in the prior year.

19. INTANGIBLE ASSETS AND GOODWILL

19.1 Accounting policy

Goodwill

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

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

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

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

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

Other intangible assets

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

Amortization

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

Category of assets	*Estimated useful life*
Metro naming rights	2 years
Others	3 - 4 years

19.2

(AED in millions)	Goodwill	Others	Total
Cost			
At 1 January 2020	**1,320**	**840**	**2,160**
Additions	-	123	**123**
Disposals/write-offs	-	(15)	**(15)**
On loss of control in a subsidiary	(15)	(11)	**(26)**
Foreign currency translation differences from foreign operations	(1)	-	**(1)**
At 1 January 2021	**1,304**	**937**	**2,241**
Additions	-	297	**297**
Transfer from property plant and equipment (note 17.4)	-	20	**20**
Disposals/write-offs	-	(120)	**(120)**
Foreign currency translation differences from foreign operations	1	-	**1**
At 31 December 2021	**1,305**	**1,134**	**2,439**
Accumulated amortization/impairment			
At 1 January 2020	**(66)**	**(539)**	**(605)**
Charge for the year	-	(179)	**(179)**
On disposal/write-offs	-	15	**15**
On loss of control in a subsidiary	-	11	**11**
Impairment loss	(14)	-	**(14)**
At 1 January 2021	**(80)**	**(692)**	**(772)**
Charge for the year	-	(166)	**(166)**
On disposal/write-offs	-	107	**107**
At 31 December 2021	**(80)**	**(751)**	**(831)**
Carrying amounts			
At 31 December 2020	**1,224**	**245**	**1,469**
At 31 December 2021	**1,225**	**383**	**1,608**

19.3 In 2021, the Group entered into an agreement with a Government entity in the UAE to renew its naming rights for two stations of the Dubai Metro for a period of 10 years. Based on the present value of the future payments to be made, intangible assets have been recorded, which are amortized over the contract period using the incremental borrowing cost of the Group at 1.89% per annum, and a corresponding deferred liability was recorded (notes 27.2).

19.4 Goodwill includes AED 1,021 million (2020: 1,021 million) goodwill recognized in respect of acquisition of a retail business in 2017. The goodwill is mainly attributable to the synergies expected to be achieved from integrating the acquired business into the Group's existing retail business, including know-how of operating small scale supermarket business models, relationship with key landlords/stakeholders and increasing market share. Goodwill has been allocated to the acquired businesses in each of the countries i.e. UAE, Bahrain and Kuwait and is tested annually for impairment.

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

- *Cash flow projections* – The cash flow projections includes specific estimates for five years at an average growth rate of 2.1% to 4% (2020: 1.2% to 4.5%) and a stable growth rate of 2% to 2.9% (2020: 1.3% to 3%) thereafter. The stable growth rate is determined based on management's estimate of the long-term standard inflation rate, consistent with the assumptions that a market participant would make. Cash flow projections are done on the assumption of going concern.
- *Discount rates* – These represent the cost of capital adjusted for the respective country risk factors. The Group uses the post-tax industry average Weighted Average Cost of Capital which reflects the country specific risk adjusted discount rate. A discount rate of 8.5% to 12.5% (2020: 9.5% to 12.5%) has been determined and applied.

The estimated recoverable amount (based on value in use calculations) of the CGU's exceeded its carrying amount and would increase/(decrease) if:

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

The management is confident that actual results will meet the projections and that the assumptions in relation to the goodwill impairment test are reasonable. Accordingly, no impairment loss has been recorded against goodwill during the current year (2020: Nil).

20. OTHER NON-CURRENT ASSETS

(AED in millions)	2021	2020
Long term portion of:		
- Advances and deposits (note 22)	391	160
- Accrued income on operating leases (note 22)	352	301
- Prepaid rentals (note 22)	6	9
Long term prepaid lease premium (note 20.1)	171	205
	920	**675**

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

21. INVENTORIES

21.1 Accounting policy

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

The Group reviews its inventories to assess loss on account of obsolescence on a regular basis. In determining whether provision for obsolescence should be recorded in the profit or loss, the Group makes judgements 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)	2021	2020
Inventory (net of provisions)	2,589	2,412
Reduction in cost from incidence of rebates and discounts	(176)	(173)
Goods in transit	32	8
Spares and consumables	24	21
	2,469	**2,268**

Provision for stock obsolescence as at the year end amounted to AED 66 million (2020: AED 77 million). The Group estimates provision for stock obsolescence through a method based on ageing, rotation and profitability of an item. Provision rates have been determined specific to the nature of ageing of the items. Besides the above, specific provision is made on a case to case basis as deemed appropriate by management.

22. TRADE AND OTHER RECEIVABLES

(AED in millions)	2021	2020
Trade receivables (note 35.3)	708	868
Advances and deposits	1,140	857
Prepayments	452	263
Accrued income on operating leases	440	488
Positive fair value of derivatives	130	319
Other receivables	86	143
	2,956	**2,938**
Provision for loss allowances (note 35.3)	(120)	(214)
	2,836	**2,724**
Less: long term portion (note 20)	(749)	(470)
Current portion	**2,087**	**2,254**

23. CASH IN HAND AND AT BANK

23.1 Accounting policy

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

23.2

(AED in millions)	**2021**	**2020**
Cash in hand	349	194
Cash at bank (note 35.3)	1,252	3,505
	1,601	**3,699**
Restricted cash (note 23.5 and note 35.3)	1,342	-
	2,943	**3,699**

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 Restricted cash represents proceeds received against sale of property by Tilal Al Ghaf Phase A LLC, which is held in escrow accounts in banks and restricted for use on development property expenditures. These deposits/balances are not under lien.

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

(AED in millions)	**2021**	**2020**
Cash in hand and at bank	2,943	3,699
Less: restricted cash	(1,342)	-
Less: bank overdraft	(225)	-
	1,376	**3,699**

24. ASSETS AND LIABILITIES CLASSIFIED AS HELD FOR SALE

24.1 Credit card portfolio of a wholly owned subsidiary was classified as held for sale in 2019, following the Group's plans to dispose off the credit card business. Due to disruptions caused by COVID-19, the sale process was slowed down and the transaction could not be concluded in 2020. During the year, a commercial agreement outlining the terms of sale of credit card portfolio of retail customers were agreed and signed with Commercial Bank of Dubai ("CBD"), a UAE based bank. After obtaining a notice of no objection from the UAE Central Bank and the conclusion of a customer opt-out process, the credit card portfolio was transferred to CBD.

Total charge of AED 7 million (2020: AED 9 million), with respect to recognition of liabilities held for sale, including the associated assets for which carrying amount is no longer considered to be recoverable, has been recognized in the consolidated statement of profit or loss (note 15.4).

25. TRADE AND OTHER PAYABLES

(AED in millions)	**2021**	**2020**
Trade payables	5,847	5,690
Accruals		
- Accrued expenses	1,968	1,519
- Project related accruals	374	270
- Accrued interest	91	88
Retentions payable	170	255
Tax payable	90	128
Negative fair value of derivatives	62	129
Deposits against fair value movement of derivatives - interest bearing	32	187
Other payables	240	241
	8,874	**8,507**

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

26. PROVISIONS

26.1 Accounting policy

26.1.1 Provisions

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

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

26.1.2 Short term employee benefits

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

26.1.3 Long term employee benefits

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

26.2

(AED in millions)	2021	2020
Bonus provisions (note 26.3)	229	133
Other provisions (note 26.4)	160	115
	389	**248**
Non-current	62	48
Current	327	200
	389	**248**

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

(AED in millions)	2021	2020
At 1 January	133	319
Additions during the year - net	212	67
Payments made during the year	(116)	(253)
At 31 December	**229**	**133**
Less: Current portion	(167)	(85)
Non-current portion	**62**	**48**

The provision for bonus includes AED 62 million (2020: AED 48 million) in respect of deferred bonus plan for the senior management staff of the Group.

26.4 Provisions movement during the year:

(AED in millions)	**2021**	**2020**
At 1 January	115	104
Acquired under common control transaction (note 37)	37	-
Charge during the year	30	43
Payments/adjustments made during the year	(20)	(27)
Currency translation adjustments	(2)	(5)
At 31 December	**160**	**115**
Less: Current portion	(160)	(115)
Non-current portion	**-**	**-**

27. OTHER LIABILITIES

(AED in millions)	**2021**	**2020**
Advance receipts	1,204	952
Unearned income (note 27.1)	1,071	-
Unearned rental income	662	638
Deferred liability (note 27.2)	110	23
Deferred consideration (note 27.3)	59	86
Unredeemed points liability (note 27.4)	21	22
Other liabilities	1	-
	3,128	**1,721**
Non-current	114	51
Current	3,014	1,670
	3,128	**1,721**

27.1 Unearned income mainly comprises of payments received from customers for sale of properties from Tilal Al Ghaf Phase A LLC community projects. These revenues have not yet been recognized in the consolidated statement of profit or loss, in line with the revenue recognition policy of the Group. The aggregate amount of the sale price allocated to the performance obligations of the Group that are unsatisfied/partially unsatisfied as at 31 December 2021 is AED 5,915 million (2020: Nil). The Group expects to recognize these unsatisfied performance obligations as revenue over a period of 2 to 3 years.

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

(AED in millions)	**2021**	**2020**
At 1 January	23	27
Arising on metro naming rights contracted during the year (note 19.3)	109	-
Interest accrued during the year	1	-
Payments made during the year	(23)	(4)
At 31 December	**110**	**23**
Less: Current portion	(22)	(23)
Non-current portion	**88**	**-**

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

(AED in millions)	**2021**	**2020**
At 1 January	86	112
Interest accrued during the year	8	10
Payments made during the year	(35)	(36)
At 31 December	**59**	**86**
Less: Current portion	(34)	(35)
Non-current portion	**25**	**51**

27.4 The liability with respect to the unredeemed reward points for Group's loyalty program, "Share", amounted to AED 21 million (2020: AED 22 million) at year-end. Breakage on points liability amounted to AED 5 million (2020: AED 7 million).

28. RELATED PARTY TRANSACTIONS AND BALANCES

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

28.1 SHORT TERM RECEIVABLES FROM RELATED PARTIES

(AED in millions)	2021	2020
Receivable from joint ventures (note 28.1.1)	43	44
Receivable from a minority shareholder	-	17
	43	**61**

28.1.1 AED 43 million (2020: AED 43 million) from a joint venture in Egypt, and is payable on demand.

28.2 SHORT TERM LOAN FROM A RELATED PARTY

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

(AED in millions)	2021	2020
At 1 January	44	164
Borrowed during the year	206	175
Repaid during the year	(1,200)	(930)
Settlement of intercompany balance (note 28.2.1)	293	-
Adjusted for dividend settlement (note 33.3)	675	635
At 31 December	**18**	**44**

28.2.1 Represents settlement of intercompany balances between wholly owned subsidiaries of the Group and the Parent Company.

28.3 DUE FROM RELATED PARTIES

(AED in millions)	2021	2020
Parent company	2	131
Subsidiaries of the Parent Company	11	4
Equity accounted investees	95	93
Others	86	68
	194	**296**
Provision for doubtful receivables	(8)	(8)
Unamortized discount on long term receivables	(8)	-
	178	**288**
Current	148	288
Non-current	30	-
	178	**288**

28.4 DUE TO RELATED PARTIES

(AED in millions)	2021	2020
Subsidiaries of the Parent Company	334	87
Others	44	44
	378	**131**

28.5 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)	2021	2020
Directors' fees and expenses	16	16
Employee benefits (salaries and allowances including provision for bonus)	100	53
Post employment benefits (provision for end of service benefits)	3	3
	119	**72**

28.6 OTHER TRANSACTIONS WITH RELATED PARTIES DURING THE YEAR

28.6.1 During the year, the Parent Company has borne a proportion of costs, amounting to AED 10 million (2020: AED 7 million), incurred in respect of operations of the Leadership Institute.

28.6.2 During the year, certain projects and activities were undertaken on behalf of the Parent Company. Accordingly, costs amounting to AED 329 million (2020: AED 165 million) have been cross charged to the Parent Company and other subsidiaries of the Parent Company. These include investment in Retail online business (operating cost net of revenue - refer note 10.3.3) and also technology, strategic initiatives and management time incurred on these activities.

Additionally, depreciation and amortization amounting to AED 43 million (2020: AED 45 million) pertaining to these assets have been cross charged.

29. BANK OVERDRAFT

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 1,465 million (2020: AED 1,514 million). The facilities carry interest at 0.25% - 3.5% (2020: 0.25% - 3.5%) above the base lending equivalent and the drawn amounts are repayable on demand. At the reporting date, the carrying amount of bank overdraft amounted to AED 225 million (2020: Nil).

30. LONG TERM LOANS

(AED in millions)	2021	2020
At 1 January	**15,958**	**13,884**
Borrowed during the year	5,174	6,190
Repaid during the year	(7,659)	(4,463)
Fair value movement	(221)	460
Net movement in unamortized arrangement and agency fee	(7)	6
Currency translation adjustment	(1)	(119)
At 31 December	**13,244**	**15,958**
Less: Current maturity of long term loans	(55)	(41)
Non-current portion	**13,189**	**15,917**

30.1 Details of term loans from banks are as follows:

(AED in millions)

Loan facility 'in millions	Repayment terms	Maturity date	Note	2021	2020
USD 173	Quarterly starting from 10 Jun-21	10-Mar-29	30.1.1	601	595
Adjustments for unamortized fees on issuance				(3)	(4)
				598	**591**

The floating rate term loan carries margin of 1.35% (2020: 1.35%) per annum over the base lending rate.

30.1.1 In 2016, a loan facility of EGP 2,500 million was obtained by a subsidiary in Egypt in relation to the construction of a shopping mall, which was secured by assignment of lease proceeds and insurance contracts. During 2019, this loan facility was refinanced through a USD 200 million facility (reduced USD 173 million in 2021). Upon pre-payment of EGP 2,500 million facility, the assignment over lease proceeds and insurance contracts were released.

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

(AED in millions)

Loan facility 'in millions	Maturity date	Note	2021	2020
USD 700	5-Jul-26	30.2.1	925	2,426
AED 3,054	5-Jul-26	30.2.1	367	1,047
USD 100	30-Sep-24		-	-
USD 350	24-Sep-24		350	735
AED 2,387	24-Sep-24		367	-
USD 655	23-Jan-25		300	592
AED 1,267	23-Jan-25		551	551
KES 3,000	15-Jan-22		-	-
			2,860	**5,351**
Adjustments for:				
Unamortized fees on issuance			(41)	(31)
			2,819	**5,320**

The Group has unsecured committed revolving facilities aggregating to AED 13,436 million (2020: AED 13,434 million). These floating rate facilities carry margins ranging from 1% to 1.35% (2020: 1% to 1.35%) per annum over the base lending rate. For loans obtained in the UAE, the base lending rate used is EIBOR/LIBOR while loans obtained by overseas subsidiaries an appropriate base lending rate prevailing in the related markets is used.

30.2.1 During the year, the unsecured committed revolving facility was structured into a five year sustainability linked loan (SLL), a financial instrument primarily on environmental, social and governance (ESG) related performance. The structure calls for ratcheting of the margin, between 1bps to 5 bps, if the Group is unable to meet its annual sustainability KPIs.

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

(AED in millions)

Bonds and sukuks 'in millions	Pricing	Maturity date	Note	2021	2020
USD 500 million sukuk certificates	4.50% per annum, to be serviced every six months from returns generated from the Wakala portfolio	3-Nov-25	30.3.1	1,837	1,837
USD 600 million sukuk certificates	4.64% per annum, to be serviced every six months from returns generated from the Wakala portfolio	14-May-29	30.3.1	2,204	2,204
USD 600 million sukuk certificates	3.93% per annum, to be serviced every six months from returns generated from the Wakala portfolio	28-Feb-30	30.3.1	2,204	2,204
USD 100 million sukuk certificates	3.15% per annum, to be serviced every six months from returns generated from the Wakala portfolio	30-Nov-28	30.3.1	367	367
USD 800 million unsecured notes	4.75% per annum, payable every six months	7-May-24	30.3.2	2,938	2,938
				9,550	**9,550**
Adjustments for:					
Unamortized fees, discounts and premium on issuance				(5)	(1)
Fair value adjustment on borrowings hedged by interest rate swaps				282	498
				9,827	**10,047**

30.3.1 During 2019, the size of the Sukuk Trust Certificate Issuance Program ("Sukuk Program") was increased to USD 3,000 million. The size of the Sukuk Program had been increased from USD 1,000 million to USD 1,500 million in 2015 and the structure of the Program was amended to incorporate a Commodity Murabaha Investment option within the "Wakala" structure.

In November 2015, the Group issued ten year Sukuk certificates ("bonds") under its Sukuk Program dated 8 October 2015, raising USD 500 million (AED 1,837 million). In May 2019 and October 2019, the Group issued additional long-ten year Sukuk certificates raising USD 1,200 million in tranches of USD 600 million each, to refinance existing eligible projects in accordance with the MAF Group's Green Finance Framework. These senior unsecured bonds issued in November 2015, May 2019 and October 2019 under this program are listed on the NASDAQ Dubai, UAE and Euronext Dublin. In November 2020, the Group issued unrated and unlisted eight year Sukuk certificates amounting to USD 100 million (AED 367 million) through a private placement under the Sukuk Program. The carrying value of these certificates issued in November 2020, as at 31 December 2021 and 31 December 2020 approximates its fair value.

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

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

The Sukuk Program was originally listed on the London Stock Exchange in 2012. All subsequent updates of the program since then, have been listed on the Euronext Dublin and on the NASDAQ Dubai, UAE. Of the total amount raised under the Sukuk Program, USD 750 million (2020: USD 750 million) is hedged by interest rate swaps and accordingly, carried at fair value.

30.3.2 In July 2012, under the USD 2,000 million Global Medium Term Note (GMTN) Program (increased to USD 3,000 million in 2015), the Group issued ten year fixed rate unsecured bonds in May 2014 of USD 500 million and additional USD 300 million as part of May 2014 issue in July 2016. The bonds are listed on NASDAQ Dubai, UAE and Euronext Dublin. In addition the GMTN Program was originally listed on the London Stock Exchange in 2011. All subsequent updates have been listed on Euronext Dublin and on NASDAQ Dubai, UAE. Of the total amount raised under the GMTN Program, USD 250 million (2020: USD 250 million) is hedged by interest rate swaps and accordingly, carried at fair value.

31. LEASES

31.1 Accounting policy

A *As a lessee*

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

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

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

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

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

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

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

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

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date
- amounts expected to be payable under a residual value guarantee; and
- lease payments in an optional renewal period if the Group is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Group is reasonably certain not to terminate early.

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

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

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

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

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

Short-term leases and leases of low-value assets

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

B *As a lessor*

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

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

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

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

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

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

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

31.2 Critical accounting estimates and judgement

Lease term

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

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

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

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

Variable lease payments

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

Incremental borrowing rate

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

31.3 LEASE LIABILITIES

(AED in millions)	2021	2020
At 1 January	**4,236**	**4,851**
Additions (note 17.6)	560	407
Interest accrued (note 13.2 and 31.3.3)	226	272
Payments made against lease liabilities	(782)	(645)
COVID-19 related lease concessions (note 12.4)	(51)	(133)
Derecognized on lease termination and modification (note 31.3.1)	(31)	(435)
On loss of control in a subsidiary	-	(26)
Currency translation adjustment	(13)	(55)
At 31 December	**4,145**	**4,236**
Less: current maturity of lease liabilities (note 31.3.2)	(621)	(568)
Non-current portion	**3,524**	**3,668**

31.3.1 The Group reassessed the lease term of its lease portfolio, including the probability of exercising early termination and renewal options. Based on this reassessment the Group derecognized lease liabilities amounting to AED 31 million (2020: AED 435 million) with a corresponding change in right-of-use assets (note 17.6).

31.3.2 Lease liabilities are as follows:

	Future minimum lease payments		Interest		Present value of minimum lease payments	
(AED in millions)	2021	2020	2021	2020	2021	2020
Less than one year	819	782	198	214	621	568
Between one and five years	2,448	2,381	572	640	1,876	1,741
More than five years	2,274	2,638	626	711	1,648	1,927
	5,541	**5,801**	**1,396**	**1,565**	**4,145**	**4,236**

The Group has discounted lease liabilities using incremental borrowing rates ranging from 0.56% -19.7% (2020: 1.01% -19.9%).

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

For the year ended 31 December 2021, the Group recognized interest expense on lease liabilities amounting to AED 226 million (2020: AED 272 million) (note 13.2) and depreciation of right-of-use asset amounting to AED 646 million (2020: AED 652 million) (note 17.6). Expenses relating to short-term leases and contingent rent expense - net of rent concessions received, excluded from measurement of lease liabilities, amounted to AED 112 million (2020: AED 2 million) (note 12).

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

31.4 LEASES AS A LESSOR

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

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

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

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

(AED in millions)	**2021**	**2020**
Less than one year	2,681	2,395
One to two years	1,925	1,662
Two to three years	1,258	1,038
Three to four years	693	581
Four to five years	383	267
More than five years	255	233
	7,195	**6,176**

32. POST EMPLOYMENT BENEFIT OBLIGATIONS

32.1 Accounting policy

32.1.1 Defined benefit plan

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

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

	2021	*2020*
Discount rate	1.08% - 2.50%	2.25% - 2.50%
Future salary increase	3.00% - 5.00%	2.00% - 5.00%

32.1.2 Defined contribution plan

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

32.2

(AED in millions)	**2021**	**2020**
Defined benefit plan	775	810
Defined contribution plan	4	2
	779	**812**

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

(AED in millions)	2021	2020
At 1 January	810	769
Charge during the year	102	123
Payments made during the year	(136)	(76)
Currency translation adjustment	(1)	(6)
At 31 December	**775**	**810**

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

(AED in millions)	2021	2020
Total expense recognized in profit or loss during the year	24	23
Contributions payable at the end of the reporting year	4	2

33. SHARE CAPITAL AND RESERVES

33.1 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.

33.2 SHARE CAPITAL

(AED in millions)	2021	2020
Issued and fully paid 2,670,729 shares of AED 1,000 each	**2,671**	**2,671**

33.3 During the year, a dividend of AED 675 million (2020: AED 635 million) was declared and settled by the Company (note 28.3).

33.4 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.

33.5 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.

33.6 CURRENCY TRANSLATION RESERVE

The currency translation reserve comprises all foreign currency differences arising from translation of the consolidated financial statements of foreign operations mainly in Lebanon and Egypt. During the year, the Group recorded foreign currency translation loss of AED 167 million (2020: AED 758 million).

Lebanon's political and economic crisis continued to deteriorate during the year. In 2020, the central bank started foreign exchange rate management with the help of regulated exchange houses to stabilize the economy and attract foreign inflow and subsequently introduced a secondary exchange rate, referred to as “Sayrafa” rate. This secondary exchange rate trades at a discount of approximately 93% to the official pegged rate suggesting that the peg on the official exchange rate is extremely stressed and is likely to break.

With the crisis deepening and market diverging away from the official and secondary exchange rate, the Group reassessed the exchange rate to be applied for translating the value of its Lebanese operations for the year ended 31 December 2021 and estimated a further currency devaluation from LBP 2,287 against AED to LBP 6,806 at the reporting date. At 31 December 2021, the Group translated its financial position at LBP 6,806 against AED and the results from operations were translated at the average rate prevailing during the period. The Group’s operations in Lebanon contributed a net loss of AED 7 million (2020: AED 185 million) to Group's consolidated results and the net assets amounted to AED 71 million at 31 December 2021 (2020: AED 156 million). A further devaluation of 25% in the exchange rate used would result in a decline in net assets of Lebanon by AED 18 million.

34. HYBRID EQUITY INSTRUMENTS

(AED in millions)

Hybrid Perpetual Note Instruments	Amount	Interest rate	Call date	Reset terms	2021	2020
March 2017	USD 500 million	5.5% payable semi-annually in arrears	7-Sep-22	5.5 years to first reset, thereafter 5 years and a new fixed rate plus the margin	1,828	1,828
March 2018	USD 400 million	6.375% payable semi-annually in arrears	20-Mar-26	8 years to first reset, thereafter 5 years and a new fixed rate plus the margin	1,464	1,464
					3,292	**3,292**

The Group may elect at its sole and absolute discretion not to pay interest on interest payment dates. Pursuant to the requirements of IAS 32 and the terms/conditions, these are classified as equity net of transaction costs amounting to AED 14 million (2020: AED 14 million). These hybrid perpetual note instruments are listed on the Euronext Dublin.

During the year, the Group paid coupon amounting to AED 195 million (2020: AED 195 million).

35. 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 FVTPL, 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 FVTPL, short term loans, bank overdraft, long term loans and trade and other payables.

35.1 Accounting policy

35.1.1 Non-derivative financial assets

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

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

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at FVTPL:
- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:
- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

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

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

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

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

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

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

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

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

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

De-recognition

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

35.1.2 Non-derivative financial liabilities

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

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

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

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

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

35.1.3 Derivative financial instruments and hedge accounting

Classification

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

Initial and subsequent measurement

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

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

Gains and losses on subsequent measurement

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

Hedging instruments

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

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

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

Hedge documentation

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

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

Hedge effectiveness testing

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

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

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

Fair value hedges

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

Cash flow hedges

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

Discontinuance of hedge accounting

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

Hedges that do not qualify for hedge accounting

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

35.2 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 and Risk Committees within the board of directors of Majid Al Futtaim Holding and it's main operating subsidiaries who are required to review and assess the risk management process. It ensures that the internal risk management framework is effective, that a sound system of risk management is in place, and is maintained to safeguard shareholders' interests. All Group companies are required to report on risk management on a regular basis including self-certification indicating that they have reviewed the risks identified within their area, and they are satisfied that the controls are operating effectively.

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

35.3 Credit risk

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

The operating subsidiaries have a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. Majority of the Group's income is by way of cash and advance receipts and are supported by a deposit equivalent to three month's advance rental. Credit evaluations are performed on all customers requiring credit over a certain amount. The Group has a broad base of customers with no significant concentration of credit risk within trade receivables at 31 December 2021 and 31 December 2020. Cash is placed with a diversified portfolio of reputable banks and the risk of default is considered remote. Management has assessed the recoverability of its trade receivables as at the reporting date and considers them to be recoverable. Amounts due from related parties are considered by management to be recoverable. All non-current receivables are due within five years of the reporting date and the fair values of trade and other receivables approximate to the carrying value.

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

(AED in millions)	2021	2020
Long term loan, advances and receivables	391	160
Trade receivables (note 22)	708	868
Other current receivables	965	1,159
Due from related parties	191	349
Cash at bank	2,594	3,505
	4,849	**6,041**

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

(AED in millions)	2021	2020
Current balance	301	266
Past due 1 - 30 days	12	15
Past due 31 - 90 days	108	299
Past due 91 - 180 days	88	200
Past due over 180 days	199	88
	708	**868**
Less: provision for doubtful debts (note 22)	(120)	(214)
	588	**654**

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

(AED in millions)	**2021**	**2020**
Impairment loss on trade receivables (excluding credit card receivables)	(34)	(114)
Impairment loss on credit card receivables classified as held for sale	(10)	(65)
Impairment loss on other financial assets classified as held for sale (note 24.1)	(7)	(6)
	(51)	**(185)**

Trade receivables (excluding credit card receivables)

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

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

In the case of receivables where possession of property is already handed over to the customer, loss allowance is created at an accelerated rate or a full provision is made based on the facts and circumstances on a case by case basis.

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

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

(AED in millions)	**2021**	**2020**
At 1 January	(214)	(162)
Impairment charge for the year	(34)	(114)
Amounts written off/reversals	128	62
	(120)	**(214)**

The Group assessed the loss allowance of its trade receivables based on specific provisioning (for specific high risk accounts) and expected credit loss ("ECL") model in line with requirements of IFRS 9 Financial Instruments. The specific provisioning and ECL model were reassessed for the on-going impact of COVID-19, mainly due to the operational disruption faced by the tenants, volatility in the current economic conditions, incidence of default and deterioration in tenant credit standing, that may lead to an increase in impairment on trade receivables. Given the increase in risk of default by tenants and customers, the Group has written-off AED 128 million trade receivables previously fully provided for in prior years and recognized impairment loss on trade receivables amounting to AED 34 million (2020: AED 114 million).

Cash and deposits with banks and financial institutions

The Group's cash and deposit balances with banks and financial institutions amounted to AED 2,594 million at 31 December 2021 (2020: AED 3,505 million). Impairment on cash and cash equivalents has been measured on a 12-month expected loss basis, reflecting the short maturities of the exposures, and is not considered material to the Group's consolidated financial statements.

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

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

35.4 Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure that it will always have sufficient liquidity to meet its liabilities when they become due without incurring unacceptable losses or risking damage to the Group's reputation.

At 31 December 2021, the Group has net current liabilities of AED 5,219 million (2020: AED 2,419 million) which includes debt maturing in the short-term of AED 298 million (2020: AED 85 million) and current maturity of lease liabilities of AED 621 million (2020: AED 568 million). Further, at 31 December 2021 debt maturing in the long term is AED 13,189 million (2020: AED 15,917 million).

At 31 December 2021, the Group has undrawn committed facilities of AED 10,576 million (2020: AED 8,223 million) and cash in hand and at bank of AED 1,601 million (2020: AED 3,699 million) to cover its liquidity needs for at least the next 18 months.

The Group has a strong asset base of AED 60,588 million (2020: AED 59,097 million) and equity of AED 25,339 million (2020: AED 23,438 million) and manages liquidity to ensure that the Group is able to meet its obligations when they become due without incurring losses or risking damage to the Group's reputation. The Group's assessment of funding and liquidity shows sufficient liquidity for the foreseeable future through its cash and available committed lines. Despite short-term reduction in income due to COVID-19 pandemic, the Group continues to maintain sufficient headroom on its debt covenants relating to net worth, net debt to equity and interest coverage.

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

		Contractual cash flows			
(AED in millions)	Carrying amount	Less than one year	Between one	Between two to five	More than five years
As at 31 December 2021					
Bank loans	13,244	543	573	8,840	5,605
Lease liabilities	4,145	819	612	1,836	2,274
Loans from related parties	18	18	-	-	-
Bank overdraft	225	554	-	-	-
Trade and other payables	9,279	9,072	43	79	36
Due to related parties	378	378	-	-	-
Derivative liability for risk management					
- Interest rate derivatives designated as cashflow hedge	50	29	12	8	-
- Derivative instruments accounted as FVTPL	12	4	4	4	4
	27,351	**11,417**	**1,244**	**10,767**	**7,919**
As at 31 December 2020					
Bank loans	15,958	545	563	11,423	5,855
Lease liabilities	4,236	782	595	1,786	2,638
Loan from related parties	44	45	-	-	-
Trade and other payables	8,647	8,548	71	43	-
Due to related parties	131	131	-	-	-
Derivative liability for risk management					
- Interest rate derivatives designated as cashflow hedge	127	59	31	37	-
- Derivative instruments accounted as FVTPL	2	-	1	1	-
	29,145	**10,110**	**1,261**	**13,290**	**8,493**

The outflows disclosed in the above table represent the contractual undiscounted cash flows relating to derivative financial liabilities held for risk management purposes which are not usually closed out before contractual maturity. The disclosure shows net cash flow amounts for derivatives that are net cash-settled.

The interest payments on variable interest rate loans in the table above reflect the market forward interest rates at the reporting date and these amounts may change as market interest rates change. The future cash flows and derivative instruments may be different from the amount in the above table as interest rates and exchange rates change. Except for these financial liabilities, it is not expected that the cash flows included in the maturity analysis could occur significantly earlier, or at significantly different amounts.

35.5 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.

Managing interest rate benchmark reform

A fundamental reform of major interest rate benchmarks is being undertaken globally, including the replacement of some interbank offered rates (IBORs) with alternative nearly risk-free rates (referred to as 'IBOR reform'). The Group has exposures to IBORs on its financial instruments that will be replaced or reformed as part of these market-wide initiatives. The Group's main alternative reference rate for USD LIBOR is the Secured Overnight Financing Rate (SOFR). USD LIBOR was planned to be discontinued by the end of 2021. However, in November 2020, the ICE Benchmark Administration (IBA), the FCA-regulated and authorized administrator of LIBOR, announced that it had started to consult on its intention to cease the publication of certain USD LIBORs after June 2023.

IBOR continues to be used as a reference rate in financial markets and is used in the valuation of instruments with maturities that exceed the expected end date for IBOR. Therefore, the Group believes the current market structure supports the continuation of hedge accounting as at 31 December 2021.

35.5.1 Foreign currency risk

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

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

Aside from the foreign currency risk from Lebanon (note 33.6), a significant portion of the Group's foreign currency borrowings and balances are denominated in US Dollar (USD) and other currencies linked to US Dollar. As the Group's functional currency is currently pegged to USD any fluctuation in exchange rate is not likely to have a significant impact on Group's equity and profit or loss.

Net investment hedges

The Group hedges certain foreign currency exposures due to Group's net investment in foreign subsidiaries by borrowing in foreign currencies and derivative products including forward currency contracts. To assess hedge effectiveness, the Group determines the economic relationship between the hedging instrument and the hedged item by comparing changes in the carrying amount of the hedging instrument to a change in the exchange rate with changes in the investment in the foreign operations due to movement in the spot rate (the offset method). At 31 December 2021, the Group had foreign exchange forward contracts of AED 465 million (2020: AED 465 million).

35.5.2 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)	2021	2020
Fixed rate instruments		
Financial liabilities	(9,827)	(10,047)
	(9,827)	**(10,047)**
Floating rate instruments		
Financial assets	130	513
Financial liabilities*	(3,754)	(6,271)
	(3,624)	**(5,758)**

* Floating rate financial liabilities include loans of AED 3,461 million (2020: AED 5,946 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) basis points	Effect on profit or loss increase / (decrease)		Effect on other comprehensive income increase / (decrease)	
		2021	2020	2021	2020
Floating rate instrument	+ 100	(37)	(59)	-	-
Interest rate swaps designated as cash flow hedges	+ 100	25	58	(25)	(58)
Interest rate swaps designated as FVTPL	+ 100	(189)	(244)	-	-
Cash flow sensitivity (net)		**(201)**	**(245)**	**(25)**	**(58)**
Floating rate instrument	- 100	37	59	-	-
Interest rate swaps designated as cash flow hedges	- 100	(26)	(59)	26	59
Interest rate swaps designated as FVTPL	- 100	203	265	-	-
Cash flow sensitivity (net)		**214**	**265**	**26**	**59**

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

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

35.6 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)	2021	2020
Interest bearing loans and borrowings (excluding lease liabilities)	13,578	16,090
Less: cash and bank balances (note 23.2)	(1,601)	(3,699)
Net debt	**11,977**	**12,391**
Total equity	**29,050**	**27,179**
Net debt to equity ratio	**41%**	**46%**

35.7 Fair value measurement of financial assets and liabilities

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

(AED in millions)	Carrying amount	Fair value Level 1	Level 2	Level 3
At 31 December 2021				
Financial assets				
Derivative instruments for risk management	130	-	130	-
Financial liabilities				
Derivative instruments for risk management	62	-	62	-
Sukuk and Note liabilities*	9,183	-	9,908	-
	9,245	**-**	**9,970**	**-**

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

* USD 100 million Sukuk certificates issued through a private placement in 2020 (note 30.3.1) under the Sukuk Program are not listed on any stock exchanges. Accordingly, the carrying amount of these certificates approximates the fair value.

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

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

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

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

The interest rates used to discount estimated cash flows, where applicable, are based on the spot rates derived from the interpolated per annum yield curve in respect of borrowings/derivatives which is 0.16% - 0.91% (2020: 0.16% - 0.91%) at the reporting date.

36. CONTINGENT LIABILITIES, GUARANTEES AND COMMITMENTS

(AED in millions)	2021	2020
Capital commitments	2,392	1,033
Group's share of capital commitments in relation to its equity accounted investees	279	343
Letter of credits outstanding	109	13
Bank guarantees outstanding	605	123

Capital commitments represent the probable value of contracts signed for the development and construction of assets as at 31 December 2021, net of costs incurred and advances made up to that date.

Included within letter of credits and bank guarantees are performance guarantees amounting to AED 493 million (2020: Nil) in favour of government authorities in the UAE for a real estate development project.

36.1 There are certain litigation and claims that arise during the normal course of business. Management reviews these on a regular basis as and when such litigations and/or claims are received. Each case is treated according to its merit and necessary provisions are created. Based on the opinion of the Group's legal counsel and information presently available, management believes there is no significant exposure that may result in a significant cash outflow for the Group.

37. COMMON CONTROL TRANSACTIONS

From 1 January 2021, Tilal Al Ghaf Development LLC, a fellow subsidiary, transferred its beneficial interest in its wholly owned subsidiary, Tilal Al Ghaf Phase A LLC to the Group. The following table summarizes the financial position of Tilal Al Ghaf Phase A LLC assumed on 1 January 2021:

(AED in millions)	**1 January 2021 Unaudited**
Non-current assets	
Property, plant and equipment (note 17.4)	8
Long term receivables	5
Total non-current assets	**13**
Current assets	
Development property* (note 17.7)	299
Trade and other receivables	89
Cash and bank balances	283
Total current assets	**671**
Total assets	**684**
Non-current liabilities	
Retirement benefit obligations	1
Current liabilities	
Trade and other payables	320
Due to related parties	455
Provisions	37
Total current liabilities	**812**
Total liabilities	**813**
Net liabilities	**(129)**

* Development property is constructed on land owned by Tilal Al Ghaf Development LLC, a wholly owned subsidiary of the Parent Company.

The Group did not apply IFRS 3 Business Combination as the acquisition is a common control transaction defined under IFRS 3.

38. SUBSEQUENT EVENTS

Aside from the matters noted in note 3, in particular the ongoing impact of COVID-19 there has been no significant events subsequent to the reporting date and up to the date of authorization on **21 February 2022**, which would have a material effect on the consolidated financial statements.

39. COMPARATIVES

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