MAJID AL FUTTAIM

Majid Al Futtaim Properties LLC and its subsidiaries
Consolidated financial statements

For the year ended 31 December 2018

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Directors' report

The Directors' report and the audited consolidated financial statements of Majid Al Futtaim Properties LLC ('the Company') and its subsidiaries (collectively referred to as 'the Group') are presented for the year ended 31 December 2018. The consolidated financial statements were prepared by management. Management has taken responsibility for the fair presentation of the consolidated financial statements in accordance with the International Financial Reporting Standards and the applicable provisions of the UAE Company Law No. 2 of 2015 and has given clearance for issuance of these consolidated financial statements on 18 February 2019.

Activities

The Group is made up of four business units: Shopping Malls ('SMBU'), Hospitality ('HBU'), Communities ('CBU') and Project Management ('PMBU').

The shopping malls business has been able to build and maintain a leading position in shopping malls development, operations and asset management within the MENA region, reaching 200 million customer visits in 2018.

The hospitality business focuses on the development and asset management of hotels attached to the Group's shopping malls or within master-planned communities or stand-alone mid-scale and budget hotels and uses third party global operators for operational management of its hotels.

The communities business focuses on developing a mix of land, residential and commercial properties throughout the region.

The Project Management business focuses on providing advisory and project management services to Shopping Malls, Hospitality and Communities business units. The Group's business units also provide advisory, development and management services to its investee companies and related parties.

The Group continually seeks new opportunities for expansion of its four businesses into countries across the region and adjacent countries.

Significant developments in 2018

Majid Al Futtaim Properties registered 1% revenue growth to end the year at AED 4.6 billion. EBITDA increased by 2% to AED 3.0 billion, contributing almost 65% of overall group EBITDA. Revenue from shopping malls increased by 3% to AED 3.8 billion and the growth was attributed to lease renewals at higher rates and the impact of opening Mall of Egypt. Majid Al Futtaim's shopping malls welcomed 200 million customers during the year, a growth of 3%, as compared to 2017. Total shopping mall occupancy stood at 95%.

Majid Al Futtaim Properties celebrated the opening of My City Centre Al Dhait (GLA 5,343 sqm) in Ras Al Khaimah, UAE, its first investment into the Emirate's fast-growing community, and My City Centre Sur (GLA 16,331 sqm), Majid Al Futtaim's first community mall in Oman delivering an unrivalled retail experience. In the existing malls, the Group completed expansion to Sharjah City Centre (GLA 12,536 sqm) and Ajman City Centre (GLA 6,122 sqm).

In addition, the Company's hotel portfolio grew to 13 hotels with the launch of Aloft Hotel City Centre Deira in Dubai bringing residents and visitors a one-of-a-kind movie-themed suites experience.

Majid Al Futtaim hotels experienced a decline in revenue per available room (RevPAR) due to current market conditions and reported average occupancy of 75%.

The Company continues to make headway towards its net positive commitment in carbon and water by 2040. In 2018, Majid Al Futtaim commissioned three additional solar power plants in Mall of the Emirates, My City Centre Sur and My City Centre Al Dhait. Currently, five of Majid Al Futtaim shopping malls generate more than 2.900 GWh renewable energy from solar power, saving over 1700 metric tons of CO_2 emissions a year - the equivalent of taking 371 cars off the road for one year, saving up to AED1.4 million on energy costs per year.

Sustainability

On the sustainability front, at Majid Al Futtaim we know that to secure a positive future in which everyone gets a chance at enjoying great moments every day, we must achieve more than just incremental improvements. Our sustainability strategy, "Dare Today, Change Tomorrow", brings together all Majid Al Futtaim's businesses under one overarching sustainability vision. Dare Today, Change Tomorrow is Majid Al Futtaim's plan to grow our organization in ways that leave the world better than how we found it. We have a responsibility to provide a way of life for a positive future by Transforming Lives, Rethinking Resources and Empowering Our People.

Our sustainability approach has inspired us to:

- Successfully implement UN Global Compact standards for sustainability, green buildings and energy conservation;

- Be the only Company in the Middle East to participate in the Global Interstate Sustainability Summit;

- Submit five years of clean data (complete and transparent) for energy, water and waste; and

- Be the first in the region to achieve LEED (Leadership in Energy and Environmental Design) certification for our shopping malls, hotels and offices buildings.

- Be the first in the MENA region to achieve the BREEAM certification for our Al Zahia community in the UAE. BREEAM is the world's leading assessment of the sustainability performance of individual buildings, communities and infrastructure projects.

The 2018 Key Sustainability Achievements were as follows:

- Thought leadership - We further promoted our sustainability achievements by publishing our vision on Employee Conditions as well as Healthy Workplaces, opportunities and challenges we face on the road to Net Positive Water, and bridging the skills gap by creating an Enterprise Hub.

- Furthering our sustainability agenda locally and internationally - we signed a memorandum of understanding with the UAE Ministry of Climate Change and Environment, United Nations Environment Programme and UNICEF to collaborate in areas that will advance sustainable development initiatives.

- Awards and recognition - We outperformed the global benchmark in the Global Real Estate Sustainability Benchmark (GRESB) by 7% and were awarded 5 green stars - the highest possible rating, making us the sixth best performing non-listed Company in the retail sector across Asia.

- Rethinking Resources – having now 5 regional solar plants, located in Mall of the Emirates, My City Centre Al Barsha, My City Centre Al Dhait, City Centre Sohar and City Centre Me'aisem.

- Engaging our customers to raise awareness on cardiovascular health - We launched a regional health awareness campaign 'Feel the Beat' across our malls delivering complimentary heart health testing to women. In 2019, we will continue our work to impart crucial sustainability messages to our customers, expanding our influence beyond our Properties' operations.

Financial results

(AED in millions)

	2018	2017
Revenue	**4,642**	4,606
Operating expenses	**(2,123)**	(2,095)
Finance costs	**(431)**	(490)
Impairment loss on non-financial assets	**(1,254)**	(548)
Net valuation (loss)/gain on land and buildings	**(1,283)**	590
All others	**(63)**	130
(Loss)/Profit after tax	**(512)**	2,193
(Loss)/Profit after tax (attributable to the owners of the Company)	**(529)**	2,185
EBITDA	**2,989**	2,939

Key financial points:

Revenue:

Revenue increased by AED 36 million from AED 4,606 million for the year ended 31 December 2017 ('the previous year') to AED 4,642 million, representing a growth of 1% for the year ended 31 December 2018 ('the current year') despite the trading softness and difficult market conditions across the retail sector.

- The gain was driven by the increase in the overall base rent (up AED 70 million). This was primarily reflected by the increases in the Mall of Emirates and in the Mall of Egypt (in its first full year operations). The mall revenue increase was partly offset by a drop in hotel revenues. The hotel revenues have been impacted by a number of factors including the strong competitive environment due to the continuing increase in room capacity (forecasted 6,632 in Dubai and 1,128 in Bahrain, new keys added respectively during 2018) challenging economic conditions, implementation of VAT and the continuing Qatar travel ban with the average daily rate and RevPar down by 12% and 13% respectively.

Net profit:

The current year ended with a net loss of AED 512 million vs a net profit of AED 2,193 million in 2017, mainly driven by fair value and impairment losses across a number of properties and development projects.

- A total fair value loss of AED 1,283 million was taken on completed properties versus a gain of AED 590 million in the previous year. The change reflects primarily the negative impact both on the mall and the hotel revenues from the prevailing challenging market conditions, complemented by a strong dollar.

- For the current year a total impairment loss of AED 1,254 million (a loss of AED 548 million in 2017) was recognized on properties under construction and investments in joint ventures. The primary reasons are the challenging economic environment, more prudent occupancy levels and changes to the opening dates than earlier assumed.

- Operating expenses increased by AED 28 million from AED 2,095 million in the previous year to AED 2,123 million in the current year (+1% versus the previous year) mainly driven by higher depreciation charge due to completion of Aloft Hotel City Centre Deira.

- Finance costs reduced by AED 59 million mainly as a result of higher interest cost capitalization.

Coupon

In the current year the Company declared a coupon of AED 220 million (2017: AED 220 million), at a rate of 8% per annum on the amount outstanding towards the subordinated capital loan instrument for a one year period.

2019 Outlook

- In January 2019, the Group opened the City Centre Sohar in Oman - enhancing the city's retail landscape with more than 35,000 sqm of retail GLA, a Carrefour Hypermarket, multi-screen VOX Cinemas, in addition to an array of dining and entertainment options. This marks the Group's addition to an already existing retail mall portfolio in Oman.

- The group also expects to complete City Centre Al Maza in Egypt in 2019. The project aims to add more than 100,000 sqm of GLA, which will be the Group's 4th shopping mall in Egypt. Along with City Centre Al Maza, the Group is also aiming to complete the expansion of City Centre Alexandria in 2019.

- Within the UAE, the Group continues to invest and expand its market share by bringing in two more community malls, Masdar in Abu Dhabi and Al Musalla in Sharjah (with a combined GLA of approx. 23,000 sqm). Along with the introduction of these two new community malls, City Centre Ajman Phase 2 expansion is also expected to be completed during 2019.

Board of Directors

Philip Bowman
John Rishton
Abdullah Al Ghurair
Terry Duddy
John Sullivan
Ahmed Ismail (Appointed on 6th November 2018)
Robert Welanetz (Resigned on 5th November 2018)

Auditors

A resolution dealing with the reappointment of the auditors of Majid Al Futtaim Properties LLC shall be proposed at the forthcoming general meeting.

On behalf of the Board of Directors

Company Secretary

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

Independent Auditors' Report

To the Shareholders of Majid Al Futtaim Properties LLC

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Majid Al Futtaim Properties LLC ("the Company") and its subsidiaries ("the Group"), which comprise the consolidated statement of financial position as at 31 December 2018, 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 2018, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, 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.

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Key audit matter	How our audit addressed the key audit matter
Valuation of properties	
Refer to notes 5, 14, 15 and 16 to the consolidated financial statements	
The Group's accounting policy is to state its properties (primarily comprising of shopping malls, hotels, offices and land) at fair value at each reporting date. The property portfolio is valued at AED 40,912 million as at 31 December 2018. 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 warrants specific audit focus on this area. The Group engaged professionally qualified external valuers to fair value its property portfolio performing their work in accordance with the Royal Institution of Chartered Surveyors ('RICS') Valuation – Professional Standards. The property portfolio (excluding properties under development where the external valuers stated that fair value is not reliably determinable) was valued using discounted cash-flows less the cost to complete any redevelopment of existing properties. Key inputs in the valuation process included discount rates, yield rates, average daily rates, contracted estimated rental values, forecasted operating expenses and cost to complete estimates, which are influenced by prevailing market forces and the specific characteristics, such as property location, income return, growth rate, occupancy rate and development progress of each property in the portfolio.	• We assessed the competence, independence and integrity of the external valuers and whether the valuation approach was suitable for use in determining the fair value of the properties in the consolidated statement of financial position. • We reviewed the terms of engagement of the external valuers with the Group to determine whether there were any matters that might have affected their objectivity or may have imposed limitations upon their scope of work. • We carried out procedures on selected properties of the portfolio to test whether property-specific current information supplied to the external valuers by management reflects the underlying property records held by the Group which have been tested during our audit. • In respect of any existing properties under redevelopment or properties under advanced stages of construction where the external valuer is of the view that fair value can be reliably determined, we have reviewed management's assessment of the cost to complete the development/ construction by examining a sample of the underlying development/ construction agreements with the contractors, the latest budgeted capital expenditure/ feasibility updates as approved by the Group's Board of Directors and minutes of meetings of the Project Cost Review (PCR) regarding the progress of the projects to date and the estimated future work and costs.

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

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

Impairment of assets under construction comprising of investment properties and property, plant and equipment

Refer to notes 5, 12, 15 and 16 to the consolidated financial statements

The carrying value of Group's properties under construction is AED 4,189 million as at 31 December 2018.

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

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

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

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

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

Impairment of investments in equity accounted investees

Refer to notes 7 and 12 to the consolidated financial statements.

The carrying value of Group's investments in joint ventures is AED 813 million as at 31 December 2018.

The Group has investments in joint ventures which are accounted for using the equity method. There is a risk that the carrying values may not be reflective of their recoverable amounts as at the reporting date, which would require an impairment provision. Where there are indicators of impairment, the Group undertakes impairment testing using forecasts estimated by management. There is inherent uncertainty involved in forecasting, which forms the basis of the assessment of recoverability.

- We evaluated management's process and procedures for identification of indicators of potential impairment of investments in equity accounted investees.
- We held discussions with management on the status of ongoing and completed projects by the Group's joint ventures and associates, including future plans.
- Where any indicators of impairment existed, we reviewed management's impairment analysis and considered the Group's procedures used to develop the forecasts. To challenge the reasonableness of those forecasts, we assessed the historical accuracy of the Group's forecasting, the significant assumptions and critical areas of judgement.
- We assessed the adequacy of the Group's disclosures in the consolidated financial statements.

Other information

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

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

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

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

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

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

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

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

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

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

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

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

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

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

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

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

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

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

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Report on Other Legal and Regulatory Requirements

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

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

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

iii) the Group has maintained proper books of account;

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

v) as disclosed in note 7 to the consolidated financial statements, the Group has purchased shares during the financial year ended 31 December 2018;

vi) note 29 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 2018 any of the applicable provisions of the UAE Federal Law No. (2) of 2015 or in respect of the Company, its Articles of Association, which would materially affect its activities or its consolidated financial position as at 31 December 2018; and

viii) note 10 (b) to the consolidated financial statements discloses the social contributions made during the year.

KPMG Lower Gulf Limited

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

Date: 18 FEB 2019

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Consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2018

(AED in millions)

	Note	2018	2017
Revenue	9	4,642	4,606
Operating expenses	10	(2,123)	(2,095)
Finance costs	11	(431)	(490)
Share of results of equity accounted investees - net of tax	7.1.1	73	180
Impairment loss on trade and other receivables	12	(27)	(41)
Impairment loss on non-financial assets	12	(1,254)	(548)
Other (expense)/income - net	13	(94)	29
Profit before net valuation (loss)/gain on land and buildings and tax		**786**	1,641
Net valuation (loss)/gain on land and buildings	14	(1,283)	590
(Loss)/Profit before tax		**(497)**	2,231
Tax expense	19.1	(15)	(38)
(Loss)/Profit after tax		**(512)**	2,193
(Loss)/Profit attributable to:			
Owners of the Company		(529)	2,185
Non-controlling interests	6.2	17	8
		(512)	2,193

Comprehensive income:

	Note	2018	2017
(Loss)/Profit after tax		**(512)**	2,193
Other comprehensive income ('OCI')			
Items that will not be reclassified to profit or loss:			
(Loss)/gain on revaluation of property, plant and equipment	15.2	(131)	66
Items that are or may be reclassified subsequently to profit or loss			
Foreign exchange (loss)/gain on translation of foreign operations		(9)	18
Other comprehensive income for the year, net of tax		**(140)**	84
Total comprehensive income for the year		**(652)**	2,277
Total comprehensive income attributable to:			
Owners of the Company		(670)	2,269
Non-controlling interests		18	8
		(652)	2,277

The notes on pages 18 to 60 are an integral part of these consolidated financial statements.
The independent auditor's report is set out on pages 5 to 12.

Consolidated statement of financial position as at 31 December 2018

(AED in millions)

	Note	2018	2017
Non-current assets			
Property, plant and equipment	15.2	4,699	4,899
Investment property	16.2	40,954	39,875
Investments in equity accounted investees	7.1.1	813	882
Long term receivables	18.2	462	650
Long term receivables from related parties	29.2	29	29
Intangible assets	17	13	33
Deferred tax assets	19.4	35	17
		47,005	46,385
Current assets			
Inventories	20	25	277
Trade and other receivables	18.1	723	590
Due from related parties	29.2	566	490
Short term loan to a related party	29.2	68	70
Cash and bank balances	21	321	367
		1,703	1,794
Total assets		**48,708**	48,179
Non-current liabilities			
Term loan from a related party	29.2.1	8,236	7,663
Loans and borrowings	24	2,865	2,369
Other liabilities	25	156	162
Retirement benefit obligation	26	113	107
Deferred tax liabilities	19.3	102	100
Provisions	23	24	-
		11,496	10,401
Current liabilities			
Trade and other payables	22	3,071	2,886
Provisions	23	98	150
Loans and borrowings	24	140	146
Due to related parties	29.2	38	12
		3,347	3,194
Total liabilities		**14,843**	13,595
Equity			
Share capital	27.1	3,500	3,500
Shareholder contribution	27.2	2,938	2,938
Revaluation reserve		14,342	14,473
Retained earnings		12,752	13,367
Other reserves		(67)	(57)
Equity attributable to owners of the Company		**33,465**	34,221
Non-controlling interest	6.2	400	363
Total equity		**33,865**	34,584
Total equity and liabilities		**48,708**	48,179

The notes on pages 18 to 60 are an integral part of these consolidated financial statements.
The independent auditor's report is set out on pages 5 to 12.

The consolidated financial statements were approved by the Board of Directors and signed on their behalf on 18 February 2019.

Chief Executive Officer

Chief Financial Officer

Consolidated statement of cash flows for the year ended 31 December 2018

(AED in millions)

	Note	2018	2017
Cash flows from operating activities:			
Profit for the year		(512)	2,193
Adjustments:			
Interest income	13	(8)	(13)
Share of results of equity accounted investees - net of tax	7.1.1	(73)	(180)
Net valuation loss/(gain) on land and buildings	14	1,283	(590)
Impairment loss on non-financial assets	12	1,254	548
Depreciation of property, plant and equipment	15.2	459	423
Finance cost	11	431	490
Project cost provided for/written off	13	147	4
Impairment loss on trade and other receivables	18.3	27	41
Amortisation	17	20	20
Income tax expense	19.1	15	38
Retirement benefit obligations		6	24
Depreciation transferred from a related party	15.2	1	-
Operating profit before working capital changes		**3,050**	2,998
Changes in:			
Inventories		1	(6)
Trade and other receivables		(141)	(188)
Trade and other payables		110	371
Provisions		(42)	11
Due (from)/to related parties		(54)	8
Taxes paid		(12)	(37)
Net cash from operating activities		**2,912**	3,157
Cash flows from investing activities:			
Additions to property, plant and equipment		(337)	(405)
Additions to investment property		(2,925)	(2,347)
Additions to investment in equity accounted investees		(25)	(25)
Dividend received from equity accounted investees		35	-
Interest received		8	25
Proceeds from the sale of an associate		-	10
Payment of liability for acquisition of intangible asset		-	(9)
Net cash used in investing activities		**(3,244)**	(2,751)
Cash flows from financing activities:			
Proceeds from term loans	24, 29.2.1	3,151	4,620
Repayment of term loans	24, 29.2.1	(2,739)	(4,779)
Payment of finance lease liabilities		(2)	(46)
Payment of finance costs		(132)	(284)
Additional contribution by a minority shareholder	6.2a	19	5
Net cash from/(used in) financing activities		**297**	(484)
Net decrease in cash and cash equivalents		**(35)**	(78)
Cash and cash equivalents at beginning of the year		303	372
Currency translation effect on foreign currency cash held		(1)	9
Cash and cash equivalents at end of the year		**267**	303
Cash and cash equivalents comprise:			
Cash and bank balances (excluding deposits of AED 9 million (2017: AED 9 million) with maturity of more than 3 months from acquisition)	21	312	358
Less: Bank overdraft	24	(45)	(55)
		267	303

The notes on pages 18 to 60 are an integral part of these consolidated financial statements.
The independent auditor's report is set out on pages 5 to 12.

Consolidated statement of changes in equity for the year ended 31 December 2018

(AED in millions)

	Attributable to the Owners of the Company								
					Other reserves				
	Share capital	Shareholder contribution	Revaluation reserve	Retained earnings	Statutory reserve	Currency translation reserve	Total	Non-controlling interest	Total equity
At 1 January 2018	3,500	2,938	14,473	13,367	1,750	(1,807)	34,221	363	34,584
Adjustment on initial application of IFRS 9, net of tax (note 4.2A (ii))	-	-	-	19	-	-	19	-	19
Adjustment on initial application of IFRS 15, net of tax (note 4.2B)	-	-	-	115	-	-	115	-	115
Adjusted balance at 1 January 2018	**3,500**	**2,938**	**14,473**	**13,501**	**1,750**	**(1,807)**	**34,355**	**363**	**34,718**
Total comprehensive (loss)/income for the year									
Loss for the year	-	-	-	(529)	-	-	(529)	17	(512)
Other comprehensive income for the year, net of tax:									
- Loss on revaluation of property, plant and equipment	-	-	(131)	-	-	-	(131)	-	(131)
- Foreign exchange (loss)/gain on translation of foreign operations	-	-	-	-	-	(10)	(10)	1	(9)
Total comprehensive (loss)/income for the year	**-**	**-**	**(131)**	**(529)**	**-**	**(10)**	**(670)**	**18**	**(652)**
Transactions with owners of the Company, recorded directly in equity									
Coupon declared (note 27.2a)	-	-	-	(220)	-	-	(220)	-	(220)
Additional shareholder contribution (note 6.2a)	-	-	-	-	-	-	-	19	19
	-	**-**	**-**	**(220)**	**-**	**-**	**(220)**	**19**	**(201)**
At 31 December 2018	**3,500**	**2,938**	**14,342**	**12,752**	**1,750**	**(1,817)**	**33,465**	**400**	**33,865**

Consolidated statement of changes in equity for the year ended 31 December 2018 (continued)

(AED in millions)

	Attributable to the owners of the Company								
					Other reserves				
	Share capital	Shareholder contribution	Revaluation reserve	Retained earnings	Statutory reserve	Currency translation reserve	Total	Non-controlling interest	Total equity
At 1 January 2017	3,500	2,938	14,407	11,715	1,437	(1,825)	32,172	350	32,522
Total comprehensive income for the year									
Profit for the year	-	-	-	2,185	-	-	2,185	8	2,193
Other comprehensive income for the year, net of tax:									
- Gain on revaluation of property, plant and equipment	-	-	66	-	-	-	66	-	66
- Foreign exchange gain on translation of foreign operations	-	-	-	-	-	18	18	-	18
Total comprehensive income for the year	-	-	66	2,185	-	18	2,269	8	2,277
Transactions with owners of the Company, recorded directly in equity									
Transfer to statutory reserve	-	-	-	(313)	313	-	-	-	-
Coupon declared (note 27.2a)	-	-	-	(220)	-	-	(220)	-	(220)
Additional shareholder contribution (note 6.2a)	-	-	-	-	-	-	-	5	5
	-	-	-	(533)	313	-	(220)	5	(215)
At 31 December 2017	3,500	2,938	14,473	13,367	1,750	(1,807)	34,221	363	34,584

The notes on pages 18 to 60 form part of these consolidated financial statements.
The independent auditor's report is set out on pages 5 to 12.

Notes to consolidated financial statements

1. Reporting entity

Majid Al Futtaim Properties LLC ('the Company') is a limited liability company in the Emirate of Dubai, United Arab Emirates ('UAE') incorporated on 5 February 1994. The registered address of the Company is P.O. Box 60811, Dubai, UAE. Its parent is Majid Al Futtaim Holding LLC ('MAFH') and ultimate parent is Majid Al Futtaim Capital LLC ('MAFC'). The registered address of MAFC is P.O. Box 91100, Dubai, UAE.

These consolidated financial statements comprise the financial information of the Company and its subsidiaries (together referred to as 'the Group') and its share of interests in equity accounted investees.

The Group is primarily involved in investing in and operating and managing commercial projects including shopping malls, hotels, residential communities and leisure and entertainment (L&E).

The Group's sukuk certificates (issued by a structured entity in the Cayman Islands) are listed on NASDAQ Dubai and Irish Stock Exchange.

2. Basis of preparation

These consolidated financial statements have been prepared on a going concern basis and in accordance with International Financial Reporting Standards ('IFRS') and the applicable provisions of the UAE Company Law No. 2 of 2015. They are presented in United Arab Emirates Dirhams ('AED') (rounded to the nearest millions unless otherwise stated), which is the functional currency of the Company.

This is the first set of the Group's annual consolidated financial statements in which IFRS 9 Financial Instruments and IFRS 15 Revenue from Contracts with Customers have been applied. Changes to significant accounting policies are described in note 4.

These consolidated financial statements have been prepared under the historical cost convention, with the exception of investment properties and land and buildings (under property, plant and equipment), which are stated at fair value (note 5).

These consolidated financial statements were approved by the board of directors and authorised for issue on 18 February 2019.

3. Use of judgements and estimates

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

Estimates and underlying assumptions are reviewed on an on-going basis. Revisions to estimates are recognised prospectively.

3.1 Judgements

Information about judgements made in applying accounting policies that have the most significant effects on the amounts recognised in the consolidated financial statements is included in the following notes:

- Note 6 - Interest in other entities
- Note 15.1.2 - Apportionment of fair values between land and buildings
- Note 16.1 - Accounting for dual use property
- Notes 25.1 & 30 - Lease classification
- Note 27.2a - Subordinated capital loan instruments

3.2 Assumptions and estimation uncertainties

Information about assumptions and estimation uncertainties that have a significant risk of resulting in material adjustments to the amounts recognised in the consolidated financial statements is included in the following notes:

- Note 5 - Measurement of fair values: key inputs and assumptions underlying fair values.
- Note 12(a) - Impairment test: key assumptions underlying recoverable amounts, including the recoverability of development costs.
- Forecast of costs to complete on properties under construction or redevelopment

The estimation or forecast of cost to complete ('CTC') on properties under construction or redevelopment involves uncertainties.

There are a number of principles that apply to all contracts regardless of size, scale or location. All projects have a Project Cost Review ('PCR') on a regular basis where project management issues the forecast to complete the project. The PCR is attended by all relevant stakeholders within the management group. 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 is reviewed and analysed for completeness. Any gaps in the report (early warnings, etc.) are adjusted within the forecast to complete.

The PCR is the forum for the business to review the cost to complete to ensure that the costs reflect an accurate view of the costs to complete. During the PCR there is a debate with all project budget holders on the adequacy of their budgets to complete the project deliverables. Items such as claims are discussed and forecasted in the manner set out above to ensure the business is aware of the provision set aside to deal with these claims or potential claims. The impact of cost changes and forecasts are then taken by the respective development teams and input into the development appraisal, forecasting the impact on the project KPI's, triggering action as required by the Delegation of Authority ('DOA').

- Note 18 - Measurement of impairment loss on trade and other receivables: key assumptions in determining the loss rate, including assessment of facts and circumstances such as liquidation, bankruptcy, litigation, financial difficulties, etc.

- Note 19 - Recognition and measurement of deferred taxes.

- Note 26.1 – Measurement of retirement benefit obligation: key valuation assumptions underlying discount rate, service period, salary increase, etc.

4. Significant accounting policies

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

In the current year, the Group has applied a number of amendments to IFRSs that are mandatorily effective for an accounting period that begins on or after 1 January 2018:

- Classification and Measurement of Share-based Payment Transactions (Amendments to IFRS 2)
- Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts (Amendments to IFRS 4)
- Transfers of Investment Property (Amendments to IAS 40)
- Annual Improvements to IFRSs 2014 - 2016 Cycle - various standards (Amendments to IFRS 1 and IAS 28)
- IFRIC 22 Foreign Currency Transactions and Advance Consideration

These standards and amendments do not have a significant impact on the Group's consolidated financial statements as at 31 December 2018.

4.2 Change in significant accounting policies

The Group has initially applied IFRS 9 (see note 4.2 (A)) and IFRS 15 (see note 4.2 (B)) from 1 January 2018. The Group has adopted the cumulative effect method and accordingly the impact is recognised in the retained earnings as of 1 January 2018 with the practical expedients permitted under the standard and the comparative information have not been restated.

A. <u>IFRS 9 Financial Instruments</u>

IFRS 9 sets out requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. This standard replaces IAS 39 Financial Instruments: Recognition and Measurement. The details of the new significant accounting policy is set out in note 28 and the nature and effect of the changes to previous accounting policies are set out as follows:

(i) Classification and measurement of financial assets and financial liabilities

IFRS 9 largely retains the existing requirements in IAS 39 for the classification and measurement of financial liabilities. However, it eliminates the previous IAS 39 categories for financial assets of held to maturity, loans and receivables and available for sale. The adoption of IFRS 9 has not had a significant effect on the Group's accounting policies related to financial liabilities.

The effect of adopting IFRS 9 on the carrying amounts of financial assets at 1 January 2018 relates solely to the new impairment requirements, as described further in note 4.2A (ii).

The following table and the accompanying notes below explain the original measurement categories under IAS 39 and the new measurement categories under IFRS 9 for each class of the Group's financial assets as at 1 January 2018.

Financial assets

(AED in millions)

	Original carrying amount under IAS 39 (Loans and receivables)	New carrying amount under IFRS 9 (Amortised cost)
Trade and other receivables (including long term)	403	422
Cash and bank balances	367	367
Receivables from loans to related parties (short term and long term balances)	589	589
At 1 January 2018	**1,359**	**1,378**

Financial liabilities

(AED in millions)

	Original carrying amount under IAS 39 (Amortised cost)	New carrying amount under IFRS 9 (Amortised cost)
Loans and borrowings	2,515	2,515
Term loan from a related party	7,663	7,663
Trade and other payables	1,817	1,817
Due to related parties	12	12
Other liabilities	162	162
At 1 January 2018	**12,169**	**12,169**

(ii) Impairment of financial assets

IFRS 9 replaces the 'incurred loss' model in IAS 39 with an 'expected credit loss' (ECL) model. The new impairment model applies to financial assets measured at amortised cost and debt investments at FVOCI, but not to investments in equity instruments. Additional information about how the Group measures its loss allowances is described in note 18.

Presentation of impairment

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

Impairment loss relating to trade and other receivables is presented separately in the consolidated statement of profit or loss and other comprehensive income (OCI). As a result, the Group reclassified impairment loss amounting to AED 41 million, previously recognised under IAS 39, from 'operating expenses' to 'impairment loss on trade and other receivables' in the consolidated statement of profit or loss and OCI for the year ended 31 December 2017.

Impact of the new impairment model

The Group has determined that the application of IFRS 9's impairment requirements at 1 January 2018 has resulted in a decrease in impairment loss on trade and other receivables and increase in retained earnings as follows:

(AED in millions)

	1 January 2018
Assets	
Loss allowances at 31 December 2017 under IAS 39	104
Decrease in loss allowance recognised at 1 January 2018 (note 18.3)	(19)
Loss allowances at 1 January 2018 under IFRS 9	**85**
Equity	
Adjustment on initial application of IFRS 9 to retained earnings, net of tax	**19**

(iii) Hedge accounting

As at reporting date, the Group does not have financial assets or financial liabilities under a hedging relationship.

B. <u>IFRS 15 Revenue from Contracts with Customers</u>

IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaced IAS 18 Revenue, IAS 11 Construction Contracts and related interpretations.

The Group has adopted IFRS 15 using the cumulative effect method, with the effect of initially applying this standard recognised at the date of initial application (i.e. 1 January 2018). Accordingly, the information presented for 2017 has not been restated. Cumulative effect method application also requires the recognition of the cumulative impact of adoption on all contracts not yet complete as at 1 January 2018 in the form of an adjustment to the opening balance of retained earnings as at 1 January 2018.

Application of IFRS 15 across the Group has only impacted the revenue recognition of the Group's equity accounted investees. For year ended 31 December 2017, equity accounted investees recognised revenue from the sale of real estate properties when it was probable that the economic benefits would flow to the investees, the revenue and costs could be measured reliably and the risks and rewards of ownership of the property had been transferred to the buyer. The investees transferred risks and rewards of ownership of the property in its entirety at a single point of time and the revenue and costs were recognised at that point of time.

The details of adjustments to investments in equity accounted investees and opening balance of retained earnings (net of tax) are as follows:

(AED in millions)

	1 January 2018
Assets	
Investments in equity accounted investees at 31 December 2017	882
Effect of change in accounting policy at 1 January 2018	115
Investments in equity accounted investees at 1 January 2018	**997**
Equity	
Adjustment on initial application of IFRS 15 to retained earnings, net of tax	**115**

Except for the impact of adoption of IFRS 9 and 15, the accounting policies regarding recognition and measurement applied in the preparation of these consolidated financial statements are consistent with those applied by the Group in its consolidated financial statements as at and for the year ended 31 December 2017.

Note	Accounting policy	Page
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6	Subsidiaries	25
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8	Operating segments	29
9	Revenue	33
11	Finance costs	34
12	Impairment	35
15	Property, plant and equipment	37
16	Investment property	40
17	Intangible assets	42
18	Trade and other receivables	42
19	Income tax	43
20	Inventories	45
22	Trade and other payables	46
23	Provisions	46
25.1	Finance lease liabilities	49
26	Retirement benefit obligation	45
28	Financial instruments	52
30	Operating leases	59

4.3 Standards issued but not yet effective

The Group has not early adopted the following new and revised IFRSs that have been issued but are not yet effective:

- IFRS 16 Leases
- IFRIC 23 Uncertainty over Income Tax Treatments
- Prepayment Features with Negative Compensation (Amendments to IFRS 9)
- Long-term Interests in Associates and Joint Ventures (Amendments to IAS 28)
- Plan Amendment, Curtailment or Settlement (Amendments to IAS 19)
- Annual Improvements to IFRS Standards 2015 - 2017 Cycle - various standards
- Amendments to References to Conceptual Framework in IFRS Standards
- IFRS 17 Insurance Contracts
- Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28)

IFRS 16 Leases

The Group is required to adopt IFRS 16 Leases from 1 January 2019. The Group has assessed the estimated impact that initial application of IFRS 16 will have on its consolidated financial statements, as described below. The actual impacts of adopting the standard on 1 January 2019 may change because:

- the Group has not finalized the testing and assessment of controls over its new IT systems; and
- the new accounting policies are subject to change until the Group presents its first financial statements that include the date of initial application.

IFRS 16 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognizes a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are recognition exemptions for short-term leases and leases of low-value items. Lessor accounting remains similar to the current standard – i.e. lessors continue to classify leases as finance or operating leases.

IFRS 16 replaces existing leases guidance, including IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases – Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease.

Leases in which the Group is a lessee

The Group will recognize new assets and liabilities for its operating leases of staff accommodations, office buildings and vehicles. The nature of expenses related to those leases will now change because the Group will recognize a depreciation charge for right-of-use assets and interest expense on lease liabilities. Previously, the Group recognized operating lease expense on a straight-line basis over the term of the lease, and recognized assets and liabilities only to the extent that there was a timing difference between actual lease payments and the expense recognized. Based on the information currently available, the Group estimates that it will recognize additional lease liabilities of AED 82 million as at 1 January 2019.

Leases in which the Group is a lessor

No significant impact is expected for leases in which the Group is a lessor.

Transition

The Group plans to apply IFRS 16 initially on 1 January 2019, using the modified retrospective approach. Therefore, the cumulative effect of adopting IFRS 16 will be recognized as an adjustment to the opening balance of retained earnings at 1 January 2019, with no restatement of comparative information. The Group plans to apply the practical expedient to grandfather the definition of a lease on transition. This means that it will apply IFRS 16 to all contracts entered into after 1 January 2019.

4.4 General accounting policies

4.4.1 Foreign currency

Foreign currency transactions

Transactions denominated in foreign currencies are translated into the respective functional currencies of Group entities at the exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the exchange rates at the reporting date. Non-monetary assets and liabilities that are measured at fair value in a foreign currency are translated to the functional currency at the exchange rate when the fair value was determined. Non-monetary items that are measured based on historical cost in a foreign currency are translated at the exchange rates at the date of the transaction. Foreign currency differences are generally recognized in profit or loss.

Foreign operations

The assets and liabilities of foreign operations are translated into the functional currency at the exchange rates at the reporting date. The income and expenses of foreign operations are translated into the functional currency at the average exchange rates during the year.

Foreign currency differences on translation are recognised in OCI and accumulated in the translation reserve in equity, except to the extent that the translation difference is attributable to NCI. When a foreign operation is disposed of 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. If the Group disposes of part of its interest in a subsidiary but retains control, then the relevant proportion of the cumulative amount is reattributed to NCI. When the Group disposes of only part of an associate or a joint venture while retaining significant influence or joint control, the relevant proportion of the cumulative amount is reclassified to profit or loss.

If the settlement of a monetary item receivable from or payable to a foreign operation is neither planned nor likely to occur in the foreseeable future, then foreign currency differences arising from such a monetary item are considered to form a part of the net investment in the foreign operation. Accordingly such differences are recognised in other comprehensive income, and accumulated in the currency translation reserve in equity.

4.4.2 Borrowing costs

Borrowing costs are recognised as expenses in the period in which they are incurred. 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. 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 substantially ready for the intended use. The capitalization rate is arrived at by reference to the actual rate payable on borrowings for development purposes or, with regard to that part of the development cost financed out of general funds.

4.4.3 Properties under construction

Work in progress in respect of capital expenditure including land is classified as properties under construction.

Interest and other overheads directly attributable to the projects are included in properties under construction until completion thereof.

Properties under construction with an intention of building an investment property is carried at fair value. When the fair value is not reliably determinable due to the projects being in various stages of construction, the capital expenditure and land are carried at cost less impairment if any until the fair value of the property is reliably determinable.

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 a stage at which the fair value can be reliably determined and as such will be recorded at fair value.

Development expenses are capitalized after successful initial feasibility is conducted and before a site is acquired, subject to an approved budget and formal sign-off of a summary scoping document by management. These development costs are shown as assets under properties under construction. 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, if land has been acquired) will be written off and charged to profit or loss.

5. Fair value measurement

5.1 Accounting Policy

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.

When it is available, the Group measures the fair value using the quoted price in an active market. A market is regarded as active if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

If there is no quoted price in an active market, then the Group uses valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs. The chosen valuation technique incorporates all of the factors that market participants would take into account in pricing a transaction.

Determination of fair value hierarchy

For financial reporting purposes, fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

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: Inputs other than quoted prices included in Level 1 that are observable for the asset, either directly (i.e. as prices) or indirectly (i.e. derived from prices). An example of a Level 2 category would be the observable sales price of a similar sized asset during the normal course of business.

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

If the inputs used to measure the fair value of an asset might be categorised in different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

The Group recognises transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

5.2 Measurement of fair values and valuation process

A number of the Group's accounting policies and disclosures require the measurement of fair values, mainly for non-financial assets.

Non-financial assets

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 RICS Chartered Surveyors with the valuers having sufficient current local and international knowledge of the respective property markets. The valuation has been prepared in accordance with the RICS Valuation Global Standards-2017 in conjunction with the International Valuations Standards and the RICS Professional Standards (the 'Red 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 as well as the leases that are in place at the valuation date. Current leases determine the secured cash flow profile of the property and therefore form the base of the valuation. The valuations assume market rent is achieved on expiry of the contractual term of each lease. The market rent is calculated based on market evidence and recent leasing transactions, which is based on evidence available at the date of valuation.

The key driver of the property valuations in relation to the hotels are the discount rates applied as well as the forecasted EBITDA generated from its operations.

A summary of the valuations is given below:

(AED in millions)

	2018	2017
Assets valued by independent external valuers	40,642	40,581
Assets valued internally	4,460	3,671
Assets not valued	116	99
	45,218	44,351

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

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

Financial liability

The following table shows the valuation technique used in measuring the fair value of the sukuk certificates included within 'Loans and borrowings':

Class of asset	Description
Sukuk Certificates	The fair value for Sukuk certificates is benchmarked against the quoted market price (Level 2).

5.3 Assumptions and determination of fair value hierarchy

Further information about the assumptions made in measuring fair values and determination of fair value hierarchy is included in the following notes:

- Note 15 – Property, plant and equipment
- Note 16 – Investment property
- Note 28 – Financial instruments

6. Subsidiaries

Accounting Policy

The consolidated financial statements incorporate the financial information of the Company and entities (including a structured entity) controlled by the Company and its subsidiaries.

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 information of the subsidiaries is consolidated on a line by line basis (including adjustments to align the accounting policies to the Group's accounting policies, when necessary), from the date on which control commences until the date on which control ceases.

Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions are eliminated. Unrealised gains arising from transactions with equity accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised 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.

Loss of control

When the Group loses control over a subsidiary, it derecognises the assets and liabilities of the subsidiary, and any NCI and other components of equity. Any resulting gain or loss is recognised in profit or loss. Any interest retained in the former subsidiary is measured at fair value when control is lost. Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

Business combinations

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 recognised in the profit or loss. Goodwill is tested annually for impairment and is carried at cost less accumulated impairment losses, if any. On disposal of a subsidiary / joint venture / associate, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

Business combinations involving entities under common control

Business combinations arising from transfer of interests in entities that are under the control of the shareholder that controls the Group are accounted for as if the acquisition has 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 or transferred are recognised or de-recognised at the carrying amounts recognised or de-recognised previously in the ultimate holding entity's consolidated financial statements. The components of OCI of the acquired entities are added to the same components within the Group's OCI. Any gain/loss arising is recognised directly in OCI. When a common control entity is sold or transferred, the cumulative amount in the currency translation reserve related to that entity is reclassified to profit or loss in line with the accounting policy on foreign operations (note 4.4.1).

Interest in other entities

The Group does not hold any direct ownership interest in MAF Sukuk Ltd. (a 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 this entity's activities that most significantly affect these returns. MAF Sukuk Ltd. has issued Sukuk Certificates which are listed on NASDAQ Dubai and Irish Stock Exchange. Accordingly, the results and the financial position of the structured entity are included in these consolidated financial statements.

6.1 Details of the Group's material subsidiaries:

Name of material subsidiary	Principal activity	Country of incorporation	Proportion of ownership and voting rights held (%) 2018	2017
Majid Al Futtaim Investments Mirdif LLC	Shopping malls	UAE	100%	100%
Majid Al Futtaim Properties Lebanon LLC [a]	Shopping malls/Mixed use communities	UAE	100%	100%
Fujairah City Centre Investment Company LLC	Shopping mall	UAE	62.5%	62.5%
Majid Al Futtaim Properties Saudia LLC [a]	Shopping malls/Mixed use communities/Hotels	UAE	100%	100%
Majid Al Futtaim Shopping Malls LLC [a]	Shopping malls	UAE	100%	100%
Majid Al Futtaim Hospitality LLC [a]	Hotels	UAE	100%	100%
Majid Al Futtaim Developments LLC [a]	Mixed use communities	UAE	100%	100%
MAF Sukuk Ltd.	Issuing sukuks under the Trust Certificate Issuance Program	UAE	100%	100%
Majid Al Futtaim Shopping Centre LLC	Shopping malls	Oman	100%	100%
Majid Al Futtaim Commercial Facilities LLC	Shopping malls	Oman	100%	100%
Majid Al Futtaim Properties Co. Oman LLC	Shopping malls	Oman	100%	100%
Majid Al Futtaim Shopping Centres LLC	Shopping malls	Oman	100%	100%
Majid Al Futtaim Commercial Centre LLC	Shopping malls	Oman	100%	100%
Majid Al Futtaim Properties Bahrain BSC	Shopping malls/Hotels/ L&E	Bahrain	100%	100%
Majid Al Futtaim Properties Egypt SAE	Shopping malls/L&E	Egypt	100%	100%
Almaza City Centre	Shopping malls	Egypt	100%	100%

a) *Certain subsidiaries owned by these entities are material to the Group.*

The shares of certain subsidiaries are held by the subsidiaries of the Parent for the beneficial interest of the Group.

6.2 Details of NCI in non-wholly-owned subsidiaries:

(AED in millions)

Name of subsidiary	Country of incorporation and principal place of business	Proportion of ownership and voting rights held by NCI 2018	2017	Profit / (loss) allocated to NCI 2018	2017	Accumulated NCI 2018	2017
Fujairah City Centre Investment Company LLC	UAE	37.5%	37.5%	16	9	140	125
Aswaq Al Emarat Trading Closed Joint Stock Co.[a]	Kingdom of Saudi Arabia	15%	15%	-	(3)	236	215
Suburban Development Company S.A.L	Lebanon	3.18%	3.18%	1	2	22	22
Individually immaterial subsidiaries with NCI		Various	Various	-	-	2	1
Total				**17**	**8**	**400**	**363**

a) *During the year, an additional contribution of AED 19 million (2017: AED 5 million) has been made by the non-controlling interest.*

7. Investment in equity accounted investees

Accounting Policy

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

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. An associate is an entity in which the Group has significant influence, but not control or joint control, over the financial and operating policies.

Interest in joint ventures and associate are accounted for using the equity method. They are initially recognised 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 OCI of equity accounted investees (post adjustments for aligning accounting policies to the Group's accounting policies, when necessary), until the date on which significant influence or joint control ceases.

Unrealised gains arising from transactions with equity accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

7.1 Investments in joint ventures

7.1.1 Summary:

(AED in millions)

	2018	2017
Sharjah Holding Co. PJSC ('SHC')	405	342
Al Mouj Muscat S.A.O.C ('AMM')	405	364
Waterfront City SARL ('WFC')	-	69
Other material joint venture	-	86
Individually immaterial joint ventures	3	21
Carrying amount at the reporting date	**813**	**882**
Group's share of profit from continuing operations - net of tax	73	180
Group's share of other comprehensive income - net of tax	-	-
Group's share of total comprehensive income for the year	**73**	**180**

7.1.2 Details of the material joint ventures:

Name of joint venture	Principal activity	Country of incorporation	Proportion of ownership and voting rights held 2018	2017
Sharjah Holding Co. PJSC	Shopping malls and sale of real estate	UAE	50%	50%
Al Mouj Muscat S.A.O.C	Sale of real estate	Oman	50%	50%
Waterfront City SARL	Sale of real estate	Lebanon	50%	50%

Summarised financial information of the material joint ventures (adjusted for aligning accounting policies to the Group's accounting policies):

(AED in millions)

	SHC		AMM		WFC		Other	
	2018	2017	2018	2017	2018	2017	2018	2017
Current assets	2,713	2,432	2,351	2,337	803	1,659	8	8
Non-current assets	458	341	382	406	721	173	171	170
Current liabilities	(2,336)	(2,039)	(1,257)	(1,263)	(1,118)	(1,116)	(6)	(5)
Non-current liabilities	(26)	(50)	(665)	(752)	(9)	(579)	-	-
Net assets	**809**	684	**811**	**728**	**397**	137	**173**	173
Net assets - Group's share before provision for impairment	**405**	342	**405**	**364**	**198**	69	**86**	86

Summarised financial information of the above material joint ventures (adjusted for aligning accounting policies to the Group's accounting policies):

(AED in millions)

	SHC		AMM		WFC		Other	
	2018	2017	2018	2017	2018	2017	2018	2017
Revenue	334	48	614	284	194	1,301	-	-
Profit/(loss) from continuing operations	38	(24)	73	65	34	321	-	-
Other comprehensive income	-	-	-	-	-	-	-	-
Total comprehensive income/(loss)	**38**	(24)	**73**	65	**34**	321	**-**	-
Total comprehensive income/(loss) - Group's share	**19**	(12)	**37**	32	**16**	160	**-**	-
Carrying amount - At 1 January	342	354	364	331	69	373	86	86
Effect of change in accounting policy (note 4.2B)	51	-	24	-	40	-	-	-
Carrying amount - At 1 January (Adjusted)	393	354	388	331	109	373	86	86
Group's share of profit/(loss) from continuing operations	19	(12)	37	32	16	160	-	-
Other adjustment	2	-	-	-	-	-	-	-
Group's share of profit/(loss)	21	(12)	37	32	16	160	-	-
Provision for impairment for the year	-	-	-	-	(125)	(73)	(86)	-
Net reductions in investments [a]	(9)	-	(20)	-	-	(392)	-	-
Other	-	-	-	1	-	1	-	-
Carrying amount - At 31 December	**405**	342	**405**	364	**-**	69	**-**	86

a) *In 2017, an amount of AED 392 million was reclassified from investment in joint venture to receivable from related parties.*

7.1.3 Aggregate information of joint ventures that are individually immaterial:

(AED in millions)

	2018	2017
Group's share of loss from continuing operations	(1)	-
Group's share of other comprehensive income	-	-
Group's share of total comprehensive income	**(1)**	-
Group's interest in the joint ventures, before provision for impairment [a]	**52**	21
Provision for impairment for the year	(49)	-
Carrying amount of the Group's interest in the joint ventures	**3**	21

a) *During the year, additional investment of AED 25 million (2017: AED 25 million) was made in a joint venture.*

7.1.4 Movement of provision for impairment is as follows:

(AED in millions)

	2018	2017
At 1 January	(386)	(313)
Provision for impairment (notes 7.1.2, 7.1.3 and 12) [a]	(260)	(73)
Reversal of provision for impairment (note 12(b))	174	-
Reversal of provision for impairment due to loss on settlement (note 12(b))	105	-
At the reporting date	**(367)**	(386)

a) *The Group has performed an analysis of the carrying value of its investment in joint ventures. Based on the results of this analysis, the management assessed that the carrying value of the investment in joint ventures is impaired due to challenging economic environment and has, therefore, provided for impairment loss of AED 260 million in the current year (2017: AED 73 million).*

8. Operating segments

Accounting Policy

An operating segment is a component of the Group that engages in business activities from which it may earn revenue and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. All operating segments' operating results are reviewed regularly by the Group's Board of Directors and senior management to assess performance. Segment results that are reported to the Board of Directors include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly corporate assets (primarily the Company's head office) and head office expenses.

The Group has the following four strategic divisions, which are its reportable segments. These divisions offer different services, and are managed separately because they have operating independence and autonomy.

Reportable Segments	Operations
Shopping Malls Business Unit ('SMBU')	Leads and manages all aspects of the retail development and management of shopping malls, from regional and super regional shopping malls to smaller community centres.
Hotels Business Unit ('HBU')	Responsible for leading the development of hotel assets and asset management of these assets with third-party hotel operators.
Communities Business Unit ('CBU')	Responsible for master development and management of larger master planned lifestyle developments that comprise multiple asset classes, and is responsible for infrastructure, residential and commercial assets within these developments. The business unit is also responsible for managing the Group's portfolio of three office buildings in Dubai, UAE.
Project Management Business Unit ('PMBU')	Provides advisory, development and management services to SMBU, HBU, CBU and other related parties.

The Board of Directors (Chief operating decision maker 'CODM') reviews the internal management reports of each division regularly.

Management Reporting

In conjunction with IFRS financial and other financial indicators, the Group relies on non-GAAP profitability measures together with statistical and operating key performance indicators to achieve its business unit and corporate goals. These non-GAAP financial measures are used to supplement IFRS reporting so as to align business reporting with operating performance. The definitions of the key performance measures included in management reporting are as follows:

Management revenue	Statutory reported revenues are adjusted to exclude the non-cash impact of lease accounting on a straight line basis as required by IAS 17 and revenue from leisure and entertainment units. Furthermore, it includes the consolidated revenues of managed equity investments' revenues and the intra-group revenue from PMBU.
Operating profit/(loss)	This business unit financial measure is defined as business unit revenue less operating expenses and support costs (i.e., head office costs) considering the impacts of gross asset fair value changes (irrespective of IAS 16 or IAS 40 classification); non-cash charges such as depreciation, amortization, impairment and asset write-offs; the Group's share in non-managed equity investments' net profit or loss; non-controlling interest of managed equity investments' net profit or loss; and any gains or losses on asset disposals.
Management net profit/(loss)	This corporate measure is defined as the aggregate of business units' operating profit after finance charges, foreign exchange gains or losses and taxes.
Segment assets and liabilities	Relate to assets or liabilities that are directly attributable to business unit or corporate center functions.

8.1 Management report - Revenue, net profit and project capital expenditure – by business segments

(AED in millions)

	SMBU		HBU		CBU		PMBU		Corporate		Total	
	2018	**2017**	**2018**	**2017**	**2018**	**2017**	**2018**	**2017**	**2018**	**2017**	**2018**	**2017**
Management revenue	3,776	3,657	635	679	513	1,342	166	145	-	-	5,090	5,823
Operating expenses	(764)	(779)	(430)	(432)	(501)	(990)	(167)	(145)	-	-	(1,862)	(2,346)
Support cost	(113)	(110)	(19)	(14)	(58)	(85)	-	-	(78)	(85)	(268)	(294)
Adjustments for:												
Depreciation and amortization	(151)	(126)	(1)	(5)	(8)	(4)	(4)	(4)	(5)	(3)	(169)	(142)
Net valuation (loss)/gain on land and building	(1,118)	1,019	(390)	(370)	6	7	-	-	-	-	(1,502)	656
Capital expenditure impairment/write off - net	(1,351)	(477)	(5)	-	(345)	(147)	-	-	174	-	(1,527)	(624)
Share of results of joint ventures - net of tax	-	-	-	-	36	33	-	-	-	-	36	33
Non-controlling interest	(31)	(23)	-	-	104	(66)	-	-	-	-	73	(89)
Profit on asset disposal and other income/(expenses)	14	-	7	-	(13)	8	4	4	-	-	12	12
Operating profit/(loss)	**262**	3,161	**(203)**	(142)	**(266)**	98	**(1)**	-	**91**	(88)	**(117)**	3,029
Income/deferred tax	(9)	(59)	-	(1)	(10)	(61)	-	-	(6)	6	(25)	(115)
Foreign exchange gain	-	1	-	-	-	-	-	-	-	-	-	1
Finance (cost)/income	(186)	(208)	(9)	-	7	12	-	-	(449)	(490)	(637)	(686)
Management net profit/(loss)	**67**	2,895	**(212)**	(143)	**(269)**	49	**(1)**	-	**(364)**	(572)	**(779)**	2,229
Project capital expenditure	**2,797**	2,267	**125**	191	**8**	8	**-**	-	**52**	28	**2,982**	2,494

8.2 Management report - Revenue by geographical segments

(AED in millions)

	UAE		Oman		Bahrain		KSA		GCC Total		Egypt		Lebanon		Total	
	2018	**2017**	**2018**	**2017**	**2018**	**2017**	**2018**	**2017**	**2018**	**2017**	**2018**	**2017**	**2018**	**2017**	**2018**	**2017**
Revenue	**3,843**	3,510	**227**	220	**440**	456	**-**	-	**4,510**	**4,186**	**223**	170	**357**	1,467	**5,090**	5,823

In presenting the geographic information, segment revenue has been based on the geographic location of customers.

Geographical segments continue to be divided into UAE, Oman, Bahrain, Kingdom of Saudi Arabia ('KSA') combined as 'GCC', Egypt and Lebanon. This table is not presented to the CODM on a regular basis; however, it is disclosed in these consolidated financial statements for the readers' information.

8.3 Reconciliation of revenue between management report and consolidated financial statements

(AED in millions)

	SMBU		HBU		CBU		PMBU		Corporate		Total	
	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
Revenue as per management report	**3,776**	3,657	**635**	679	**513**	1,342	**166**	145	**-**	-	**5,090**	5,823
Reconciling items:												
Net results of Leisure and Entertainment units [a, b]	226	253	-	-	-	-	-	-	-	-	226	253
PMBU intra-group revenue elimination		-	-		-	-	(132)	(120)	-	-	(132)	(120)
Line by line consolidation of the Company managed joint ventures [c]	(44)	(38)	-	-	(484)	(1,311)	-	-	-	-	(528)	(1,349)
Other adjustments [d]	(35)	(16)	-	-	21	14	-	1	-	-	(14)	(1)
Revenue as per consolidated financial statements	**3,923**	3,856	**635**	679	**50**	45	**34**	26	**-**	-	**4,642**	4,606

a) In the management report, CDE, I-FLY, Ski Dubai, Wahoo Waterpark and Ski Egypt (collectively referred to as 'the Leisure & Entertainment units'), are not consolidated on a line by line basis. However, in these consolidated financial statements, the Leisure & Entertainment units are consolidated in accordance with IFRS 10.

b) In the management report, rent is charged to the ULOs and is included in profit or loss. However, in these consolidated financial statements no rent is charged to the ULOs.

c) In the management report, Sharjah Holding Company PJSC and Waterfront City SARL, which are the Group's joint ventures, are consolidated on a line by line basis. However, joint ventures are accounted for in these consolidated financial statements under the equity method of accounting in accordance with IFRS 11.

d) This includes an adjustment in the management report, wherein, operating lease income is not accounted for in profit or loss under the straight line method in accordance with IAS 17; instead, operating lease income is accounted for based on the contracted lease rent for that period. However, in these consolidated financial statements, operating lease income has been accounted for under the straight line method in accordance with IAS 17.

8.4 Reconciliation of net profit between management report and consolidated financial statements

(AED in millions)

	SMBU		HBU		CBU		PMBU		Corporate		Total	
	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
Management net profit/(loss)	**67**	2,895	**(212)**	(143)	**(269)**	49	**(1)**	-	**(364)**	(572)	**(779)**	2,229
Reconciling items:												
Fair value adjustments [a]	(209)	(256)	304	248	(18)	(9)	-	-	8	10	85	(7)
IAS 16 Fair value changes [b]	-	-	131	(66)	-	-	-	-	-	-	131	(66)
Depreciation on strategic assets [c]	-	-	(271)	(260)	(2)	(1)	-	-	(9)	(11)	(282)	(272)
Coupons declared to MAFH [d]	-	-	-	-	-	-	-	-	220	220	220	220
Net results of Leisure and Entertainment units [e]	66	85	-	-	-	-	-	-	-	-	66	85
Net results of entities owned by the ultimate parent [f]	-	-	-	-	84	6	-	-	-	-	84	6
Other adjustments	(35)	18	-	-	-	1	-	-	(2)	(21)	(37)	(2)
Net profit/(loss) as per consolidated financial statements	**(111)**	2,742	**(48)**	(221)	**(205)**	46	**(1)**	-	**(147)**	(374)	**(512)**	2,193

a) For calculation of management net profit, the project capital expenditure (cash spent) has been deducted from the gross changes in fair value and is reported in the income statement. For financial statement purposes, the fair value gain/(loss) is computed by comparing the net book value with the fair value adjusted for lease straight-lining accruals as per the requirements of IAS 17 and project related accruals as per the requirements of IAS 16 and IAS 40.

b) Fair value changes under IAS 16 are recognized in equity in these consolidated financial statements as compared to being recorded in the income statement in the management report.

c) For the management report net profit calculation, depreciation is not charged on strategic assets subject to fair valuation. Gross changes in fair value are reported in the management income statement. For the consolidated financial statements, all assets which are classified under IAS 16 are depreciated and 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.

d) For the management report net profit calculation, coupons declared during the year on the subordinated capital loan instruments are shown as a deduction from net profit. For these consolidated financial statements, coupons are accounted for as an appropriation of distributable profit and adjusted in equity.

e) In the management report, the Leisure & Entertainment units are not consolidated on a line by line basis. However, in these consolidated financial statements, these are consolidated in accordance with IFRS 10.

f) In the management report, the legal entities Majid Al Futtaim Tilal Al Ghaf Co LLC (formerly Majid Al Futtaim South Beach LLC) and Majid Al Futtaim Tilal Al Ghaf Development Co LLC (formerly Majid Al Futtaim South Beach Development LLC) are consolidated on a line by line basis. However in these consolidated financial statement, these entities are not consolidated as the Group does not have a control over these legal entities under IFRS.

8.5 Statutory segment assets and liabilities – by business segments

(AED in millions)

	SMBU		HBU		CBU		Corporate Centre		Total	
	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
Segment assets	40,876	40,431	4,360	4,505	2,941	2,834	531	409	48,708	48,179
Segment liabilities	(4,412)	(3,777)	(162)	(144)	(42)	(33)	(10,227)	(9,641)	(14,843)	(13,595)
Net assets [a]	**36,464**	36,654	**4,198**	4,361	**2,899**	2,801	**(9,696)**	(9,232)	**33,865**	34,584

a) Intra-group balances have been excluded to arrive at the net assets.

b) In presenting the geographic information, segment assets were based on the geographic location of the assets.

8.6 Statutory segment assets and liabilities – by geographical segments

(AED in millions)

	UAE		Oman		Bahrain		KSA		GCC Total		Egypt		Lebanon		Total	
	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
Segment assets	37,056	36,572	2,452	2,529	3,139	3,178	2,173	1,932	44,820	44,211	2,089	1,990	1,799	1,978	**48,708**	48,179
Segment liabilities	(12,514)	(11,862)	(1,000)	(510)	(182)	(222)	(45)	(36)	(13,741)	(12,630)	(668)	(451)	(434)	(514)	**(14,843)**	(13,595)
Net Assets [a]	**24,542**	24,710	**1,452**	2,019	**2,957**	2,956	**2,128**	1,896	**31,079**	31,581	**1,421**	1,539	**1,365**	1,464	**33,865**	34,584

a) Intra-company balances have been excluded to arrive at the net assets.

8.7 Major customer

Rental revenue earned from the Group's related parties have contributed to AED 396 million (2017: AED 365 million) which is 10% (2017: 10%) of the total rental revenue for the year ended 31 December 2018.

9. Revenue

Accounting Policy

Revenue mainly comprises rental income and service income.

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

Service income
Service income includes income in relation to various services viz. hospitality, leisure, entertainment and project / asset management services. Service income is recognised as income in the periods in which it is earned.

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

Revenue from sale of goods and services

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

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

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

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

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

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

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

- The customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs; or
- The Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or
- 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.

(AED in millions)

	2018	2017
Rental income from investment property	3,717	3,618
Service income:		
- Hospitality service	635	679
- Leisure and entertainment services	226	253
- Project management service	34	26
- Other	30	30
	4,642	4,606

10. Operating expenses

(AED in millions)

	2018	2017
Employee benefits [a]	(676)	(652)
Depreciation (note 15.2)	(459)	(423)
Selling and marketing expenses	(170)	(178)
Facilities maintenance and repairs	(154)	(140)
Utilities	(102)	(114)
Housekeeping expenses	(76)	(72)
Consultancy fees	(75)	(85)
Hotel operator fee and sales commission	(63)	(73)
Hotels food and beverage expenses	(39)	(41)
IT costs	(52)	(43)
Security expenses	(51)	(47)
Amortization charge for intangible asset	(20)	(20)
Leisure and entertainment units' cost of operations	(17)	(19)
Insurance premiums	(17)	(17)
Office supplies	(17)	(16)
Travel expenses	(15)	(17)
Rent	(15)	(9)
Property taxes	(7)	(17)
Service charges and other recharges	-	(32)
Miscellaneous expenses [b]	(98)	(80)
	(2,123)	(2,095)

a) *Staff costs are net of costs capitalized to various projects amounting to AED 169 million (2017: AED 132 million).*

b) *During the year ended 31 December 2018, the Group has paid AED 5 million (2017: AED 5 million) for various social contribution purposes.*

11. Finance costs

Accounting Policy

Finance costs comprise of interest expense, arrangement fees, participation fees and similar charges on loans and borrowings; and unwinding of discount adjustments. Interest expense is recognised using the effective interest method. The 'effective interest rate' is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to the gross carrying amount of the financial asset or the amortised cost of the financial liability. In calculating interest expense, the effective interest rate is applied to amortised cost of the liability.

(AED in millions)

	2018	2017
Interest expense (including arrangement and participation fees) [a]	(562)	(564)
Unwinding of discount on finance lease liabilities	(14)	(17)
Unwinding of discount on receivable from a joint venture (note 29.1)	4	9
Less: Amounts capitalized with the cost of qualifying assets [a]	141	82
	(431)	(490)

a) *Capitalized interest arises on borrowings for development expenditure. The capitalization rate range used to determine the amount of borrowing cost eligible for capitalization was 4.62% - 20.23% (2017: 4.49% - 19.96%) depending on the effective interest rate over the tenure of the borrowings for individual developments.*

12. Impairment loss

Accounting Policy

Impairment of financial assets

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

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

Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or debtor;
- a breach of contract (such as a default);
- the restructuring of a loan or advance by the Group on terms that the Group would not consider otherwise;
- it is probable that the borrower or debtor will enter bankruptcy or other financial reorganisation.

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

Impairment losses related to trade and other receivables is presented separately in the consolidated statement of profit or loss and OCI.

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 have occurred after the impairment loss was recognised. For financial assets that are measured at amortised cost, the reversal is recognised in profit or loss account.

Non-financial assets

To determine any indication of impairment, the carrying amount of all non-financial assets except for inventories and property, plant and equipment and investment property that are fair valued are reviewed at each reporting date. If any such indication exists, the recoverable amount of the asset is estimated.

For purposes of impairment reviews, assets that generate cash inflows from continuing use that are largely independent of the cash inflows of other assets are identified as cash generating units (CGUs). Impairment loss is recognised if the carrying amount of the non-financial asset or CGUs exceeds its recoverable amount.

For assets that have an indefinite life or are not yet available for use, the recoverable amount is assessed at each reporting date. The recoverable amount is the greater of its fair value less costs to sell and value in use. Value in use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the assets or CGU. Value in use is assessed by using the discounted future cash flow or the income capitalization methods.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

(AED in millions)

	2018	**2017**
Impairment loss on non-financial assets:	**(1,254)**	(548)
Impairment of investment property under construction [a]	(1,168)	(475)
Impairment of investment in equity accounted investees - net (note 7.1.4) [b]	(86)	(73)
Impairment loss on trade and other receivables (note 18.3)	**(27)**	(41)
	(1,281)	(589)

a) *Key judgements and sensitivities*

During the year, a total impairment loss of AED 1,168 million was recognized on shopping malls classified under properties under construction, as the carrying amount of each individual asset exceeded its recoverable amount. The primary reasons are the challenging economic environment resulting in changes in the forecasted net operating income, forecasted occupancy levels and deferrals of opening dates than earlier estimated.

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

- Discount and yield rates;
- Forecasted occupancy levels; and
- Expected mall opening dates.

Furthermore, the impairment test uses estimates of:

- Forecasted net operating income ('NOI') and growth rate in NOI; and
- Future development cost of projects under construction.

The recoverable amounts of the individual asset as at the reporting date and the key assumptions used in the estimation of the recoverable amount are set out below:

(AED in millions)

	2018			2017	
	Asset 1	Asset 2	Asset 3	Asset 1	Asset 2
Recoverable amount	629	428	861	411	273
Impairment loss	(679)	(311)	(178)	(185)	(277)
Discount Rate	9.80%	19.80%	9.40%	9.80%	19.70%
Yield Rate	-	9.50%	8.00%	11.34%	8.50%

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

- the discount or yield rate were higher/(lower);
- the occupancy levels decreased/(increased);
- the expected mall opening dates are deferred/(advanced);
- the forecasted NOI and growth rate in NOI are lower/(higher); and
- the future development cost is higher/(lower).

b) *In prior years, the Group paid AED 389 million as an advance to the joint venture partner, as the Group's contribution against the purchase of land. Subsequently, management reassessed the future prospects of the joint venture and a full impairment provision was recognised against this advance. In 2015, the Group received AED 107 million in cash and accordingly the impairment provision had been reversed to that extent. At that time, the joint venture partner also agreed to transfer four (4) plots of land to the Group in order to settle the balance of AED 282 million. During the year, the Group received four (4) plots of land from its joint venture partner, with a total fair value of AED 174 million, net of AED 3 million transfer fees, as final settlement for the advance previously paid by the Group resulting to a loss on settlement amounting to an overall of AED 105 million. Accordingly, the Group has reversed the impairment loss against the investment in joint venture on final settlement.*

13. Other (expense)/income - net

(AED in millions)

	2018	2017
Project cost provided for/written off	(147)	(4)
Development expenses	(25)	(26)
Interest income	8	13
IT and other service charges levied on related parties (note 29.1)	7	13
Profit on sale of an associate	-	10
Foreign exchange gain - net	-	1
Reversal of provision	-	(1)
Other income - net	63	23
	(94)	29

14. Net valuation (loss)/gain on land and buildings

(AED in millions)

	2018	2017
Gain/(loss) on changes in fair value on property, plant and equipment (note 15.2 (a))	53	(178)
(Loss)/gain on changes in fair value of investment property (note 16.2)	(1,336)	768
	(1,283)	590

15. Property, plant and equipment

Accounting policy

Recognition and measurement

Land and buildings mainly comprising hotels and offices held for use in the production or supply of goods or services, or for administrative purposes, are stated at their revalued amounts, being the fair value at the date of revaluation, less any subsequent accumulated depreciation and subsequent impairment losses. Revaluations are performed with sufficient regularity such that the carrying amounts do not differ materially from those that would be determined using fair values at the end of each reporting period. 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 accumulated impairment until the fair value of the asset can be reliably determined. Once the fair value can be reliably determined, the entire property (that is land and building) is carried at fair value at each reporting date.

All other items of property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses.

If significant parts of an item of property, plant and equipment have different useful lives, then they are accounted for as separate items (major components) of property, plant and equipment.

Any subsequent expenditure is capitalized only if it is probable that the future economic benefits associated with the expenditure will flow to the Group.

Depreciation

Depreciation is calculated to write off the cost of items of property, plant and equipment less their estimated residual values using the straight-line method over the estimated useful lives, and is recognised in profit or loss. Land is not depreciated.

The estimated useful lives of assets for the current and comparative years are as follows:

Category of assets	Estimated useful life
Buildings	5 - 50 years
Motor vehicles	4 years
Furniture, fixtures and equipment	3 - 4 years
Leisure rides and games	3 - 10 years

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

Revaluation reserve

Any revaluation increase arising on the revaluation of such land and buildings is recognised in OCI and accumulated in equity, except to the extent that it reverses a revaluation decrease for the same property previously recognised in profit or loss, in which case the increase is credited to profit or loss to the extent of the decrease previously accounted for. A decrease in the carrying amount arising on the revaluation of such land and buildings is recognised in profit or loss to the extent that it exceeds the balance, if any, held in the revaluation reserve relating to a previous valuation of that property.

Reclassification to investment property

When the use of a property changes from owner-occupied to investment property, the property is re-measured to fair value and reclassified accordingly. Any difference between the carrying amount of the property and its fair value is recognised as a revaluation of property, plant and equipment in accordance with the revaluation principles discussed above.

De-recognition

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its continued use. Any gain or loss on de-recognition is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss. On de-recognition of a revalued property, the attributable revaluation surplus related to the property is transferred directly from revaluation surplus to retained earnings.

15.1 Critical judgements

15.1.1 The critical judgements and assumptions related to the accounting for dual use property (property, plant and equipment vs. investment property) has been discussed in note 16.1.

15.1.2 *Apportionment of fair values between land and buildings*

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

(ii) 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 external consultant 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 building and depreciated over the remaining useful lives of the respective structure of the buildings.

15.2 Reconciliation of the net carrying amount at the reporting date

(AED in millions)

	Land & buildings	Motor vehicles	Furniture, fixtures & equipment	Leisure rides & games	Capital work in progress	Total
Cost/revaluation						
At 1 January 2017	4,315	9	854	134	474	5,786
Additions	30	-	83	12	254	379
Disposals/write offs/other adjustments	(3)	(1)	(32)	-	(57)	(93)
Capitalized	-	-	71	-	(71)	-
Accumulated depreciation & impairment eliminated on revaluation	(271)	-	-	-	-	(271)
Reclassification	-	-	-	-	(39)	(39)
Transferred from/(to) investment property	-	-	64	-	(18)	46
Transferred to a related party	-	-	-	-	(5)	(5)
Net revaluation gain/(loss) [a]	6	-	-	-	(118)	(112)
Effect of movements in exchange rates	-	-	-	-	1	1
At 31 December 2017	4,077	8	1,040	146	421	5,692
At 1 January 2018	4,077	8	1,040	146	421	5,692
Additions	43	1	50	2	253	349
Disposals/write offs/other adjustments	-	(1)	(13)	-	-	(14)
Capitalized	257	-	121	3	(381)	-
Accumulated depreciation & impairment eliminated on revaluation	(280)	-	-	-	-	(280)
Reclassification	-	-	-	-	1	1
Transferred (to)/from investment property	(2)	-	16	-	(13)	1
Transferred to a related party	-	-	-	-	(18)	(18)
Net revaluation loss [a]	(78)	-	-	-	-	(78)
At 31 December 2018	**4,017**	**8**	**1,214**	**151**	**263**	**5,653**

(AED in millions)

	Land & buildings	Motor vehicles	Furniture, fixtures & equipment	Leisure rides & games	Capital work in progress	Total
Depreciation/impairment						
At 1 January 2017	-	(6)	(520)	(124)	(52)	(702)
Depreciation charge for the year	(271)	(1)	(142)	(9)	-	(423)
Accumulated depreciation & impairment eliminated on revaluation	271	-	-	-	-	271
Impairment reversal	-	-	-	-	30	30
Disposals/write offs/other adjustments	-	1	30	-	-	31
At 31 December 2017	-	(6)	(632)	(133)	(22)	(793)
At 1 January 2018	-	(6)	(632)	(133)	(22)	(793)
Depreciation charge for the year	(280)	(1)	(171)	(7)	-	(459)
Depreciation transferred from a related party	-	-	(1)	-	-	(1)
Accumulated depreciation & impairment eliminated on revaluation	280	-	-	-	-	280
Impairment reversal	-	-	-	-	6	6
Disposals/write offs/other adjustments	-	1	12	-	-	13
At 31 December 2018	**-**	**(6)**	**(792)**	**(140)**	**(16)**	**(954)**
Carrying amount						
At 31 December 2018	**4,017**	**2**	**422**	**11**	**247**	**4,699**
At 31 December 2017	4,077	2	408	13	399	4,899

a) A revaluation loss of AED 78 million (2017: AED 112 million loss) has been recognized. This comprises of a revaluation loss of AED 131 million (2017: AED 66 million gain) recognised in other comprehensive income and a revaluation gain of AED 53 million (for the year ended 31 Dec 2017: AED 178 million loss) recognised in profit or loss (see note 14).

15.3 Other notes

i) The fair value measurement for property, plant and equipment of AED 4,017 million (2017: AED 4,248 million (including an asset forming part of properties under construction in the previous year)) has been categorized as a level 3 fair value based on the inputs to the valuation technique used.

ii) Measurement of fair value

Particulars	Hotels	Offices
Significant unobservable inputs used	Discount rate (31 December 2018 and 2017: 10.25% to 11.75%) Compounded annual growth rates of EBITDA (31 December 2018: 6.29%; 31 December 2017: 5.98%)	Equivalent yield 31 December 2018 and 2017: 9.25%

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

iii) Net carrying amount of the properties, had they been measured under the historical cost basis, would have been as follows:

(AED in millions)

	2018		2017	
	Land	Buildings	Land	Buildings
Cost	354	4,371	327	4,020
Accumulated depreciation	-	(2,417)	-	(2,206)
At 31 December	**354**	**1,954**	327	1,814

16. Investment property

Accounting Policy

Recognition and measurement

Investment properties are properties held to earn rental income and/or for capital appreciation (including property under construction for such purposes). Investment property is initially measured at cost and subsequently at fair value with any change therein recognised in profit or loss. In case of property under construction, where the fair value is not reliably measurable, it is measured at cost less any impairment until either its fair value becomes reliably measurable or construction is substantially completed (whichever is earlier).

Reclassification to property plant and equipment

When the use of a property changes from investment property to owner-occupied, it is reclassified as property, plant and equipment and its fair value at the date of reclassification becomes its deemed cost for subsequent accounting.

De-recognition

An investment property is derecognised on disposal or when it is permanently withdrawn from use and no future economic benefits are expected from its disposal. Any gain or loss on disposal or retirement calculated as the difference between the net proceeds and the carrying amount of the property is recognised in profit or loss. When investment property that was previously classified as property, plant and equipment is sold, any related amount included in the revaluation reserve (note 15) is transferred to retained earnings.

16.1 Critical judgements

Accounting for dual use property

- 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. Such properties are called 'dual use properties'.
- Dual use properties where portions can be sold or finance-leased separately will be split between property, plant and equipment and investment properties based on the leasable value of each portion.
- For dual use properties where portions cannot be sold or finance-leased separately, estimates will be made to assess the level of own use of the property using leasable value of the self-occupied and let out portions. If the level of own use of a property, as determined by leasable value, is insignificant, the property is classified as investment property; otherwise, it is classified as property, plant and equipment.

16.2 Reconciliation of the net carrying amount at the reporting date

(AED in millions)

	2018	2017
At 1 January	39,875	37,132
Additions	3,352	2,453
Transferred from development property (note 20.1)	243	-
Transferred to property, plant & equipment	(1)	(46)
Net fair value change (note 14)	(1,336)	768
Impairment losses	(1,168)	(462)
Effect of movements in exchange rates	(11)	30
At 31 December	**40,954**	39,875

a) *The carrying value as at the reporting date includes an operational shopping mall in the UAE amounting to AED 113 million (2017: AED 145 million), operational shopping mall in Oman amounting to AED 92 million (2017: nil), and a shopping mall under construction in Oman amounting to AED 629 million (2017: two shopping malls under construction in Oman amounting to AED 550 million) which are constructed on leasehold lands (note 25.1).*

16.3 Other notes

i) Amounts recognised in profit or loss for investment properties that generated rental income:

(AED in millions)

	2018	2017
Rental income	3,717	3,618
Direct operating expenses on properties that generated rental income	(999)	(936)

ii) Accrued lease income at the reporting date, relating to the accounting for operating lease rentals on a straight line basis as per IAS 17, advances to contractors, finance lease liability, project related accruals and retention from contractor payments have been eliminated from the valuation of developed properties, in order to avoid double counting of assets and liabilities, as mentioned below:

(AED in millions)

	2018	2017
Fair value of land and buildings (including properties under construction)	40,869	39,778
Less: Adjustment for accrued operating lease income (note 18)	(241)	(237)
Less: Advances to contractors	(14)	-
Add: Finance lease liability	133	119
Add: Retention from contractor payments	109	-
Add: Project related accruals	98	215
Net adjusted fair value	**40,954**	39,875

iii) Restrictions on investment property

At 31 December 2018, assets with a carrying amount of AED 1,246 million (2017: AED 2,266 million) were subject to mortgages for various term loans from banks (note 24.1).

As at 31 December 2018, certain lands were held in the personal name of a majority shareholder of the ultimate holding entity for the beneficial interest of the Group.

iv) Measurement of fair value

Particulars	Shopping malls	Offices
Significant unobservable inputs used	<u>Discount rates on income streams</u> 31 December 2018: 9.75% to 27.50%; 31 December 2017: 10.00% to 27.50% <u>Compounded annual growth rates of Net operating income ("NOI")</u> 31 December 2018: 3.13%; 31 December 2017: 3.59%	<u>Equivalent yield</u> 31 December 2018 and 2017: 8.00% to 9.25%

The estimated fair value would increase/(decrease) if the discount rates and yield rates were lower/(higher) and/or the growth rates were higher/(lower).

v) Fair value hierarchy

The fair value measurement for investment property of AED 40,954 million (2017: AED 39,875 million) has been categorized as a level 3 fair value based on the inputs to the valuation technique used.

17. Intangible asset

Accounting Policy

Recognition and measurement

Intangible assets that are acquired by the Group and have finite useful lives are measured at cost less accumulated amortization and any accumulated impairment losses.

Amortization

Amortization is calculated to write off the cost of intangible assets less their residual value. This is done using the straight-line method over their estimated useful life and is generally recognized in the profit or loss account. Goodwill is not amortized. Amortization methods, residual and useful lives are reviewed at each reporting date and adjusted if needed.

During 2008, the Company entered into an agreement with a Government entity in Dubai to acquire naming rights for two stations of Dubai Metro for a 10 year period. As per the agreement, a payment schedule is agreed over the life of the contract. In 2009, upon the Metro becoming operational, management recorded the present value of the total future payments to be made as an intangible asset. The intangible asset is measured by discounting the estimated cash flows using the incremental borrowing cost of the Group at 4.5%.

The metro naming rights has an estimated useful life for the current and comparative years of 10 years.

(AED in millions)

Metro naming rights	2018	2017
At 1 January	33	53
Amortisation	(20)	(20)
At 31 December	**13**	33

18. Trade and other receivables

Accounting Policy

Trade receivables

Trade receivables are recognised and measured at the initial invoice amount, less loss allowances. They are maintained as assets on the balance sheet so long as all risks and rewards associated with them have not been transferred to a third party.

Loss allowances

Receivables of shopping malls' and hotels' businesses	The Group has established a loss allowance matrix applying expected recovery rates on forward looking default rates to derive the loss rate to be applied to past due receivables. The expected recovery rates are applied to different classes of receivables based on their risk classification. Forward looking default rates are calculated by adjusting historical credit loss rates with forward-looking information (i.e. relevant macro-economic indicators). Loss allowance is also created for receivables that are classified as good but which become doubtful/bad as a result of certain business circumstances such as customer going into liquidation or bankruptcy, litigation, financial difficulties, etc. Such specific incidents are determined on a case-to-case basis. The calculated provision amounts based on specific cases will be recognised after netting off the bank guarantees in hand or the security deposits received, provided the Company has the legal right to liquidate such bank guarantees or adjust such deposits against the outstanding receivables.
Receivables of communities' business	Loss allowance is created when any uncertainty arises regarding collectability of receivables. 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.

18.1 Trade and other receivables - current

(AED in millions)

	2018	2017
Trade receivables, net of loss allowances (note 18.4)	445	349
Advances and deposits	91	106
Prepayments	79	58
Accrued income on operating leases (note 16.3 (ii))	70	62
Other receivables	38	15
At 31 December	**723**	590

18.2 Long term receivables

(AED in millions)

	2018	2017
Accrued income on operating leases (note 16.3 (ii))	171	175
Advances to contractors	254	428
Other long term receivable - net	30	39
Long term prepayments	7	8
At 31 December	**462**	650

18.3 Loss allowances

(AED in millions)

	2018	2017
At 1 January	(104)	(65)
Effect of change in accounting policy (note 4.2A (ii))	19	-
At 1 January (Adjusted)	(85)	(65)
Charge for the year (note 12)	(27)	(41)
Write-offs	3	2
At 31 December	**(109)**	(104)

18.4 Ageing of trade receivables

(AED in millions)

	2018	2017
Current balances	166	198
Past due 31 - 60 days	64	42
Past due 61 - 90 days	33	15
Past due 91 - 180 days	95	63
Past due over 180 days	196	135
Total trade receivables	**554**	453
Less: Loss allowances	(109)	(104)
Net trade receivables	**445**	349

19. Income tax

Accounting Policy

Income tax expense comprises current and deferred tax and is calculated in accordance with the income tax laws applicable to certain overseas subsidiaries. It is recognised in profit or loss except to the extent that it relates to items recognised directly in OCI.

Current tax

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

Deferred tax

Deferred tax is recognised 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 recognised 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 is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted at the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different taxable entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised for unused tax losses, unused tax credits and deductible temporary differences, to the extent it is probable that future tax profits will be available against which the temporary difference can be utilised. 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 realised.

19.1 Income tax expense recognised in profit or loss

(AED in millions)

	2018	2017
Current tax expense		
- Current year	(27)	(15)
- Adjustment for prior years	(4)	(2)
	(31)	(17)
Deferred tax (expense) / credit		
- Origination and reversal of temporary differences	16	(21)
	16	(21)
	(15)	(38)

The Group is subject to income tax in respect of its operations in Oman, Egypt and Lebanon. The management believes that accruals for tax liabilities are adequate for all open tax years based on its assessment of all relevant factors, including interpretations of tax laws and prior experience.

19.2 Reconciliation of effective tax rate

(AED in millions)

		2018		2017
(Loss)/profit before tax from continuing operations		(497)		2,231
Tax using the Company's domestic tax rate	0.00%	-	0.00%	-
Effect of tax rates in foreign jurisdictions	5.43%	(27)	-0.67%	(15)
Change in recognised deductible temporary differences	-3.22%	16	-0.94%	(21)
Change in estimates related to prior years	0.85%	(4)	-0.09%	(2)
	3.06%	**(15)**	-1.70%	(38)

19.3 Deferred tax liabilities

(AED in millions)

	01 January 2018	Recognised in profit or loss	Recognised in OCI	Exchange rate movement	31 December 2018
Investment property and others	100	2	-	-	**102**

(AED in millions)

	01 January 2017	Recognised in profit or loss	Recognised in OCI	Exchange rate movement	31 December 2017
Investment property and others	70	29	-	1	100

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 (2017: 15% and 22.5%, respectively). The corresponding valuation gain or loss has been recognised in profit or loss. Accordingly, the resulting net deferred tax expense/(credit) has been recognised in profit or loss.

19.4 Deferred tax assets

(AED in millions)

	01 January 2018	Recognised in profit or loss	Recognised in OCI	Exchange rate movement	31 December 2018
Investment property and others	17	18	-	-	**35**

(AED in millions)

	01 January 2017	Recognised in profit or loss	Recognised in OCI	Exchange rate movement	31 December 2017
Investment property and others	9	8	-	-	17

A portion of deferred tax asset has been computed on the taxable temporary difference arising as a result of valuation loss on property in Lebanon. The tax rate in Lebanon is 17% (2017: 15%).

20. Inventories

Accounting Policy

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 realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

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

Spares and consumables

Inventories are measured at the lower of cost and net realisable value. The cost of inventories is based on weighted average cost principle and includes expenditure incurred in acquiring the inventories and bringing them to their existing location and condition. Net realisable value is the estimated selling price in the ordinary course of business less estimated selling expenses.

(AED in millions)

	2018	2017
Spares and consumables	25	26
Development property (note 20.1)	-	251
At 31 December	**25**	277

20.1 Development property

(AED in millions)

	2018	2017
At 1 January	251	245
Additions during the year	-	6
Written-off during the year	(8)	-
Transferred to investment properties (note 16.2)	(243)	-
At 31 December	-	251

21. Cash and bank balances

(AED in millions)

	2018	2017
Cash in hand	15	10
Fixed deposits	59	119
Call deposits and current accounts	247	238
Cash and bank balances at 31 December	**321**	367
Less: fixed deposits with maturity of more than 3 months from acquisition	(9)	(9)
Cash and cash equivalents	**312**	358

22. Trade and other payables

Accounting Policy

Trade payables are initially measured at fair value, then subsequently measured at amortised cost and, where the effect is material, discounted to reflect the time value of money.

(AED in millions)

	2018	2017
Trade payables	162	96
Project related accruals	407	429
Accruals	351	364
Unearned rental income	789	878
Tenant related deposits	696	642
Retention from contractor payments	335	197
Tenant related advances	226	191
Tax payable	65	50
Current portion of a finance lease liability (note 25.1)	4	3
Current portion of a long term liability	-	10
Others	36	26
At 31 December	**3,071**	2,886

23. Provisions

Accounting Policy

A provision is recognised when the Group has a present obligation (legal or constructive) as a result of a past event, and 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 recognised as finance cost.

(AED in millions)

	2018	2017
Bonus provisions (short and long term) [a]	92	91
Other provisions	30	59
At 31 December	**122**	150
- Current	98	150
- Non-current	24	-

a) *Bonus provisions represent the amount payable to the employees of the Group.*

b) *Other provisions mainly relate to provision for tax and administration fees amounting to AED 20 million (2017: AED 29 million).*

23.1 Reconciliation of provisions as at the reporting date

(AED in millions)

	Bonus provisions	Other provisions
At 1 January 2017	89	44
Additional provisions recognised during the year	92	17
Reduction arising from payments/write backs made during the year	(90)	(2)
At 31 December 2017	91	59
At 1 January 2018	91	59
Additional provisions recognised during the year	77	12
Reduction arising from payments/write backs made during the year	(76)	(41)
At 31 December 2018	**92**	**30**

24. Loans and borrowings

(AED in millions)

	2018	2017
Secured – At amortised cost		
Term loans - From banks [a]	1,129	630
	1,129	630
Unsecured – At amortised cost		
Sukuk certificates [a]	1,831	1,830
Bank overdraft	45	55
	1,876	1,885
At 31 December	**3,005**	2,515
- Current	**140**	146
- Non-current	**2,865**	2,369

a. *Carrying amount adjusted for unamortised transaction costs of AED 28 million (2017: AED 28 million).*

24.1 Term loans - From banks

(AED in millions)

	2018	2017
At 1 January	651	1,206
Borrowed during the year	533	295
Interest capitalized as part of loan principal	60	11
Repaid during the year	(91)	(870)
Currency translation adjustment	(2)	9
At 31 December	**1,151**	651
Net unamortized transaction costs incurred	(22)	(21)
	1,129	630
- Current	95	91
- Non-current	1,034	539

(AED in millions)

Loan facility	2018	2017	Security	Repayment interval	Repayment start date	Maturity date
OMR 175 million (AED 1,672 million)	522	74	First degree mortgage over usufruct rights on the leasehold land, assignment of lease proceeds, insurance and construction contracts	Quarterly	31-Dec-20	30-Sep-30
USD 53 million (AED 196 million) and LBP 170 billion (AED 418 million)	313	375	First ranking charge over the plot on which the shopping mall is constructed and assignment of lease rentals of the shopping mall	Annual & half-yearly	05-Nov-15 20-Mar-16	05-May-22 20-Sep-22
EGP 2,500 million (AED 517 million)	276	133	Assignment of lease proceeds and insurance contracts	Unequal instalments every year	28-Sep-21	28-Sep-30
AED 225 million	40	69	First degree mortgage over land and building of the shopping mall, assignment of insurance policies and lease rentals of the shopping mall	Half-yearly	29-Sep-13	22-Mar-20
At 31 December	**1,151**	651				

These loans are obtained at margins ranging from 1.75% to 4.1% (2017: 1.1% to 4.1%) over the base lending rates. For loans obtained in the UAE, the base lending rate used is EIBOR / LIBOR. For loans obtained by overseas subsidiaries, an appropriate base lending rate prevailing in the related markets is used.

24.2 Sukuk certificates [a]

(AED in millions)

	2018	2017
At 1 January	1,837	3,306
Repaid during the year	-	(1,469)
At 31 December	**1,837**	1,837
Net unamortized transaction costs incurred	(6)	(7)
	1,831	1,830
- Current	**-**	-
- Non-current	**1,831**	1,830

(AED in millions)

Loan facility	2018	2017	Interest rate and term	Repayment Interval	Start date	Maturity date
USD500 (AED1,837)	1,831	1,830	4.50% per annum (semi-annual basis) and 10 years	Bullet payment	Nov-15	Nov-25
At 31 December	**1,831**	1,830				

a) *Arrangement ('Murabaha') includes transfer of ownership of certain identified assets to a special purpose vehicle (MAF Sukuk Ltd.) formed for the issuance of certificates without transfer of control. The certificate holders have no recourse to the assets and the profits are serviced from the returns generated from the identified assets. These certificates are listed on the stock exchanges - NASDAQ Dubai and Irish Stock Exchange. The size of the Sukuk Trust Certificate Issuance Program is USD 1.5 billion (AED 5,510 million).*

25. Other liabilities

(AED in millions)

	2018	2017
Finance lease liabilities	155	161
Others	1	1
At 31 December	**156**	162

25.1 Finance lease liabilities

Accounting policy

Where the Group is a lessee and enters into a lease that transfers substantially all the risks and rewards of ownership of the asset to the Group, the lease is accounted for as a finance lease. The leased assets are measured initially at an amount equal to the lower of the fair value of the property and the present value of the minimum lease payments. Each lease payment is allocated between the liability and finance costs so as to achieve a constant periodic rate of interest on the finance balance outstanding. The investment properties acquired under finance leases are subsequently carried at their fair value.

(AED in millions)

	Future minimum lease payments		Interest		Present value of minimum lease payments	
	2018	2017	2018	2017	2018	2017
Less than one year	17	17	13	14	4	3
Between one and five years	79	78	50	52	29	26
More than five years	372	390	246	255	126	135
At 31 December	**468**	485	**309**	321	**159**	164
- Current (note 22)					**4**	3
- Non-current					**155**	161

a) *In 2014, a subsidiary of the Company has entered into a usufruct contract with the Government of Sultanate of Oman which has provided the subsidiary usufruct rights over two plots of land in Oman for a period of fifty years.*

b) *In 2016, a subsidiary of the Company, entered into an agreement with a related party, Majid Al Futtaim Hypermarkets LLC, to transfer the rights over a leasehold land and the property constructed on the land (a shopping mall) to the subsidiary of the Company. The land on which the shopping mall was constructed has been obtained on a long term lease from the Government of Dubai for a range of 8 to 25 years for different parts of the land.*

c) *In 2017, a subsidiary of the Company entered into a usufruct contract with the Government of Sultanate of Oman which has provided the subsidiary usufruct rights over a plot of land in Oman for a period of fifty years. The subsidiary is currently constructing a shopping mall on this land.*

d) *All these leasehold interests meet the recognition criteria of an investment property and, accordingly, the Group has accounted for the land leases as a finance lease. The lands are restricted to be used for commercial purposes in relation to MAFP's businesses and the right to renew the lease is reserved with the Governments of Oman and Dubai, respectively. If the respective leases are not renewed the land and buildings will be transferred to the Governments of Oman and Dubai respectively at the end of the lease term.*

e) *Interest rates underlying all obligations under finance leases are determined at the respective contract dates based on the incremental borrowing rates ranging from 9.5% to 9.8% (2017: 8.7% to 9.6%) per annum.*

25.2 Reconciliation of liabilities arising from financing activities

(AED in millions)

	1 January 2018	Cash inflows	Cash outflows	Non-cash Changes [b]	31 December 2018
Term loan from a related party	7,663	2,618	(2,648)	603	8,236
Loans and borrowings [a]	2,515	533	(101)	58	3,005
Finance lease liabilities	164	-	(2)	(3)	159
At 31 December	**10,342**	**3,151**	**(2,751)**	**658**	**11,400**

a) *Includes cash outflow from bank overdraft amounting to AED 10 million.*

b) *Non-cash changes for the year ended 31 December 2017 mainly relate to interest payable to MAFH converted to long term loan and coupon declared adjusted against the long term loan amounting to AED 306 million and AED 220 million, respectively (note 29.2.1).*

26. Retirement benefit obligation

Accounting Policy

Defined benefit plan

Provision for retirement benefit obligation is calculated in accordance with the labour laws of the respective country in which they are employed. The Group's retirement benefit obligation 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 yield at the reporting date on premium bonds that have maturity dates approximating the terms of the Group's obligation.

Defined contribution plan

Under the UAE Federal Law No.7 of 1999 for pension and social security law, 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 recognised as an expense in profit or loss as incurred.

(AED in millions)

	2018	2017
Defined benefit plan	110	103
Defined contribution plan	3	4
At 31 December	**113**	107

26.1 Defined benefit plan

Key assumptions and estimation uncertainties:

The principal assumptions used for the purposes of the valuation of retirement benefit obligation were as follows:

	2018	2017
Discount rate	**4.2%**	3.0%
Future salary increase	**3%**	5%
Probability of employees staying for a full service period	**50%**	50%

Reconciliation of defined benefit obligation liability at the reporting date:

(AED in millions)

	2018	2017
At 1 January	103	80
Expense for the year - net	30	35
Benefits paid during the year	(10)	(9)
Other reclassifications	(13)	(3)
At 31 December	**110**	103

26.2 Defined contribution plan

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

(AED in millions)

	2018	2017
Total expense recognised in profit or loss during the year	**14**	13
Contributions payable at the end of the reporting year	**3**	4

27. Equity

27.1 Share capital

(AED in millions)

	2018	2017
Authorised, issued and fully paid:		
3,500,000 shares of AED 1,000 each	3,500	3,500
At 31 December	**3,500**	3,500

27.2 Shareholder contribution

(AED in millions)

	2018	2017
Subordinated capital loan instruments [a]	2,750	2,750
Contribution from MAFH [b]	188	188
At 31 December	**2,938**	2,938

a) *In 2009, the Company issued subordinated capital loan instruments of AED 2,500 million in five loan instruments of AED 500 million each. In 2010, an additional loan instrument of AED 250 million was issued by the Company. These instruments are collectively referred to as "the hybrid instruments" and are fully subscribed to by MAFH as per the terms of a Master Capital Loan Agreement and a separate Capital Loan Agreement for each loan, dated 5 October 2009. The hybrid instruments carry a coupon payment, payable semi-annually, at a fixed rate of 8% per annum up to 7 October 2019 and at a floating rate of EIBOR + 5% thereafter.*

The hybrid instruments have a first par call date on 7 October 2019, at the election of the Company, without any obligation. The hybrid instrument does not have a final maturity date. The coupon is non-cumulative in nature and can be deferred indefinitely at the Company's discretion without constituting a default. In case of MAFH ceasing control of the Company, the prevailing coupon rate on the hybrid instruments will be permanently increased by 5% and such coupons will become cumulative.

Based on the terms of the hybrid instruments, these are accounted for as equity instruments. The hybrid instruments were subscribed to through a debt to equity swap transaction.

b) *In 2012, the Group novated all of its rights and obligations under two bank facilities agreement, which cumulatively amounted to USD 900 million of term loans to MAFH, and has converted external facilities to related party funding. However, the Company continues to use these facilities under an inter-company funding agreement signed with MAFH. These derivative instruments, which were hedged by way of interest rate collar and interest rate swap, had a negative fair value of AED 188 million at the time of novation. MAFH waived its contractual obligation of recovering the liability from the Group and accordingly this balance was classified within shareholder contribution.*

27.3 Statutory reserve

In accordance with the Articles of Association of companies in the Group and relevant local laws, 10% of the net profit for the year of the individual companies, to which the 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 individual entities. This reserve can be utilised only in the manner specified under the relevant laws and is not available for distribution. In 2017, AED 313 million was transferred to statutory reserve.

27.4 Currency translation reserve

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

28. Financial instruments

Accounting Policy

Financial assets

Classification and measurement

Initial recognition

Under IFRS 9, on initial recognition, a financial asset is classified as measured at: amortised cost; fair value through other comprehensive income (FVOCI) - debt investment; FVOCI - equity investment; or fair value through profit or loss (FVTPL). The classification of financial assets under IFRS 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics.

Financial asset at amortised cost

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

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

Financial assets at amortised cost consist of trade and other receivables, cash and bank balances, and related party receivables.

Financial asset at FVOCI

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.

Financial asset at FVTPL

All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL.

A financial asset (unless it is a trade receivable without a significant financial component that is initially measured at the transaction price) is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition.

Subsequent measurement

The following accounting policies apply to subsequent measurement of financial assets:

Financial assets	Subsequent measurement
Financial asset at amortised cost	These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.
Equity instruments at FVOCI	These assets are subsequently measured at fair value. Dividends are recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognised in OCI and are never reclassified to profit or loss.
Financial asset at FVTPL	These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in profit or loss.

Cash and cash equivalents:

Cash and cash equivalents comprise cash and call deposits with maturities of three months or less from acquisition date.

De-recognition of financial assets

The financial assets are derecognised when the contractual rights to the cash flows from the asset expire or when they are transferred to another party without retaining control or when substantially all risks and rewards of the asset are transferred. Any interest in such transferred financial assets that is created or retained is recognised as a separate asset or liability. Any gain or loss on derecognition is recognised in profit or loss.

Financial liabilities

Financial liabilities are classified in two categories:

- amortised cost ('AC');
- financial liabilities measured at fair value through profit or loss ('FVTPL')

The Group's financial liabilities are measured at amortised cost.

Recognition and measurement of financial liabilities

All financial liabilities are initially recognised at their fair value less transaction costs (with the exception of the transaction costs of liabilities measured at fair value through profit or loss, which are recognised as an expense).

Financial liabilities measured at amortised cost:
Financial liabilities primarily comprise trade payables, accruals, retention payables, long-term loans, income tax payable, bank borrowings, related party payables and other liabilities. Financial liabilities are subsequently measured at amortised cost using the effective interest method. Issue costs and premiums and redemption premiums form part of the amortised cost of financial liabilities.

De-recognition of financial liabilities

The financial liabilities are derecognised when the contractual obligations are discharged, cancelled or expire. On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid is recognised in profit or loss.

General

Breakdown between current and non-current

The breakdown of financial assets and liabilities between current and non-current is determined according to their maturity at the reporting date: less than or more than one year.

Offset of financial assets and financial liabilities

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, there is a legal right to offset the amounts and there is an intention either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

Derivatives and hedging activity

There are no derivatives and hedging activities executed by the Group.

28.1 Details of financial assets and liabilities - Carrying amount and classification

Financial assets

(AED in millions)

At 31 December 2018	Carrying amount A	Non-financial assets B	Financial assets C=A-B	IFRS 9 classification
Trade and other receivables (including long term)	1,185	672	513	Amortized cost
Cash and bank balances	321	-	321	
Receivables from and loans to related parties (short term and long term balances)	663	-	663	
	2,169	**672**	**1,497**	

(AED in millions)

At 31 December 2017	Carrying amount A	Non-financial assets B	Financial assets C=A-B	IAS 39 classification
Trade and other receivables (including long term)	1,240	837	403	Loans and receivables
Cash and bank balances	367	-	367	
Receivables from and loans to related parties (short term and long term balances)	589	-	589	
	2,196	837	1,359	

Financial liabilities

(AED in millions)

At 31 December 2018	Carrying amount A	Non-financial liabilities B	Financial liabilities C=A-B	IFRS 9 classification
Loans and borrowings	3,005	-	3,005	Amortized cost
Term loan from a related party	8,236	-	8,236	
Trade and other payables	3,071	1,015	2,056	
Due to related parties	38	-	38	
Other liabilities	156	-	156	
	14,506	**1,015**	**13,491**	

(AED in millions)

At 31 December 2017	Carrying amount A	Non-financial liabilities B	Financial liabilities C=A-B	IAS 39 classification
Loans and borrowings	2,515	-	2,515	Amortized cost
Term loan from a related party	7,663	-	7,663	
Trade and other payables	2,886	1,069	1,817	
Due to related parties	12	-	12	
Other liabilities	162	-	162	
	13,238	1,069	12,169	

28.2 Fair value measurement and hierarchy

Management believes that the fair value of the financial assets and liabilities, except for the sukuk certificates issued, are not materially different from their carrying amounts. The fair value of the sukuk certificate that matures in 2025 is AED 1,832 million (2017: AED 1,908 million). These certificates are carried at level 2 of the fair value hierarchy. The fair value measurement method used is described in note 5.

28.3 Financial risk management

The Company's Board of Directors have the overall responsibility for the management of risk throughout its Group companies. The Board establishes and regularly reviews the Company's risk management strategy and policy and procedures to ensure that they are in line with MAFH strategies and objectives. It has constituted an Audit and Risk Management Committee within the Board of the Company which is mandated to review and challenge the risk management process. This process of review and challenge is designed to assess and suggest improvements to the internal risk management framework, and the soundness of framework that is in place to safeguard the interest of shareholders.

The main risks arising from the Group's financial instruments are credit risk, liquidity risk and market risk, including foreign currency risk and interest rate risk.

Liquidity risk, market risk (including foreign currency risk and interest rate risk) and credit risk related to financial counter parties (banks) are managed by the centralised treasury function of MAFH on behalf of the Group.

28.3.1 Credit risk

Credit risk is defined as the unforeseen losses on assets if counterparties should default. The entities in the Group have credit policies in place and the exposure to credit risk is monitored on an on-going basis. A majority of the Group's income is by way of advance receipts and is supported by a deposit equivalent to three months' rental. Credit evaluations are performed on all customers requiring credit over a certain amount and there is no significant concentration of credit risk. Cash is placed with reputable banks and the risk of default is considered remote. Under the current economic conditions, management has assessed the recoverability of its trade receivables (net of provisions) as at the reporting date and consider them to be recoverable. Due from related parties (net of provisions) are considered recoverable by management.

Further details of credit risks on trade receivables are discussed in note 18.4.

The carrying amounts of the financial assets exposed to credit risk are as follows:

(AED in millions)

	2018	2017
Trade and other receivables (including long term receivables)	513	403
Fixed deposits	59	119
Call deposits and current accounts	247	238
Receivables from and loans to related parties and others (short term and long term balances)	663	589
At 31 December	**1,482**	1,349

In addition, the Group is exposed to credit risk in relation to various financial guarantees provided against the bank loans of MAFH; and the hybrid perpetual notes and bonds issued by a subsidiary of MAFH (note 32).

28.3.2 Liquidity risk

The liquidity risk is managed to ensure that the Group is able to meet future payment obligations as they fall due. The Group's policy aims to meet this objective through the use of bank overdrafts, bank loans and credit facilities.

The following are the remaining contractual maturities of financial liabilities at the reporting date. The amounts are presented at gross and undiscounted, and include contractual interest payment.

(AED in millions)

At 31 December 2018	Carrying amount	Contractual cash flows	6 months or less	6-12 months	1-2 years	2-5 years	5 years or more
Secured loans and borrowings	1,151	1,944	106	107	223	532	976
Unsecured loans and borrowings	1,837	2,402	41	41	83	248	1,989
Bank overdraft	45	45	45	-	-	-	-
Total external borrowings	3,033	4,391	192	148	306	780	2,965
Related party loans	8,236	9,041	198	198	8,645	-	-
Payables and accruals	2,212	2,520	1,004	1,065	20	59	372
Due to related parties	38	38	19	19	-	-	-
	13,519	**15,990**	**1,413**	**1,430**	**8,971**	**839**	**3,337**

(AED in millions)

At 31 December 2017	Carrying amount	Contractual cash flows	6 months or less	6-12 months	1-2 years	2-5 years	5 years or more
Secured loans and borrowings	651	1,016	70	84	146	527	189
Unsecured loans and borrowings	1,837	2,484	41	41	83	248	2,071
Bank overdraft	55	55	55	-	-	-	-
Total external borrowings	2,543	3,555	166	125	229	775	2,260
Related party loans	7,663	8,419	174	184	-	8,061	-
Payables and accruals	1,979	2,286	909	909	-	78	390
Due to related parties	12	12	6	6	-	-	-
	12,197	14,272	1,255	1,224	229	8,914	2,650

28.3.2.1 Funding and liquidity

At 31 December 2018, the Group has net current liabilities of AED 1,644 million (2017: AED 1,400 million) which includes loans and borrowings maturing in the short-term of AED 140 million (2017: AED 146 million). To meet the above commitments, the Group has access to sufficient committed facilities from MAFH and banks. On the basis of the above, management has concluded that the Group will be able to meet its financial commitments in the foreseeable future.

28.3.3 Market risk

Market risk is the risk that changes in market prices, such as interest rates and foreign currency exchange rates, will adversely affect the Group's net income or the value of financial instruments that it holds.

a) Interest rate risk

The Group's exposure to interest rate risk relates to the borrowings described in note 24. These risks are managed at MAFH level through use of derivatives. The following is the assessment of sensitivity to interest rate risk:

(AED in millions)

	2018	2017
Fixed interest bearing instruments		
- Financial assets (fixed deposits)	59	119
- Financial liabilities (loans)	(1,837)	(1,837)
- Financial liabilities (finance lease liabilities)	(159)	(164)
- Financial liabilities (other long term liabilities)	(1)	(1)
At 31 December	**(1,938)**	(1,883)
Variable interest bearing instruments		
- Financial liabilities (loans and borrowings)	(9,432)	(8,369)
- Financial assets (long term receivable from minority shareholder)	16	16
At 31 December	**(9,416)**	(8,353)

	P&L	OCI	P&L	OCI
Sensitivity analysis on variable interest bearing instruments:				
- Increase of 100bps	**(94)**	**-**	(84)	-
- Decrease of 100bps	**94**	**-**	84	-

b) Foreign currency risk

A significant portion of the Group's foreign currency borrowings and balances are denominated in US Dollar ('USD') and other currencies linked to USD. Hence, the Group's exposure to any foreign currency risk is not significant.

28.4 Capital management

The primary objective of the Group is to ensure that optimal capital and liquidity is available to support operations and long term growth of the businesses. No changes have been made to the overall strategy during the year. The capital structure of the Group consists of debt (loans and borrowings as per note 24) and equity (comprising issued capital, shareholder contribution, revaluation reserve, retained earnings and other reserves as per note 27).

(AED in millions)

	2018	2017
Loans and borrowings (excl. finance lease liabilities)	11,241	10,178
Total debt	**11,241**	10,178
Share capital	3,500	3,500
Shareholder contribution	2,938	2,938
Revaluation reserve	14,342	14,473
Retained earnings	12,752	13,367
Other reserves	(67)	(57)
Total equity attributable to owners of the Company - At 31 December	**33,465**	34,221

All bank covenants are monitored at regular intervals. During the year, the Group complied with its banking covenants. The most frequent agreed covenants in the loan agreements are: net worth, debt to equity, interest coverage and debt service coverage ratios.

29. Related party transactions and balances

Balances and transactions between the Company and its subsidiaries (note 6), which are related parties of the Company, have been eliminated on consolidation and are not disclosed in this note. Details of transactions between the Group and other related parties are disclosed below.

29.1 Related party transactions

(AED in millions)

	Ultimate parent		Parent		Sister companies		Joint ventures		KMP and other		Total	
	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
Profit or loss transactions (income / (expenses):												
Services received:												
- Treasury, corporate secretarial services and others	-	-	(26)	(20)	-	-	-	-	-	-	(26)	(20)
- Facility management services	-	-	-	-	-	-	-	-	(120)	(113)	(120)	(113)
- Renting of retail space	-	-	-	-	-	-	(1)	-	-	-	(1)	-
Services rendered:												
- Renting of retail and office space	-	-	8	5	388	360	-	-	-	-	396	365
- Asset management	-	-	-	-	-	-	3	3	-	-	3	3
- Development management	-	-	-	-	-	-	8	14	-	-	8	14
- Project management	-	-	5	3	11	5	17	18	-	-	33	26
- IT and other service charges	1	1	5	11	-	-	1	1	-	-	7	13
Unwinding of discount on receivable from a joint venture	-	-	-	-	-	-	4	9	-	-	4	9
Interest expense on loans	-	-	(383)	(306)	-	-	-	-	-	-	(383)	(306)
Compensation to key management personnel ('KMP') [a]	-	-	-	-	-	-	-	-	(47)	(47)	(47)	(47)
Balance sheet and equity transactions (inflows / (outflows)):												
Coupon declared on subordinated capital loan instrument	-	-	(220)	(220)	-	-	-	-	-	-	(220)	(220)
Additional investment in a joint venture (note 7.1.3 (a))	-	-	-	-	-	-	25	25	-	-	25	25
Dividend declared by joint ventures	-	-	-	-	-	-	54	-	-	-	54	-
Off-balance sheet transactions (received / (provided)):												
Provision of corporate guarantees:												
- On various bank loans availed by related party	-	-	(6,345)	(4,131)	-	-	-	-	-	-	(6,345)	(4,131)
- On hybrid perpetual note instruments and bonds issued under the Global Medium Term Note ('GMTN') program	-	-	(8,081)	(8,448)	-	-	-	-		-	(8,081)	(8,448)
Capital commitments	-	-	-	-	-	-	498	589	-	-	498	589

a) The aggregate compensation comprises of: directors' fees and expenses of AED 6 million (2017: AED 7 million), short term employee benefits (salaries and allowances including provision for bonus) of AED 44 million (2017: AED 40 million) and provision for retirement benefit obligation of AED 1 million (2017: AED 1 million). This does not include amounts paid by MAFH in relation to services provided by its key management personnel to the Company.

29.2 Related party balances:

(AED in millions)

	Ultimate parent		Parent		Sister companies		Joint ventures		Other		Total	
	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
Assets:												
Trade receivables	**-**	-	**-**	-	**69**	103	**-**	-	**-**	1	**69**	104
Other assets												
i) Short term loan to a related party												
- Short-term, interest-free and unsecured loan	**-**	-	**-**	-	**-**	-	**25**	25	**-**	-	**25**	25
- Short-term, interest-free and unsecured receivable	**-**	-	**-**	-	**-**	-	**43**	45	**-**	-	**43**	45
	-	-	**-**	-	**-**	-	**68**	70	**-**	-	**68**	70
ii) Long-term receivables from related parties												
a) Long-term receivables from related parties												
- Long-term, interest-free and unsecured receivable	**-**	-	**-**	-	**-**	-	**13**	13	**-**	-	**13**	13
- Long-term, interest-bearing and unsecured receivable	**-**	-	**-**	-	**-**	-	**-**	-	**16**	16	**16**	16
	-	-	**-**	-	**-**	-	**13**	13	**16**	16	**29**	29
b) Short-term, interest-free and unsecured receivable [a]	**1**	-	**-**	-	**102**	44	**468**	473	**-**	-	**571**	517
Less: Provision for doubtful receivables	**-**	-	**-**	-	**-**	-	**(5)**	(27)	**-**	-	**(5)**	(27)
Net balance	**1**	-	**-**	-	**102**	44	**463**	446	**-**	-	**566**	490
Liabilities:												
Loans and borrowings												
i) Term loan from a related party [b]	**-**	-	**8,236**	7,663	**-**	-	**-**	-	**-**	-	**8,236**	7,663
Other liabilities												
ii) Payable to related parties												
- Short-term, interest-free and unsecured payable	**-**	-	**20**	5	**17**	7	**-**	-	**1**	-	**38**	12

a) Includes an amount of AED 386 million (2017: AED 392 million) not expected to be settled within 12 months after the reporting date, following the asset's normal operating cycle.

b) Effective 15 April 2014, the loan agreement between MAFH and the Company was amended to increase the facility amount from AED 5,000 million to AED 7,000 million. In February 2017, the limit of the intercompany loan agreement was increased from AED 7,000 million to AED 8,500 million. In February 2018, the limit was further increased from AED 8,500 million to AED 8,800 million. The loan agreement has been renewed and will not be called upon for repayment within 12 months from the reporting date. Accordingly, it has been classified as long-term in these consolidated financial statements. This is an unsecured loan. The facility carries a margin of 2.3% (2017: 2.9%) per annum over EIBOR in the current year. Refer to note 29.2.1 for movement of the loan.

29.2.1 Term loan from a related party

(AED in millions)

	2018	2017
At 1 January	7,663	5,252
Borrowed during the year	2,618	4,325
Interest payable to MAFH converted to long term loan	383	306
Coupon payable to MAFH adjusted against long term loan	220	220
Repaid during the year	(2,648)	(2,440)
At 31 December	**8,236**	7,663
- Current	**-**	-
- Non-current	**8,236**	7,663

30. Operating leases

Accounting policy

Lease payments incurred as lessee under operating leases are recognised as an expense in profit or loss on a straight line basis over the lease term. Lease incentives received are recognised in profit or loss as an integral part of the total lease expense, over the term of the lease.

Group as lessor

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

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 minimum lease payments under non-cancellable operating leases as lessor are receivable as follows:

(AED in millions)

	2018	2017
Less than one year	2,745	2,743
Between one and five years	4,726	5,081
More than five years	1,526	1,114
At 31 December	**8,997**	8,938

The net rental income earned by the Group from its investment property for the year is set out in note 16.3.

Group as lessee

Operating leases primarily relate to leases of premises for staff accommodation and offices with lease terms for a period of 1 year or more. All operating lease contracts contain market review clauses in the event the renewal option is exercised. The minimum lease payments under non-cancellable operating leases are as follows:

(AED in millions)

	2018	2017
Less than one year	29	30
Between one and five years	24	24
More than five years	12	18
At 31 December	**65**	72

31. Capital commitments

(AED in millions)

	2018	2017
Capital commitments of the Group	2,768	4,043
The Group's share of capital commitments in relation to its equity accounted investees	498	589
At 31 December	**3,266**	4,632

Capital commitments refers to the value of contracts signed for the development and construction of assets as at 31 December 2018, net of costs incurred and advances made up to that date.

32. Contingent liabilities

(AED in millions)

	2018	2017
Corporate guarantees on various bank loans availed by MAFH	6,345	4,131
Co-guarantee on hybrid perpetual notes issued by a subsidiary of MAFH	3,306	3,673
Co-guarantee on bonds issued under the Global Medium Term Note (GMTN) Program by a subsidiary of MAFH	4,775	4,775
Other operational guarantees issued in the normal course of business	4	4
At 31 December	**14,430**	**12,583**

33. Litigation and claims

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.

34. Subsequent events

There has been no significant event subsequent to the reporting date and up to the date of authorisation of these consolidated financial statements which would have a material effect on the consolidated financial statements.

35. Seasonality and cyclicality

There is no material seasonality or cyclicality impacting these consolidated financial statements.

36. Reclassification

Certain comparative figures have been reclassified to improve the quality of information previously presented. The reclassification does not have any net effect on the consolidated statement of profit or loss and other comprehensive income and consolidated statement of changes in equity.