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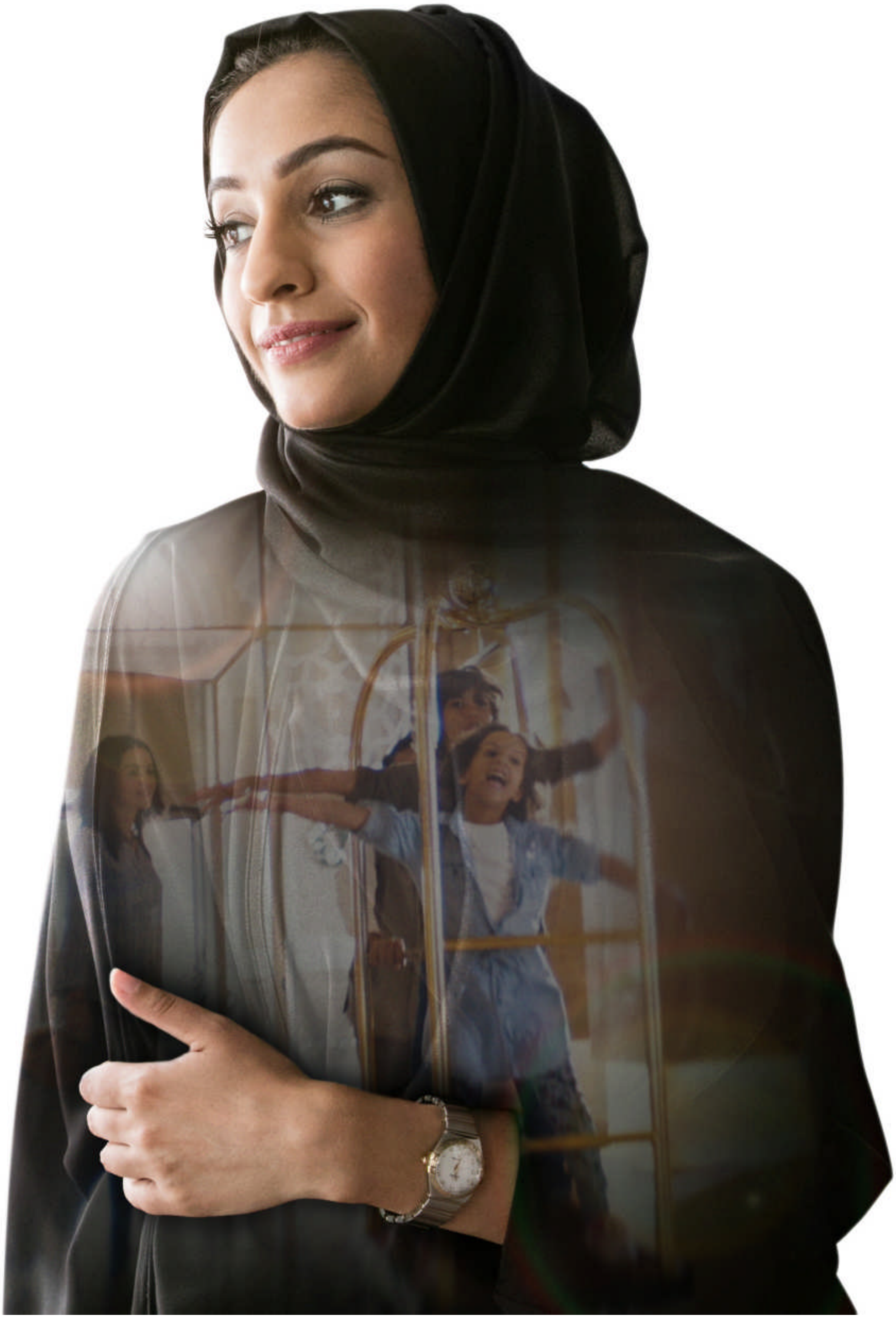
MAJID AL FUTTAIM

GREAT MOMENTS
FOR **EVERYONE,**
EVERYDAY

MAJID AL FUTTAIM PROPERTIES LLC AND ITS SUBSIDIARIES
CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019



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MAJID AL FUTTAIM PROPERTIES 2019 FULL YEAR REPORT

Majid Al Futtaim Properties is a leading shopping mall, hospitality and communities developer and operator in the Middle East since 1994.

Majid Al Futtaim Properties LLC is incorporated in the Emirate of Dubai, United Arab Emirates in 1994 and is a subsidiary of Majid Al Futtaim Holding LLC. The Group has the following business units: Shopping Malls ('SMBU'), Shopping Malls Development ('SMDBU'), Hospitality ('HBU'), Communities ('CBU'), Project Management ('PMBU') and Corporate.

SHOPPING MALLS 'SMBU' / 'SMDBU'	HOSPITALITY 'HBU'	COMMUNITIES 'CBU'	PROJECT MANAGEMENT 'PMBU'
❖ Owns, develops and operates **26** destination shopping malls across 5 countries: UAE, Oman, Lebanon, Egypt, Bahrain ❖ Total shopping malls GLA of over **1.5 million m²**	❖ Owns **13** hotels in the UAE and Bahrain that are operated by International Hotel Brands ❖ Offers over **3,600** rooms and suites	❖ Develops and operates **5** mixed-used projects in the UAE, Oman and Lebanon ❖ Combined land area of approximately **6.5 km²**	❖ Supports the delivery of Group's project developments

Key financial highlights:

REVENUE	EBITDA	NET LOSS	CASH FLOW FROM OPERATING ACTIVITIES
AED **4,613** MILLION	AED **2,974** MILLION	AED **(2,225)** MILLION	AED **3,408** MILLION
2018: AED 4,642m	2018: AED 2,989m	2018: AED (512)m	2018: AED 2,912m

2019 key financial highlights:

- ❖ Challenging trading conditions reflecting the economic and competitive environment.
- ❖ Revenue and EBITDA about flat compared with 2018.
- ❖ Net loss driven by negative valuations and impairments.
- ❖ Strong operating cash flows up 17% compared with 2018.

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 2019. The consolidated financial statements were prepared by management. The Board of Directors has taken responsibility for the fair presentation of the consolidated financial statements in accordance with the applicable financial reporting framework and has given clearance for issuance of these consolidated financial statements on 18 February 2020.

Economic and Geo-political Situation

The global trade related tensions between the US, China and other major economies, as well as geo-political events across the GCC and downtrend in oil prices, have had an impact on trade and monetary flows across the region and therefore consumer confidence. The US Dollar's continued strengthening against other major currencies has put further pressure on the competitiveness of pegged economies.

United Arab Emirates (UAE)

In 2019, UAE GDP grew 1.9% with inflation falling from 3.1% to 1.9%. Contraction of consumer spending growth from 3.1% to 1.9%, combined with increased competition and structural changes (including e-commerce), contributed to a decrease in retail sales of about 4% resulting in pressures on the rental levels that had a negative impact on valuations.

Egypt

The Egyptian economy continues to improve following reforms that have been commended by the IMF. Tourism is gradually picking up with visitor numbers increasing by 11% that provided additional stimulus to the economy. GDP growth increased from 5.3% to 5.6% and inflation was recorded at 8.1%, significantly reduced from its peak at 29.5% in 2017.

Bahrain

In 2019, GDP growth in Bahrain declined from 2.1% to 1.2% and inflation decreased from 2.1% to 1.1%. Value-added tax at 5% was introduced. S&P upgraded Bahrain's outlook from stable to positive, reflecting the impact of economic reforms that have taken place. However, retail sales saw a decline in Bahrain that had a negative impact on valuations.

Oman

In 2019, S&P, Fitch and Moody's reported a negative outlook for Oman due to the budget deficit as a consequence of lower oil prices in recent years. Whilst GDP growth was recorded at 1.6% in 2019, inflation stagnated at 0.1% indicating low consumer confidence.

Lebanon

Lebanon continues to face a societal and banking sector crisis, which has led the government to seek assistance from the IMF. In 2019, GDP growth was 0.5% and inflation reduced from 6.1% to 2.6%.

COVID-19 Outbreak

Escalation of COVID-19 has the potential to impact the business in multiple ways. Firstly, declining tourism in key markets, slowdown of global economic growth as well as deteriorating consumer and investor confidence could all impact demand adversely. Secondly, unavailability of goods and contracted work force may lead to delays and cost escalation for development projects. Thirdly, a regional outbreak could lead to asset close downs.

The Company has formed a cross-functional task force to monitor the development of COVID-19, to work with business units on preventive measures, and to ensure a unified approach to communication.

Operational Highlights in 2019

SMBU

- The Group opened three new malls:
  - My City Centre ('CC') Sohar in Oman (total of 125 units, GLA 35,100 sqm) in January 2019
  - My CC Masdar in UAE (total of 79 units, GLA of 18,100 sqm) in April 2019
  - CC Al Maza in Egypt (total of 263 units, GLA of 101,900 sqm) in September 2019
  - In addition, the Group also expanded in CC Ajman (UAE) in April 2019 and CC Alexandria (Egypt) in October 2019.
- The Group has launched a new lifestyle rewards programme - Share.

HBU

- The Group signed a 7-year contract to renew the hotel management agreement with Kempinski.
- Aloft Hotel Deira had its first full year operations.

CBU

- CBU business handed-over more than 1,600 properties across its portfolio.

Key financials:

MAFP Group

Revenue
Revenue of AED 4,613 million declined by 0.6% versus prior year. This has been primarily driven by the challenging economic and competitive environment across the retail and the hospitality sector, partially offset by new property openings during the year.

EBITDA
EBITDA declined by 0.5% versus prior year reflecting reduced revenue, partially offset by operating expense improvements driven by cost control initiatives (War-on-Waste program), refund on property taxes and foreign exchange benefits.

Operating expense
Operating expense decreased by 1.9% to AED 2,083 million driven by AED 206 million savings mainly from the War-on-Waste program and refund on property taxes partially offset by a AED 166 million increase mainly from the impact of new malls and the annualized impact of malls that opened in 2018.

Net loss
The current year ended with a net loss of AED 2,225 million (2018: net loss of AED 512 million). The increased loss was driven by net valuation and impairment losses.

Net valuation loss
Total fair value loss of AED 3,041 million reflects primarily the negative impact both on the mall and the hotel revenues from the challenging market conditions, including increased capacity in the UAE, lower retail sales pressuring rental levels, less affluent tourists and constrained domestic demand. The fair value of the investment properties and land & buildings within property, plant and equipment is determined by independent external RICS Chartered Surveyors and Valuers, prepared in accordance with the RICS Valuation global standards.

Impairment loss
For the current year, a total impairment loss of AED 1,104 million (2018: AED 1,254 million) was recognized mainly on properties under construction. The primary reasons are the challenging economic environment, more prudent occupancy levels, delays to opening dates and lower leasing rate assumptions.

Coupon
In 2009, the Company issued subordinated capital loan instruments of AED 2,750 million to MAFH, carrying a coupon rate of 8% per annum. In 2019, the Company declared a coupon of AED 220 million (2018: AED 220 million) to MAFH in relation to the subordinated capital loan instrument.

Business Units
In November 2019, the shopping malls business was reorganized with the creation of a new business unit, Shopping Malls Development ('SMDBU'), to focus on the development side of the malls, which will be fully effective from 1 January 2020.

SHOPPING MALLS 'SMBU' / 'SMDBU'	HOSPITALITY 'HBU'	COMMUNITIES 'CBU'	PROJECT MANAGEMENT 'PMBU'
SMBU: Focuses on maintaining the leading position in shopping malls operations and asset management, including leisure and entertainment. **SMDBU:** Established in November 2019, this new business unit will bring focus on strengthening the Group's leading position in the mall development across the region, as well as redevelopments on core assets.	Leads the development and asset management of hotels, either attached to the Group's shopping malls or within master-planned communities and stand-alone mid-scale & budget hotels. The unit uses third party global operators for the operational management of its hotels.	Focuses on developing a mix of land, residential and commercial properties throughout the region. The business unit is also responsible for managing the Group's portfolio of office buildings in UAE.	Provides advisory and project management services to Shopping Malls, Hospitality and Communities business units. The unit also provides similar services to the Group's investee companies and related parties.

Risk Management

To improve the Group's ability to leverage emerging opportunities and reduce its risk exposure, management have developed crisis management competence, business continuity planning and have an improving risk assessment capability that has identified 16 principal risks (including geo-political and macroeconomic volatility, supply and demand imbalance and changes in laws and regulations).

Viability assessment
Annually, we review the longer term viability of the business, including stress testing the outlook against our principal risks. This analysis provides a level of assurance about the resilience of our operations and ability to meet liabilities as they fall due.

Whilst the Group's diversification and financial strengths have served the stakeholders well and, we believe, will continue to do so in the future, there is a further focus on cost efficiency, operational excellence, liquidity management and careful assessment of priorities and returns. We are confident in our ability to remain resilient as threats and opportunities continue to evolve.

Sustainability

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. The key achievements in 2019 were:

- **Business Strategy:** Issued the first corporate Green Sukuk in the region, raising USD 1.2 billion and confirming our commitment to transition to low carbon economy. Achieved the ESG (environmental, social, and governance) rating of low risk. Launched policy to phase out single-use plastic by 2025 in our operations.
- **Rethinking Resources:** The Group continued to progress towards its net positive commitment in carbon and water by 2040. During 2019, 895 thousand kWh/year photovoltaic energy generation capacity was added to reach 3.9 million kWh/year. Over the last five years, recycling rate across malls increased by 32% and water usage reduced by 44% across the offices.
- **Awards and Recognition**: MAF Tower 2 achieved LEED Platinum certificate. MAF Tower 1 Innovation A2 Hub achieved LEED Gold Certificate. Tilal Al Ghaf was presented with Zero Building design of the year and Sustainable Urban/Community Development design of the year by the MENA Green Building for Emirates Green Building Council. 638 stores achieved MAF Green Star rating of 3 or above across the shopping malls.
- **Empowering our people:** Five million man hours without lost time incidents at Mall of Oman. More than 10,000 employees and contractors participated in the wellness week across the region.
- **Transforming Lives:** Over 10,000 meals provided as part of the "We Got Your Back" Campaign. Over 1,000 workers rewarded for significant safety achievement with a cinema screening. Approximately 3,600 residents attended community events at Al Zahia.

2020 Outlook

While Expo 2020 will provide a boost to the UAE economy, we believe that the overall trading environment will remain challenging in all of our markets, except in Egypt which we expect to continue to improve.

Board of Directors

Philip Bowman (Chairman)
John Rishton
Abdullah Al Ghurair
Terry Duddy
John Sullivan
Ahmed Ismail

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

20 FEB 2020

KPMG

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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 2019, the consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information.

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

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional 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 39,768 million as at 31 December 2019.

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 land bank and properties under development where the external valuers stated that fair value is not reliably determinable) was valued using discounted cash-flows less the cost to complete any redevelopment of existing properties. The valuation of land is based on sales comparison method. Key inputs in the valuation process included discount rates, yield rates, average daily rates, contracted estimated rental values, forecasted operating expenses and cost to complete estimates, which are influenced by prevailing market forces and the specific characteristics, such as property location, income return, growth rate, occupancy rate and development progress of each property in the portfolio.

- We assessed the competence, independence and integrity of the external valuers and whether the valuation approach was suitable for use in determining the fair value of the properties in the consolidated statement of financial position.
- We reviewed the terms of engagement of the external valuers with the Group to determine whether there were any matters that might have affected their objectivity or may have imposed limitations upon their scope of work.
- We carried out procedures on selected properties of the portfolio to test whether property-specific current information supplied to the external valuers by management reflects the underlying property records held by the Group which have been tested during our audit.
- In respect of any existing properties under redevelopment or properties under advanced stages of construction where the external valuer is of the view that fair value can be reliably determined, we have reviewed management's assessment of the cost to complete the development / construction by examining a sample of the underlying development / construction agreements with the contractors, the latest budgeted capital expenditure/ feasibility updates as approved by the Group's Board of Directors and minutes of meetings of the Project Cost Review (PCR) regarding the progress of the projects to date and the estimated future work and costs.

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

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

Impairment of assets under construction comprising of investment properties 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 3,846 million as at 31 December 2019.

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

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

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

- We evaluated management's process for identification of indicators of impairment of assets.
- We considered the methodology adopted by the Group to develop the cash flow forecasts, tested the calculations of the impairment model for accuracy and performed sensitivity analysis on key assumptions and judgements.
- We assessed the historical accuracy of the Group's forecasting to challenge the reasonableness of the significant assumptions and critical areas of judgement including forecasted lease rent, operating expenses, forecasted additional costs to complete, forecasted occupancy rates and growth rates by comparing the relevant data with the financial budgets approved by the Board of Directors, 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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Other information

Management is responsible for the other information. The other information comprises the information included in the 2019 Full Year report and the Directors' report but does not include the consolidated financial statements and our auditors' report thereon.

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

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

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

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

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

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

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

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

- 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.

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

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

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

Report on Other Legal and Regulatory Requirements

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

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

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

iii) the Group has maintained proper books of account;

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

v) the Group has not purchased any shares during the year ended 31 December 2019;

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 2019 any of the applicable provisions of the UAE Federal Law No. (2) of 2015 or in respect of the Company, its Articles of Association, which would materially affect its activities or its consolidated financial position as at 31 December 2019; and

Report on Other Legal and Regulatory Requirements (continued)

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

KPMG Lower Gulf Limited

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

Date: 20 FEB 2020

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

(AED in millions)

	Note	2019	2018
Revenue	9	4,613	4,642
Operating expenses	10	(2,083)	(2,123)
Finance costs	11	(416)	(431)
Share of results of equity accounted investees - net of tax	7.1.1	13	73
Impairment loss on financial assets	12	(63)	(27)
Impairment loss on non-financial assets	12	(1,104)	(1,254)
Finance income		11	8
Other expense - net	13	(8)	(102)
Profit before net valuation loss on land and buildings and tax		**963**	786
Net valuation loss on land and buildings	14	(3,041)	(1,283)
Loss before tax		**(2,078)**	(497)
Income tax expense	19.1	(147)	(15)
Net loss after tax		**(2,225)**	(512)
Net loss after tax attributable to:			
Owners of the Company		(2,220)	(529)
Non-controlling interests	6.2	(5)	17
		(2,225)	(512)

Comprehensive income:

Net loss after tax		**(2,225)**	(512)
Other comprehensive income ('OCI')			
Items that will not be reclassified to profit or loss:			
Loss on revaluation of property, plant and equipment	15.2a	(150)	(131)
Items that are or may be reclassified subsequently to profit or loss:			
Foreign operations - foreign currency translation differences		187	(9)
Other comprehensive income for the year, net of tax		**37**	(140)
Total comprehensive income for the year		**(2,188)**	(652)
Total comprehensive income attributable to:			
Owners of the Company		(2,183)	(670)
Non-controlling interests		(5)	18
		(2,188)	(652)

The notes on pages 20 to 60 are an integral part of these consolidated financial statements.
The independent auditors' report is set out on pages 7 to 14.

Consolidated statement of financial position as at 31 December

(AED in millions)

	Note	2019	2018
Non-current assets			
Property, plant and equipment	15.2	4,342	4,699
Investment property	16.2	39,753	40,954
Investments in equity accounted investees	7.1.1	732	813
Long term receivables	18.2	433	462
Long term receivables from related parties	29.2	17	29
Intangible assets	17	22	13
Deferred tax assets	19.4	17	35
Right-of-use assets	30.2.1	66	-
Total non-current assets		**45,382**	47,005
Current assets			
Inventories	20	23	25
Trade and other receivables	18.1	647	723
Due from related parties	29.2	498	566
Short term loan to related parties	29.2	162	68
Cash and bank balances	21	335	321
Total current assets		**1,665**	1,703
Total assets		**47,047**	48,708
Non-current liabilities			
Term loan from a related party	29.2.1	4,458	8,236
Loans and borrowings	24	6,907	2,865
Other liabilities	25	191	156
Retirement benefit obligation	26	115	113
Deferred tax liabilities	19.3	188	102
Provisions	23	29	24
Total non-current liabilities		**11,888**	11,496
Current liabilities			
Trade and other payables	22	3,475	3,071
Provisions	23	122	98
Loans and borrowings	24	70	140
Due to related parties	29.2	24	38
Total current liabilities		**3,691**	3,347
Total liabilities		**15,579**	14,843
Equity			
Share capital	27.1	3,500	3,500
Shareholder contribution	27.2	2,938	2,938
Revaluation reserve		14,192	14,342
Retained earnings		10,312	12,752
Other reserves		120	(67)
Equity attributable to owners of the Company		**31,062**	33,465
Non-controlling interests	6.2	406	400
Total equity		**31,468**	33,865
Total equity and liabilities		**47,047**	48,708

The consolidated financial statements were approved by the Board of Directors and signed on their behalf on 18 February 2020.

Chief Executive Officer

Chief Financial Officer

The notes on pages 20 to 60 are an integral part of these consolidated financial statements.
The independent auditors' report is set out on pages 7 to 14.

Consolidated statement of cash flows for the year ended 31 December 2019

(AED in millions)

	Note	2019	2018
Cash flows from operating activities:			
Net loss for the year		**(2,225)**	(512)
Adjustments for:			
Finance income		(11)	(8)
Share of results of equity accounted investees - net of tax	7.1.1	(13)	(73)
Net valuation loss on land and buildings	14	3,041	1,283
Impairment loss on non-financial assets	12	1,104	1,254
Depreciation	10	472	459
Finance costs	11	416	431
Project costs provided for/written off	13	64	147
Impairment loss on financial assets	12	63	27
Amortization	17	18	20
Income tax expense	19.1	147	15
Retirement benefit obligations - net		2	6
Other non-cash transactions		(65)	(3)
Operating profit before working capital changes		**3,013**	3,046
Changes in:			
Inventories		2	1
Trade and other receivables		(25)	(137)
Trade and other payables		357	110
Provisions		21	(42)
Due from/to related parties		69	(54)
Cash from operating activities		**3,437**	2,924
Income taxes paid		(29)	(12)
Net cash from operating activities		**3,408**	2,912
Cash flows from investing activities:			
Additions to property, plant and equipment		(154)	(337)
Additions to investment property		(2,590)	(2,925)
Dividends from equity accounted investees		17	35
Interest received		11	8
Proceeds from fixed deposits		9	-
Additions to investments in equity accounted investees		-	(25)
Net cash used in investing activities		**(2,707)**	(3,244)
Cash flows from financing activities:			
Proceeds from loans and borrowings and term loan from a related party	24.1, 24.2, 29.2.1	7,728	3,151
Repayment of loans and borrowings and term loan from a related party	24.1, 29.2.1	(8,121)	(2,739)
Payment of lease liabilities		(64)	(2)
Payment of finance costs		(193)	(132)
Additional contribution by a minority shareholder	6.2a	11	19
Net cash (used in)/from financing activities		**(639)**	297
Net increase/(decrease) in cash and cash equivalents		**62**	(35)
Cash and cash equivalents at beginning of the year		267	303
Effect of movements in exchange rates on cash held		6	(1)
Cash and cash equivalents at end of the year		**335**	267
Cash and cash equivalents comprise:			
Cash and bank balances (2018: excluding AED 9 million fixed deposit with maturity of more than 3 months from acquisition)	21	335	312
Less: Bank overdrafts	24	-	(45)
		335	267

The notes on pages 20 to 60 are an integral part of these consolidated financial statements.
The independent auditors' report is set out on pages 7 to 14.

Consolidated statement of changes in equity for the year ended 31 December 2019

(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 interests	Total equity
Balance at 1 January 2019	**3,500**	**2,938**	**14,342**	**12,752**	**1,750**	**(1,817)**	**33,465**	**400**	**33,865**
Comprehensive income for the year:									
Net loss for the year	-	-	-	(2,220)	-	-	(2,220)	(5)	(2,225)
Other comprehensive income for the year:									
Items that will not be reclassified to profit or loss:									
- Loss on revaluation of property, plant and equipment	-	-	(150)	-	-	-	(150)	-	(150)
Items that are or may be reclassified subsequently to profit or loss:									
- Foreign operations - foreign currency translation differences	-	-	-	-	-	187	187	-	187
Total comprehensive income for the year	**-**	**-**	**(150)**	**(2,220)**	**-**	**187**	**(2,183)**	**(5)**	**(2,188)**
Transactions with owners of the Company:									
Coupon declared (note 27.2a)	-	-	-	(220)	-	-	(220)	-	(220)
Additional shareholder contribution (note 6.2a)	-	-	-	-	-	-	-	11	11
Total transactions with owners of the Company	**-**	**-**	**-**	**(220)**	**-**	**-**	**(220)**	**11**	**(209)**
Balance at 31 December 2019	**3,500**	**2,938**	**14,192**	**10,312**	**1,750**	**(1,630)**	**31,062**	**406**	**31,468**

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 interests	Total equity
Adjusted balance at 1 January 2018	3,500	2,938	14,473	13,501	1,750	(1,807)	34,355	363	34,718
Comprehensive income for the year:									
Net (loss)/profit for the year	-	-	-	(529)	-	-	(529)	17	(512)
Other comprehensive income for the year:									
Items that will not be reclassified to profit or loss:									
- Loss on revaluation of property, plant and equipment	-	-	(131)	-	-	-	(131)	-	(131)
Items that are or may be reclassified subsequently to profit or loss:									
- Foreign operations - foreign currency translation differences	-	-	-	-	-	(10)	(10)	1	(9)
Total comprehensive income for the year	-	-	(131)	(529)	-	(10)	(670)	18	(652)
Transactions with owners of the Company:									
Coupon declared (note 27.2a)	-	-	-	(220)	-	-	(220)	-	(220)
Additional shareholder contribution (note 6.2a)	-	-	-	-	-	-	-	19	19
Total transactions with owners of the Company	-	-	-	(220)	-	-	(220)	19	(201)
Balance at 31 December 2018	3,500	2,938	14,342	12,752	1,750	(1,817)	33,465	400	33,865

The notes on pages 20 to 60 form part of these consolidated financial statements.
The independent auditors' report is set out on pages 7 to 14.

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 Euronext Dublin.

2. Basis of accounting

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 million 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 16 *Leases* has 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 authorized for issue on 18 February 2020.

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 recognized prospectively.

3.1 Judgements

Information about judgements made in applying accounting policies that have the most significant effects on the amounts recognized 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
- Note 27.2a - Subordinated capital loan instruments
- Note 30.1 - Determining the lease term as lessee: Whether the Group is reasonably certain to exercise option to renew

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 recognized in the consolidated financial statements is included in the following notes:

- Note 5.2 - Measurement of fair values and valuation process: 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 costs. The construction forecast is reviewed and analysed for completeness. Any gaps in the report (early warnings, etc.) are adjusted within the forecasted cost 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 loss allowances 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 tax assets.

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

4. Significant accounting policies

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

In the current year, a number of new standards and amendments to IFRSs that are mandatorily effective for accounting period that begins on or after 1 January 2019:

- IFRS 16 *Leases*
- IFRIC 23 *Uncertainty over Income Tax Treatments*
- Prepayment Features with Negative Compensation (Amendments to IFRS 9)
- Long-term Interest in Associates and Joint Ventures (Amendments to IAS 28)
- Plan Amendment, Curtailment or Settlement (Amendments to IAS 19)
- Annual Improvements to IFRSs 2015-2017 Cycle (Amendments to IFRS 3, IFRS 11, IAS 12 and IAS 23)

Except for IFRS 16, these standards and amendments do not have a significant impact on the Group's consolidated financial statements as at 31 December 2019.

4.2 Change in significant accounting policies

The Group has initially applied IFRS 16 from 1 January 2019. The Group has applied IFRS 16 using the modified retrospective approach, under which the cumulative effect of initial application is recognized in retained earnings as at 1 January 2019. Accordingly, the comparative information presented for 2018 has not been restated and is presented, as previously reported, under IAS 17 and related interpretations.

A. IFRS 16 Leases

IFRS 16 introduced a single, on-balance sheet accounting model for lessees. As a result, the Group, as a lessee, has recognized 'right-of-use assets' representing its rights to use the underlying assets and 'lease liabilities' representing its obligation to make lease payments. Lessor accounting remains similar to previous accounting policies.

Details of the changes in accounting policies are disclosed as follows:

i. Definition of a lease

Previously, the Group determined at contract inception whether an arrangement was or contained a lease under IFRIC 4 *Determining Whether an Arrangement contains a Lease*. The Group now assesses a contract based on the new definition of lease. Under IFRS 16, a contract is, or contains, a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration.

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

At inception or on reassessment of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease and non-lease component on the basis of their relative stand-alone prices. However, for leases of properties in which it is a lessee, the Group has elected not to separate non-lease components and will instead account for the lease and non-lease components as a single lease component.

ii. As a lessee

As a lessee, the Group previously classified leases as operating or finance leases based on its assessment of whether the lease transferred substantially all of the risk and rewards of ownership. Under IFRS 16, the Group recognizes 'right-of-use assets' and 'lease liabilities' for the significant leases.

The Group presents right-of-use assets that meet the definition under IAS 40 as 'investment property' in the consolidated statement of financial position.

Transition

Previously, the Group classified leases as either operating or finance lease under IAS 17. Operating leases would mainly include lease of residential and commercial properties, which are recognized as expense on a straight-line basis over the lease term. Finance lease would include land leases, which are initially measured at an amount equal to the lower of the fair value of property and the present value of the minimum lease payments.

Leases previously classified as operating leases under IAS 17

On transition, lease liabilities were measured at present value of the remaining lease payments, discounted at the Group's incremental borrowing rate as at 1 January 2019. Right-of-use assets are measured at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments.

The Group used the following practical expedients when applying IFRS 16 to leases previously classified as operating leases under IAS 17.

- Applied the exemption not to recognize right-of-use assets and liabilities for leases with less than 12 months of lease term, including leases of low value assets (e.g. IT equipment).
- Excluded initial direct costs from measuring the right-of-use asset at the date of initial application.
- Used hindsight and forecasting when determining the lease term if the contract contains options to extend or terminate the lease.

Leases previously classified as finance leases under IAS 17

The Group leases plots of land that were classified as finance leases under IAS 17. For these finance leases, the carrying amounts of the right-of-use assets and the lease liabilities at 1 January 2019 were determined at the carrying amounts of the lease assets and lease liabilities under IAS 17 immediately before that date.

iii. As a lessor

The Group leases out its investment property. The Group has classified these leases as operating leases.

The accounting policies to the Group as a lessor are not different from those under IAS 17. However, when the Group is an intermediate lessor the sub-leases are classified with reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset. The Group is not required to make any adjustments on transition to IFRS 16 for leases in which it acts as a lessor.

iv. Impact on consolidated financial statements

Impact on transition

On transition to IFRS 16, the Group recognized additional right-of-use assets and lease liabilities as summarized below:

(AED in millions)

	1 January 2019
Right-of-use-assets	**96**
Lease liabilities (included under trade and other payables and other liabilities)	**83**

When measuring the lease liabilities for leases that were previously classified as operating leases, the Group discounted the lease payments using its incremental borrowing rate at 1 January 2019 ranging from 3.82% to 19.25%.

(AED in millions)

Operating lease commitment at 31 December 2018 as disclosed under IAS 17 in the Group's consolidated financial statements	65
Additional lease amounts recognized due to extended assumed lease period and additional leases	26
Discounted using incremental borrowing rate at 1 January 2019	(8)
Total	**83**
Finance lease liabilities recognized as at 31 December 2018	159
Lease liabilities at 1 January 2019	**242**

Except for the impact of adoption of IFRS 16, 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 2018.

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:

- Amendments to References to Conceptual Framework in IFRS Standards (1 January 2020).
- Definition of a Business (Amendments to IFRS 3) (1 January 2020).
- Definition of Material (Amendments to IAS 1 and IAS 8) (1 January 2020).
- IFRS 17 Insurance Contracts (1 January 2021).
- Sale or contribution of assets between an investor and its associate or joint venture (Amendments to IFRS 10 and IAS 28) (Effective date deferred indefinitely)

These new and revised IFRSs are not expected to have a significant impact on the Group's consolidated financial statements.

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 recognized 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 recognized in other comprehensive income, and accumulated in the currency translation reserve in equity and reclassified to profit or loss on disposal of the net investment in the foreign operation.

4.4.2 Borrowing costs

Borrowing costs are recognized 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 maximize the use of relevant observable inputs and minimize 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

Fair values are categorized 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 categorized in different levels of the fair value hierarchy, then the fair value measurement is categorized 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 recognizes 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 valuations of the Group's investment properties and land and buildings, including capital work in progress, is given below:

(AED in millions)

	2019	2018
Assets valued by independent external valuers	39,496	40,642
Assets valued internally	4,118	4,460
	43,614	45,102

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 (stabilized)	Discounted cash flows ('DCF')	The gross fair value (net of costs to complete) is derived using DCF and is benchmarked against net initial yield and comparable transactions.
Shopping malls [fair value is reliably determinable (non-operational)/ newly operational]	Income capitalization approach	Where the external valuer can reliably determine the fair value of the asset, the gross fair value (net of costs to complete) is derived by applying asset specific capitalization rates on the net operating income streams of the property benchmarked to market rates. Following a period of operation (stabilization) the asset is valued using DCF as detailed above.
Hotels	Discounted cash flows	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 unrealized income and expenses arising from intra-group transactions are eliminated. Unrealized gains arising from transactions with equity accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealized losses are eliminated in the same way as unrealized gains, but only to the extent that there is no evidence of impairment.

Non-controlling interests

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

Loss of control

When the Group loses control over a subsidiary, it derecognizes the assets and liabilities of the subsidiary, and any NCI and other components of equity. Any resulting gain or loss is recognized 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 recognized in the profit or loss. Goodwill is tested annually for impairment and is carried at cost less accumulated impairment losses, if any. On disposal of a subsidiary / joint venture / associate, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

Business combinations involving entities under common control

Business combinations arising from 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 recognized or de-recognized at the carrying amounts recognized or de-recognized 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 recognized 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 Euronext Dublin. 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 (%)	
			2019	2018
Majid Al Futtaim Shopping Malls LLC [a]	Shopping malls	UAE	100%	100%
Majid Al Futtaim Properties Bahrain BSC	Shopping malls/Hotels/ L&E	Bahrain	100%	100%
Majid Al Futtaim Hospitality LLC [a]	Hotels	UAE	100%	100%
Majid Al Futtaim Properties Lebanon LLC [a, c]	Shopping malls/Mixed use communities	UAE	100%	100%
Majid Al Futtaim Developments LLC [a]	Mixed use communities	UAE	100%	100%
Majid Al Futtaim Properties Saudia LLC [a]	Shopping malls/Mixed use communities/Hotels	UAE	100%	100%
Majid Al Futtaim Properties Co. Oman LLC [c]	Shopping malls	Oman	100%	100%
City Centre Almaza S.A.E. [c]	Shopping malls	Egypt	100%	100%
Majid Al Futtaim Properties Egypt SAE [c]	Shopping malls/L&E	Egypt	100%	100%
Majid Al Futtaim Real Estate Investments LLC	Investment in commercial enterprises	UAE	100%	100%
MAF Sukuk Ltd. [b]	Issuing sukuks under the Trust Certificate Issuance Program	Cayman Islands	100%	100%
Majid Al Futtaim Commercial Facilities 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%
Fujairah City Centre Investment Company LLC	Shopping mall	UAE	62.5%	62.5%

a) *Certain subsidiaries owned by these entities are material to the Group.*
b) *MAF Sukuk Ltd. is a subsidiary of the Company by virtue of control exercised over it.*
c) *The shares of certain subsidiaries are held by MAFH and its subsidiaries 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		(Loss) / profit allocated to NCI		Accumulated NCI	
		2019	2018	2019	2018	2019	2018
Fujairah City Centre Investment Company LLC	UAE	37.5%	37.5%	2	16	142	140
Aswaq Al Emarat Trading Closed Joint Stock Co.[a]	Kingdom of Saudi Arabia	15%	15%	(2)	-	245	236
Suburban Development Company S.A.L	Lebanon	3.18%	3.18%	(5)	1	18	23
Individually immaterial subsidiaries with NCI		Various	Various	-	-	1	1
Total				**(5)**	17	**406**	400

a) *During the year, an additional contribution of AED 11 million (2018: AED 19 million) has been made by the non-controlling interest.*

7. Investments 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 recognized at cost, which includes transaction costs.

Subsequent to initial recognition, the consolidated financial statements include the Group's share of the profit or loss and 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.

Unrealized gains arising from transactions with equity accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealized losses are eliminated in the same way as unrealized 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)

	2019	2018
Sharjah Holding Co. PJSC ('SHC')	339	405
Al Mouj Muscat S.A.O.C. ('AMM')	387	405
Waterfront City SARL ('WFC')	-	-
Individually immaterial joint ventures	6	3
Carrying amount at the reporting date	**732**	**813**
Group's share of profit from continuing operations - net of tax	13	73
Group's share of other comprehensive income - net of tax	-	-
Group's share of total comprehensive income for the year	**13**	**73**

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 2019	2018
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%

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

(AED in millions)

	SHC		AMM		WFC	
	2019	2018	2019	2018	2019	2018
Current assets	761	833	2,474	2,351	759	803
Non-current assets	476	458	380	382	836	721
Current liabilities	(556)	(456)	(1,507)	(1,257)	(1,204)	(1,118)
Non-current liabilities	(4)	(26)	(573)	(665)	(6)	(9)
Net assets	**677**	809	**774**	811	**385**	397
Net assets - Group's share before provision for impairment	**339**	405	**387**	405	**193**	198

Summarized 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	
	2019	2018	2019	2018	2019	2018
Revenue	166	334	783	614	84	194
Profit/(loss) from continuing operations	(91)	38	117	73	(12)	34
Other comprehensive income	-	-	-	-	-	-
Total comprehensive income	**(91)**	38	**117**	73	**(12)**	34
Group's share of profit/(loss) from continuing operations	**(46)**	19	**58**	37	**-**	16
Carrying amount - At 1 January	405	393	405	388	-	109
Group's share of profit/(loss) from continuing operations	(46)	19	58	37	-	16
Other adjustment	-	2	-	-	-	-
Group's share of profit/(loss)	**(46)**	21	**58**	37	**-**	16
Provision for impairment for the year	-	-	-	-	-	(125)
Net reductions in investments [b]	(20)	(9)	(76)	(20)	-	-
Carrying amount - At 31 December	**339**	405	**387**	405	**-**	-

a) *During the year, the Group's share of loss from certain joint ventures exceeded the carrying amount of the investment. Accordingly, the Group has discontinued recognizing its share of loss amounting to AED 9 million.*

b) *During the year, certain joint ventures declared dividend with an aggregate amount of AED 96 million. The Group received AED 17 million cash from a joint venture for a dividend declared in 2018.*

c) *In 2018, the Group performed an analysis of the carrying value of its investment in joint ventures. Based on the results of this analysis, management assessed that the carrying value of the investment in joint ventures is impaired due to challenging economic environment and, therefore, provided for impairment loss of AED 260 million.*

7.1.3 Aggregate information of joint ventures that are individually immaterial:

(AED in millions)

	2019	2018
Group's share of profit/(loss) from continuing operations	1	(1)
Group's share of other comprehensive income	-	-
Group's share of total comprehensive income	**1**	(1)
Group's interest in the joint ventures, before provision for impairment	**139**	138
Provision for impairment	(135)	(135)
Effect of changes in foreign currency translation	2	-
Carrying amount of the Group's interest in the joint ventures	**6**	3

a) *During the year, a dormant joint venture was liquidated and written-off. The investment was previously fully impaired amounting to AED 12 million.*

b) *In 2018, additional investment of AED 25 million was made in a joint venture.*

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 reportable 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.

Segment reporting

The Group has the following 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, including leisure and entertainment.
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.
Corporate	Provides corporate support services to the business units of the Group.

** In November 2019, the Shopping Malls business of the Group is subdivided into SMBU and Shopping Malls Development Business Unit (SMDBU), which will be fully effective from 1 January 2020. SMBU is responsible for the management of shopping malls operations of the Group and SMDBU is responsible for the delivery of future malls and retail development of the Group.*

EBITDA

The Group's measure of segment performance, EBITDA, is defined as earnings before interest, tax, non-controlling interests, depreciation, amortization, impairment and other exceptional items of charges or credits that are one-off in nature and significance. Management excludes one-off exceptional items in order to focus on results excluding items affecting comparability from one period to the next. EBITDA is not a measure of cash liquidity or financial performance under generally accepted accounting principles and the EBITDA measure used by the Group may not be comparable to other similarly titled measures of other companies. To ensure comparability EBITDA in 2019 has been further adjusted with the impact of rent expense, including the component which has been derecognized on adoption of IFRS 16.

In 2019, the Group shifted from a fully non-GAAP management reporting to an IFRS-based reporting (including EBITDA) in assessing and measuring operating performance of its reportable segments. This change is done to be consistent with the reporting requirements of MAFH. Comparative figures reflect the IFRS-based segment reporting.

8.1 Revenue, net profit and project capital expenditure – by reportable segments

(AED in millions)

	SMBU		HBU		CBU		PMBU		Corporate		Total	
	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
Revenue	**3,934**	3,922	**614**	635	**38**	51	**27**	34	**-**	-	**4,613**	4,642
Net (loss)/profit after tax	**(1,883)**	(113)	**10**	(48)	**9**	(204)	**(10)**	7	**(351)**	(154)	**(2,225)**	**(512)**
EBITDA	**2,887**	2,908	**192**	186	**(12)**	(28)	**(11)**	7	**(82)**	(84)	**2,974**	2,989

a) Intra-group transactions have been excluded.

8.2 Revenue by geographical segments

(AED in millions)

	UAE		Oman		Bahrain		GCC Total		Egypt		Lebanon		Total	
	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
Revenue	**3,426**	3,578	**239**	212	**439**	450	**4,104**	4,240	**365**	240	**144**	162	**4,613**	4,642

a) Intra-group transactions have been excluded.

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 (Group's operations have not yet commenced) combined as 'GCC', Egypt and Lebanon. This table is not presented to the senior management on a regular basis; however, it is disclosed in these consolidated financial statements for the readers' information.

8.3 Statutory segment assets and liabilities – by business segments

(AED in millions)

	SMBU		HBU		CBU		Corporate		Total	
	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
Segment assets	38,706	40,876	4,119	4,360	2,801	2,941	1,421	531	47,047	48,708
Segment liabilities	(4,393)	(4,412)	(182)	(162)	(45)	(42)	(10,959)	(10,227)	(15,579)	(14,843)
Net assets [a]	**34,313**	36,464	**3,937**	4,198	**2,756**	2,899	**(9,538)**	(9,696)	**31,468**	33,865

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

8.4 Statutory segment assets and liabilities – by geographical segments

(AED in millions)

	UAE		Oman		Bahrain		KSA		GCC Total		Egypt		Lebanon		Total	
	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
Segment assets	35,754	37,056	2,722	2,452	2,893	3,139	2,022	2,173	43,391	44,820	2,163	2,089	1,493	1,799	47,047	48,708
Segment liabilities	(13,258)	(12,514)	(550)	(1,000)	(212)	(182)	(71)	(45)	(14,091)	(13,741)	(1,144)	(668)	(344)	(434)	(15,579)	(14,843)
Net Assets [a]	**22,496**	24,542	**2,172**	1,452	**2,681**	2,957	**1,951**	2,128	**29,300**	31,079	**1,019**	1,421	**1,149**	1,365	**31,468**	33,865

a) Intra-company 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.

8.5 Major customer

Rental revenue earned from the Group's related parties have contributed to AED 417 million (2018: AED 396 million) which is more than 10% of the total “revenue from investment property” for the year ended 31 December 2019.

9. Revenue

Accounting Policy

Revenue mainly comprises rental income and revenue from contracts with customers.

Rental income

Rental income, including fixed rental uplifts, from investment property leased out under an operating lease is recognized in profit or loss on a straight-line basis over the term of the lease from the lease commencement date. Lease incentives being offered to lessees to enter into a lease, such as an initial rent-free period or a cash contribution to fit-out or similar costs, are an integral part of the net rental income and are therefore recognized on the same straight-line basis. Contingent rents, being lease payments that are not fixed at the inception of the lease, for example turnover rents, are recorded as income in the periods in which they are earned. Refer to note 30 for the accounting policy on leases.

Revenue from contracts with customers

Revenues from contracts with customers include revenue from hospitality, leisure and entertainment, project management and other activities.

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

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

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

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

Step 4 Allocate 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 Recognize revenue when (or as) the Group satisfies a performance obligation.

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

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

Revenue from hospitality, leisure and entertainment and other activities (such as service charge, marketing and promotion contribution) is recognized on rendering the services and when the revenue can be measured reliably. The Group assesses its performance against obligations conditional on earning the income, with income recognized either over time as the obligations are met, or recognized at the point when all obligations are met, depending on contractual requirements.

Sale of alcohol

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

(AED in millions)

	2019	2018
Revenue from investment property:		
- Rental income	3,215	3,217
- Service charge	414	384
- Marketing and promotion contribution	87	78
- Other	29	38
Revenue from hospitality	614	635
Revenue from leisure and entertainment	207	226
Project management revenue	27	34
Other revenue	20	30
	4,613	4,642

10. Operating expenses

(AED in millions)

	2019	2018
Employee benefits [a]	(631)	(637)
Depreciation (notes 15.2 and 30.2.1)	(472)	(459)
Selling and marketing expenses	(199)	(170)
Facilities maintenance and repairs	(145)	(154)
Utilities	(99)	(102)
Housekeeping expenses	(75)	(76)
Consultancy fees	(67)	(75)
Hotel operator fee and sales commission	(54)	(63)
Hotels food and beverage expenses	(39)	(39)
IT costs	(54)	(52)
Security expenses	(50)	(51)
Amortization charge for intangible assets	(18)	(20)
Leisure and entertainment units' cost of operations	(17)	(17)
Insurance premiums	(17)	(17)
Office supplies	(17)	(17)
Travel expenses	(14)	(15)
Service charges and other recharges	(48)	(39)
Miscellaneous expenses	(108)	(113)
Property taxes [b]	41	(7)
	(2,083)	(2,123)

a) *Staff costs are net of costs capitalized to various projects amounting to AED 138 million (2018: AED 169 million).*

b) *During the year, a subsidiary in Lebanon has been granted a right to reclaim AED 51 million relating to previous years' property tax payments (from 2013 to 2016), out of which AED 24 million is in settlement of corporate income tax due for those years.*

c) *During the year, the Group incurred AED 5 million (2018: AED 5 million) for various corporate social responsibility (CSR) activities.*

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 recognized 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 amortized cost of the financial liability. In calculating interest expense, the effective interest rate is applied to amortized cost of the liability.

(AED in millions)

	2019	2018
Interest expense (including arrangement and participation fees)	(600)	(562)
Interest expense on lease liabilities	(17)	(14)
Unwinding of discount on receivables	3	4
Less: Amounts capitalized with the cost of qualifying assets [a]	198	141
	(416)	(431)

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 4.67% - 19.50% (2018: 4.62% - 20.23%) 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 amortized 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 amortized cost are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

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

- significant financial difficulty of the borrower or 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 reorganization.

Loss allowances for financial assets measured at amortized 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 recognized. For financial assets that are measured at amortized cost, the reversal is recognized in profit or loss account.

Impairment of 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 recognized 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 amortization, if no impairment loss had been recognized.

(AED in millions)

	2019	2018
Impairment of investment property under construction [a]	(1,084)	(1,168)
Impairment of IT equipment (note 15.2)	(20)	-
Impairment of investments in equity accounted investees - net	-	(86)
Impairment loss on non-financial assets	**(1,104)**	(1,254)
Impairment loss on trade and other receivables - net	(53)	(27)
Impairment loss on due from related parties (note 29.2)	(10)	-
Impairment loss on financial assets	**(63)**	(27)

a) Key judgements and sensitivities

During the year, a total impairment loss of AED 1,084 million (2018: 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 include challenging economic environment resulting in changes in the forecasted net operating income, forecasted occupancy levels, updates in the discount rate and deferrals of opening dates than previously estimated.

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

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

The recoverable amounts of the 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)

	2019			2018	
	Asset 1	Asset 2	Asset 3[(i)]	Asset 1	Asset 2
Recoverable amount	**910**	**1,227**	**-**	629	861
Impairment loss	**(242)**	**(622)**	**(220)**	(679)	(178)
Discount Rate	**10.30%**	**9.70%**	**N/A**	9.80%	9.40%
Yield Rate	**N/A**	**8.00%**	**N/A**	N/A	8.00%

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

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

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

ii) In 2018, certain investment property under construction with recoverable amount of AED 428 million has been assessed for impairment amounting to AED 311 million. This asset has been fair valued in 2019.

13. Other expense - net

(AED in millions)

	2019	2018
Project costs provided for/written off	(64)	(147)
Development expenses	(30)	(25)
Other expense	**(94)**	(172)
IT and other service charges levied on related parties (note 29.1)	3	7
Foreign exchange gain - net	17	-
Other	66	63
Other income	**86**	70
Other expense -net	**(8)**	(102)

14. Net valuation loss on land and buildings

(AED in millions)

	2019	2018
Gain on changes in fair value on property, plant and equipment (note 15.2 (a))	76	53
Loss on changes in fair value of investment property (note 16.2)	(3,117)	(1,336)
	(3,041)	(1,283)

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 recognized 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 recognized in OCI and accumulated in equity, except to the extent that it reverses a revaluation decrease for the same property previously recognized in profit or loss, in which case the increase is credited to profit or loss to the extent of the decrease previously accounted for. A decrease in the carrying amount arising on the revaluation of such land and buildings is recognized 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 recognized 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 derecognized 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 recognized 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 judgement

15.1.1 The critical judgement related to the accounting for dual use property (property, plant and equipment and investment property) is 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 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
At 1 January 2019	4,017	8	1214	151	263	5,653
Additions	29	-	28	3	81	141
Disposals/write offs/other adjustments	14	-	(18)	-	(18)	(22)
Capitalized	-	-	67	-	(67)	-
Accumulated depreciation & impairment eliminated on revaluation	(267)	-	-	-	-	(267)
Transferred (to)/from investment property	12	1	42	-	(7)	48
Transferred to a related party	-	-	-	-	(10)	(10)
Net revaluation loss [a]	(74)	-	-	-	-	(74)
Effect of changes in foreign currency translation	-	-	14	1	1	16
At 31 December 2019	**3,731**	**9**	**1,347**	**155**	**243**	**5,485**
Accumulated depreciation/impairment						
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)

	Land & buildings	Motor vehicles	Furniture, fixtures & equipment	Leisure rides & games	Capital work in progress	Total
At 1 January 2019	-	(6)	(792)	(140)	(16)	(954)
Depreciation charge for the year	(267)	-	(168)	(7)	-	(442)
Accumulated depreciation & impairment eliminated on revaluation	267	-	-	-	-	267
Impairment (charge)/reversal	-	-	(20)	-	5	(15)
Disposals/write offs/other adjustments	-	-	9	-	-	9
Effect of changes in foreign currency translation	-	-	(7)	(1)	-	(8)
At 31 December 2019	**-**	**(6)**	**(978)**	**(148)**	**(11)**	**(1,143)**
Carrying amount						
At 31 December 2019	**3,731**	**3**	**369**	**7**	**232**	**4,342**
At 31 December 2018	4,017	2	422	11	247	4,699

a) *A revaluation loss of AED 74 million (2018: AED 78 million) has been recognized. This comprises of a revaluation loss of AED 150 million (2018: AED 131 million loss) recognized in other comprehensive income and a revaluation gain of AED 76 million (2018: AED 53 million gain) recognized in profit or loss (see note 14).*

15.3 Other notes

i) The fair value measurement for land & buildings of AED 3.7 billion (2018: AED 4.0 billion) 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 2019: 10.00% to 11.50% (2018: 10.25% to 11.75%) Compounded annual growth rates of EBITDA 2019: 5.49% (2018: 6.29%)	Equivalent yield 2019 and 2018: 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 land & buildings, had they been measured under the historical cost basis, would have been as follows:

(AED in millions)

	2019		2018	
	Land	Buildings	Land	Buildings
Cost	337	4,268	354	4,371
Accumulated depreciation	-	(2,556)	-	(2,417)
At 31 December	**337**	**1,712**	354	1,954

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 recognized 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 derecognized 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 recognized 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)

	2019	2018
At 1 January	40,954	39,875
Additions	2,920	3,352
Transferred from development property	-	243
Transferred to property, plant & equipment (note 15.2)	(48)	(1)
Net fair value change (note 14)	(3,117)	(1,336)
Impairment charge (note 12)	(1,084)	(1,168)
Disposals/write offs/other adjustments	(98)	-
Effect of movements in exchange rates	226	(11)
At 31 December	**39,753**	40,954

a) *The carrying value as at the reporting date includes an operational shopping mall in the UAE amounting to AED 109 million (2018: AED 113 million), operational shopping mall in Oman amounting to AED 98 million (2018: AED 92 million), and a shopping mall under construction in Oman amounting to AED 910 million (2018: AED 629 million) which are constructed on leasehold lands (right-of-use assets).*

b) *All leasehold interests meet the definition of an investment property and, accordingly, the Group has accounted for the right-of-use assets as part of investment property as allowed under IFRS 16. The lands are restricted to be used for commercial purposes in relation to the Group's businesses and the right to renew the lease is reserved with the Governments of Oman and UAE, respectively. If the respective leases are not renewed the land and buildings will be transferred to the Governments of Oman and UAE respectively at the end of the lease term.*

c) *Details of the right-of-use assets included as part of investment property are as follows:*

i. *In 2014, a subsidiary of the Company has entered into a usufruct contract with the Government of Sultanate of Oman, which provided the subsidiary usufruct rights over two plots of land in Oman for a period of fifty years. The subsidiary is currently constructing a shopping mall on this land.*
ii. *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.*
iii. *In 2017, a subsidiary of the Company entered into a usufruct contract with the Government of Sultanate of Oman, which provided the subsidiary usufruct rights over a plot of land in Oman for a period of fifty years.*

16.3 Other notes

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

(AED in millions)

	2019	2018
Revenue from investment property	3,745	3,717
Direct operating expenses on properties that generated rental income	(1,019)	(999)

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

(AED in millions)

	2019	2018
Fair value of land and buildings	39,530	40,869
Less: Adjustment for accrued operating lease income (note 18)	(260)	(241)
Less: Advances to contractors	(16)	(14)
Add: Lease liabilities	128	133
Add: Retention from contractor payments	129	109
Add: Project related accruals	242	98
Net adjusted fair value	**39,753**	40,954

iii) Restrictions on investment property
At 31 December 2019, an asset with a carrying amount of AED 618 million (2018: assets with carrying amounts totalling AED 1,246 million) were subject to mortgages for various term loans from banks (note 24.1).

As at 31 December 2019, 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	Discount rates on income streams 2019: 7% to 25.5% (2018: 9.75% to 27.50%) Compounded annual growth rates of Net operating income ("NOI") 2019: 1.94% (2018: 3.13%)	Equivalent yield 2019: 8.00% to 9.05% (2018: 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 39.8 billion (2018: AED 40.95 billion) has been categorized as a level 3 fair value based on the inputs to the valuation technique used.

17. Intangible assets

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.

(AED in millions)

Metro naming rights	2019	2018
At 1 January	13	33
Additions	27	-
Amortization charge for the year	(18)	(20)
At 31 December	**22**	13

During the year, the Group entered into an agreement with a Government entity in the UAE to renew its naming rights for two stations of the Dubai Metro for a period of 2 years. Based on the present value of the future payments to be made, intangible assets have been recorded, which are amortized over the contract period using the incremental borrowing cost of the Group at 9.1% per annum, and a corresponding deferred liability was recorded (notes 22 and 25).

18. Trade and other receivables

Accounting Policy

Trade receivables

Trade receivables are recognized 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 recognized after netting off the bank guarantees in hand or the security deposits received, provided the Company has the legal right to liquidate such bank guarantees or adjust such deposits against the outstanding receivables.
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)

	2019	2018
Trade receivables, net of loss allowances (note 18.4)	407	445
Advances and deposits	84	91
Prepayments	76	79
Accrued income on operating leases (note 16.3 (ii))	72	70
Other receivables	8	38
At 31 December	**647**	723

18.2 Long term receivables

(AED in millions)

	2019	2018
Accrued income on operating leases (note 16.3 (ii))	188	171
Advances to contractors	104	254
Other long term receivable - net	34	30
Long term prepayments	107	7
At 31 December	**433**	462

18.3 Loss allowances

(AED in millions)

	2019	2018
At 1 January	(109)	(85)
Charge for the year (note 12)	(53)	(27)
Write-offs	16	3
At 31 December	**(146)**	(109)

18.4 Ageing of trade receivables

(AED in millions)

	2019	2018
Current balances	165	166
Past due 31 - 60 days	53	64
Past due 61 - 90 days	26	33
Past due 91 - 180 days	68	95
Past due over 180 days	241	196
Total trade receivables	**553**	554
Less: Loss allowances	(146)	(109)
Net trade receivables	**407**	445

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 recognized in profit or loss except to the extent that it relates to items recognized 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 recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized for:

- Temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;
- Temporary differences related to investments in subsidiaries, associates and joint arrangements to

the extent that the Group is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future; and

- Taxable temporary differences arising on the initial recognition of goodwill.

Deferred tax 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 realized simultaneously.

A deferred tax asset is recognized 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 utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

19.1 Income tax expense recognized in profit or loss

(AED in millions)

	2019	2018
Current tax expense:		
- Current year	(22)	(27)
- Adjustment for prior years	(27)	(4)
	(49)	(31)
Deferred tax (expense) / credit:		
- Origination and reversal of temporary differences	(98)	16
	(147)	(15)

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)

		2019		2018
Loss before tax from continuing operations		(2,078)		(497)
Tax using the Company's domestic tax rate	0%	-	0%	-
Effect of tax rates in foreign jurisdictions	2%	(46)	5%	(27)
Change in recognized deductible temporary differences	5%	(98)	-3%	16
Change in estimates related to prior years	0%	(3)	1%	(4)
	7%	**(147)**	3%	(15)

19.3 Deferred tax liabilities

(AED in millions)

	01 January 2019	Recognized in profit or loss	Recognized in OCI	Exchange rate movement	31 December 2019
Investment property and others	102	80	-	6	**188**

(AED in millions)

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

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 (2018: 15% and 22.5%, respectively). The corresponding valuation gain or loss has been recognized in profit or loss. Accordingly, the resulting net deferred tax expense/(credit) has been recognized in profit or loss

19.4 Deferred tax assets

(AED in millions)

	01 January 2019	Recognized in profit or loss	Recognized in OCI	Exchange rate movement	31 December 2019
Investment property and others	35	(18)	-	-	**17**

(AED in millions)

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

During the year, the Group has unrecognized deferred tax assets of AED 436 million relating to its subsidiaries in Oman, Egypt and Lebanon. Based on the Group's strategic plan and taking into account the local taxation laws and regulation in those countries, the recoverability of deferred tax asset is unlikely since the subsidiaries in Oman and Egypt are not expected to generate taxable profits and valuation gains in the foreseeable future. In the case of the subsidiary in Lebanon, the recoverability of deferred tax asset is unlikely since the subsidiary is not expected to generate valuation gains in the foreseeable future.

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

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

Cost of development property is determined on the basis of the cost of land plus construction costs incurred and includes borrowing 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 realizable 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 realizable value is the estimated selling price in the ordinary course of business less estimated selling expenses.

(AED in millions)

	2019	2018
Spares and consumables	23	25
At 31 December	**23**	25

21. Cash and bank balances

(AED in millions)

	2019	2018
Cash in hand	14	15
Fixed deposits	36	59
Call deposits and current accounts	285	247
Cash and bank balances at 31 December	**335**	321
Less: fixed deposits with maturity of more than 3 months from acquisition	-	(9)
Cash and cash equivalents	**335**	312

22. Trade and other payables

Accounting Policy

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

(AED in millions)

	2019	2018
Trade payables	540	162
Project related accruals	450	407
Accruals	354	351
Unearned rental income	768	789
Tenant related deposits	683	696
Retention from contractor payments	298	335
Tenant related advances	227	226
Tax payable	53	65
Current portion of lease liabilities (note 30.2.2)	34	4
Current portion of deferred liability	13	-
Others	55	36
At 31 December	**3,475**	3,071

23. Provisions

Accounting Policy

A provision is recognized 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 recognized as finance cost.

(AED in millions)

	2019	2018
Bonus provisions (short and long term) [a]	115	92
Other provisions	36	30
At 31 December	**151**	122
- Current	**122**	98
- Non-current	**29**	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 22 million (2018: AED 20 million).*

23.1 Reconciliation of provisions as at the reporting date

(AED in millions)

	Bonus provisions	Other provisions
At 1 January 2018	91	59
Additional provisions recognized during the year	77	12
Reduction arising from payments/write backs/reclassifications made during the year	(76)	(41)
At 31 December 2018	92	30
At 1 January 2019	92	30
Additional provisions recognized during the year	92	74
Reduction arising from payments/write backs/reclassifications made during the year	(69)	(70)
Effect of changes in foreign currency translation	-	2
At 31 December 2019	**115**	**36**

24. Loans and borrowings

(AED in millions)

	2019	2018
Secured – At amortized cost		
Term loans - From banks [a]	246	1,129
	246	1,129
Unsecured – At amortized cost		
Term loans - From banks [a]	512	-
Sukuk certificates [a]	6,219	1,831
Bank overdrafts	-	45
	6,731	1,876
At 31 December	**6,977**	3,005
- Current	**70**	140
- Non-current	**6,907**	2,865

a) *Carrying amount adjusted for unamortized transaction costs of AED 31 million (2018: AED 28 million).*

24.1 Term loans - From banks

(AED in millions)

	2019	2018
At 1 January	1,151	651
Borrowed during the year	554	533
Interest capitalized as part of loan principal	61	60
Repaid during the year	(1,041)	(91)
Currency translation adjustment	38	(2)
At 31 December	**763**	1,151
Net unamortized transaction costs incurred	(5)	(22)
	758	1,129
- Current	**70**	95
- Non-current	**688**	1,034

Details of the Group's term loans from banks, gross of unamortized transaction costs incurred, are as follows:

(AED in millions)

Loan facility	2019	2018	Security	Repayment interval	Repayment start date	Maturity date
USD 200 million	512	-	Corporate guarantee by MAFH	Quarterly	Jun 2021	Mar 2029
LBP 170.6 billion	251	313	First ranking charge over the plot on which a shopping mall is constructed and assignment of lease rentals of the shopping mall	Annual	Mar 2016	Sep 2022
OMR 175 million	-	522	First degree mortgage over usufruct rights on the leasehold land, assignment of lease proceeds, insurance and construction contracts	Unequal instalments every year	Dec 2020	Fully settled in 2019
AED 225 million	-	40	First degree mortgage over land and building of the shopping mall, assignment of insurance policies and lease rentals of the shopping mall	Semi-annual	Sep 2013	Fully settled in 2019
EGP 2,500 million	-	276	Assignment of lease proceeds and insurance contracts	Unequal instalments every year	Sep 2021	Fully settled in 2019
At 31 December	**763**	1,151				

These loans are obtained at margins ranging from 1.35% to 2.5% (2018: 1.75% 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

(AED in millions)

	2019	2018
At 1 January	1,837	1,837
Borrowed during the year	4,408	-
At 31 December	**6,245**	1,837
Net unamortized transaction costs incurred	(26)	(6)
	6,219	1,831
- Current	**-**	-
- Non-current	**6,219**	1,831

Details of the Group's sukuk certificates, gross of unamortized transaction costs incurred, are as follows:

(AED in millions)

Loan facility	2019	2018	Interest rate and term	Repayment Interval	Start date	Maturity date
USD 500 million	1,837	1,837	4.50% per annum (semi-annual basis) and 10 years	Bullet payment	Nov 2015	November 2025
USD 600 million	2,204	-	4.638% per annum (semi-annual basis) and 10 years	Bullet payment	May 2019	May 2029
USD 600 million	2,204	-	3.9325% per annum (semi-annual basis) and 10 years	Bullet payment	Oct 2019	February 2030
At 31 December	**6,245**	1,837				

a) *Arrangement ('Murabaha') includes transfer of ownership of certain identified assets to a special purpose vehicle (MAF Sukuk Ltd.) formed for the issuance of bonds 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. During the year, the size of the Sukuk Trust Certificate Issuance Program was increased to USD 3.0 billion (2018: USD 1.5 billion).*

b) *During the year, the Group issued additional ten year Sukuk certificates raising USD 1.2 billion (AED 4.4 billion) to refinance existing eligible projects in accordance with the MAF Group's Green Finance Framework. These are listed on the stock exchanges - NASDAQ Dubai and Euronext Dublin.*

25. Other liabilities

(AED in millions)

	2019	2018
Lease liabilities	176	155
Deferred liability	14	-
Other	1	1
At 31 December	**191**	156

25.1 Reconciliation of liabilities arising from financing activities

(AED in millions)

	1 January 2019	Cash inflows	Cash outflows	Non-cash changes	31 December 2019
Term loan from a related party	8,236	2,766	(7,080)	536	4,458
Loans and borrowings	3,005	4,962	(1,086)	96	6,977
Lease liabilities	159	-	(49)	100	210
At 31 December	**11,400**	**7,728**	**(8,215)**	**732**	**11,645**

(AED in millions)

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

a) Includes cash outflow from bank overdrafts amounting to AED 45 million (2018: AED 10 million)

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 recognized as an expense in profit or loss as incurred.

(AED in millions)

	2019	2018
Defined benefit plan	113	110
Defined contribution plan	2	3
At 31 December	**115**	113

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:

	2019	2018
Discount rate	**3.19%**	4.2%
Future salary increase	**3%**	3%
Probability of employees staying for a full service period	**50%**	50%

Reconciliation of defined benefit obligation liability at the reporting date:

(AED in millions)

	2019	2018
At 1 January	110	103
Expense for the year - net	19	30
Benefits paid during the year	(21)	(10)
Other reclassifications	5	(13)
At 31 December	**113**	110

26.2 Defined contribution plan

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

(AED in millions)

	2019	2018
Total expense recognized in profit or loss during the year	**23**	14
Contributions payable at the end of the reporting year	**2**	3

27. Equity

27.1 Share capital

(AED in millions)

	2019	2018
Authorized, 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)

	2019	2018
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 instrument does not have a final maturity date. The first par call date lapsed last 7 October 2019 and the Company did not exercise its right to redeem the hybrid instruments. 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 intercompany 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 utilized only in the manner specified under the relevant laws and is not available for distribution.

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: amortized 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 amortized cost

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

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

Financial assets at amortized 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 amortized 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 amortized cost	These assets are subsequently measured at amortized cost using the effective interest method. The amortized cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss.
Equity instruments at FVOCI	These assets are subsequently measured at fair value. Dividends are recognized 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 recognized 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 recognized 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 derecognized 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 recognized as a separate asset or liability. Any gain or loss on derecognition is recognized in profit or loss.

Financial liabilities

Financial liabilities are classified in two categories:

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

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

Recognition and measurement of financial liabilities

All financial liabilities are initially recognized 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 recognized as an expense).

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

De-recognition of financial liabilities

The financial liabilities are derecognized 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 recognized 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 realize 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 2019	Carrying amount A	Non-financial assets B	Financial assets C=A-B	Classification
Trade and other receivables (including long term)	1,080	631	449	Amortized cost
Cash and bank balances	335	-	335	
Receivables from and loans to related parties (short term and long term balances)	677	-	677	
	2,092	**631**	**1,461**	

(AED in millions)

At 31 December 2018	Carrying amount A	Non-financial assets B	Financial assets C=A-B	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	

Financial liabilities

(AED in millions)

At 31 December 2019	Carrying amount A	Non-financial liabilities B	Financial liabilities C=A-B	Classification
Loans and borrowings	6,977	-	6,977	Amortized cost
Term loan from a related party	4,458	-	4,458	
Trade and other payables	3,475	1,048	2,427	
Due to related parties	24	-	24	
Other liabilities	191	-	191	
	15,125	**1,048**	**14,077**	

(AED in millions)

At 31 December 2018	Carrying amount A	Non-financial liabilities B	Financial liabilities C=A-B	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	1,080	1,991	
Due to related parties	38	-	38	
Other liabilities	156	-	156	
	14,506	1,080	13,426	

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, 2029 and 2030 is AED 1,968 million (2018: AED 1,832 million), AED 2,383 million and AED 2,255 million, respectively. 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 centralized 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)

	2019	2018
Trade and other receivables (including long term receivables)	449	513
Fixed deposits	36	59
Call deposits and current accounts	285	247
Receivables from and loans to related parties and others (short term and long term balances)	677	663
At 31 December	**1,447**	1,482

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 2019	Gross Carrying amount	Contractual cash flows	Less than one year	Between one and two years	Between two and five years	More than five years
Secured loans and borrowings	251	279	83	80	116	-
Unsecured loans and borrowings	6,757	9,182	288	315	993	7,586
Total loans and borrowings	7,008	9,461	371	395	1,109	7,586
Term loan from a related party	4,458	5,335	-	-	5,335	-
Trade and other payables	2,427	2,443	2,443	-	-	-
Due to related parties	24	24	24	-	-	-
Other liabilities	191	474	-	43	71	360
	14,108	**17,737**	**2,838**	**438**	**6,515**	**7,946**

(AED in millions)

At 31 December 2018	Gross Carrying amount	Contractual cash flows	Less than one year	Between one and two years	Between two and five years	More than five years
Secured loans and borrowings	1,151	1,944	213	223	532	976
Unsecured loans and borrowings	1,837	2,402	82	83	248	1,989
Bank overdrafts	45	45	45	-	-	-
Total loans and borrowings	3,033	4,391	340	306	780	2,965
Term loan from a related party	8,236	9,041	396	8,645	-	-
Trade and other payables	1,991	2,004	2,004	-	-	-
Due to related parties	38	38	38	-	-	-
Other liabilities	156	452	-	20	59	373
	13,454	15,926	2,778	8,971	839	3,338

28.3.2.1 Funding and liquidity

At 31 December 2019, the Group has net current liabilities of AED 2.0 billion (2018: AED 1.6 billion) which includes loans and borrowings maturing in the short-term of AED 70 million (2018: AED 140 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)

		2019		2018
Fixed interest bearing instruments				
- Financial assets (fixed deposits)		36		59
- Financial assets (long term receivable from a related party)		17		16
- Financial liabilities (loans)		(6,245)		(1,837)
- Financial liabilities (lease liabilities)		(210)		(159)
- Financial liabilities (deferred liability)		(27)		-
At 31 December		**(6,429)**		(1,921)
Variable interest bearing instrument				
- Financial liabilities (loans and borrowings)		(5,221)		(9,432)
At 31 December		**(5,221)**		(9,432)
	P&L	OCI	P&L	OCI
Sensitivity analysis on variable interest bearing instruments:				
- Increase of 100bps	**(52)**	**-**	(94)	-
- Decrease of 100bps	**52**	**-**	94	-

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)

	2019	2018
Loans and borrowings (excl. finance lease liabilities)	11,435	11,241
Total debt	**11,435**	11,241
Share capital	3,500	3,500
Shareholder contribution	2,938	2,938
Revaluation reserve	14,192	14,342
Retained earnings	10,312	12,752
Other reserves	120	(67)
Total equity attributable to owners of the Company - At 31 December	**31,062**	33,465

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. The Group's related party transactions are conducted based on agreed terms.

29.1 Related party transactions

(AED in millions)

	MAFC		MAFH		Sister companies		Joint ventures		KMP and other		Total	
	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
Profit or loss transactions (income / (expenses):												
Services received:												
- Treasury, corporate secretarial services and others	**-**	-	**(30)**	(26)	**-**	-	**-**	-	**-**	-	**(30)**	(26)
- Facility management services	**-**	-	**-**	-	**-**	-	**-**	-	**(117)**	(120)	**(117)**	(120)
- Renting of retail space	**-**	-	**-**	-	**-**	-	**-**	(1)	**-**	-	**-**	(1)
Services rendered:												
- Renting of retail and office space	**-**	-	**8**	8	**407**	388	**-**	-	**2**	-	**417**	396
- Asset management	**-**	-	**-**	-	**-**	-	**6**	3	**-**	-	**6**	3
- Development management	**-**	-	**-**	-	**-**	-	**3**	8	**-**	-	**3**	8
- Project management	**-**	-	**10**	5	**2**	12	**15**	17	**-**	-	**27**	34
- IT and other service charges	**-**	1	**-**	5	**-**	-	**3**	1	**-**	-	**3**	7
Unwinding of discount on receivable from a joint venture	**-**	-	**-**	-	**-**	-	**-**	4	**-**	-	**-**	4
Interest expense on loans	**-**	-	**(316)**	(383)	**-**	-	**-**	-	**-**	-	**(316)**	(383)
Compensation to key management personnel ('KMP') [a]	**-**	-	**-**	-	**-**	-	**-**	-	**(43)**	(51)	**(43)**	(51)
Balance sheet and equity transactions (inflows / (outflows)):												
Coupon declared on subordinated capital loan instrument	**-**	-	**(220)**	(220)	**-**	-	**-**	-	**-**	-	**(220)**	(220)
Additional investment in a joint venture	**-**	-	**-**	-	**-**	-	**-**	25	**-**	-	**-**	25
Dividend declared by joint ventures	**-**	-	**-**	-	**-**	-	**96**	54	**-**	-	**96**	54
Additional shareholder contribution	**-**	-	**-**	-	**-**	-	**-**	-	**11**	19	**11**	19
Off-balance sheet transactions (received / (provided)):												
Provision of corporate guarantees (note 32):												
- On various bank loans availed by related party	**-**	-	**(4,211)**	(6,345)	**-**	-	**-**	-	**-**	-	**(4,211)**	(6,345)
- On hybrid perpetual note instruments and bonds issued under the Global Medium Term Note ('GMTN') program	**-**	-	**(6,755)**	(8,081)	**-**	-	**-**	-	**-**	-	**(6,755)**	(8,081)
Capital commitments (note 31)	**-**	-	**-**	-	**-**	-	**442**	498	**-**	-	**442**	498

a) *The aggregate compensation comprises of: directors' fees and expenses of AED 6 million (2018: AED 6 million), short term employee benefits (salaries and allowances including provision for bonus) of AED 35 million (2018: AED 44 million) and provision for retirement benefit obligation of AED 1 million (2018: 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)

	MAFC		MAFH		Sister companies		Joint ventures		Other		Total	
	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
Assets:												
Trade receivables	**-**	-	**-**	-	**73**	69	**-**	-	**-**	-	**73**	69
Short term loan to related parties:												
- Short-term, interest-free and unsecured loan	**-**	-	**-**	-	**-**	-	**42**	25	**-**	-	**42**	25
- Short-term, interest-free and unsecured receivable	**-**	-	**-**	-	**-**	-	**120**	43	**-**	-	**120**	43
	-	-	**-**	-	**-**	-	**162**	68	**-**	-	**162**	68
Long term receivables from related parties:												
- Long-term, interest-free and unsecured receivable	**-**	-	**-**	-	**-**	-	**-**	13	**-**	-	**-**	13
- Long-term, interest-bearing and unsecured receivable	**-**	-	**-**	-	**-**	-	**-**	-	**17**	16	**17**	16
	-	-	**-**	-	**-**	-	**-**	13	**17**	16	**17**	29
Due from related parties:												
- Short-term, interest-free and unsecured receivable [a]	**1**	1	**-**	-	**35**	102	**477**	468	**-**	-	**513**	571
- Less: loss allowances	**-**	-	**-**	-	**-**	-	**(15)**	(5)	**-**	-	**(15)**	(5)
	1	1	**-**	-	**35**	102	**462**	463	**-**	-	**498**	566
Liabilities:												
Trade and other payables			**3**	3	**159**	122	**-**	1	**-**	-	**162**	126
Term loan from a related party [b]	**-**	-	**4,458**	8,236	**-**	-	**-**	-	**-**	-	**4,458**	8,236
Due to related parties:												
- Short-term, interest-free and unsecured payable	**-**	-	**21**	20	**2**	17	**-**	-	**1**	1	**24**	38

a) Includes an amount of AED 386 million (2018: AED 386 million) not expected to be settled within 12 months after the reporting date, following the joint venture'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 2.0% (2018: 2.3%) 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)

	2019	2018
At 1 January	8,236	7,663
Borrowed during the year	2,766	2,618
Interest payable to MAFH converted to long term loan	316	383
Coupon payable to MAFH adjusted against long term loan	220	220
Repaid during the year	(7,080)	(2,648)
At 31 December	**4,458**	8,236
- Current	**-**	-
- Non-current	**4,458**	8,236

30. Leases

Accounting policy

The Group has applied IFRS 16 using the modified retrospective approach and therefore the comparative information has not been restated and continues to be reported under IAS 17. The details of accounting policy under IAS 17 are disclosed separately.

Policy applicable from 1 January 2019

i. Definition of a lease

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

ii. As a lessee

At commencement or on modification of a contract that contains a lease component, the Group has elected, as a practical expedient under IFRS 16, not to separate non-lease components and account for the lease and non-lease components as a single lease component for leases of properties.

Right-of-use assets

The Group recognizes right-of-use assets at the lease commencement date. Right-of-use asset is initially measured at cost, which comprises initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus initial direct cost incurred, and less any lease incentives received. Right-of-use asset is subsequently depreciated using straight-line basis over the shorter of the lease term and estimated useful life of the leased asset, reduced by any impairment and adjusted for remeasurements of the lease liability. In cases where the lease transfers ownership of the underlying asset to the Group or the cost of the right-of-use asset reflects that the Group will exercise a purchase option by the end of the lease term, the right-of-use asset will be depreciated over the estimated useful life of the leased asset.

When a right-of-use asset meets the definition of investment property, it is presented in investment property and is initially measured at cost and subsequently measured at fair value with any change therein recognized in profit or loss. Where the fair value is not reliably measurable, it is measured at cost less any impairment until its fair value becomes reliably measurable.

Lease liability

At the lease commencement date, lease liability is initially measured at the present value of the outstanding lease payments, discounted using the lease implicit interest rate or, if that rate cannot be reliably determined, the Group's incremental borrowing rate. The lease liability is measured at amortized cost using effective interest method. It is remeasured when there is a modification of lease term, change in future lease payments arising from a change in rate, estimate of the amount expected to be payable under a residual value guarantee, or as appropriate, changes in the assessment of whether a purchase or extension option is reasonably certain to be exercised or a termination option is reasonably certain not to be exercised by the Group.

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

Short-term leases and leases of low-value assets

The Group has elected not to recognize right-of-use assets and lease liabilities for leases of low-value assets and short-term leases. Lease payments associated with these leases are recognized as expense on a straight-line basis over the lease term.

iii. As a lessor

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

At inception or on modification of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of their relative stand-alone prices. If an arrangement contains lease and non-lease components, then the Group applies IFRS 15 to allocate the consideration in the contract.

Policy applicable before 1 January 2019

Accounting policy

Operating lease

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

Finance lease

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.

30.1 Critical judgement

Determining the lease term as lessee: Whether the Group is reasonably certain to exercise option to renew

The Group has the option to renew its leases of residential and commercial properties for an additional term. The Group applies judgement in evaluating whether it is reasonably certain to exercise the option to renew. In making this judgement, management considers all relevant facts and circumstances that create an economic incentive for it to exercise the option to renew. The Group reassesses the lease term if there is a significant event or change in circumstances that affects its ability to exercise or not to exercise the option to renew.

30.2 Group as lessee

The Group leases plots of land that meet the definition of investment property (note 16.2). Further, the Group leases residential and commercial properties 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.

30.2.1. Right-of-use assets

Reconciliation of the net carrying amount of right-of-use assets that do not meet the definition of investment property at the reporting date is as follows:

(AED in millions)

	2019
At 1 January	96
Additions	-
Depreciation charge for the year	(30)
At 31 December	**66**

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

30.2.2 Lease liabilities

(AED in millions)

	Future minimum lease payments		Interest		Present value of minimum lease payments	
	2019	2018	2019	2018	2019	2018
Less than one year	49	17	15	13	34	4
Between one and two years	56	40	26	26	30	14
Between two and five years	44	39	23	24	21	15
More than five years	359	372	234	246	125	126
At 31 December	**508**	468	**298**	309	**210**	159
- Current (note 22)					**34**	4
- Non-current (note 25)					**176**	155

a) *Interest rates underlying all lease liabilities are determined at the respective contract dates based on the incremental borrowing rates ranging from 3.82% to 19.25% (2018: 9.5% to 9.8%) per annum.*

30.3 Group as lessor

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

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

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

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

	2019	2018
Less than one year	2,952	2,745
Between one and five years	5,059	4,726
More than five years	1,437	1,526
At 31 December	**9,448**	8,997

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

31. Capital commitments

(AED in millions)

	2019	**2018**
Capital commitments of the Group	1,126	2,768
The Group's share of capital commitments in relation to its equity accounted investees	442	498
At 31 December	**1,568**	3,266

Capital commitments refers to the value of contracts signed for the development and construction of assets as at 31 December 2019, net of costs incurred and advances made up to that date.

32. Contingent liabilities

(AED in millions)

	2019	**2018**
Corporate guarantees on various bank loans availed by MAFH	4,211	6,345
Co-guarantee on hybrid perpetual notes issued by a subsidiary of MAFH	3,306	3,306
Co-guarantee on bonds issued under the Global Medium Term Note (GMTN) Program by a subsidiary of MAFH	3,449	4,775
Other operational guarantees issued in the normal course of business	1	4
At 31 December	**10,967**	14,430

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.