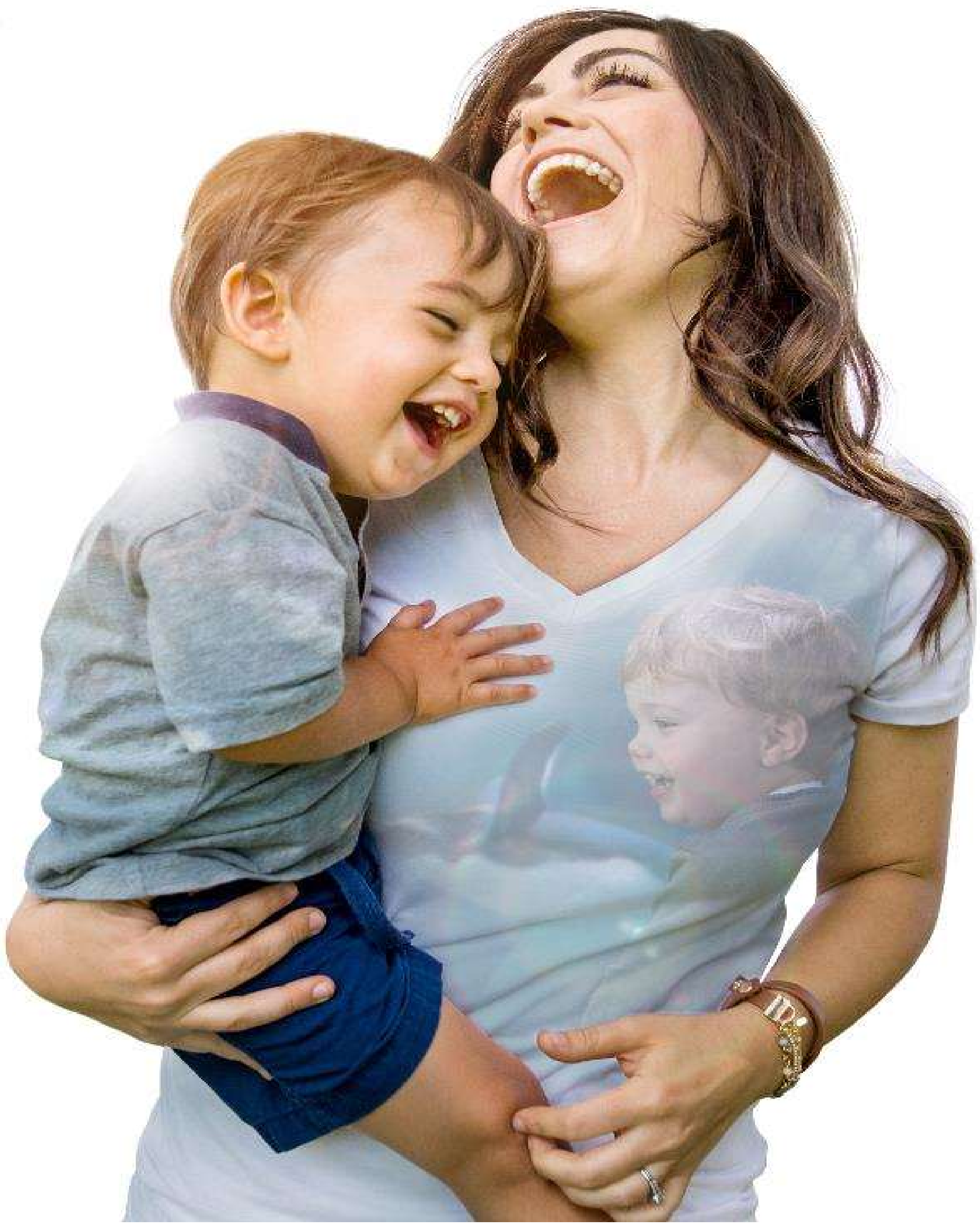
GREAT MOMENTS
FOR **EVERYONE,**
EVERYDAY

MAJID AL FUTTAIM HOLDING LLC
CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018



Contents

Directors' report

The Directors' report and the audited consolidated financial statements of Majid Al Futtaim Holding LLC (the Company) and its subsidiaries (collectively referred to as "the Group"), are presented for the year ended 31 December 2018. The consolidated financial statements were prepared by the management. The Board of Directors took responsibility for fairly presenting them in accordance with the applicable financial reporting framework and gave clearance for issuance of the financial statements on 21 February 2019.

Activities

Majid Al Futtaim is the leading shopping mall, communities, retail and leisure pioneer across the Middle East, Africa and Asia.

Through its three subsidiaries Properties, Retail and Ventures the Group:

- Owns and operates 24 shopping malls, 13 hotels and 4 mixed used communities, with further developments underway in the region. The shopping malls portfolio includes Mall of the Emirates, Mall of Egypt, City Centre malls and My City Centre neighborhood centres, and 4 community malls which are in joint venture with the Government of Sharjah.
- Operates a portfolio of 264 outlets in 14 countries as part of its exclusive rights to the Carrefour franchise in 38 markets across Middle East, Africa and Asia.
- Operates 353 VOX Cinema screens and 35 Magic Planet family entertainment centres across the region, in addition to iconic leisure and entertainment facilities such as Ski Dubai, Orbi Dubai and Ski Egypt, among others. The Group also owns the consumer finance company 'Najm', and a Fashion and Home retail business, representing international brands. In addition, Majid Al Futtaim operates Enova, a facility and energy management company, through a joint venture operation with Veolia, a global leader in optimised environment resource management. The Group also owns the rights to The LEGO Store and American Girl in the Middle East.

Backdrop

The global trade related tensions between the US, China and other major economies, as well as geopolitical events across the GCC and oil price volatility, have had an impact on trade and monetary flows across the region and therefore consumer confidence. This has been compounded by the lag effect of fiscal reforms that various GCC countries have been undergoing over the past couple of years, including the curtailing of subsidies and the VAT introduction. The average consumer is now more cautious. The US Dollar strength has put further pressure on the competitiveness of pegged economies.

Governments in the region are seeking to counteract the above negative trends: in the UAE, the government has been proactive with initiatives to stimulate the soft market including stimulus packages, supportive regulations and concessions. There has also been continued recovery in the Egyptian economy, following the bold structural reforms since 2016 with the help of the IMF. The Kingdom of Saudi Arabia is progressing well on its Vision 2030 implementation taking a number of measures to diversify and liberalize its economy which is net positive for private sector players like Majid Al Futtaim. Both Egypt and the Kingdom of Saudi Arabia are deep markets with favorable demographics that will allow us to support and diversify the sustainable growth of our businesses going forward.

On the retail landscape, we are seeing evolving trends on consumer behaviors, competition and effect of technology. Customer behavior is moving towards experiences over products and services. Through accessing global digital and social channels, consumers are looking for a modern lifestyle offering seamless experiences with strong digital aspects. To compete in such an experience-oriented technology centric marketplace, Majid Al Futtaim continues to invest in its technological, analytical and digital capabilities, and forming strategic partnerships to deliver "last mile" solutions and enhance its seamless and integrated omnichannel offering.

Whilst the company's diversification and financial strengths have served us well and will, we believe, continue to do so in the future, there is a further focus on cost efficiency and careful assessment of priorities and returns, given this backdrop.

Significant developments

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

During 2018, Majid Al Futtaim Properties successfully opened My City Centre Al Dhait in Ras Al Khaimah, UAE, its first investment into the Emirate's fast-growing community, and My City Centre Sur, Majid Al Futtaim's first community mall in Oman delivering an unrivalled retail experience. In the existing malls, the Group completed expansion to Sharjah City Centre and Ajman City Centre.

In addition, the Group's hotel portfolio grew to 13 hotels with the launch of Aloft Hotel City Centre Deira in Dubai. The Group continues to make progress with its development projects and will be bringing 3 key shopping malls to market in Oman, UAE and Egypt in 2019, with the launch of City Centre Suhar, My City Centre Masdar and City Centre Almaza, respectively.

In 2018, Majid Al Futtaim Retail further grew its grocery retail market share in the region and opened 33 new hypermarkets and supermarkets. It also launched Carrefour's largest distribution centre in the region, located in Dubai.

During the year, Majid Al Futtaim Retail made significant strides on its digital agenda. Carrefour enhanced its digital presence by offering an extensive range of groceries online, in addition to CarrefourNow which offers an express delivery service. Carrefour also introduced a number of innovative concepts and services across its network to ensure an effortless customer journey, including Scan and Go and Valet Trolley.

Majid Al Futtaim Retail continues with the expansion of its network, both physically and digitally, leveraging on its strategic partnerships in the last mile delivery space to enhance the customer experience.

Majid Al Futtaim Ventures continued its expansion across the region through its diversified portfolio of businesses. VOX Cinemas continued its successful expansion across the region with 52 new screens added to reach 353, including in Egypt, Bahrain and Kuwait where the business strengthened its core presence. In April 2018, VOX Cinemas opened its first multiplex theatre in Riyadh Park shopping mall in Saudi Arabia, following the reintroduction of cinemas in the Kingdom.

In January 2019 Majid Al Futtaim Ventures opened its first theatre in Jeddah and second in the Kingdom, with plans to open its third location next month in Riyadh Al Qasr Mall. These openings pave the way for the company to fulfil its ambitious plan to open 600 screens in the Kingdom by 2023.

During 2018, Majid Al Futtaim continued to pursue investment opportunities to enhance its digital capabilities and deliver a seamless omni-channel customer experience, while expanding its physical footprint. The organisation entered into several strategic partnerships and acquisitions, including BEAM, Wadi and others, which complement the business offering and add a digital dimension to the portfolio.

Financial results and highlights

Majid Al Futtaim delivered strong growth despite the macroeconomic headwinds in some of the markets. Majid Al Futtaim's revenue for the year 2018 is AED 34,655 million, a 7.4% increase over 2017 revenue of AED 32,274 million.

In 2018, EBITDA increased by 9% to AED 4,602 million (2017: AED 4,232 million). EBITDA is considered to be a key measure of Group's operating performance and cash generation. It is defined as earnings before interest, tax, non-controlling interests, depreciation, amortization, impairment and other exceptional items or charges or credits that are one-off in nature and significance.

2018 ended with a net loss of AED 4 million compared to a net profit of AED 2,193 million in 2017, mainly driven by valuation and impairment losses across a number of properties and development projects. 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.

- Fair value loss of AED 1,166 million was taken on completed properties versus a gain of AED 503 million in the previous year. The change reflects primarily the negative impact both on the mall and the hotel revenues from the challenging market conditions, complemented by a strong dollar.
- Impairment loss of AED 1,358 million (2017: loss of AED 716 million) was recognized on properties under construction and investments in joint ventures. The primary reasons are the challenging economic environment, more prudent occupancy levels and deferral to the opening dates, based on market realities.

Financing

In 2018 'BBB' credit rating was reaffirmed with a stable outlook, by both Standard & Poor's and Fitch, for a seventh consecutive year.

Majid Al Futtaim closed 2018 with a solid financial and liquidity position covering its net financing needs for more than the next 3 years through its cash and available committed lines. In March 2018, the Company issued a USD 400 million (AED 1,470 million) corporate hybrid to replace its inaugural hybrid issued in 2013, which was redeemed in October 2018.

The Company also improved its liquidity and maturity profile by refinancing USD 1.6 billion (AED 5.9 billion) of medium-term maturities while adding an additional USD 900 million (AED 3,306 million) via syndicated facilities from regional and international banks.

Sustainability

Majid Al Futtaim's investments in sustainable experiences and initiatives continued to grow in 2018 with the recognition of the 'Green Star' Rating by Global Real Estate Sustainability Benchmarks, GRESB, for the fifth consecutive year as standards and measures are put in place across the business, resulting in a score of 84%, outperforming the global benchmark average by 7% and the GRESB average by 17%, the Company is ranked 6th best performing non-listed company in the retail sector across Asia.

Dividend

In the current year, the Company declared a dividend of AED 1,360 million (2017: AED 370 million).

Directors

The following comprise the Board of Directors:

- Sir Michael Rake (Chairman)
- Khalifa Mohamed Sulaiman (Deputy Chairman) (up to 30 June 2018)
- Tariq Al Futtaim
- Alain Bejjani
- Ian Davis
- Alain Keir
- Victor Chu
- Philip Bowman (since 2 October 2018)
- Lord Rose (since 2 October 2018)
- Luc Vandevelde (since 2 October 2018)

Auditors

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

By the order of the Board

Company Secretary

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Independent Auditors' Report

To the Shareholders of Majid Al Futtaim Holding LLC

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Majid Al Futtaim Holding LLC ("the Company") and its subsidiaries ("the Group"), which comprise the consolidated statement of financial position as at 31 December 2018, the consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2018, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

Basis for Opinion

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

Key Audit Matters

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

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Key audit matter	How our audit addressed the key audit matter

Valuation of properties

Refer to note 16 to the consolidated financial statements

The Group's accounting policy is to state its properties (primarily comprising of shopping malls, hotels, offices and land) at fair value at each reporting date. The property portfolio is valued at AED 40,922 million as at 31 December 2018.

The valuation of the property portfolio is a significant area of judgment and is underpinned by a number of assumptions. The existence of significant estimation uncertainty and lack of comparable transactions warrants specific audit focus on this area.

The Group engaged professionally qualified external valuers to fair value its property portfolio performing their work in accordance with the Royal Institution of Chartered Surveyors ('RICS') Valuation – Professional Standards.

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

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

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

Valuation of properties *(continued)*

The key driver of the property valuations in relation to the shopping malls is the contracted terms of the leases in place at the valuation date. These determine the majority of the secured cash flow profile of the property for a number of years and therefore form the base of the valuation.

The valuation assumes adjustments from the existing contracted rental values in place at the valuation date to the estimated market rent at the time of the next rent review and as existing lease contracts expire and are expected to be replaced by new leases. These estimates can be several years into the future.

The key driver of the property valuations in relation to hotels is the estimated EBITDA (Earnings before interest, tax, depreciation and amortisation) that a market participant would expect to generate from the hotel operations.

- We met with the external valuers of the property portfolio to discuss the results of their work.
- We involved our valuation specialists to determine whether the yield rates for certain shopping malls and hotels are within an acceptable range.
- We discussed and challenged the valuation process, overall performance of the portfolio and the significant assumptions and critical areas of judgement.
- We evaluated year-on-year movements in property valuations with reference to published benchmarks, if any. Where assumptions were outside the expected range or otherwise deemed unusual, and / or valuations appeared to experience unexpected movements, we undertook further inquiries and, where necessary, held further discussions with the external valuers in order to challenge the assumptions.
- Based on the outcome of our evaluation, we assessed the adequacy of disclosures in the consolidated financial statements.

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 14 and 16 to the consolidated financial statements

The carrying value of Group's properties under construction portfolio is AED 4,934 million as at 31 December 2018.

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

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

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

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

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

Impairment of investments in equity accounted investees

Refer to notes 14 and 18 to the consolidated financial statements

The carrying value of Group's investments in equity accounted investees is AED 874 million as at 31 December 2018.

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

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

Supplier balances and sourcing (rebates and benefits)

Refer to notes 9 and 10 to the consolidated financial statements

Within the scope of its retail activities, the Group receives rebates and benefits from its suppliers in the form of discounts and commercial cooperation fees. These rebates and benefits, generally paid based on a percentage defined contractually, and on purchases made from suppliers, are recorded as a deduction from cost of goods sold. Additionally, the Group also receives service income from certain suppliers towards promotional, marketing and other specific services including in-store displays which are recorded as revenue.

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

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

Supplier balances and sourcing (rebates and benefits) *(continued)*

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

Considering the material impact of these arrangements on financial performance, the large number of contracts concerned and the necessity for management to estimate the purchases covered by these rebates and benefits for each supplier, we considered accounting for sourcing rebates and benefits and the related supplier balance reconciliations to be a key audit matter.

- We tested, on a sample basis, supplier reconciliation statements and supplier balance confirmations / statements to verify that any significant reconciling items including supplier rebates and benefits are valid and are cleared in a timely manner.
- Our IT specialists tested the general IT control and access control environment of the merchandising and supplier benefits application employed by management, to verify the accuracy of the calculation, interface to the financial application and the restriction over access to configure or update supplier rebates and benefit terms in the IT application.

Other Information

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

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

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

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

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

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

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

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

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

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

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

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

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

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

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

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

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Report on Other Legal and Regulatory Requirements

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

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

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

iii) the Group has maintained proper books of account;

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

v) as disclosed in note 18 to the consolidated financial statements, the Group has purchased shares during the financial year ended 31 December 2018;

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

vii) based on the information that has been made available to us nothing has come to our attention which causes us to believe that the Group has contravened during the financial year ended 31 December 2018 any of the applicable provisions of the UAE Federal Law No. (2) of 2015 or in respect of the Company, its Articles of Association, which would materially affect its activities or its consolidated financial position as at 31 December 2018; and

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

KPMG Lower Gulf Limited

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

Date: 21 FEB 2019

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

(AED in millions)	**Note**	**2018**	**2017**
Revenue	9.2	34,655	32,274
Cost of sales	10.2	(23,477)	(21,711)
Operating expenses	11	(7,963)	(7,656)
Finance costs - net	12.2	(445)	(452)
Other expense - net	13	(132)	(33)
Impairment charge on non-financial assets - net	14.3	(1,358)	(716)
Impairment charge on financial assets - net	14.4	(147)	(142)
Share of profit from equity-accounted investees - net	18.3 & 18.4	87	187
Profit before valuation (loss)/gain on land and buildings		**1,220**	**1,751**
Net valuation (loss)/gain on land and buildings	16.5.1	(1,166)	503
Profit before tax		**54**	**2,254**
Tax charge - net	15.2	(58)	(61)
(Loss)/profit for the year		**(4)**	**2,193**
(Loss)/profit for the year attributable to:			
- Owners of the Company		(26)	2,160
- Non-controlling interests	6.3	22	33
(Loss)/profit for the year		**(4)**	**2,193**
(Loss)/profit for the year		**(4)**	**2,193**
Other comprehensive income			
Items that will not be reclassified to profit or loss:			
Net valuation (loss)/gain on land and buildings - net	16.4.2	(104)	344
Deferred tax credited/(charged) on revaluation of land and buildings	15.4 & 15.5	4	(13)
		(100)	**331**
Items that are or may be reclassified subsequently to profit or loss:			
Foreign currency translation differences from foreign operations	34.6	(14)	23
Net change in fair value of cash flow hedges	12.4	14	9
Share of other comprehensive income of equity accounted investments	18.3	-	(1)
		-	**31**
Total other comprehensive income for the year		**(100)**	**362**
Total comprehensive income for the year		**(104)**	**2,555**
Total comprehensive income for the year attributable to:			
- Owners of the Company		(128)	2,522
- Non-controlling interests	6.3	24	33
Total comprehensive income for the year		**(104)**	**2,555**

The notes on pages 20 to 72 are an integral part of these consolidated financial statements.

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

Consolidated statement of financial position as at 31 December

(AED in millions)	Note	2018	2017
Non-current assets			
Property, plant and equipment	16.4	12,254	11,900
Investment properties	16.5	37,309	36,305
Equity-accounted investees	18.2	874	1,054
Long term receivable from related parties	28.1	40	31
Intangible assets and goodwill	19.2	1,556	1,557
Deferred tax assets	15.4	68	50
Other non-current assets	20	889	1,181
Total non-current assets		**52,990**	**52,078**
Current assets			
Development properties	17.2	-	251
Inventories	21	2,332	2,304
Trade and other receivables	22	2,749	2,552
Short term loan to a related party	28.2	68	92
Due from related parties	28.5	676	597
Cash in hand and at bank	23	1,516	1,131
		7,341	**6,927**
Assets held for sale	24	29	53
Total current assets		**7,370**	**6,980**
Total assets		**60,360**	**59,058**
Current liabilities			
Trade and other payables	25	7,606	7,129
Provisions	26.2	292	380
Other liabilities	27	1,846	1,866
Short term loan from a related party	28.3	41	21
Due to related parties	28.6	41	41
Bank overdraft	29	92	130
Short term loan	30	73	55
Current maturity of long term loans	31	1,973	326
		11,964	**9,948**
Liabilities directly associated with assets held for sale	24	-	13
Total current liabilities		**11,964**	**9,961**
Non-current liabilities			
Long term loans	31	11,813	10,868
Long term loans from related parties	28.4	31	31
Finance lease liabilities	32.2	44	47
Deferred tax liabilities	15.5	106	110
Provisions	26.2	69	50
Post employment benefit obligations	33	725	676
Other liabilities	27	368	341
Total non-current liabilities		**13,156**	**12,123**
Total liabilities		**25,120**	**22,084**
Net assets		**35,240**	**36,974**

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

(AED in millions)	Note	2018	2017
Equity			
Share capital	34.2	2,671	2,487
Statutory reserve	34.4	2,984	2,882
Revaluation reserve		18,410	18,510
Retained earnings		9,199	10,836
Hedging reserve	34.5	(12)	(26)
Currency translation reserve	34.6	(1,894)	(1,878)
Total equity attributable to the owners of the Company		**31,358**	**32,811**
Hybrid equity instrument	35	3,292	3,654
Non-controlling interests	6.3	590	509
Total equity		**35,240**	**36,974**

The consolidated financial statements were approved by the Board of Directors and signed on their behalf on 21 February 2019:

Majid Al Futtaim Holding LLC
Chief Executive Officer

Majid Al Futtaim Holding LLC
Chief Financial Officer

The notes on pages 20 to 72 are an integral part of these consolidated financial statements.
The independent auditors' report is set out on pages 4 to 12.

Consolidated statement of cash flows for the year ended 31 December

(AED in millions)	**Note**	**2018**	**2017**
Cash flows from operating activities			
(Loss)/profit for the year after tax		(4)	2,193
Adjustments for:			
Net valuation loss/(gain) on land and buildings	16.5.1	1,166	(503)
Finance costs - net	12.2	445	452
Depreciation and amortisation	11	1,503	1,377
Tax charge - net	15.2	58	61
Share of profit from equity-accounted investees	18.3 & 18.4	(87)	(187)
Assets written-off	13	148	4
Impairment charge on non-financial assets - net	14.3	1,358	716
Impairment charge on financial assets - net	14.4	147	142
Post employment benefit obligations - net	33.2	50	95
		4,784	**4,350**
Changes to working capital			
Inventories		(28)	(495)
Trade and other receivables		(337)	(485)
Trade and other payables		365	1,207
Due from/to related parties - net		11	(81)
		11	**146**
Tax paid		(70)	(85)
Net cash generated from operating activities		**4,725**	**4,411**
Cash flow from investing activities			
Acquisition of property, plant and equipment, investment property and development property		(4,631)	(4,033)
Purchase consideration paid and settled for business acquisition, net of cash acquired		-	(1,544)
Payment of deferred consideration for acquisition of a business	27.1	(39)	(40)
Payments against acquisition of intangible assets	19.2	(117)	(109)
Lease premium paid during the year		-	(69)
Investment in equity accounted investees		(27)	(93)
Payment of liability for acquisition of intangible asset		(11)	(9)
Proceeds from sale of property, plant and equipment and investment properties		46	34
Proceeds from sale of healthcare business	24.1	35	-
Proceeds from disposal of available for sale investments		-	81
Proceeds from sale of an investment in associate		-	10
Encashment of fixed deposits		(89)	(15)
Dividend received from equity-accounted investees	18.3 & 18.4	69	23
Finance income received		74	88
Net cash used in investing activities		**(4,690)**	**(5,676)**

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

(AED in millions)	Note	2018	2017
Cash flow from financing activities			
Proceeds from term loans received from related parties	28.3	202	181
Repayment of term loan to related parties	28.3	(1,277)	(532)
Term loans granted to related parties		(21)	(29)
Long term loans received	31	9,678	5,967
Long term loans repaid	31	(7,055)	(5,137)
Short term loans received	30	1,818	2,395
Short term loans repaid	30	(1,800)	(2,391)
Payment against finance lease liability	32.2	(3)	(33)
Collateral (paid)/received against derivative instruments - net		(54)	20
Issuance of hybrid equity instrument - net	35	1,464	1,828
Repurchase of hybrid equity instrument - net	35	(1,873)	-
Capital contribution in a subsidiary by a non-controlling interest		77	48
Finance cost paid		(625)	(595)
Coupon paid on hybrid equity instrument	35	(216)	(181)
Dividend paid to non-controlling interest		(16)	(13)
Net cash flows from financing activities		**299**	**1,528**
Net increase in cash and cash equivalents		**334**	**263**
Cash and cash equivalents at the beginning of the year*		894	631
Cash and cash equivalents at the end of the year	**23.5**	**1,228**	**894**

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

The notes on pages 20 to 72 are an integral part of these consolidated financial statements.

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

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

(AED in millions)	Share capital	Statutory reserve	Revaluation reserve	Retained earnings	Hedging reserve	Currency translation reserve	Total equity	Hybrid equity instrument	Non-controlling interests	Total
	Attributable to owners of the Company									
At 1 January 2017	**2,487**	**2,438**	**18,179**	**9,671**	**(35)**	**(1,900)**	**30,840**	**1,826**	**441**	**33,107**
Total comprehensive income for the year										
Net profit for the year	-	-	-	2,160	-	-	**2,160**	-	33	**2,193**
Other comprehensive income										
Net gain on valuation of land and buildings (note 16.4.2)	-	-	344	-	-	-	**344**	-	-	**344**
Deferred tax credit arising on revaluation of land and buildings (note 15.5)	-	-	(13)	-	-	-	**(13)**	-	-	**(13)**
Net change in fair value of cash flow hedges (note 12.4)	-	-	-	-	9	-	**9**	-	-	**9**
Currency translation differences in foreign operations (note 34.6)	-	-	-	-	-	23	**23**	-	-	**23**
Share of other comprehensive income of equity accounted investments	-	-	-	-	-	(1)	**(1)**	-	-	**(1)**
Total comprehensive income for the year	**-**	**-**	**331**	**2,160**	**9**	**22**	**2,522**	**-**	**33**	**2,555**
Transactions with owners recorded directly in equity										
Contribution by and distributions to owners and other movement in equity										
Capital contribution by a non-controlling shareholder	-	-	-	-	-	-	**-**	-	48	**48**
Dividend declared and settled / paid (note 34.3)	-	-	-	(370)	-	-	**(370)**	-	(13)	**(383)**
Transfer to statutory reserve (note 34.4)	-	444		(444)	-	-	**-**	-	-	**-**
Total contribution by and distribution to owners	**-**	**444**	**-**	**(814)**	**-**	**-**	**(370)**	**-**	**35**	**(335)**
Hybrid prepetual note instruments										
Issuance of hybrid equity instrument (note 35)	-	-	-	-	-	-	**-**	1,828	-	**1,828**
Coupon paid on hybrid equity instrument (note 35)	-	-	-	(181)	-	-	**(181)**	-	-	**(181)**
	-	**-**	**-**	**(181)**	**-**	**-**	**(181)**	**1,828**	**-**	**1,647**
At 31 December 2017	**2,487**	**2,882**	**18,510**	**10,836**	**(26)**	**(1,878)**	**32,811**	**3,654**	**509**	**36,974**

The notes on pages 20 to 72 are an integral part of these consolidated financial statements.

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

	Attributable to owners of the Company									
(AED in millions)	**Share capital**	**Statutory reserve**	**Revaluation reserve**	**Retained earnings**	**Hedging reserve**	**Currency translation reserve**	**Total equity**	**Hybrid equity instrument**	**Non-controlling interests**	**Total**
At 1 January 2018, as previously reported	**2,487**	**2,882**	**18,510**	**10,836**	**(26)**	**(1,878)**	**32,811**	**3,654**	**509**	**36,974**
Adjustment on initial application of IFRS 9 (net of tax) (note 5.1.2)	-	-	-	1	-	-	**1**	-	-	**1**
Adjustment on initial application of IFRS 15 (net of tax) (note 5.1.1)	-	-	-	109	-	-	**109**	-	-	**109**
Adjusted balance at 1 January 2018	**2,487**	**2,882**	**18,510**	**10,946**	**(26)**	**(1,878)**	**32,921**	**3,654**	**509**	**37,084**
Total comprehensive income for the year										
Net (loss)/profit for the year	-	-	-	(26)	-	-	(26)	-	22	(4)
Other comprehensive income										
Net loss on valuation of land and buildings (note 16.4.2)	-	-	(104)	-	-	-	(104)	-	-	(104)
Deferred tax credit arising on revaluation of land and buildings (note 15.4 and 15.5)	-	-	4	-	-	-	4	-	-	4
Net change in fair value of cash flow hedges (note 12.4)	-	-	-	-	14	-	14	-	-	14
Currency translation differences in foreign operations (note 34.6)	-	-	-	-	-	(16)	(16)	-	2	(14)
Total comprehensive income for the year	**-**	**-**	**(100)**	**(26)**	**14**	**(16)**	**(128)**	**-**	**24**	**(104)**
Transactions with owners recorded directly in equity										
Contribution by and distributions to owners and other movement in equity										
Capital contribution by the Parent Company (note 34.2.1)	184	-	-	-	-	-	184	-	-	184
Capital contribution by a non-controlling shareholder	-	-	-	-	-	-	-	-	77	77
Reclassification of non-controlling interest to retained earnings	-	-	-	4	-	-	4	-	(4)	-
Dividend declared and settled / paid (note 34.3)	-	-	-	(1,360)	-	-	(1,360)	-	(16)	(1,376)
Transfer to statutory reserve (note 34.4)		102		(102)	-	-	-	-	-	-
Total contribution by and distribution to owners	**184**	**102**	**-**	**(1,458)**	**-**	**-**	**(1,172)**	**-**	**57**	**(1,115)**
Hybrid prepetual note instruments										
Issuance of hybrid equity instrument (note 35)	-	-	-	-	-	-	-	1,464	-	1,464
Buy back of hybrid equity instrument (note 35)	-	-	-	(11)	-	-	(11)	(1,826)	-	(1,837)
Premium paid on buy back of hybrid equity instrument (note 35)	-	-	-	(36)	-	-	(36)	-	-	(36)
Coupon paid on hybrid equity instrument	-	-	-	(216)	-	-	(216)	-	-	(216)
	-	**-**	**-**	**(263)**	**-**	**-**	**(263)**	**(362)**	**-**	**(625)**
At 31 December 2018	**2,671**	**2,984**	**18,410**	**9,199**	**(12)**	**(1,894)**	**31,358**	**3,292**	**590**	**35,240**

The notes on pages 20 to 72 are an integral part of these consolidated financial statements.

Notes to the consolidated financial statements

1. LEGAL STATUS AND PRINCIPAL ACTIVITES

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

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

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

2. BASIS OF PREPARATION

These consolidated financial statements, which includes the financial position and performance of the Company, it's subsidiaries, associates and joint ventures, have been prepared on a going concern basis in accordance with International Financial Reporting Standards ("IFRS(s)") and the requirements of the UAE Federal Law No. 2 of 2015, and the relevant laws applicable to the various entities comprising the Group. These are presented in United Arab Emirates Dirhams ("AED") (rounded to the nearest millions unless otherwise stated), which is the Company's functional currency. This is the first set of consolidated financial statements where IFRS 15 and IFRS 9 have been applied. Changes to significant accounting policies are disclosed in notes below.

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

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

These consolidated financial statements were authorized for issue by the Board of Directors on 21 February 2019.

3. USE OF JUDGEMENTS AND ESTIMATES

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

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

• Classification of properties	Note 16.2
• Valuation of properties and apportionment fair values between land and buildings	Note 16.2
• Estimation or forecast of cost to complete	Note 16.2
• Impairment of non-financial assets	Note 14.2
• Supplier balances and sourcing (rebates)	Note 10.1
• Impairment testing of goodwill	Note 7.2 & 19.4
• Measurement of defined benefit obligations	Note 33.1.1

New significant judgments and key sources of estimation uncertainty related to the initial application of IFRS 15 and IFRS 9 are disclosed in notes 5.1.1 and 5.1.2, respectively.

4. FAIR VALUE MEASUREMENT

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

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

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

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

5. SIGNIFICANT ACCOUNTING POLICIES

The Group has consistently applied the accounting policies to all periods presented in these consolidated financial statements.

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

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

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

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

Change in significant accounting policies

The Group has initially applied IFRS 15 (note 5.1.1) and IFRS 9 (note 5.1.2) from 1 January 2018. The Group has adopted the cumulative effect method and accordingly the impact is recognised in the retained earnings as of 1 January 2018 with the practical expedients permitted under the standard and the comparative information have not been restated.

5.1.1 IFRS 15 Revenue from Contracts with Customers

IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaced IAS 18 Revenue, IAS 11 Construction Contracts and related interpretations. Under IFRS 15, revenue is recognised when a customer obtains control of the goods or services. Determining the timing of the transfer of control – at a point in time or over time – requires judgement.

The Group has adopted IFRS 15 using the cumulative effective method, with the effect of initially applying this standard recognised at the date of initial application (i.e. 1 January 2018). Accordingly, the information presented for 2017 has not been restated - i.e. it is presented, as previously reported, under IAS 18 and related interpretations.

The details of adjustments to opening retained earnings and other account balances are as follows:

(AED in millions)	**31 December 2017 as previously reported**	**Adjustment**	**1 January 2018 Adjusted**
Assets			
Equity accounted investees	1,054	115	1,169
Liabilities			
Advance receipts	938	(6)	932
Equity			
Retained earnings	10,836	109	10,945

Application of IFRS 15 has impacted following revenue recognition:

A **Group's sale of properties carried out through its equity accounted investees**. The Group previously recognized revenue for sale of properties when the risk and rewards of ownership are transferred to the buyer. The significant risks and rewards were deemed to be transferred when the title deed is registered in the name of the buyer or in certain circumstances when equitable interest in the property vest with the buyer before legal title passes. Under IFRS 15, revenue is recognized as and when the performance obligation of the Group is satisfied. The Group allocates the transaction price to the performance obligations in a contract based on the input method which requires revenue recognition on the basis of the Group's efforts or inputs to the satisfaction of the performance obligations. The Group estimates the total costs to complete the projects in order to determine the amount of revenue to be recognised.

B **Accounting for customer loyalty programmes and tickets redemption** – IFRS 15 requires that the total consideration received must be allocated to the loyalty points and tickets earned based on relative stand-alone selling prices rather than the residual value method. This results in higher amounts being allocated to points and tickets earned and result in deferment of a portion of the revenue. The management has concluded the impact on retained earnings at 1 January 2018 is AED 6 million.

IFRS 15 did not have a significant impact on the Group's accounting policies with respect to other revenue streams. For additional information about the Group's accounting policies relating to revenue recognition, refer to note 9.1.

5.1.2 IFRS 9 Financial Instruments

IFRS 9 sets out requirements for recognizing and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. The standard replaces *IAS 39 Financial Instruments: Recognition and Measurement* .

IFRS 9 was adopted without restating comparative information. Reclassifications and adjustments arising from the new impairment rules are therefore recognized in the opening statement of financial position as at 1 January 2018.

The details of new significant accounting policies and the nature and effect of the changes to the previous accounting policies are set out below:

A ***Classification and measurement of financial assets and financial liabilities***

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

Under IFRS 9, on initial recognition, a financial asset is classified and measured at: amortised cost 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. Derivatives embedded in contracts where the host is a financial asset in the scope of the standard are never separated. Instead, the hybrid financial instrument as a whole is assessed for classification.

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

- It is held within a business model whose objective is to hold the 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.

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

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

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

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

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

(AED in millions)	Original classification under IAS 39	New classification under IFRS 9	Carrying amount IAS 39	Carrying amount IFRS 9
Interest rate swaps	FVTPL	FVTPL	58	58
Trade receivables	Loans and receivables	Amortised cost	1,240	1,241
Other current receivables	Loans and receivables	Amortised cost	753	753
Long term loan, advances and receivables	Loans and receivables	Amortised cost	467	467
Due from related parties	Loans and receivables	Amortised cost	597	597
Cash and bank balances	Loans and receivables	Amortised cost	1,131	1,131
			4,246	**4,247**

The effect of adopting IFRS 9 on the carrying amounts of financial assets as at 1 January 2018 relates solely to the new impairment requirements, as described further below.

B *Impairment of financial assets*

IFRS 9 replaces the 'incurred loss' model in IAS 39 with an 'expected credit loss' (ECL) model. The new impairment model applies to financial assets measured at amortised cost and debt investments at FVOCI, but not to investments in equity instruments. Detailed policy on impairment of financial assets is described in note 14.1.2.

Impairment losses related to trade and other receivables is presented separately in the condensed consolidated statement of profit or loss and other comprehensive income ('OCI'). As a result, the Group reclassified impairment losses from the prior period amounting to AED 142 million, recognised under IAS 39, from 'operating expenses' to 'impairment loss on trade and other receivables' in the consolidated statement of profit or loss and OCI for the year ended 31 December 2017.

The Group has determined that the application of IFRS 9's impairment requirement at 1 January 2018 results in a net reversal of AED 1 million in the impairment allowance against credit cards and other trade receivables as follows:

(AED in millions)	
Provision for bad and doubtful debts at 31 December 2017 under IAS 39, as previously reported	166
Decrease in impairment recognised at 1 January 2018 on trade receivables (excluding credit card receivables)	(19)
Increase in impairment recognized at 1 January 2018 on credit card receivables	18
Adjusted provision for bad and doubtful debts at 1 January 2018 under IFRS 9	**165**

C ***Hedge accounting***

The Group has elected to adopt the new general hedge accounting model in IFRS 9. This requires the Group to ensure that hedge accounting relationships are aligned with its risk management objectives and strategy and to apply a more qualitative and forward-looking approach to assessing hedge effectiveness. The interest rate swaps designated as cash flow and fair value hedges in place as at 31 December 2017 qualify for hedge accounting under IFRS 9. The Group's risk management strategies and hedge documentation are aligned with the requirements of IFRS 9 and these relationships are therefore treated as continuing hedges.

5.2 New and revised IFRSs in issue but not yet effective

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning after 1 January 2019, and have not been early adopted in preparing these consolidated financial statements.

- IFRS 16, 'Leases', effective from 1 January 2019.
- IFRS 17, Insurance Contracts, effective from 1 January 2021.

Of those standards that are not yet effective, IFRS 16 is expected to have a material impact on the Group's consolidated financial statements in the period of initial application.

5.2.1 IFRS 16 Leases

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

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

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

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

Leases in which the Group is a lessee

The Group will recognise new assets and liabilities for its operating leases of retail stores, office buildings and warehouses. The nature of expenses related to those leases will now change because the Group will recognise a depreciation charge for right-of-use assets and interest expense on lease liabilities.

Previously, the Group recognised operating lease expense on a straight-line basis over the term of the lease, and recognised assets and liabilities only to the extent that there was a timing difference between actual lease payments and the expense recognised. No significant impact is expected for the Group's finance leases.

Based on the information currently available, the Group estimates that it will recognise additional lease liabilities of AED 3.4 to 3.8 billion as at 1 January 2019.

Leases in which the Group is a lessor

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

Transition

The Group plans to apply IFRS 16 initially on 1 January 2019, using the modified retrospective approach. Therefore, the cumulative effect of adopting IFRS 16 will be recognised as an adjustment to the opening balance of retained earnings at 1 January 2019, with no restatement of comparative information. The right of use asset will approximate the lease liability recorded at that date.

The Group plans to apply the practical expedient to grandfather the definition of a lease on transition. This means that it will apply IFRS 16 to all contracts entered into after 1 January 2019 and identified as leases in accordance with IAS 17 and IFRIC 4.

5.2.2 Other standards

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

- IFRIC 23 Uncertainty over Tax Treatments.
- Prepayment Features with Negative Compensation (Amendments to IFRS 9).
- Long-term Interests in Associates and Joint Ventures (Amendments to IAS 28).
- Plan Amendment, Curtailment or Settlement (Amendments to IAS 19).
- Annual Improvements to IFRS Standards 2015–2017 Cycle – various standards.
- Amendments to References to Conceptual Framework in IFRS Standards.
- IFRS 17 Insurance Contracts.

5.3 General accounting policies

5.3.1 Foreign currency

Foreign currency transactions

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

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

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

Foreign operations

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

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

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

5.3.2 Offsetting

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

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

5.3.3 Assets classified as held for sale

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

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

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

6. SUBSIDIARIES

6.1 Accounting policy

Subsidiaries

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

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

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

Transactions eliminated on consolidation

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

Non-controlling interests

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

Interests in other entities

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

6.2 Principal subsidiaries

The Group had the following principal subsidiaries at 31 December 2018:

			Effective ownership	
Name of subsidiary	**Country of incorporation**	**Nature of business**	**2018**	**2017**
Majid Al Futtaim Properties LLC*	United Arab Emirates	Operating and managing commercial projects including shopping malls, hotels, restaurants, leisure and entertainment and investing in joint ventures	100%	100%
Majid Al Futtaim Retail LLC	United Arab Emirates	Establishment and management of hypermarkets and other retail format stores	100%	100%

Name of subsidiary	Country of incorporation	Nature of business	Effective ownership 2018	2017
Majid Al Futtaim Ventures LLC*	United Arab Emirates	Establishment and management of retail fashion stores, leisure and entertainment, credit cards and food and beverage	100%	100%
Majid Al Futtaim Global Securities Limited	Cayman Islands	Structured entity established for issuance of bonds	100%	100%
Majid Al Futtaim Management Services LLC	United Arab Emirates	Structured entity established for management services	100%	100%

* These subsidiaries have certain interest in entities which are consolidated by the Group and the portion of non-controlling interest in these entities for the year ended 31 December 2018 amounts to AED 590 million (2017: AED 509 million).

6.3 Non-controlling interests

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

Name of subsidiary	Country of incorporation	Nature of business	Non-controlling interest 2018	2017
Fujairah City Centre Investment Company LLC	United Arab Emirates	Property developer	37.5%	37.5%
Aswaq Al Emarat Trading CJSC	Kingdom of Saudi Arabia	Property developer	15%	15%
MAF IT Sugar LLC	United Arab Emirates	Retail	25%	25%
Attractions and Leisure Services Company WLL	Kuwait	Leisure and Entertainment	50%	50%
Perfect World for Kids Entertainment Co.	Jordan	Leisure and Entertainment	50%	50%
Majid Al Futtaim Accessories LLC	United Arab Emirates	Fashion retailer	49%	49%
Suburban Development Company SAL	Lebanon	Property developer	3.18%	3.18%
Oman Arab Cinemas Co. LLC	Oman	Cinema	20%	20%
Vox Cineco Cinema Company	Bahrain	Cinema	50%	50%
The Avenues Cinema Bahrain W.L.L	Bahrain	Cinema	50%	50%
VOX Cinemas for Movie Screening LLC	Kuwait	Cinema	50%	50%
Magic Planet Bahrain W.L.L	Bahrain	Leisure and Entertainment	50%	50%

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

31 December 2018 *(AED in millions)*	**UAE**	**Other GCC**	**Others**	**Total**
Non-current assets	1,337	1,927	-	**3,264**
Current assets	332	696	8	**1,036**
Current liabilities	(451)	(635)	(2)	**(1,088)**
Non-current liabilities	(335)	(24)	-	**(359)**
Net assets	**883**	**1,964**	**6**	**2,853**
Net assets attributable to non-controlling interests	**165**	**420**	**5**	**590**
Revenue	387	340	5	**732**
Profit/(loss) for the year	14	55	(7)	**62**
Other comprehensive income	-	(1)	-	**(1)**
Profit for the year attributable to non-controlling interest	**4**	**10**	**8**	**22**
Total comprehensive income attributable to non-controlling interest	**4**	**10**	**10**	**24**

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

7. BUSINESS COMBINATIONS

7.1 Accounting policy

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

Business combinations involving entities under common control

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

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

7.2 2017 business combinations

7.2.1 *Retail Arabia*

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

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

(AED in millions)	**1 Jul 2017**
Property, plant and equipment (note 16.4)	209
Investment properties (note 16.5)	30
Available for sale investments	80
Inventories	119
Other receivables	33
Cash and cash equivalents	313
Long term bank loans (note 31)	(103)
Provision for staff terminal benefits (note 33.2.1)	(38)
Trade and other payables	(420)
Fair value of identifiable net assets acquired (A)	**223**
Fair value of lease premium recognized on acquisition (B) (note 20.1)	547
Purchase consideration paid (C)	1,792
Goodwill (C-B-A) - at 31 December 2017 (note 19.2)	**1,022**
Currency translation adjustment*	(1)
Goodwill (C-B-A) - at 31 December 2018 (note 19.2)	**1,021**

* Currency translation adjustment of AED 1 million has been recorded towards the goodwill amount allocated to a subsidiary of Retail Arabia Group in Kuwait.

During the year ended 31 December 2017, the Group incurred various costs amounting to AED 26.7 million towards legal and professional fees, due diligence and other acquisition-related activities. These costs were recognised in profit or loss as legal and consultancy expenses under the 'Operating expenses'.

The valuation techniques used for measuring the fair value of material assets/liabilities acquired were as follows:

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

The goodwill is mainly attributable to the synergies expected to be achieved from integrating the acquired business into the Group’s existing retail business, including know-how of operating small scale supermarket business models, relationship with key landlords/stakeholders and increasing market share.

Goodwill is tested annually for impairment. Goodwill has been allocated to the acquired businesses in each of the countries i.e. UAE, Bahrain and Kuwait. The impairment test is based on the “value in use” calculation. These calculations use cash flow projections based on estimated operating results of the businesses acquired in each of the countries (identified as a cash generating unit (‘CGU’) for the purpose of impairment testing of goodwill). Following are the key assumptions used for the projected cash flows involving significant judgements and any negative variation can result in a potential impairment.

- *Cash flow projections* – The cash flow projections included specific estimates for five years at an average growth rate of 3% to 8% (2017: 9% to 10%) and a stable growth rate of 3% (2017: 3%) thereafter. The stable growth rate was determined based on management’s estimate of the long-term standard inflation rate, consistent with the assumptions that a market participant would make. Cash flow projections are done on the assumption of going concern.
- *Discount rates* – These represent the cost of capital adjusted for the respective country risk factors. The Group uses the post-tax industry average Weighted Average Cost of Capital which reflects the country specific risk adjusted discount rate. A discount rate of 10% to 13% (2017: 10% – 12 %) has been determined and applied.

The estimated recoverable amount (based on value in use calculations) of the CGU's exceeded its carrying amount. Unfavourable changes in the key assumptions could cause the carrying amount to exceed the recoverable amount. The management is confident that actual results will meet the projections and that the assumptions in relation to the goodwill impairment test are reasonable. Accordingly, no impairment loss has been recorded against goodwill during the current year (2017: Nil).

7.2.2 *Crate & Barrel*

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

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

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

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

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

In prior year, the Group incurred acquisition related costs of AED 0.3 million on account of due diligence. These costs were included in 'operating expenses'.

8. OPERATING SEGMENTS

8.1 Accounting policy

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

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

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

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

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

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

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

EBITDA

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

8.2 Segment reporting by business

The segment information provided to the Board of Directors for reportable segments for the year ended 31 December 2018 and 31 December 2017 are as follows:

8.2.1 Disaggregation of revenue by business

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

(AED in millions)	**Properties**	**Retail**	**Ventures**	**Total**
31 December 2018				
Gross revenue	4,642	27,993	2,389	**35,024**
Eliminations and adjustments	(369)	-	-	**(369)**
Revenue from external customers	**4,273**	**27,993**	**2,389**	**34,655**
External revenue from major service/product lines				
Sale of goods	-	25,557	439	**25,996**
Listing fees, gondola fees and commissions	-	2,308	-	**2,308**
Leisure and entertainment	226	-	1,550	**1,776**
Hospitality revenue	635	-	-	**635**
Others	61	65	26	**152**
	922	**27,930**	**2,015**	**30,867**
Rental income	3,351	63	-	**3,414**
Financial services revenue	-	-	374	**374**
	4,273	**27,993**	**2,389**	**34,655**
31 December 2017				
Gross revenue	4,606	25,888	2,120	**32,614**
Eliminations and adjustments	(340)	-	-	**(340)**
Revenue from external customers	**4,266**	**25,888**	**2,120**	**32,274**
External revenue from major service/product lines				
Sale of goods	-	23,682	285	**23,967**
Listing fees, gondola fees and commissions	-	2,104	-	**2,104**
Leisure and entertainment	253	-	1,373	**1,626**
Hospitality revenue	679	-	-	**679**
Others	56	64	112	**232**
	988	**25,850**	**1,770**	**28,608**
Rental income	3,278	38	-	**3,316**
Financial services revenue	-	-	350	**350**
	4,266	**25,888**	**2,120**	**32,274**

8.2.2 Disaggregation of results from operations by business

(AED in millions)	Properties	Retail	Ventures	Head office	Total
31 December 2018					
EBITDA	2,989	1,405	321	(97)	4,618
Eliminations and adjustments					(16)
					4,602
Depreciation and amortisation expense	(479)	(505)	(349)	(13)	(1,346)
Eliminations and adjustments					(157)
					(1,503)
Valuation gain on land and buildings - net	(1,283)	(1)	-	-	(1,284)
Eliminations and adjustments					118
					(1,166)
Net finance (cost)/income	(424)	25	(152)	93	(458)
Eliminations and adjustments					13
					(445)
Net profit/(loss) after tax	(513)	892	(344)	(9)	26
Eliminations and adjustments					(30)
					(4)
31 December 2017					
EBITDA	2,939	1,212	258	(160)	4,249
Eliminations and adjustments					(17)
					4,232
Depreciation and amortisation expense	(443)	(414)	(321)	(12)	(1,190)
Eliminations and adjustments					(187)
					(1,377)
Valuation gain on land and buildings - net	589	-	-	-	589
Eliminations and adjustments					(86)
					503
Net finance (cost)/income - external	(477)	43	(117)	114	(437)
Adjustments					(15)
					(452)
Net profit/(loss) after tax	2,193	754	(399)	(61)	2,487
Eliminations and adjustments					(294)
					2,193

8.2.3 Disaggregation of capital expenditure by business

(AED in millions)	Properties	Retail	Ventures	Head office	Total
31 December 2018					
Capital expenditure	(3,169)	(721)	(593)	(122)	**(4,605)**
31 December 2017					
Capital expenditure	(2,494)	(2,463)	(765)	(44)	**(5,766)**

For 2017, Retail's capital expenditure includes AED 1,792 million on acquisition of Retail Arabia, refer note 7.2.1.

8.2.4 Disaggregation of total assets by business

(AED in millions)	Properties	Retail	Ventures	Head office	Total
31 December 2018					
Total assets	48,707	7,808	3,883	338	60,736
Eliminations and adjustments					(376)
					60,360

(AED in millions)	Properties	Retail	Ventures	Head office	Total
31 December 2017					
Total assets	48,179	7,241	3,761	374	59,555
Eliminations and adjustments					(497)
					59,058

8.3 Segment revenue and assets by geography

	Total revenue		Total assets	
(AED in millions)	**2018**	**2017**	**2018**	**2017**
UAE (country of domicile)	17,390	17,187	42,340	41,838
Saudi Arabia	3,022	2,792	3,492	2,767
Qatar	2,586	2,517	676	765
Egypt	2,417	1,985	2,780	2,645
Oman	1,832	1,731	3,102	3,028
Bahrain	1,622	1,236	4,125	4,143
Jordan	1,484	1,387	353	363
Kuwait	1,266	853	728	587
Pakistan	835	825	258	315
Georgia	659	543	221	212
Lebanon	614	498	2,006	2,194
Kenya	506	296	157	112
Iraq	395	365	98	67
Armenia	27	22	23	18
Uganda	-	-	1	-
Kazakhastan	-	37	-	4
	34,655	**32,274**	**60,360**	**59,058**

9. REVENUE

9.1 Accounting policy

Revenue from contracts with customers

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

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

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

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

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

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

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

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

Sale of goods

Revenue from the sale of goods is recognised when the Group sells a product to the customer. Payment of the transaction price is due immediately when the customer purchases the goods and takes delivery in store.

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

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

Rebates and other supplier benefits

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

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

Listing and gondola fees

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

Opening fees

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

Commission

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

Loyalty programmes

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

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

Rental income

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

Services

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

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.

9.2

(AED in millions)	**2018**	**2017**
Revenue from contract with customers	30,867	28,608
Other revenue		
- Rental income	3,414	3,316
- Financial services revenue	374	350
	34,655	**32,274**

The nature and effect of initially applying IFRS 15 on the Group's consolidated financial statement are disclosed in note 5.1.1. Disclosures for disaggregation of revenue from contracts with customers are presented as part of operating segment disclosures in note 8.2.1.

10. COST OF SALES

10.1 Critical accounting estimate and judgement

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

10.2

(AED in millions)	**2018**	**2017**
Opening inventories	(2,304)	(1,689)
Purchases	(25,435)	(24,107)
Closing inventories	2,332	2,304
Supplier rebates and discounts	1,930	1,781
	(23,477)	**(21,711)**

11. OPERATING EXPENSES

(AED in millions)	**2018**	**2017**
Staff costs (note 11.1)	(3,397)	(3,152)
Depreciation and amortization	(1,503)	(1,377)
Utilities	(426)	(404)
Rent	(875)	(744)
Advertising, selling and marketing expenses	(289)	(336)
Legal and consultancy expenses	(164)	(247)
Bank charges	(184)	(168)
Repair and maintenance	(293)	(266)
Franchise and management fees	(157)	(156)
Security expenses	(145)	(126)
House keeping and cleaning	(100)	(93)
Business travel expenses	(47)	(44)
Insurance charges	(37)	(32)
Other general and administrative expenses	(346)	(511)
	(7,963)	**(7,656)**

* An impairment loss on trade receivables of AED 142 million in the year ended 2017 was reclassified from operating expenses to a separate line item on the consolidated statement of profit or loss in line with the requirements of IFRS 9.

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

(AED in millions)	**2018**	**2017**
Gratuity cost	(112)	(126)
Pension cost	(26)	(21)
Recharges to the Group companies (note 28.8)	68	53
Staff cost capitalised	169	132

11.2 The number of employees at 31 December 2018 was 42,568 (2017: 40,923).

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

12. FINANCE COSTS - NET

12.1 Accounting policy

Interest income and expense

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

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

Borrowing costs

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

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

12.2

	(AED in millions)	**2018**	**2017**
(i)	*Finance costs:*		
	Arrangement and participation fee	(43)	(52)
	Interest charges on bank loans	(545)	(550)
	Interest charges on related party balances	(19)	(19)
	Capitalized interest on development expenditure	147	91
		(460)	(530)
	Changes in the fair value/settlement of derivatives held as FVPL	(63)	(1)
	Cash flow hedges reclassified from hedging reserve	(11)	(16)
	Discounting of long term receivable balances	(10)	-
	Bond programme cost	(8)	(7)
		(552)	**(554)**
(ii)	*Finance income:*		
	Interest income on bank balances	53	49
	Interest income from operational financing	20	20
	Cash flow hedges reclassified from hedging reserve	25	15
	Changes in the fair value/settlement of derivatives held as FVPL	9	18
		107	**102**
		(445)	**(452)**

12.3 The capitalization rate used to determine the amount of borrowing cost eligible for capitalization varies from 4.62% to 20.23% (2017: 4.49% to 19.96%) depending on the effective interest rate over the tenure of the borrowing.

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

(AED in millions)	**2018**	**2017**
Effective portion of changes in fair value of cash flow hedges	28	8
Cash flow hedges reclassified to profit or loss - net	(14)	1
	14	**9**

13. OTHER EXPENSES - NET

(AED in millions)	**2018**	**2017**
Foreign exchange (loss)/gain - net	(11)	1
Fixed assets/project costs written off	(148)	(4)
Development expenses written off	(25)	(26)
Gain on transfer of investment in associate to a related party (note 18.3.1)	3	-
Gain/(loss) on disposal of non-current assets	3	(12)
Profit on sale of an associate	-	10
Other income/(expense)	46	(2)
	(132)	**(33)**

14. IMPAIRMENT

14.1 Accounting policy

14.1.1 *Non-financial assets*

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

14.1.2 *Financial assets*

Policy applicable from 1 January 2018

Financial instruments and contract assets

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

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

Loss allowances for trade receivables is always measured at an amount equal to lifetime ECLs.
When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information.
The Group assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due. For credit card customers, the significant increase in credit risk is based on following two trigger points:

- Receivables that are in greater than 30 days past due bucket; or
- Accounts that that have utilized their entire limit or are in over limit and are also categorized as high risk based on internal risk rating model.

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

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

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

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

Measurement of ECLs

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

For credit card receivables, the Group applies three-stage approach to measure allowance for credit losses, using an expected credit loss approach as required under IFRS 9. These receivable balances migrate through three stages based on the change in credit risk since initial recognition. ECL reflect the present value of all cash shortfalls related to default events either (i) over the following twelve months or (ii) over the expected life of a financial instrument depending on credit deterioration from inception.

- Under Stage 1, where there has not been a significant increase in credit risk since initial recognition, an amount equal to 12 months ECL will be recorded.
- Under Stage 2, where there has been a significant increase in credit risk since initial recognition but the financial instruments are not considered credit impaired, an amount equal to the default probability weighted lifetime ECL will be recorded.
- Under the Stage 3, where there is objective evidence of impairment at the reporting date these financial instruments will be classified as credit impaired and an amount equal to the lifetime ECL will be recorded for the financial assets.

IFRS 9 considers the calculation of ECL by multiplying the Probability of default (PD), Loss Given Default (LGD) and Exposure at Default (EAD). The Group has developed methodologies and models taking into account the relative size and quality credit card portfolio. These parameters are generally derived from internally developed statistical models and other historical data and are adjusted to reflect forward-looking information.

Macroeconomic factors, forward looking information and multiple scenarios

IFRS 9 requires an unbiased and probability weighted estimate of credit losses by evaluating a range of possible outcomes that incorporates forecasts of future economic conditions. Macroeconomic factors and forward looking information are required to be incorporated into the measurement of ECL as well as the determination of whether there has been a significant increase in credit risk since origination. Measurement of ECLs at each reporting period should reflect reasonable and supportable information at the reporting date about past events, current conditions and forecasts of future economic conditions.

Credit-impaired financial assets

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

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

Presentation of allowance for ECL on the statement of financial position

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

Write-off

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

Policy applicable before 1 January 2018

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

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

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

14.2 Critical accounting estimate and judgement for non-financial assets

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

14.3 IMPAIRMENT OF NON-FINANCIAL ASSETS

(AED in millions)	**2018**	**2017**
Impairment of property, plant and equipment:		
- Furniture and fixtures (note 14.3.1)	(130)	(61)
- Capital work in progress	-	(122)
Impairment of investment properties under construction (note 14.3.2)	(1,168)	(467)
Impairment of intangible assets		
- Goodwill (note 19.2)	(12)	(19)
- Other intangible assets (note 19.2)	(2)	(3)
Impairment of equity accounted investees		
- Joint ventures (note 14.3.3)	(260)	(73)
- Associate	(3)	(2)
Other impairment charges	(3)	(3)
Reversal of impairment of equity accounted investees (note 14.3.4)	174	-
Reversal of impairment of property, plant and equipment (note 14.3.5)	46	34
	(1,358)	**(716)**

14.3.1 Represents impairment loss on the assets of certain operating units (retail, leisure and entertainment, fashion and cinema) as the recoverable amount, which was estimated based on the value in use of the cash generating units, was lower than the carrying amount of the assets. A pre-tax discount rate specific to the country of operation of the retail business was used to derive the net present value of the future cash flows for retail stores.

For leisure and entertainment operating units pre-tax discount rates ranging from 10% to 13% and growth rates ranging from 0% to 10% were used. For fashion retail operating units discount rates of 10% and growth rates ranging from 3% to 5% were used. For cinema operating unit pre-tax discount rate of 13.5% and growth rate ranging from 3% to 5% was used.

14.3.2 During the year, a total impairment loss of AED 1,168 million (2017: AED 462 million) was recognized on three under construction Shopping Malls, referred to as CGU1, CGU2 and CGU3, as the carrying amount of each individual asset exceeded its recoverable amount. The primary reasons are the challenging economic environment resulting in changes in the forecasted net operating income, forecasted occupancy levels and deferrals of opening dates than earlier estimated.

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

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

Furthermore, the impairment test uses estimates of:

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

The recoverable amounts of the assets as at the reporting date amounted to AED 629 million (CGU1), AED 428 million (CGU2) and AED 861 million (CGU3). The discount rates used in estimation of the recoverable amounts were 9.8% (CGU1), 19.8% (CGU2) and 9.4% (CGU3) and yield rates of 9.50% and 8.00% for CGU2 and CGU3, respectively.

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

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

14.3.3 At the year-end, management reviewed the carrying value of its investments in joint ventures and assessed that the investments have been eroded due to adverse market and business conditions and, therefore, recognized a full impairment loss of AED 260 million (2017: AED 73 million) in the current year.

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

14.3.5 The reversal represents the balance after utilizing an impairment provision amounting to Nil (2017: AED 27 million). AED 46 million (2017: AED 34 million) was reversed due to improved performance and future projections of certain operating units.

14.4 IMPAIRMENT OF FINANCIAL ASSETS

(AED in millions)	**2018**	**2017**
Impairment loss on trade and other receivables (note 36.3)	(147)	(142)

15. TAX

15.1 Accounting policy

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

Current tax

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

Deferred tax

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

- temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss.

- temporary differences related to investments in subsidiaries, associates and joint arrangements to the extent that the Group is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future; and
- taxable temporary differences arising on the initial recognition of goodwill.

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

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

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

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

15.2 Tax charge - net

(AED in millions)	2018	2017
Current tax		
Current year	(72)	(57)
Adjustment for prior years	(4)	(1)
	(76)	**(58)**
Deferred tax		
Origination of temporary differences - net	18	(9)
Change in tax rates	-	6
	18	**(3)**
	(58)	**(61)**

15.3 Reconciliation of effective tax rate

(AED in millions)		2018		2017
(Loss)/profit after tax for the year		(4)		2,193
Income tax charge - net		(58)		(61)
Profit before tax for the year		**54**		**2,254**
Effect of tax rates in foreign jurisdictions	-133.33%	(72)	-2.44%	(55)
Non-deductible expenses	-	-	-0.09%	(2)
Deferred tax for temporary differences	33.33%	18	-0.40%	(9)
Change in tax rates	-	-	0.27%	6
Prior period adjustments	-7.41%	(4)	-0.04%	(1)
Total	**-107.41%**	**(58)**	**-2.71%**	**(61)**

15.4 Deferred tax assets

(AED in millions)	2018	2017
At 1 January	50	37
Recognized in profit or loss	22	12
Recognized in equity	1	-
Reclassified during the year (note 15.5)	(4)	-
Foreign currency translation difference from foreign operations	(1)	1
At 31 December	**68**	**50**

15.4.1 Deferred tax asset amounting to AED 47 million (2017: AED 39 million) is in respect of tax losses carried forward and temporary differences on depreciation of assets and provisions. Deferred tax asset of AED 21 million (2017: AED 11 million) has also been recognised on valuation losses on properties in Lebanon, where the tax rate is 17% (2017: 15%).

15.5 Deferred tax liabilities

(AED in millions)	**2018**	**2017**
At 1 January	110	81
Charged to profit or loss	4	15
(Credited)/charged to equity	(3)	13
Reclassified during the year (note 15.4)	(4)	-
Foreign currency translation difference from foreign operations	(1)	1
At 31 December	**106**	**110**

15.5.1 Deferred tax liability has been computed on the taxable temporary differences arising as a result of valuation gain/losses on properties in Egypt and Oman. The tax rates in these countries are 22.5% (2017: 22.5%) and 15% (2017: 15%) respectively.

16. TANGIBLE FIXED ASSETS

16.1 Accounting policy

16.1.1 Property, plant and equipment

Recognition and measurement

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

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

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

Subsequent cost

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

Depreciation

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

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

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

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

Revaluation reserve

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

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

De-recognition

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

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

16.1.2 Capital work in progress

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

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

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

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

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

16.1.3 Investment property

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

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

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

Reclassification

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

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

De-recognition

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

16.2 Critical accounting estimates and judgement

Classification of properties

Investment property - accounting for dual-use properties

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

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

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

Valuation and apportionment fair values between land and buildings

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

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

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

Estimation or forecast of cost to complete (CTC)

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

16.3 Measurement of fair values and valuation process

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

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

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

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

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

- The fair value measurement of property, plant and equipment of AED 7,671 million (2017: AED 7,823 million) has been categorized as a Level 3 fair value based on the inputs to the valuation technique used.
- The fair value measurement of investment properties of AED 37,309 million (2017: AED 36,305 million) has been categorized as a Level 3 fair value based on the inputs to the valuation technique used.

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

		Key unobservable inputs	
Class of asset		**2018**	**2017**
Shopping malls	Discount rates on income streams	9.75% to 27.50%	10.00% to 27.50%
	Equivalent yield	8.00% to 9.25%	8.00% to 9.25%
	Compound annual growth rates of net operating income	3.13%	3.59%
Hotels	Discount rate	10.25% to 11.75%	10.25% to 11.75%
	Compound annual growth rates of EBITDA	6.29%	5.98%

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

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

16.4 Property, plant and equipment

(AED in millions)	Land and buildings	Motor vehicles	Furniture fixtures and equipment	Capital work in progress	Total
Cost/valuation					
At 1 January 2017	**8,311**	**16**	**6,353**	**983**	**15,663**
Additions	111	-	468	1,313	**1,892**
Acquired in business combination (note 7.2)	-	2	247	5	**254**
Disposals/write offs/adjustments	(3)	(2)	(164)	(95)	**(264)**
Transfer from investment properties-net (note 16.5)	(553)	-	-	(18)	**(571)**
Transfer to intangible assets (note 19.2)	-	-	(20)	(4)	**(24)**
Transfer to a related party	-	-	-	(9)	**(9)**
Reclassification to assets held for sale (note 24)	-	-	(71)	(1)	**(72)**
Assets placed in service	-	-	962	(962)	**-**
Net gain on valuation of properties (note 16.4.2)	242	-	-	(118)	**124**
Accumulated depreciation and impairment eliminated on valuation	(458)	-	-	-	**(458)**
Effect of foreign exchange movements	2	-	(5)	1	**(2)**
At 1 January 2018	**7,652**	**16**	**7,770**	**1,095**	**16,533**
Additions	165	1	417	1,299	**1,882**
Disposals/write offs/adjustments	-	(3)	(125)	-	**(128)**
Transfer from investment properties-net (note 16.5 & 16.4.1)	150	-	-	-	**150**
Reclassification from assets held for sale	-	-	4	-	**4**
Transfer to a related party (note 28.8.3)	-	-	(26)	(63)	**(89)**
Assets placed in service	257	-	1,058	(1,315)	**-**
Net loss on valuation of properties (note 16.4.2)	(131)	-	-	-	**(131)**
Accumulated depreciation and impairment eliminated on valuation	(421)	-	-	-	**(421)**
Effect of foreign exchange movements	(1)	-	(64)	(5)	**(70)**
At 31 December 2018	**7,671**	**14**	**9,034**	**1,011**	**17,730**
Accumulated depreciation/impairment					
At 1 January 2017	**-**	**(8)**	**(3,823)**	**(52)**	**(3,883)**
Charged during the year	(458)	(2)	(786)	-	**(1,246)**
Impairment loss (note 14.3)	-	-	(61)	(122)	**(183)**
Reversal of impairment (note 14.3)	-	-	34	-	**34**
Acquired in business combination (note 7.2)	-	-	(33)	-	**(33)**
Transfer to intangible assets (note 19.2)	-	-	4	-	**4**
Reclassification to assets held for sale (note 24)	-	-	36	3	**39**
Accumulated depreciation and impairment eliminated on valuation	458	-	-	-	**458**
On disposals/write offs	-	2	146	30	**178**
Effect of foreign exchange movements	-	-	(1)	-	**(1)**
At 1 January 2018	**-**	**(8)**	**(4,484)**	**(141)**	**(4,633)**
Charged during the year	(421)	(2)	(880)	-	**(1,303)**
Impairment loss (note 14.3)	-	-	(130)	-	**(130)**
Reversal of impairment (note 14.3)	-	-	46	-	**46**
Impairment reversal against provision	-	-	-	6	**6**
Reclassification from assets held for sale	-	-	(4)	-	**(4)**
Transfer to a related party (note 28.8.3)	-	-	9	-	**9**
Accumulated depreciation and impairment eliminated on valuation	421	-	-	-	**421**
On disposals/write offs	-	1	84	-	**85**
Effect of foreign exchange movements	-	-	27	-	**27**
At 31 December 2018	**-**	**(9)**	**(5,332)**	**(135)**	**(5,476)**

(AED in millions)	Land and buildings	Motor vehicles	Furniture fixtures and equipment	Capital work in progress	Total
Carrying amounts					
At 31 December 2017	**7,652**	**8**	**3,286**	**954**	**11,900**
At 31 December 2018	**7,671**	**5**	**3,702**	**876**	**12,254**

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

- Net transfers amounted to AED 2 million from investment property to property, plant and equipment on account of increase in proportion of the portion of properties held for own use by the Group.
- The Group completed construction of shopping malls amounting to AED 139 million in Oman and AED 57 million in UAE. The shopping mall in Oman, constructed on lease hold land, cannot be split to be sold or finance leased separately, consequently the whole amount has been classified under property, plant and equipment. Of the AED 57 million for the shopping mall in UAE, AED 9 million representing own use portion, has been transferred to property plant and equipment.

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

(AED in millions)	2018	2017
(Loss)/gain recognized in revaluation reserve	(104)	344
Net loss recognized in profit or loss (note 16.5.1)	(27)	(220)
	(131)	**124**

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

(AED in millions)	2018	2017
Fair value of land and buildings	7,672	7,658
Less: adjustment for accrued operating lease income	(1)	(6)
Net adjusted fair value	**7,671**	**7,652**

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

	2018		2017	
(AED in millions)	Land	Buildings	Land	Buildings
Cost	723	6,361	695	5,897
Accumulated depreciation	-	(3,098)	-	(2,795)
Net carrying amount	**723**	**3,263**	**695**	**3,102**

16.5 Investment properties

(AED in millions)	Land-Undeveloped	Land and buildings	Capital work in progress	Total
Cost/revaluation				
At 1 January 2017	**1,413**	**28,266**	**3,425**	**33,104**
Additions	-	519	1,811	**2,330**
Acquired in business combination (note 7.2)	-	30	-	**30**
Net valuation (loss)/gain recognized in profit or loss (note 16.5.1)	-	729	(6)	**723**
Assets placed in service	-	1,533	(1,533)	**-**
Transfer from property, plant and equipment-net (note 16.4)	-	553	18	**571**
Transfer to capital capital work in progress on commencement of development	(96)	-	96	**-**
Impairment loss (note 14.3)	-	-	(467)	**(467)**
Effect of foreign exchange movements	-	8	6	**14**
At 31 December 2017	**1,317**	**31,638**	**3,350**	**36,305**

(AED in millions)	Land-Undeveloped	Land and buildings	Capital work in progress	Total
Cost/valuation				
At 1 January 2018	**1,317**	**31,638**	**3,350**	**36,305**
Additions	274	520	2,437	**3,231**
Net valuation loss recognized in profit or loss (note 16.5.1)	-	(961)	(178)	**(1,139)**
Assets placed in service	-	196	(196)	**-**
Transfer to property, plant and equipment-net (note 16.4)	-	(150)	-	**(150)**
Transfer from development properties (note 17.2)	243	-	-	**243**
Reclassification	26	-	(26)	**-**
Impairment loss (note 14.3)	-	-	(1,168)	**(1,168)**
Effect of foreign exchange movements	-	(9)	(4)	**(13)**
At 31 December 2018	**1,860**	**31,234**	**4,215**	**37,309**

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

(AED in millions)	2018	2017
Net loss taken on valuation of property, plant and equipment (note 16.4.2)	(27)	(220)
(Loss)/gain on valuation of investment properties	(1,139)	723
	(1,166)	**503**

16.5.2 Rental income derived from investment properties during the current year is AED 3,414 million (2017: AED 3,316 million). The direct operating expenses arising from investment property that generated rental income during the current year amounted to AED 999 million (2017: AED 936 million).

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

(AED in millions)	2018	2017
Fair value of land and buildings	31,452	31,846
Less: adjustment for accrued operating lease income	(218)	(208)
Net adjusted fair value	**31,234**	**31,638**

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

16.5.5 The carrying value of properties (including property, plant and equipment) mortgaged against bank loans aggregates to AED 1,249 million (2017: AED 2,204 million).

16.5.6 Capital work in progress includes an under construction mall in Oman fair valued at AED 157 million.

17. DEVELOPMENT PROPERTIES

17.1 Accounting policy

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

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

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

17.2

(AED in millions)	2018	2017
At 1 January	251	245
Additions during the year	-	6
Written-off during the year	(8)	-
Transferred to investment property (note 16.5)	(243)	-
	-	**251**

18. EQUITY-ACCOUNTED INVESTEES

18.1 Accounting policy

Interests in equity-accounted investees: Associates and Joint ventures

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

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

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

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

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

Interests in joint arrangements

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

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

18.2

(AED in millions)	**2018**	**2017**
Investment in associates (note 18.3)	61	131
Investment in joint ventures (note 18.4)	813	923
	874	**1,054**

18.3 Investment in associates

(AED in millions)	**2018**	**2017**
At 1 January	131	63
Additions during the year	2	83
Transfer to related party during the year (note 18.3.1)	(81)	-
Share of profit accounted through profit or loss	27	11
Share of other comprehensive income of equity accounted investees	-	(1)
Dividend income received	(15)	(23)
Impairment charge (notes 14.3)	(3)	(2)
	61	**131**

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

During the current year, via a share transfer agreement , the Group transferred its investment, represented by 699,869 ordinary and 1,2017,319 preference shares in MENA 360 Holding Limited to Majid Al Futtaim Technology LLC (a fellow subsidiary) for USD 22 million (AED 81 million) and recognized a gain of AED 3 million on transfer (note 28.3).

18.3.2 Details of Group's associates are as follows:

Name of associate	Country of incorporation	Nature of business	Effective ownership 2018	Effective ownership 2017
Enova Facilities Management	United Arab Emirates	Facilities management services	51%	51%
Hollister Fashion LLC	United Arab Emirates	Fashion retailer	51%	51%
MENA 360 Holding Limited	Cayman Islands	Logistics	-	15.9%

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

(AED in millions)	2018	2017
Total assets	338	369
Total liabilities	(236)	(239)
Net assets	**102**	**130**
Group's share in net assets of the investee at year end	**52**	**71**
Goodwill adjustment	9	60
Carrying amount of interest in all the associates at the year end	**61**	**131**
Revenue	638	646
Profit/(loss) for the year	42	(35)
Share of profit for the year	**27**	**11**

18.4 Investment in joint ventures

(AED in millions)	2018	2017
At 1 January	923	1,185
Effect of change in accounting policy (note 5.1.1)	115	-
	1,038	**1,185**
Additions/reclassifications during the year (note 18.4.1)	51	25
Transfer to due from related parties (note 28.5)	-	(392)
Share of profit accounted through profit or loss (note 18.4.4)	60	176
Dividend income received	(54)	-
Impairment charge (note 14.3)	(260)	(73)
Reclassification to assets held for sale (note 18.4.2)	(29)	-
Foreign currency translation differences from foreign operations	7	2
	813	**923**

18.4.1 Investment amounts in various entities include capital contributions made by the Group in its capacity as a shareholder. These balances are unsecured and interest free in nature and will not be called for repayment, except at the sole discretion of the joint venture entities. During the current year, the Group has made an investment in Al Jazira City Center LLC of AED 25 million (2017: AED 25 million) and reclassifed a portion of short term loan to Sharjah Holding Co. PJSC of AED 26 million (2017: Nil).

18.4.2 During the year, the Group entered into a sale agreement with it's joint venture partner for sale of their joint venture in UAE and accordingly classified the investment as an asset held for sale at the reporting date (note 24.2).

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

Name of joint venture	Country of incorporation	Nature of business	Effective ownership 2018	Effective ownership 2017
Sharjah Holding Co. PJSC	United Arab Emirates	Property developer	50%	50%
Waterfront City SARL	Lebanon	Property developer	50%	50%
Al Mouj Muscat S.A.O.C	Oman	Property developer	50%	50%

Name of joint venture	Country of incorporation	Nature of business	Effective ownership 2018	Effective ownership 2017
The Egypt Emirates Mall Group SAE	Egypt	Property developer	50%	50%
Gourmet Gulf Co. LLC (note 24.2)	United Arab Emirates	Food and Beverage	50.66%	50.66%
Al Mamzar Island Development LLC	United Arab Emirates	Property developer	50%	50%
Al Jazira City Centre LLC	United Arab Emirates	Property developer	50%	50%

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

(AED in millions)	UAE	Other GCC	Others	Total
31 December 2018				
Non-current assets	458	553	721	**1,732**
Current assets	2,713	2,359	803	**5,875**
Current liabilities	(2,336)	(1,263)	(1,118)	**(4,717)**
Non-current liabilities	(26)	(665)	(9)	**(700)**
Net assets	**809**	**984**	**397**	**2,190**
Carrying amount of interest in the investee at the year end*	**404**	**405**	**4**	**813**
Revenue	518	614	194	**1,326**
Profit for the year	12	73	34	**119**
Share of profit for the year	**8**	**36**	**16**	**60**
Impairment provision for the year (note 14.3)	**(49)**	**(86)**	**(125)**	**(260)**
31 December 2017				
Non-current assets	367	406	173	**946**
Current assets	2,533	2,337	1,659	**6,529**
Current liabilities	(2,122)	(1,263)	(1,116)	**(4,501)**
Non-current liabilities	(120)	(752)	(579)	**(1,451)**
Net assets	**658**	**728**	**137**	**1,523**
Carrying amount of interest in the investee at the year end*	**401**	**450**	**72**	**923**
Revenue	261	284	1,301	**1,846**
(Loss)/profit for the year	(30)	65	320	**355**
Share of profit for the year	**(16)**	**32**	**160**	**176**
Impairment provision for the year (note 14.3)	**-**	**-**	**(73)**	**(73)**

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

** The results and share of profit for the year for 2018 includes results of Gourmet Gulf, which is classified as held for sale at year-end.

19. INTANGIBLE ASSETS AND GOODWILL

19.1 Accounting policy

Goodwill

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

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

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

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

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

Other intangible assets

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

Amortization

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

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

19.2

(AED in millions)	**Goodwill**	**Others**	**Total**
Cost			
At 1 January 2017	**299**	**359**	**658**
Additions	-	109	**109**
Acquired in business combination (note 7.2)	1,048	23	**1,071**
Adjustment on finalization of purchase price allocation	2	-	**2**
Transfer from property, plant and equipment (note 16.4)	-	24	**24**
Disposals/write offs/adjustments		(2)	**(2)**
Reclassification adjustments on finalization of purchase price allocation	(28)	28	**-**
Reclassification to assets held for sale	-	(1)	**(1)**
At 1 January 2018	**1,321**	**540**	**1,861**
Additions	-	117	**117**
Effect of foreign exchange movements (note 7.2)	(1)	-	**(1)**
At 31 December 2018	**1,320**	**657**	**1,977**
Accumulated amortization/impairment			
At 1 January 2017	**(3)**	**(201)**	**(204)**
Charge for the year	-	(76)	**(76)**
Impairment loss (note 14.3)	(19)	(3)	**(22)**
On disposals/write offs	-	1	**1**
Reclassification to assets held for sale	-	1	**1**
On transfers from property, plant and equipment (note 16.4)	-	(4)	**(4)**
At 1 January 2018	**(22)**	**(282)**	**(304)**
Charge for the year	-	(103)	**(103)**
Impairment loss (note 14.3 and 19.4)	(12)	(2)	**(14)**
At 31 December 2018	**(34)**	**(387)**	**(421)**
Carrying amounts			
At 31 December 2017	**1,299**	**258**	**1,557**
At 31 December 2018	**1,286**	**270**	**1,556**

19.3 Others also include intangible assets in respect of metro naming rights. In 2008, the Group entered into an agreement with a Government entity in the UAE to acquire naming rights for two stations of Dubai Metro for a period of 10 years commencing from 2009, when the Metro became operational. Based on the present value of the future payments to be made, an intangible asset has been recorded which is being amortized over the contract period using the incremental borrowing cost of the Group at that time of 4.5% p.a and a corresponding long term liability was recorded (note 27.2).

19.4 The management has carried out impairment tests for goodwill acquired through business combinations. Management has estimated the recoverable amount of the assets based on a value in use calculation and accordingly, recognized an impairment loss of AED 12 million (2017: AED 19 million) on goodwill. Assumptions and judgements related to cash flow projections and discount rates for business combinations carried out in 2017 are disclosed in note 7.2.1.

20. OTHER NON-CURRENT ASSETS

(AED in millions)	**2018**	**2017**
Long term portion of:		
- Advances and deposits (note 22)	260	436
- Accrued income on operating leases (note 22)	149	152
- Prepaid rentals (note 22)	12	14
Long term prepaid lease premium (note 20.1)	438	540
Other long term receivables - net	30	39
	889	**1,181**

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

21. INVENTORIES

21.1 Accounting policy

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

The Group reviews its inventories to assess loss on account of obsolescence on a regular basis. In determining whether provision for obsolescence should be recorded in the profit or loss, the Group makes judgments as to whether there is any observable data indicating that there is any future saleability of the product and the net realizable value for such product. Accordingly, provision is made where the net realizable value of inventories is less than cost based on best estimates by the management. The provision for obsolescence of inventory is based on the ageing and past movement of the inventory.

21.2

(AED in millions)	**2018**	**2017**
Inventory held for sale (net of provisions)	2,457	2,410
Reduction in cost from incidence of rebates and discounts	(169)	(169)
Goods in transit	13	34
Spares and consumables	31	29
	2,332	**2,304**

Provision for stock obsolescence as at the year end amounted to AED 72 million (2017: AED 58 million).

22. TRADE AND OTHER RECEIVABLES

(AED in millions)	**2018**	**2017**
Trade receivables	1,397	1,406
Advances and deposits	1,007	1,099
Prepayments	588	511
Accrued income on operating leases	219	214
Positive fair value of derivatives	33	58
Other receivables	102	32
	3,346	**3,320**
Provision for loss allowances (note 36.3)	(176)	(166)
	3,170	**3,154**
Less: long term portion (note 20)	(421)	(602)
Current portion	**2,749**	**2,552**

23. CASH IN HAND AND AT BANK

23.1 Accounting policy

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

23.2

(AED in millions)	2018	2017
Cash in hand	171	215
Fixed deposits	489	388
Cash at bank	856	528
	1,516	**1,131**

23.3 Cash in hand mainly represents daily sales takings at stores not deposited, the cash in operation at the central cashier office and petty cash.

23.4 Fixed deposits are obtained at prevailing market interest rates.

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

(AED in millions)	2018	2017
Cash in hand and at bank	1,516	1,131
Less: fixed deposits with an original maturity of more than three months	(196)	(107)
Less: bank overdraft	(92)	(130)
	1,228	**894**

24. ASSETS CLASSIFIED AS HELD FOR SALE

24.1 In December 2017, the Group classified assets (AED 53 million) and liabilities (AED 13 million) of its healthcare clinics as held for sale. In June 2018 the Group disposed off fixed assets and stock of two clinics for a consideration of AED 35 million. The remaining assets and liabilities were assumed by the Group.

24.2 During the year, the Group entered into a share purchase agreement with its joint venture partner for sale of Group's entire stake in Gourmet Gulf. The sale has not concluded at the reporting date and accordingly, the investment has been classified as held for sale (note 18.4.2).

25. TRADE AND OTHER PAYABLES

(AED in millions)	2018	2017
Trade payables	4,548	4,395
Accruals	2,114	2,023
Retentions payable	411	258
Tax payable	138	132
Negative fair value of derivatives	107	103
Other payables	288	218
	7,606	**7,129**

26. PROVISIONS

26.1 Accounting policy

26.1.1 Provisions

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

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

26.1.2 Short term employee benefits

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

26.1.3 Long term employee benefits

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

26.2

(AED in millions)	**2018**	**2017**
Bonus provisions (note 26.3)	245	286
Other provisions (note 26.4)	116	144
	361	**430**
Non-current	69	50
Current	292	380
	361	**430**

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

(AED in millions)	**2018**	**2017**
At 1 January	286	243
Additions during the year	209	269
Payments/transfers/reversals made during the year	(250)	(226)
At 31 December	**245**	**286**
Less: Current portion	(176)	(236)
Non-current portion	**69**	**50**

The provision for bonus includes AED 69 million (2017: AED 67 million) in respect of deferred bonus plan for the senior management staff of the Group, and its not expected to be paid within twelve months from the reporting date.

26.4 Provisions movement during the year:

(AED in millions)	**2018**	**2017**
At 1 January	144	129
Charge during the year	44	58
Payments/adjustments made during the year	(72)	(43)
Currency translation adjustments	-	-
At 31 December	**116**	**144**
Less: Current portion	(116)	(144)
Non-current portion	**-**	-

27. OTHER LIABILITIES

(AED in millions)	**2018**	**2017**
Advance receipts	1,019	938
Unearned rental income	789	878
Accrued lease rentals	269	218
Deferred consideration (note 27.1)	137	161
Deferred liability (note 27.2)	-	11
Other liabilities	-	1
	2,214	**2,207**
Non-current	368	341
Current	1,846	1,866
	2,214	**2,207**

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

(AED in millions)	**2018**	**2017**
At 1 January	161	184
Interest accrued during the year	15	17
Payments made during the year	(39)	(40)
At 31 December	**137**	**161**
Less: Current portion	(38)	(39)
Non-current portion	**99**	**122**

27.2 The movement in the deferred liability is as follows:

(AED in millions)	**2018**	**2017**
At 1 January	11	20
Interest accrued during the year	-	1
Payments made during the year	(11)	(10)
At 31 December	**-**	**11**
Less: Current portion	-	(11)
Non-current portion	**-**	**-**

Also refer to note 19.3.

28. RELATED PARTY TRANSACTIONS AND BALANCES

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

28.1 Long term receivables from related parties

(AED in millions)	**2018**	**2017**
Receivable from joint ventures (note 28.1.1)	23	13
Receivable from a minority shareholder (note 28.1.2)	16	16
Receivable from a joint operator	1	2
	40	**31**

28.1.1 During the current year, the Group entered into an agreement with its joint venture partner and restructured terms of AED 10 million loan. The outstanding loan along with the accumulated interest is payable two calendar years and one day after the execution of sale and purchase agreement (note 24.2). Accordingly, the loan is classified as long term on discounted value.

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

28.2 Short term loans to related parties

(AED in millions)	**2018**	**2017**
Receivable from joint ventures (note 28.2.1)	68	81
Receivable from an associate	-	11
	68	**92**

28.2.1 These short term loans to joint ventures include:

- AED 24 million (2017: AED 45 million) receivable from a joint venture in UAE and AED 25 million (2017: 25 million) from a joint venture in Egypt and AED 19 million (2017: Nil) from a joint venture in Oman.
- During the year, the Group's short term loan to a joint venture in UAE of AED 11 million was reclassified to long term (note 28.1.1).

28.3 Short term loan from a related party

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

(AED in millions)	**2018**	**2017**
At 1 January	21	2
Borrowed during the year	202	181
Repaid during the year	(1,277)	(532)
Settlement on transfer of MENA 360 to a fellow subsidiary (note 18.3.1)	(81)	-
Adjusted for share capital injection (note 34.2.1)	(184)	-
Adjusted for dividend settlement	1,360	370
At 31 December	**41**	**21**

28.4 Long term loan from related parties

Long term loans from related parties include:

- An un-secured loan amounting to AED 30 million (2017: AED 30 million) obtained by a Group's subsidiary from it's non-controlling shareholder repayable upon the fifth anniversary of the agreement dated August 2015.
- AED 1 million (2017: AED 1 million) loan is obtained by a Group's joint operation from a joint operator.

28.5 Due from related parties

(AED in millions)	**2018**	**2017**
Parent company	88	56
Subsidiaries of the parent company	89	60
Joint ventures	470	474
Associates	1	1
Others	34	33
	682	**624**
Provision for doubtful receivables	(6)	(27)
	676	**597**

28.6 Due to related parties

(AED in millions)	**2018**	**2017**
Others	**41**	**41**

28.7 Compensation to key management personnel

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

(AED in millions)	**2018**	**2017**
Directors’ fees and expenses	18	17
Employee benefits (salaries and allowances including provision for bonus)	94	106
Post employment benefits (provision for end of service benefits)	4	6
	116	**129**

28.8 Other transactions with related parties during the year

28.8.1 During the year, the Parent Company has borne a proportion of costs, amounting to AED 15 million (2017: AED 13 million), incurred in respect of operations of the Leadership Institute.

28.8.2 During the year, certain projects and activities were undertaken on behalf of the Parent Company. Accordingly, costs relating to such projects and proportion of management time and travel costs, amounting to AED 104 million (2017: AED 37 million), incurred on these projects have been cross charged to the Parent Company. Service recharges amounting to AED 6 million (2017: AED 3 million) were charged to other group companies of the Parent Company.

28.8.3 Assets with net book value of AED 80 million, pertaining to certain projects and activities undertaken on behalf of the Parent Company were transferred to a subsidiary of the parent company.

29. BANK OVERDRAFT

(AED in millions)	2018	2017
Bank overdraft	92	130

In the ordinary course of business, companies within the Group use overdraft facilities from banks on market rate interest. The Group has bank overdraft facilities aggregating to AED 1,167 million (2017: AED 1,120 million). The facilities carry interest at 0.75% - 3.50% above the base lending equivalent and the drawn amounts are repayable on demand.

30. SHORT TERM LOAN

(AED in millions)	2018	2017
At 1 January	55	51
Borrowed during the year	1,818	2,395
Repaid during the year	(1,800)	(2,391)
	73	**55**

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

31. LONG TERM LOANS

(AED in millions)	2018	2017
At 1 January	11,194	10,275
Borrowed during the year	9,678	5,967
Assumed on a business combination (note 7.2.1)	-	103
Repaid during the year	(7,055)	(5,137)
Interest capitalized as part of loan principal	60	11
Fair value movement	(54)	(13)
Net movement in unamortized arrangement and agency fee	(35)	(18)
Currency translation adjustment	(2)	6
	13,786	**11,194**
Less: Current maturity of long term loans	(1,973)	(326)
Non-current portion	**11,813**	**10,868**

31.1 The floating rate loans carry margins ranging from 1% to 4.1% (2017: 1% to 4.1%) per annum over the base lending rate, whilst fixed rate on loans ranges from 4.5% to 5.25% (2017: 4.5% to 5.25%). For loans obtained in the UAE, the base lending rate used is EIBOR/LIBOR while loans obtained by overseas subsidiaries an appropriate base lending rate prevailing in the related markets is used.

31.2 The details of long term loans are mentioned below:

(AED in millions)

Loan facility 'in millions	Repayment interval	Repayment commencing	Maturity date	Note	31 December 2018	31 December 2017
AED 225	Semi-annual	29-Sep-13	22-Mar-20	31.3	40	67
USD 45	Semi-annual	5-Nov-15	5-Nov-18	31.4	-	13
USD 8.3	Annual	27-Sep-16	27-Sep-18	31.4	-	8
LBP 170,633	Annual	20-Mar-16	20-Sep-22	31.4	309	349
EGP 2,500	Unequal installments every year	28-Sep-21	28-Sep-30	31.5	275	137
OMR 175	Unequal installments every year	31-Dec-20	30-Sep-30	31.6	504	55
KES 1,530	Semi-annual	31-Dec-18	15-Mar-20	31.7	22	30
GEL 10.9	Semi-annual	17-Mar-18	17-Mar-21	31.7	13	16
PKR 1,850	Quarterly	6-Aug-18	6-May-21	31.8	41	61
USD 500	Bullet	NA	3-Nov-25	31.9	1,800	1,810
USD 560	Revolver	NA	26-Feb-23		398	218
AED 3,562	Revolver	NA	26-Feb-23		688	906
USD 500	Bullet	NA	5-Jul-19	31.10	1,836	1,835
USD 800	Bullet	NA	7-May-24	31.10	2,934	2,984
USD 100	Revolver	NA	30-Sep-23		366	220
USD 350	Revolver	NA	24-Sep-24		1,279	2,145
AED 2,387	Revolver	NA	24-Sep-24		2,326	-
USD 655	Revolver	NA	23-Jan-25		955	340
AED 1,267	Revolver	NA	23-Jan-25		-	-
					13,786	**11,194**

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

31.4 These loan facilities were obtained by a subsidiary in Lebanon during 2011 and are secured by way of a first ranking charge over the plot on which a shopping mall is constructed and the assignment of lease rentals of the shopping mall. The USD 45 million and USD 8.3 million facilities were fully repaid during 2018.

31.5 In 2016, a loan facility of EGP 2,500 million was obtained by a subsidiary in Egypt in relation to the construction of a shopping mall, which is secured by assignment of lease proceeds and insurance contracts.

31.6 In 2017, a loan facility of OMR 175 million was obtained by a subsidiary in Oman in relation to the construction of a shopping mall, which is secured by first degree mortgage on usufruct rights on the leasehold land, assignment of lease proceeds, insurance and construction contracts.

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

31.8 During 2016, a term loan facility of PKR 1,850 million was obtained by a subsidiary in Pakistan, which is secured by a bank guarantee issued to lending bank amounting to PKR 1,575 million and a charge on inventory amounting to PKR 500 million.

31.9 In 2015, the size of the Sukuk Trust Certificate Issuance Program was increased to USD 1,500 million, from USD 1,000 million, and the structure of the Program was amended to incorporate a Commodity Murabaha Investment option within the "Wakala" structure.

In November 2015, the Group issued ten year Sukuk certificates ("bonds") under its Sukuk Program dated 8 October 2015, raising USD 500 million (AED 1,836.5 million). The ten year senior unsecured bonds issued in November under this program are listed on the NASDAQ Dubai, UAE and on the Irish Stock Exchange. The terms of the arrangement include payment to the Group for the purchase of an Asset Portfolio by MAF Sukuk Ltd, the Issuer, and the purchase of a Commodity Murabaha Investment for a deferred sale price. The Asset Portfolio, the Commodity Murabaha Investment and all other rights arising under or with respect to such asset portfolio and the Commodity Murabaha Investment shall comprise the "Wakala Portfolio".

In substance, the Wakala Portfolio remains in control of the Group and shall continue to be serviced by the Group. The bond holders have no recourse to the assets. These bonds bear a fixed profit rate of 4.5% per annum on a semi-annual basis to be serviced from returns generated from the Wakala Portfolio.

The Sukuk Program was originally listed on the London Stock Exchange in 2012. All subsequent updates of the program since then, have been listed on the Irish Stock Exchange and on the NASDAQ Dubai, UAE. Of the total amount raised under the Sukuk Program, USD 200 million (2017: USD 200 million) is hedged by interest rate swaps and accordingly, carried at fair value.

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

31.10 In July 2012, under the USD 2,000 million Global Medium Term Note (GMTN) Program (increased to USD 3,000 million in 2015), the Group had issued seven year fixed rate unsecured bonds of USD 500 million (AED 1,837 million), ten year fixed rate unsecured bonds in May 2014 of USD 500 million (AED 1,837 million) and additional USD 300 million (AED 1,102 million) as part of May 2014 issue in July 2016. The bonds carry coupon rates ranging from 4.75% to 5.25% per annum, payable every six months. The bonds issued in July 2012 are listed on London and NASDAQ Dubai, UAE Stock Exchanges and bonds issued in May 2014 are listed on NASDAQ Dubai, UAE and Irish Stock Exchanges. In addition the GMTN Program was originally listed on the London Stock Exchange in 2011. All subsequent updates have been listed on Irish Stock Exchange and on NASDAQ Dubai, UAE. Of the total amount raised under the GMTN Program, USD 375 million (2017: USD 625 million) is hedged by interest rate swaps and accordingly, carried at fair value.

USD 500 million seven year bonds issued in July 2012 are maturing in July 2019 and accordingly have been classified under current portion of long term loans in these consolidated financial statements.

32. LEASES

32.1 Accounting policy

Determining whether an arrangement contains a lease

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

Leased assets

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

Lease payments

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

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

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

32.2 FINANCE LEASE LIABILITIES

(AED in millions)	**2018**	**2017**
Finance lease obligations	44	47
Non-current	44	47
Current	-	-
	44	**47**

32.2.1 Finance lease liabilities are as follows:

	Future minimum lease payments		Interest		Present value of minimum lease payments	
(AED in millions)	**2018**	**2017**	**2018**	**2017**	**2018**	**2017**
Less than one year	2	2	2	2	-	-
Between one and five years	17	15	17	15	-	-
More than five years	212	217	168	170	44	47
	231	**234**	**187**	**187**	**44**	**47**

The imputed finance cost on the finance lease liabilities was determined based on Group's subsidiaries incremental borrowing rate of 9.5% - 9.8% (2017: 0.3% - 10%).

32.3 OPERATING LEASE COMMITMENTS

32.3.1 Leases as a lessor

Operating leases relate to the investment property owned by the Group with lease terms typically between 3 to 10 years, with an option to extend. The Group leases out its property under operating leases as lessor. Non-cancellable operating lease rentals are receivable as follows:

(AED in millions)	**2018**	**2017**
Less than one year	2,486	2,467
Between one and five years	3,726	4,137
More than five years	665	218
	6,877	**6,822**

32.3.2 Leases as a lessee

(AED in millions)	**2018**	**2017**
Less than one year	727	671
Between one and five years	2,266	2,344
More than five years	3,035	3,231
	6,028	**6,246**

The Group leases a number of stores, staff accommodation, warehouses and office facilities under operating leases. Lease terms and rental calculations vary significantly between different lease agreements. The Group also has contingencies based on percentage of revenue for its operating leases in Retail and Ventures business.

33. POST EMPLOYMENT BENEFIT OBLIGATIONS

33.1 Accounting policy

33.1.1 Defined benefit plan

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

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

	2018	*2017*
Discount rate	4.00% - 4.30%	3.00% - 4.50%
Future salary increase	2.50% - 5.00%	3% - 5%

33.1.1 Defined contribution plan

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

33.2

(AED in millions)	**2018**	**2017**
Defined benefit plan	722	672
Defined contribution plan	3	4
	725	**676**

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

(AED in millions)	**2018**	**2017**
At 1 January	672	546
Charge during the year	112	126
Payments made during the year	(60)	(35)
Addition on acquisition of a subsidiary (note 7.2.1)	-	38
Reclassification to liabilities directly associated with assets held for sale (note 24.1)	-	(3)
Currency translation adjustment	(2)	-
At 31 December	**722**	**672**

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

(AED in millions)	**2018**	**2017**
Total expense recognized in profit or loss during the year	26	22
Contributions payable at the end of the reporting year	3	4

34. SHARE CAPITAL AND RESERVES

34.1 Accounting policy

The Group classifies capital instruments as financial liabilities or equity instruments in accordance with the substance of the contractual terms of the instruments. Incremental costs directly attributable to the issue of an equity instrument are deducted from the initial measurement of the equity instruments.

34.2 Share capital

(AED in millions)	**2018**	**2017**
Issued and fully paid 2,670,729 (2017: 2,486,729) shares of AED 1,000 each	**2,671**	**2,487**

34.2.1 During the year, the ultimate shareholder of the Group approved issue of additional 184,000 shares at par value. The issued shares of the Company were subscribed by the Parent Company and Majid Al Futtaim Trust LLC (subsidiary of the Parent Company). The increase of the share capital was adjusted against the short term loan from the Parent Company (note 28.3).

34.3 During the year, a dividend of AED 1,360 million (2017: 370 million) was declared and settled by the Company.

34.4 Statutory reserve

In accordance with the respective Articles of Association of the entities within the Group and relevant local laws, 10% of the net profit for the year of the individual entities to which law is applicable is transferred to a statutory reserve. Such transfers may be discontinued when the reserve equals the limit prescribed by the relevant laws applicable to the individual entities. This reserve can be utilized only in the manner specified under the relevant laws and is not available for distribution.

34.5 Hedging reserve

The hedging reserve comprises the effective portion of the cumulative net change in the fair value of cash flow hedges related to hedged transactions that have not yet occurred.

34.6 Currency translation reserve

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

35. HYBRID EQUITY INSTRUMENTS

(AED in millions)

Hybrid Perpetual Note Instruments	Amount	Interest rate	Call date	Reset terms	2018	2017
October 2013	Nil (2017: USD 500 million)	7.125% payable semi-annually in arrears	29-Oct-18	5 years to a new fixed rate plus the margin	-	1,826
March 2017	USD 500 million (2017: USD 500 million)	5.5% payable semi-annually in arrears	7-Sep-22	5.5 years to first reset, thereafter 5 years and a	1,828	1,828
March 2018	USD 400 million	6.375% payable semi-annually in arrears	20-Mar-26	8 years to first reset, thereafter 5 years and a new fixed rate plus the margin	1,464	-
					3,292	**3,654**

During the year, the Group repurchased Hybrid Perpetual Notes issued in October 2013, with par value USD 500 million in two different transactions. USD 395 million (AED 1,452 million) was repurchased for USD 405 million (AED 1,488 million) in March 2018 and USD 105 million (AED 386 million) at par in October 2018 on its first call date. The repurchase has been partially financed through issuance of USD 400 million (AED 1,469 million) perpetual notes issued in March 2018. USD 10 million (AED 36 million) premium paid on repurchase of these Notes has been recognized in the retained earnings. The associated transaction costs against the repurchased perpetual notes amounting to AED 11 million has been reclassified from hybrid equity instruments and charged to retained earnings.

The Group may elect at its sole and absolute discretion not to pay interest on interest payment dates. Pursuant to the requirements of IAS 32 and the terms/conditions, these are classified as equity net of transaction costs amounting to AED 14 million (2017: AED 19 million). These hybrid prepetual note instruments are listed on the Irish Stock Exchange.

During the year, the Group paid coupon amounting to AED 216 million (2017: AED 181 million).

36. FINANCIAL INSTRUMENTS

Financial assets of the Group include cash at bank, trade and other receivables, amounts due from related parties, positive fair value of derivative financial instruments held as cash flow hedges and accounted for as FVPL, short term loans, and long term loans, advances and receivables. Financial liabilities of the Group include amounts due to related parties, negative fair value of derivative financial instruments held as cash flow hedges and accounted for as FVPL, short term loans, bank overdraft, long term loans and trade and other payables.

36.1 Accounting policy

36.1.1 Non-derivative financial assets

Classification and subsequent measurement (policy applicable from 1 January 2018)

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

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

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

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

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

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

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

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

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

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

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

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

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

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

Subsequent measurement and gains and losses (policy applicable from 1 January 2018)

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

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

Classification and subsequent measurement (policy applicable before 1 January 2018)

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

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

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

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

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

De-recognition

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

36.1.2 Non-derivative financial liabilities

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

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

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

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

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

36.1.3 Derivative financial instruments and hedge accounting

Classification

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

Initial and subsequent measurement

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

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

Gains and losses on subsequent measurement

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

Hedging instruments

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

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

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

Hedge documentation

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

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

Hedge effectiveness testing

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

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

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

Fair value hedges

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

Cash flow hedges

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

Discontinuance of hedge accounting

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

Hedges that do not qualify for hedge accounting

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

36.2 Financial risk management objectives and policies

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

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

36.3 Credit risk

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

The operating subsidiaries have a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. Majority of the Group's income is by way of cash and advance receipts and are supported by a deposit equivalent to one month's advance rental. Credit evaluations are performed on all customers requiring credit over a certain amount. The Group has a broad base of customers with no significant concentration of credit risk within trade receivables at 31 December 2018 and 31 December 2017. Cash is placed with a diversified portfolio of reputable banks and the risk of default is considered remote. Management has assessed the recoverability of its trade receivables as at the reporting date and considers them to be recoverable. Amounts due from related parties are considered by management to be fully recoverable. All non-current receivables are due within five years of the reporting date and the fair values of trade and other receivables approximate to the carrying value.

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

(AED in millions)	**2018**	**2017**
Long term loan, advances and receivables	300	467
Trade receivables (note 22)	1,397	1,406
Other current receivables	882	753
Due from related parties	676	597
Cash at bank	1,345	916
	4,600	**4,139**

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

(AED in millions)	**2018**	**2017**
Current balance	876	1,031
Past due 1 - 30 days	102	24
Past due 31 - 90 days	81	100
Past due 91 - 180 days	137	98
Past due over 180 days	201	153
	1,397	**1,406**
Less: provision for doubtful debts	(176)	(166)
	1,221	**1,240**

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

(AED in millions)	**2018**	**2017**
Impairment loss on trade receivables (excluding credit card receivables)	(37)	(43)
Impairment loss on credit card receivables	(110)	(99)
	(147)	**(142)**

Trade receivables (excluding credit card receivables)

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

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

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

Credit card receivables

For credit card receivables, the Group applies three-stage approach to measure allowance for credit losses. These receivable balances migrate through three stages based on the change in credit risk since initial recognition. ECL reflects the present value of all cash shortfalls related to default events either (i) over the following twelve months or (ii) over the expected life of a financial instrument depending on credit deterioration from inception. The Group has developed methodologies and models taking in to account a number of factors linked to the quality of the credit card portfolio. These parameters are generally derived from internally developed statistical models and other historical data and are adjusted to reflect forward-looking information.

The Group formulates three economic scenarios: a base case, which is the median scenario, one upside and one downside. For credit card portfolio, three scenarios were analysed based on likelihood of occurrence – a base scenario, an adverse scenario and a probable scenario.

- The base case scenario reflects forecasts as per the final selected model, with oil and inflation as independent variables. Shocks were applied to this forecast to reflect adverse and probable scenarios.
- For the adverse scenario, positive shocks were applied to inflation, and negative shocks were applied to oil (as an increase in inflation and a decrease in oil negatively impacts PD's).
- For the probable scenario, a negative shock was applied to inflation and a positive shock was applied to oil. This scenario has been named probable as it was identified to be the most likely scenario among the three, based on a historical variance analysis of actual values and forecasts.

Impairment on other financial assets carried at amortized cost, including cash and cash equivalents have been assessed on 12-month expected loss basis and is considered to be immaterial. Credit risk from balances with banks and financial institutions is managed by the Group's treasury department in accordance with the Group's policy. Investments of surplus funds are made only with approved counterparties and within credit limits assigned to each counterparty. Counterparty credit limits are reviewed by the Group's Board of Directors on an annual basis, and may be updated subject to approval of the Board of Directors. The limits are set to minimise the concentration of risks and therefore mitigate financial loss through a counterparty's potential failure to make payments.

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

(AED in millions)	**2018**	**2017**
At 1 January	(166)	(138)
Adjustment on initial application of IFRS 9 (note 5.1.2)	1	-
Adjusted balance at 1 January	**(165)**	**(138)**
Impairment charge for the year	(147)	(142)
Amounts written off/reversals	136	112
Foreign exchange differences	-	2
	(176)	**(166)**

36.4 Liquidity risk

At 31 December 2018, the Group has net current liabilities of AED 4,594 million (2017: AED 2,981 million) which includes debt maturing in the short-term of AED 2,179 million (2017: AED 532 million). Further, at 31 December 2018 debt maturing in the long term is AED 11,888 million (2017: AED 10,946 million).

At 31 December 2018, the Group has undrawn facilities of AED 8,652 million (2017: AED 8,147 million) and cash in hand and at bank of AED 1,516 million (2017: AED 1,131 million) to cover its liquidity needs for at least the next 18 months.

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

		Contractual cash flows			
(AED in millions)	**Carrying amount**	**Less than one year**	**Between one to two years**	**Between two to five years**	**More than five years**
As at 31 December 2018					
Bank loans	13,786	2,651	1,092	4,658	10,983
Bank overdraft	92	342	-	-	-
Loans from related parties	72	44	2	6	39
Trade and other payables	7,949	7,741	73	150	212
Due to related parties	41	41	-	-	-
Derivative liability for risk management					
- Interest rate derivatives designated as cashflow hedge	31	7	7	18	-
- Derivative instruments accounted as FVPL	76	17	16	43	17
	22,047	**10,843**	**1,190**	**4,875**	**11,251**

		Contractual cash flows			
(AED in millions)	**Carrying amount**	**Less than one year**	**Between one to two years**	**Between two to five years**	**More than five years**
As at 31 December 2017					
Bank loans	11,194	902	2,431	5,063	5,388
Bank overdraft	130	333	-	-	-
Loan from related parties	52	23	2	6	39
Trade and other payables	7,468	7,022	92	116	249
Due to related parties	41	41	-	-	-
Derivative liability for risk management					
- Interest rate derivatives designated as cashflow hedge	45	10	8	22	7
- Derivative instruments accounted as FVPL	58	8	10	39	31
	18,988	**8,339**	**2,543**	**5,246**	**5,714**

36.5 Market risk

Market risk is the risk of changes in market prices, such as foreign exchange rates, interest rates and equity prices, which will affect the Group's income or the value of its holdings of financial instruments. The Group seeks to apply hedge accounting to manage volatility in its profit or loss in relation to its exposure to interest rate risk.

36.5.1 Foreign currency risk

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

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

Foreign currency sensitivity analysis

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

36.5.2 Interest rate risk

The Group's interest rate risk principally arises from long-term loans on floating rate. Loans issued at fixed rates expose the Group to fair value interest rate risk.

Interest rate risk is managed with in the frame work of the interest rate risk management policy. The Group adopts a policy of maintaining target duration on its liability portfolio of about half year to three and a half years. This is achieved through cash and / or by using derivative financial instruments which are eligible for hedge accounting.

At the reporting date the interest rate profile of the Group's interest-bearing financial instruments was:

(AED in millions)	2018	2017
Fixed rate instruments		
Financial assets	489	388
Financial liabilities	(6,570)	(6,629)
	(6,081)	**(6,241)**
Floating rate instruments		
Financial assets	169	96
Financial liabilities*	(7,611)	(4,984)
	(7,442)	**(4,888)**

* Floating rate financial liabilities include loans of AED 3,502 million (2017: AED 2,999 million) for which interest rate risk is hedged by way of interest rate derivatives.

Sensitivity analysis for variable rate instruments

A change of 100 basis points in the interest rate at the reporting date would have increased / (decreased) equity and profit or loss by the amounts shown below. This analysis assumes that all other variables in particular foreign currency rates remain constant.

	Increase / (decrease) in basis points	Effect on profit or loss increase / (decrease)		Effect on other comprehensive income increase / (decrease)	
		2018	2017	2018	2017
Floating rate instrument	+ 100	(74)	(48)	-	-
Interest rate swaps designated as cash flow hedges	+ 100	79	79	(79)	(79)
Interest rate swaps designated as FVPL	+ 100	(99)	(185)	-	-
Cash flow sensitivity (net)		**(94)**	**(154)**	**(79)**	**(79)**
Floating rate instrument	- 100	74	48	-	-
Interest rate swaps designated as cash flow hedges	- 100	(67)	(83)	67	83
Interest rate swaps designated as FVPL	- 100	107	199	-	-
Cash flow sensitivity (net)		**114**	**164**	**67**	**83**

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

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

36.6 Capital management

The primary objective of the Group's capital management is to ensure that it maintains healthy capital ratios in order to support future development of the business and maximize shareholder value.

The Group uses net debt to equity ratio to monitor its capital among other metrics. Capital includes equity attributable to the equity holders including retained earnings, revaluation and other reserves. The Group has various borrowing arrangements which require maintaining certain net worth, interest coverage and debt equity ratio.

(AED in millions)	**2018**	**2017**
Interest bearing loans and borrowings	14,067	11,478
Less: cash and bank balances	(1,516)	(1,131)
Net debt	**12,551**	**10,347**
Total equity	**35,240**	**36,974**
Net debt to equity ratio	**36%**	**28%**

Regulatory capital

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

(AED in millions)	**2018**	**2017**
Paid up capital	150	150
Reserves	60	31
Total equity	**210**	**181**
Total borrowings	559	615
Total funds available	**769**	**796**
Capital ratio	**27%**	**23%**

In implementing current capital requirements, UAE Central Bank requires Majid Al Futtaim Finance LLC to maintain capital funds at minimum of 15% of the total funds available.

36.7 Fair value measurement of financial assets and liabilities

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

	Carrying	**Fair value**		
(AED in millions)	**amount**	**Level 1**	**Level 2**	**Level 3**
At 31 December 2018				
Financial assets				
Interest rate swaps used for hedging	29	-	29	-
Foreign currency forward contracts	4	-	4	-
Interest rate derivatives	**33**	**-**	**33**	**-**
Financial liabilities				
Interest rate derivatives	107	-	107	-
Sukuk and Note liabilities	6,570	-	6,616	-
	6,677	**-**	**6,723**	**-**
At 31 December 2017				
Financial assets				
Interest rate derivatives	58	-	58	-
Financial liabilities				
Interest rate derivatives	103	-	103	-
Sukuk and Note liabilities	6,629	-	6,921	-
	6,732	**-**	**7,024**	**-**

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

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

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

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

The interest rates used to discount estimated cash flows, where applicable, are based on the spot rates derived from the interpolated per annum yield curve in respect of borrowings/derivatives which is 2.45% - 2.81% (2017: 1.69% - 2.42%) at the reporting date.

37. CONTINGENT LIABILITIES, GUARANTEES AND COMMITMENTS

(AED in millions)	**2018**	**2017**
Capital commitments	3,162	4,815
Group's share of capital commitments in relation to its equity accounted investees	498	582
Letter of credits outstanding	121	27
Bank guarantees outstanding	196	226

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

38. SUBSEQUENT EVENTS

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

39. COMPARATIVES

The Group has initially applied IFRS 15 and IFRS 9 at 1 January 2018. Under the transition methods chosen, comparative information has not been restated except for separately presenting impairment losses on financial assets on the consolidated statement of profit or loss.

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