Majid Al Futtaim Properties LLC and its subsidiaries
Consolidated financial statements

For the year ended 31 December 2017

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Directors' report

The Directors' report and the audited consolidated financial statements of Majid Al Futtaim Properties LLC ('the Company') and its subsidiaries (collectively referred to as 'the Group') are presented for the year ended 31 December 2017. The consolidated financial statements were prepared by management. Management has taken responsibility for the fair presentation of the consolidated financial statements in accordance with the International Financial Reporting Standards and the applicable provisions of the UAE Company Law No. 2 of 2015 and has given clearance for issuance of these consolidated financial statements on 19 February 2018.

Activities

The Group is made up of four business units: Shopping Malls ('SMBU'), Hospitality ('HBU'), Communities ('CBU') and Project Management ('PMBU'). The Group has been able to build and maintain a leading position in shopping malls development, operations and asset management within the MENA region, with over 186 million customer visits last year. The Group continually seeks new opportunities for expansion of its four businesses into countries across the region and adjacent countries. The hospitality business focuses on the development and asset management of hotels attached to the Group's shopping malls or within master-planned communities or stand-alone mid-scale and budget hotels and uses third party global operators for operational management of its hotels. The communities business focuses on developing a mix of land, residential and commercial properties throughout the region. The Project Management business focuses on providing advisory and project management services to Shopping Malls, Hospitality and Communities business units. The Group's business units also provide advisory, development and management services to its investee companies and related parties.

2017 significant developments

In Q1 2017, the Group completed the construction of a shopping mall in Egypt (Mall of Egypt), fair valued at AED 950 million as at the reporting date. Mall of Egypt is a super-regional mall of 164,188 sqm that combines a powerful range of retailers with the most comprehensive leisure offering in North Africa that includes Ski Egypt – Africa's first indoor skiing slope, a 21 multi-screen VOX Cinemas and a Magic Planet family entertainment centre. Also, City Centre Almaza, the third City Centre in Egypt, is due to open in 2019.

Investments in the United Arab Emirates ('UAE') include both new projects and the expansion of existing assets and businesses.

- During the year, the Group announced a new AED 338 million project in Abu Dhabi – 'My City Centre Masdar', located in the heart of Masdar City, one of the world's most sustainable urban developments, which is set to open by the beginning of 2019.
- Abu Dhabi's retail and entertainment sectors are set for further growth following the announcement of the first-ever City Centre mall in the UAE capital. City Centre Al Jazira is a joint venture between Majid Al Futtaim and Al Jazira Sports and Cultural Club, a key Abu Dhabi football club. Construction on the AED 1.3 billion City Centre Al Jazira, began in 2017 and is scheduled for completion in early 2021. Total leasable area is expected to be 80,500 sqm within a built-up area of 215,000 sqm.
- The Group broke ground on what will be its largest mall within the UAE's third-largest emirate – City Centre Al Zahia in Sharjah. City Centre Al Zahia is a super-regional mall of 136,310 sqm of gross leasable area.
- City Centre Ajman will grow from 29,000 to 55,672 sqm in size by Q1 2019 as part of the ongoing redevelopment and opened its new wing during the year launching top global brands and restaurants that made their debut in the emirate.

The progress on the development of Mall of Oman continues to be on track with an expected opening date in 2020.

Waterfront City SARL ('WFC'), one of the Group's major joint ventures, recognized revenue for the first time in 2017. A total of 262 units were handed over and a total revenue of AED 1,301 million was recognized by the joint venture.

Sustainability

At Majid Al Futtaim our sustainability mission is to enhance people's lives through sustainable real estate. We want to lead by example by applying international best practices across our portfolio, and in doing so, we hope to transform the economic and social development of the region.
Our sustainability approach has inspired us to:

- Successfully implement UN Global Compact standards for sustainability, green buildings and energy conservation;
- Be the only company in the Middle East to participate in the Global Interstate Sustainability Summit;
- Submit four years of clean data for energy, water and waste; and

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

The 2017 Key Sustainability Achievements were as follows:

- Net Positive strategy - We were the first company in the region to launch the Net Positive strategy that sees us moving beyond mitigating our environmental footprint, to actually creating the energy we require to run our business by 2040.
- Thought leadership - We further promoted our sustainability achievements by publishing our vision on Green Buildings as well as Public Realm, Sustainable Procurement and Water Scarcity.
- Sustainable procurement - In Q2, we conducted a sustainability risks and opportunities assessment against significant spend areas in construction procurement. We then incorporated the findings into our tender process. We have also continued our efforts to incorporate sustainability into Shopping Malls procurement and conducted a successful training session for the procurement and malls teams.
- Awards and recognition - We improved our score in the Global Real Estate Sustainability Benchmark (GRESB) by 6 points, and were awarded 5 green stars - the highest possible rating. We also received two accolades at the annual 2017 MENA Green Building Awards and were named 'Developer of the Year' and 'Green Hotel of the Year' for the Hilton Garden Inn Dubai, Mall of the Emirates.
- Engaging our customers to reduce their water usage - We launched a customer engagement campaign across our malls to promote water conservation. In 2018, we will continue our work to impart crucial sustainability messages to our customers, expanding our influence beyond our operations.
- Company-wide sustainability ambitions - We have also been working closely with teams across the organisation to develop an integrated, aligned company-wide sustainability strategy.

Financial results

(AED in millions)

	2017	2016	% Variance
Revenue	4,606	4,491	2.6%
Net profit (attributable to Owners of the Company)	2,185	2,342	(6.7%)

Key financial points:

Revenue :

- Revenue increased by AED 115 million from AED 4,491 million for the year ended 31 December 2016 ('the previous year') to AED 4,606 million for the year ended 31 December 2017 ('the current year').
- The primary increase was in Mall of Emirates by AED 87 million attributable to increase in the base rents by AED 73 million. Mall of Egypt opening in Q1 2017 resulted in additional revenue of AED 68 million being recognized during the year. This was offset by a decrease in HBU revenue by AED 35 million due to a drop in the average daily rate by 7% resulting in a reduced Revpar of 6%. Also the recent Qatar travel ban has impacted tourism in the UAE.

Net profit:

- Net profit decreased by AED 157 million from AED 2,342 million in the previous year to AED 2,185 million in the current year.
- Valuation gain in 2017 stands at AED 590 million versus AED 392 million in 2016. Key drivers behind the increase are mainly the increase in valuation gain of Mall of Emirates of AED 217 million and City Centre Mirdif of AED 165 million due to an increase in net operating income ("NOI") in both these malls. This is offset by a valuation loss in Aloft City Centre Deira Hotel of AED 117 million which was recognized primarily due to a decline in the market conditions which had a negative impact on the trading outlook of the hotel.
- Impairment losses were recognized on properties under construction such as City Centre Al Maza of AED 277 million and Mall of Oman of AED 185 million. Primary reasons for the impairment of City Centre Al Maza were worsening of the macro-economic environment in Egypt which combined with high taxes and reduced subsidies have led to high inflation levels and reduced consumer spending. The Mall of Oman impairment is primarily due to factoring lower than projected occupancy levels at mall opening than initial estimates.

- Finance costs increased by AED 116 million mainly on account of reduction in interest costs capitalized to projects in Egypt (Mall of Egypt).

Coupon

In the current year the Company declared a coupon of AED 220 million (2016: AED 220 million), at the rate of 8% per annum on the amount outstanding towards the subordinated capital loan instrument for a one year period from 6 October 2016 to 5 October 2017.

2018 Outlook

- In January 2018, Majid Al Futtaim opened My City Centre Al Dhait, to meet the everyday dining, lifestyle and retail needs of Ras Al Khaimah's fastest-growing communities. This marks Majid Al Futtaim's first investment in a community and convenience focused retail and services destination for the emirate's residents and tourists.
- The Group is also in the process of constructing a hotel - Aloft City Centre Deira, with a carrying value of AED 171 million as at the reporting date. Set to open in Q2 2018, the hotel consists of 304 keys and aims to redefine the upscale hospitality offering in the GCC.
- Majid Al Futtaim continued its investment in Oman with the development of City Centre Sohar, of OMR 38 million. The mall, located in the Northern Governorate's historic capital Sohar, is due to open in late 2018. The progress on the development of My City Centre Sur continues to be on track with an expected opening date in 2018.
- The Group continues to be focused on its strategy to enhance Customer Experience and Digitization which supports our aspiration of becoming a regionally-focused lifestyle conglomerate with a stellar international reputation.

Board of Directors

Philip Bowman
John Rishton (Appointed on 1 April 2017)
Abdullah Al Ghurair
Terry Duddy (Appointed on 1st March 2017)
John Sullivan (Appointed on 1st November 2017)
Robert Welanetz
Salem Al Ghurair (Resigned on 31 January 2017)
Richard North (Resigned on 31 March 2017)
Neil Jones (Resigned on 30 June 2017)

Auditors

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

On behalf of the Board of Directors

Company Secretary

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

Independent Auditors' Report

To the Shareholders of Majid Al Futtaim Properties LLC

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Majid Al Futtaim Properties LLC ("the Company") and its subsidiaries ("the Group"), which comprise the consolidated statement of financial position as at 31 December 2017, the consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2017, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

Basis for Opinion

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

Key Audit Matters

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

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Key audit matter	How our audit addressed the key audit matter

Valuation of properties

Refer to notes 5, 14, 15 and 16 to the consolidated financial statements

The Group's accounting policy is to state its properties (primarily comprising of shopping malls, hotels and offices) at fair value at each reporting date. The property portfolio is valued at AED 44,123 million.

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

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

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

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

- We assessed the competence, independence and integrity of the external valuers and whether the valuation approach was suitable for use in determining the fair value in the consolidated statement of financial position.
- We carried out procedures on the largest properties of the portfolio to test whether property specific standing data supplied to the external valuers by management reflects the underlying property records held by the Group which have been tested during our audit.
- We met with the external valuers of the property portfolio to discuss the results of their work. We discussed and challenged the valuation process, overall performance of the portfolio and the significant assumptions and critical areas of judgement.
- In relation to those properties held at cost where an impairment analysis was required to be performed, we considered the Group's procedures used to develop the forecasts and the principles and integrity of the Group's discounted cash flow model, re-performed the calculations of the model results to test their accuracy and performed a sensitivity analysis on key assumptions and judgements. To challenge the reasonableness of those cash flows, we assessed the historical accuracy of the Group's forecasting and challenged the significant assumptions and critical areas of judgement.

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

Valuation of properties (continued)

- We evaluated year-on-year movements in property valuations with reference to published benchmarks, if any. Where assumptions were outside the expected range or otherwise deemed unusual, and/or valuations appeared to experience unexpected movements, we undertook further inquiries and, where necessary, held further discussions with the external valuers in order to challenge the assumptions.
- Based on the outcome of our evaluation, we assessed the adequacy of the disclosures in the consolidated financial statements.

Impairment provision

Refer to notes 7 to the consolidated financial statements.

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

- We examined underperforming assets, assessed for indicators of impairment and evaluated management's impairment assessment including performing sensitivity analysis on the key assumptions used.
- 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 we considered the Group's procedures used to develop the forecasts, and discounted cash flow model and re-performed the calculations of the model results to test their accuracy. To challenge the reasonableness of those cash flows, we assessed the historical accuracy of the Group's forecasting and challenged the significant assumptions and critical areas of judgment.

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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 skepticism throughout the audit. We also:

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

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

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

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

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

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

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

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

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

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

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Report on Other Legal and Regulatory Requirements

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

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

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

iii) the Group has maintained proper books of account;

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

v) as disclosed in note 7 to the consolidated financial statements, the Group has purchased shares during the financial year ended 31 December 2017;

vi) note 29 to the consolidated financial statements discloses material related party transactions and the terms under which they were conducted;

vii) based on the information that has been made available to us, nothing has come to our attention which causes us to believe that the Group has contravened during the financial year ended 31 December 2017 any of the applicable provisions of the UAE Federal Law No. (2) of 2015 or in respect of the Company, its Articles of Association, which would materially affect its activities or its consolidated financial position as at 31 December 2017; and

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

KPMG Lower Gulf Limited

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

Date: 19 FEB 2018

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Consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2017

(AED in millions)

	Note	2017	2016
Revenue	9	4,606	4,491
Operating expenses	10	(2,136)	(2,137)
Finance costs	11	(490)	(374)
Share of results of equity accounted investees	7.2.1	107	127
Other income/(expenses) – net	13	29	(34)
Impairment	12	(475)	(118)
Profit before net valuation gain on land and buildings and tax		**1,641**	1,955
Net revaluation gain on land and buildings	14	590	392
Profit before tax		**2,231**	2,347
Tax (expense)/credit	19.1	(38)	13
Profit after tax		**2,193**	2,360
Profit attributable to:			
Owners of the Company		2,185	2,342
Non-controlling interests		8	18
		2,193	2,360

Comprehensive income:

	Note	2017	2016
Profit after tax		2,193	2,360
Other comprehensive income ('OCI')			
Items that will not be reclassified to profit or loss:			
Gain on revaluation of property, plant and equipment	15.2	66	139
Items that are or may be reclassified subsequently to profit or loss			
Foreign exchange gain / (loss) on translation of foreign operations	27.4	18	(1,347)
Other comprehensive income for the year, net of tax		**84**	(1,208)
Total comprehensive income for the year		**2,277**	1,152
Total comprehensive income attributable to:			
Owners of the Company		2,269	1,134
Non-controlling interests	6.2	8	18
		2,277	1,152

The notes on pages 16 to 56 form part of these consolidated financial statements.
The independent auditor's report is set out on pages 5 to 10.

Consolidated statement of financial position as at 31 December 2017

(AED in millions)

	Note	2017	2016
Non-current assets			
Property, plant and equipment	15	4,899	5,084
Investment property	16	39,875	37,132
Investments in equity accounted investees	7.1,7.2	882	1,141
Long term receivables	18.1	650	464
Long term receivables from related parties	29.2	29	68
Intangible assets	17	33	53
Deferred tax assets	19.4	17	9
		46,385	43,951
Current assets			
Inventories	20	277	271
Trade and other receivables	18	590	522
Due from related parties	29.2	490	82
Short term loan to a related party	29.2	70	24
Cash and bank balances	21	367	436
		1,794	1,335
Total assets		**48,179**	45,286
Non-current liabilities			
Term loan from a related party	29.2	7,663	5,252
Loans and borrowings	24	2,369	2,859
Other liabilities	25	162	157
Retirement benefit obligation	26	107	83
Deferred tax liabilities	19.3	100	70
Provisions	23	-	11
		10,401	8,432
Current liabilities			
Trade and other payables	22	2,886	2,507
Provisions	23	150	122
Loans and borrowings	24	146	1,692
Due to related parties	29.2	12	11
		3,194	4,332
Total liabilities		**13,595**	12,764
Equity			
Share capital	27.1	3,500	3,500
Shareholder contribution	27.2	2,938	2,938
Revaluation reserve		14,473	14,407
Retained earnings		13,367	11,715
Other reserves		(57)	(388)
Equity attributable to owners of the Company		**34,221**	32,172
Non-controlling interest	6.2	363	350
Total equity		**34,584**	32,522
Total equity and liabilities		**48,179**	45,286

The notes on pages 16 to 56 form part of these consolidated financial statements.
The independent auditor's report is set out on pages 5 to 10.
The consolidated financial statements were approved by the Board of Directors and signed on their behalf on 19 February 2018.

Chief Executive Officer

Chief Financial Officer

Ahmed ElShamy

Consolidated statement of cash flows for the year ended 31 December 2017

(AED in millions)

	Note	2017	2016
Cash flows from operating activities:			
Profit for the year		2,193	2,360
Adjustments:			
Income tax expense/(credit)	19	38	(13)
Interest income	13	(13)	(12)
Finance cost	11	490	374
Depreciation	10	423	460
Amortisation	17	20	20
Impairment	12	475	118
Assets written off	13	4	10
Share of results of equity-accounted investees	7	(107)	(127)
Net revaluation gain on land and buildings	14	(590)	(392)
Net movement in retirement benefit obligations	26	24	13
Bad and doubtful debts expense – net	18.2	39	17
Operating profit before working capital changes		**2,996**	2,828
Changes in working capital			
Inventories		(6)	(1)
Trade and other receivables		(322)	(249)
Trade and other payables		417	138
Due (from)/to related parties		(17)	(144)
Taxes paid		(37)	(26)
Net cash generated from operating activities		**3,031**	2,546
Cash flows from investing activities			
Additions to property, plant and equipment	15	(407)	(330)
Additions to investment property	16	(2,255)	(2,587)
Interest received		25	10
Payment of liability for acquisition of intangible asset		(9)	(12)
Proceeds from the sale of an associate		10	-
Net cash used in investing activities		**(2,636)**	(2,919)
Cash flows from financing activities			
Proceeds from term loans	24, 29.2	4,631	2,849
Repayment of term loans	24, 29.2	(4,779)	(2,309)
Payment of finance lease liabilities		(46)	(53)
Payment of finance costs		(284)	(309)
Additional contribution by a minority shareholder		5	-
Net cash (used in) /generated from financing activities		**(473)**	178
Net decrease in cash and cash equivalents		**(78)**	(195)
Cash and cash equivalents at beginning of the year		372	591
Currency translation effect on foreign currency cash held		9	(24)
Cash and cash equivalents at end of the year		**303**	372
Cash and cash equivalents comprise:			
Cash and bank balances (excluding deposits of AED 9 million (2016: AED 9 million) with maturity of more than 3 months)		358	427
Less: Bank overdraft		(55)	(55)
		303	372

The notes on pages 16 to 56 form part of these consolidated financial statements.
The independent auditor’s report is set out on pages 5 to 10.

Consolidated statement of changes in equity for the year ended 31 December 2017

(AED in millions)

	Attributable to the owners of the Company								
					Other reserves				
	Share capital	Share-holder contribution	Revaluation reserve	Retained earnings	Statutory reserve	Currency translation reserve	Total	Non-controlling interest	Total equity
At 1 January 2017	3,500	2,938	14,407	11,715	1,437	(1,825)	32,172	350	32,522
Total comprehensive income for the year									
Profit for the year	-	-	-	2,185	-	-	2,185	8	2,193
Other comprehensive income for the year, net of income tax:									
- Gain on revaluation of property, plant and equipment	-	-	66	-	-	-	66	-	66
- Foreign exchange gain / (loss) on translation of foreign operations (refer note 27.4)	-	-	-	-	-	18	18	-	18
Total comprehensive income for the year	**-**	**-**	**66**	**2,185**	**-**	**18**	**2,269**	**8**	**2,277**
Transactions with owners of the Company, recorded directly in equity									
Transfer to statutory reserve (refer note 27.3)	-	-	-	(313)	313	-	-	-	-
Coupon declared (refer note 27.2a)	-	-	-	(220)	-	-	(220)	-	(220)
Additional shareholder contribution	-	-	-	-	-	-	-	5	5
	-	**-**	**-**	**(533)**	**313**	**-**	**(220)**	**5**	**(215)**
At 31 December 2017	**3,500**	**2,938**	**14,473**	**13,367**	**1,750**	**(1,807)**	**34,221**	**363**	**34,584**

The notes on pages 16 to 56 form part of these consolidated financial statements.

Consolidated statement of changes in equity for the year ended 31 December 2017 (continued)

(AED in millions)

	Attributable to the owners of the Company								
					Other reserves				
	Share capital	Share-holder contribution	Revaluation reserve	Retained earnings	Statutory reserve	Currency translation reserve	Total	Non-controlling interest	Total equity
At 1 January 2016	3,500	2,938	14,268	9,890	1,140	(478)	31,258	332	31,590
Total comprehensive income for the year									
Profit for the year	-	-	-	2,342	-	-	2,342	18	2,360
Other comprehensive income for the year, net of income tax:									
- Gain on revaluation of property, plant and equipment	-	-	139	-	-	-	139	-	139
- Foreign exchange gain / (loss) on translation of foreign operations (refer note 27.4)	-	-	-	-	-	(1,347)	(1,347)	-	(1,347)
Total comprehensive income for the year	-	-	139	2,342	-	(1,347)	1,134	18	1,152
Transactions with owners of the Company, recorded directly in equity									
Transfer to statutory reserve (refer note 27.3)	-	-	-	(297)	297	-	-	-	-
Coupon declared (refer note 27.2a)	-	-	-	(220)	-	-	(220)	-	(220)
	-	-	-	(517)	297	-	(220)	-	(220)
At 31 December 2016	3,500	2,938	14,407	11,715	1,437	(1,825)	32,172	350	32,522

The notes on pages 16 to 56 form part of these consolidated financial statements.

Notes to consolidated financial statements

1. Reporting entity

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

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

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

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

2. Basis of preparation

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

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

These consolidated financial statements were approved by the board of directors and authorised for issue on 19 February 2018.

3. Use of judgements and estimates

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

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

3.1 Judgements

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

- Note 7 - Classification of joint arrangements
- Note 15.1.2 - Apportionment of fair values between land and buildings
- Note 16.1 - Accounting for dual use property
- Notes 25.1 & 30 - Lease classification

3.2 Assumptions and estimation uncertainties

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

- Note 5 – Measurement of fair values: key inputs and assumptions underlying fair values.
- Note 12 – Impairment test: key assumptions underlying recoverable amount, including the recoverability of development costs.
- Forecast of costs to complete on main contracts under execution

The estimation or forecast of cost to complete ('CTC') on main contracts under execution involves uncertainties.

There are a number of principles that apply to all contracts regardless of size, scale or location. All projects have a Project Cost Review ('PCR') on a regular basis where project management issues the forecast to complete the project. The PCR is attended by all relevant stakeholders. 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, 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.

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

- Note 18 – Provision for bad and doubtful debts: key assumptions underlying recoverable amounts, including assessment of facts and circumstances such as liquidation, bankruptcy, litigation, financial difficulties, etc.

- Note 19 – Recognition and measurement of deferred taxes

- Note 23 – Recognition and measurement of provisions: key assumptions about the likelihood and magnitude of an outflow of resources.

- Note 26.1 – Measurement of staff terminal benefits: key valuation assumptions underlying discount rate, service period, salary increase, etc.

4. Significant accounting policies

The accounting policies regarding recognition and measurement applied in the preparation of these consolidated financial statements are consistent with those applied by the Group in its consolidated financial statements as at and for the year ended 31 December 2016.

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

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

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

These standards and amendments do not have a significant impact on the Group's consolidated financial statements as at 31 December 2017.

4.2 New and revised IFRSs in issue but not yet effective

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

- IFRS 9 Financial Instruments
- IFRS 15 Revenue from Contracts with Customers
- 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
- IFRS 16 Leases
- IFRIC 23 Uncertainty over Income Tax Treatments
- IFRS 17 Insurance Contracts
- Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28)

The Group is required to adopt IFRS 9 Financial Instruments and IFRS 15 Revenue from Contracts with customers from 1 January 2018. The Group has

assessed the estimated impact that the initial application of IFRS 9 and IFRS 15 will have on its consolidated financial statements.

The estimated impact of the adoption of these standards on the Group's equity as at 1 January 2018 is based on initial assessments undertaken to date and is summarized below. The actual impacts of adopting the standards at 1 January 2018 may vary as the new accounting policies are subject to change until the Group presents its first consolidated financial statements that include the date of initial application.

(i) IFRS 9 Financial Instruments

Nature of change: IFRS 9 addresses the classification, measurement and de-recognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets. The standard replaces IAS 39 – Financial instrument – Recognition & Measurement. The standard permits either a full retrospective or a cumulative effect method for the adoption.

Impact: The impact on the Group is limited to the new impairment model that requires the recognition of impairment provisions based on expected credit losses (ECL) rather than only incurred credit losses as is the case under IAS 39. It mainly applies to the Group's lease receivables. Based on the assessments undertaken to date, the Group expects a decrease in the impairment provision for trade receivables as at 1 January 2018 by approximately AED 20 million (refer note 18).

Date of adoption by the Group: Must be applied for financial years commencing on or after 1 January 2018. The Group intends to adopt the cumulative effect method and accordingly will recognize the impact in the retained earnings as of 1 January 2018, with the practical expedients permitted under the standard, and comparatives will not be restated.

(ii) IFRS 15 Revenue from contracts with customers

Nature of change: The IASB has issued a new standard for the recognition of revenue. This will replace IAS 18 which covers the contracts for goods and services and IAS 11 which covers construction contracts. The new standard is based on the principle that revenue is recognized as and when the performance obligation is satisfied. The standard permits either a full retrospective or a cumulative effect method for the adoption.

Impact: Currently, the Group's sale of properties is carried out through joint ventures accounted for under equity method. Accordingly, the Group estimates that its retained earnings would increase by AED 107 million on 1 January 2018 due to the impact on share of profit/(loss) from joint ventures with a corresponding increase in the balance of investment in joint ventures.

Date of adoption by the Group: Mandatory for financial years commencing on or after 1 January 2018. The Group intends to adopt the cumulative effect method and accordingly will recognize the impact in the retained earnings as of 1 January 2018 and comparatives will not be restated.

(iii) IFRS 16 Leases

Nature of the change: IFRS 16 was issued in January 2016. It will result in almost all leases being recognized on the statement of financial position, as the distinction between operating and finance leases is removed. Under the new standard, an asset (for the right to use the leased item) and a financial liability (to pay lease rentals) are recognized. The only exceptions are short-term leases that have a lease term of 12 months or less and low-value leases. The accounting for lessors will not significantly change.

Impact: Where the Group, is a lessee, management will assess the potential impact of the adoption of IFRS 16 for non-cancellable operating leases. In cases where the Group is a lessor (for both operating and finance leases), management does not anticipate that the application of IFRS 16 will have significant impact on the amounts recognised in the Group's consolidated financial statements. For finance leases where the Group is the lessee, the Group has already recognised an asset and a related finance lease liability for the lease arrangement.

Date of adoption by the Group: The Group is in the process of implementing this standard by its mandatory effective date of 1 January 2019. The Group does not intend to adopt the standard before its effective date. The Group intends to apply the simplified transition approach and will not restate the comparative amounts for the year prior to first adoption.

At this stage, the Group does not expect significant impacts on these consolidated financial statements in relation to the remaining standards, amendments and interpretations mentioned above.

4.3 General accounting policies

4.3.1 Foreign currency

Foreign currency transactions

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

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

Foreign operations

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

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

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

4.3.2 Borrowing costs

Borrowing costs are recognised as expenses in the period in which they are incurred. Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised as part of the cost of that asset. Capitalisation of borrowing costs commences when the activities to prepare the asset are in progress and expenditures and borrowing costs are being incurred. Capitalisation of borrowing costs continues until the assets are substantially ready for the intended use. The capitalisation rate is arrived at by reference to the actual rate payable on borrowings for development purposes or, with regard to that part of the development cost financed out of general funds.

4.3.3 Capital work in progress

Work in progress in respect of capital expenditure including land is classified as capital work in progress.

Interest and other overheads directly attributable to the projects are included in capital work in progress until completion thereof.

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

For other properties that are developed with an intention of constructing an owner occupied property, both the capital expenditure and land are carried at cost, less impairment, if any, until 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 stage within 24 months after its inception, the project will be deemed impaired and the full accumulated work in progress balance of that project (excluding land value, if land has been acquired) will be written off and charged to profit or loss.

5. Fair value measurement

5.1 Accounting Policy

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

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

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

Determination of fair value hierarchy

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

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

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

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

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

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

5.2 Measurement of fair values and valuation process

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

Non-financial assets

The fair value of the investment properties and land and buildings included within property, plant and equipment is determined twice a year at 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 carrying amount of a revalued asset does not differ materially from its fair value.

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

The key driver of the property valuations in relation to the hotels is the EBITDA generated from its operations.

A summary of the valuers and the value of property assets they have been engaged to value is given below:

(AED in millions)

	2017	2016
CBRE	40,581	38,551
Assets valued internally	3,671	3,169
Assets not valued	100	148
	44,352	41,868

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

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

Financial liability

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

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

5.3 Assumptions and determination of fair value hierarchy

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

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

6. Subsidiaries

Accounting Policy

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

Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns

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

Transactions eliminated on consolidation

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

Non-controlling interests

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

Loss of control

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

Business combinations

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

Business combinations involving entities under common control

Business combinations arising from transfer of interests in entities that are under the control of the shareholder that controls the Group are accounted for as if the acquisition has occurred at the beginning of the earliest comparative year presented or, if later, at the date that common control was established. The Group applies the book value measurement method to all common control transactions. The assets and liabilities acquired or transferred are recognised or de-recognised at the carrying amounts recognised or de-recognised previously in the ultimate holding entity's consolidated financial statements. The components of OCI of the acquired entities are added to the same components within the Group's OCI. Any gain/loss arising is recognised directly in OCI. When a common control entity is sold or transferred, the cumulative amount in the currency translation reserve related to that entity is reclassified to profit or loss in line with the accounting policy on foreign operations (refer note 4.3.1).

Interest in other entities

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

6.1 Details of the Group's material subsidiaries:

Name of material subsidiary	Principal activity	Country of incorporation	Proportion of ownership and voting rights held (%)	
			2017	2016
Majid Al Futtaim Investments Mirdif LLC	Shopping mall	UAE	100%	100%
Majid Al Futtaim Properties Lebanon LLC [a]	Shopping mall/Mixed use communities	UAE	100%	100%

Name of material subsidiary	Principal activity	Country of incorporation	Proportion of ownership and voting rights held (%)	
			2017	2016
Fujairah City Centre Investment Company LLC	Shopping mall	UAE	62.5%	62.5%
Majid Al Futtaim Properties Saudia LLC [a]	Shopping mall/Mixed use communities/Hotels	UAE	100%	100%
Majid Al Futtaim Shopping Malls LLC [a]	Shopping mall	UAE	100%	100%
Majid Al Futtaim Hospitality LLC [a]	Hotels	UAE	100%	100%
Majid Al Futtaim Developments LLC [a]	Mixed use communities	UAE	100%	100%
MAF Sukuk Ltd.	Issuing Sukuks under the Trust Certificate Issuance Program	UAE	100%	100%
Majid Al Futtaim Shopping Centre LLC	Shopping mall	Oman	100%	100%
Majid Al Futtaim Commercial Facilities LLC	Shopping mall	Oman	100%	100%
Majid Al Futtaim Properties Co. Oman LLC	Shopping mall	Oman	100%	100%
Majid Al Futtaim Shopping Centres LLC	Shopping mall	Oman	100%	100%
Majid Al Futtaim Commercial Centre LLC	Shopping mall	Oman	100%	100%
Majid Al Futtaim Properties Bahrain BSC	Shopping mall/Hotels/L&E	Bahrain	100%	100%
Majid Al Futtaim Properties Egypt SAE	Shopping mall/L&E	Egypt	100%	100%
Almaza City Centre	Shopping mall	Egypt	100%	100%

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

b) *The shares of certain subsidiaries are held by the subsidiaries of MAFH for the beneficial interest of the Group.*

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

Name of subsidiary	Country of incorporation and principal place of business	Proportion of ownership and voting rights held by NCI		Profit / (loss) allocated to NCI		Accumulated NCI	
		2017	2016	2017	2016	2017	2016
Fujairah City Centre Investment Company LLC	UAE	37.5%	37.5%	9	18	125	116
Aswaq Al Emarat Trading Closed Joint Stock Co. [a]	Kingdom of Saudi Arabia ('KSA')	15%	15%	(3)	(2)	215	213
Suburban Development Company S.A.L	Lebanon	7.2%	7.2%	2	2	22	20
Individually immaterial subsidiaries with NCI		N/A	N/A	-	-	1	1
Total				**8**	18	**363**	350

a) *An additional contribution of AED 5 million has been made by the non-controlling interest.*

7. Equity-accounted investees

Accounting Policy

The Group's interests in equity-accounted investees comprise interests in joint ventures and an associate.

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

Interest in joint ventures and associate are accounted for using the equity method. They are initially recognised at cost, which includes transaction costs.

Subsequent to initial recognition, the consolidated financial statements include the Group's share of the profit or loss and OCI of equity accounted investees (post adjustments for aligning accounting policies to the Group's accounting policies, when necessary), until the date on which significant influence or joint control ceases.

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

7.1 Investment in associate

(AED in millions)

	2017	2016
Enshaa PJSC	-	91
Provision for impairment	-	(91)
Carrying amount at the reporting date	**-**	**-**

The investment in Enshaa PJSC was sold during the year (refer notes 12(b) and 13).

7.2 Investments in joint ventures

7.2.1 Summary:

(AED in millions)

	2017	2016
Sharjah Holding Co. PJSC ('SHC')	342	354
Al Mouj Muscat S.A.O.C ('AMM')	364	331
Waterfront City SARL ('WFC')	69	373
Individually immaterial joint ventures	107	83
Carrying amount at the reporting date	**882**	1,141
Group's share of profit from continuing operations	107	127
Group's share of other comprehensive income	**-**	-
Group's share of total comprehensive income for the year	**107**	127

Also refer note 4.2 (ii) for details of the impact of IFRS 15 on the Group's investment in joint ventures as at 1 January 2018.

7.2.2 Details of the material joint ventures:

Name of joint venture	Principal activity	Country of incorporation	Proportion of ownership and voting rights held	
			2017	2016
Sharjah Holding Co. PJSC	Shopping malls and sale of real estate	UAE	50%	50%
Al Mouj Muscat S.A.O.C	Sale of real estate	Oman	50%	50%
Waterfront City SARL	Sale of real estate	Lebanon	50%	50%

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

(AED in millions)

	SHC		AMM		WFC	
	2017	2016	2017	2016	2017	2016
Current assets	2,432	1,390	2,337	2,110	1,659	2,158
Non-current assets	341	327	406	303	173	156
Current liabilities	(2,039)	(964)	(1,263)	(926)	(1,116)	(120)
Non-current liabilities	(50)	(44)	(752)	(824)	(579)	(1,448)
Net assets	**684**	709	**728**	663	**137**	746
Net assets – Group's share	**342**	354	**364**	331	**69**	373

(AED in millions)

	SHC		AMM		WFC	
	2017	2016	2017	2016	2017	2016
Revenue	48	441	284	678	1,301	4
Profit / (loss) from continuing operations	(24)	82	65	156	174	17
Other comprehensive income	-	-	-	-	-	-
Total comprehensive income	**(24)**	82	**65**	156	**174**	17
Total comprehensive income – Group's share	**(12)**	41	**33**	78	**88**	8
Carrying amount - At 1 January	**354**	281	**331**	253	**373**	365
Group's share of profit / (loss) from continuing operations	(12)	41	33	78	88	8
Additions/reductions in investments [a]	-	33	-	-	(392)	-
Carrying amount - At 31 December	**342**	354	**364**	331	**69**	373

a) *AED 392 million reclassified from investment in joint venture to receivable from related parties.*

7.2.3 Aggregate information of joint ventures those are individually immaterial:

(AED in millions)

	2017	2016
Group's share of profit / (loss) from continuing operations	**-**	-
Group's share of other comprehensive income	**-**	-
Group's share of total comprehensive income	**-**	-
Carrying amount of the Group's interest in the joint ventures [a]	**107**	83

a) *Additional investment was made in City Centre Al Jazira of AED 25 million during the year.*

8. Segment reporting

Accounting Policy

An operating segment is a component of the Group that engages in business activities from which it may earn revenue and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. All operating segments' operating results are reviewed regularly by the Group's Board of Directors and senior management to assess performance.

Segment results that are reported to the Board of Directors include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly corporate assets (primarily the Company's head office) and head office expenses.

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

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

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

Management Reporting

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

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

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

(AED in millions)

	SMBU		HBU		CBU		PMBU		Corporate		Total	
	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
Management revenue	3,657	3,476	679	713	1,342	438	145	138	-	-	5,823	4,765
Operating expenses	(779)	(763)	(432)	(438)	(990)	(350)	(145)	(138)	-	-	(2,346)	(1,689)
Support cost	(110)	(138)	(14)	(24)	(85)	(93)	-	-	(85)	(51)	(294)	(306)
Adjustments for:												
Depreciation and amortization	(126)	(86)	(5)	(6)	(4)	(1)	(4)	-	(3)	(31)	(142)	(124)
Net valuation (loss)/gain on land and building	1,019	680	(370)	(179)	7	1	-	-	-	-	656	502
Capital expenditure write off / impairment-net	(477)	(10)	-	(22)	(147)	(91)	-	-	-	(4)	(624)	(127)
Share of gain/(loss) in associate and joint ventures-net	-	-	-	-	33	78	-	-	-	-	33	78
Non-controlling interest	(23)	(35)	-	-	(66)	(39)	-	-	-	-	(89)	(74)
Profit on asset disposal and other income/(expenses)	-	(3)	-	-	8	-	4	-	-	-	12	(3)
Operating profit/(loss)	**3,161**	3,121	**(142)**	44	**98**	(57)	**-**	-	**(88)**	(86)	**3,029**	3,022
Income/deferred tax	(59)	13	(1)	-	(61)	6	-	-	6	-	(115)	19
Foreign exchange gain/(loss)	1	(25)	-	-	-	1	-	-	-	110	1	86
Finance cost	(208)	(48)	-	-	12	11	-	-	(490)	(643)	(686)	(680)
Management net profit/(loss)	**2,895**	3,061	**(143)**	44	**49**	(39)	**-**	-	**(572)**	(619)	**2,229**	2,447
Project capital expenditure	**2,267**	2,666	**191**	152	**8**	257	**-**	-	**28**	28	**2,494**	3,103

8.2 Management report - Revenue by geographical segments

(AED in millions)

	UAE		Oman		Bahrain		KSA		GCC Total		Egypt		Lebanon		Total	
	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
Revenue	3,259	3,593	426	387	473	469	**-**	-	**4,158**	4,449	184	149	1,481	167	**5,823**	4,765

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

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

8.3 Reconciliation of revenue between management report and consolidated financial statements

(AED in millions)

	SMBU		HBU		CBU		PMBU		Corporate		Total	
	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
Revenue as per management report	**3,657**	3,476	**679**	713	**1,342**	438	**145**	138	**-**	-	**5,823**	4,765
Reconciling items:												
Net results of Leisure and Entertainment units [a,b]	253	281	-	-	-	-	-	-	-	-	253	281
PMBU Elimination				-	-	-	(120)	(124)	-	-	(120)	(124)
Line by line consolidation of the Company managed joint ventures [c]	(38)	(35)	-	-	(1,311)	(408)	-	-	-	-	(1,349)	(443)
Other adjustments [d]	(16)	(1)	-	1	14	12	1	-	-	-	(1)	12
Revenue as per consolidated financial statements	**3,856**	3,721	**679**	714	**45**	42	**26**	14	**-**	**-**	**4,606**	4,491

a) *From 1 January 2016, in the management accounts, CDE, I-FLY, Ski Dubai, Wahoo Waterpark and Ski Egypt ('the Leisure & Entertainment units'), are not consolidated on a line by line basis. However, in these consolidated financial statements, the Leisure & Entertainment units are consolidated in accordance with IFRS 10.*

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

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

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

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

(AED in millions)

	SMBU		HBU		CBU		Corporate		Total	
	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
Management net profit/ (loss)	**2,895**	3,061	**(143)**	44	**49**	(39)	**(572)**	(619)	**2,229**	2,447
Reconciling items:										
Fair value adjustments [a]	(256)	(313)	248	354	(9)	(17)	10	6	(7)	30
IAS 16 Fair value changes [b]	-	-	(66)	(139)	-	-	-	-	(66)	(139)
Depreciation on strategic assets [c]	-	-	(260)	(324)	(1)	-	(11)	(12)	(272)	(336)
Coupons declared to MAFH [d]	-	-	-	-	-	-	220	220	220	220
Net results of Leisure and Entertainment units [e]	85	121	-	-	-	-	-	-	85	121
Other adjustments [f]	18	18	-	(1)	7	-	(21)	-	4	17
Net profit/(loss) as per consolidated financial statements	**2,742**	2,887	**(221)**	(66)	**46**	(56)	**(374)**	(405)	**2,193**	2,360

a) *For calculation of management net profit, the project capital expenditure (cash spent) has been deducted from the gross changes in fair value and is reported in the income statement. For financial statement purposes, the fair value gain/(loss) is computed by comparing the net book value with the fair value adjusted for lease straight-lining accruals as per the requirements of IAS 17 and capital work in progress accruals as per the requirements of IAS 16 and IAS 40.*
b) *Fair value changes under IAS 16 are recognized in equity in these consolidated financial statements as compared to being recorded in the income statement in the management report.*
c) *For the management report net profit calculation, depreciation is not charged on strategic assets subject to fair valuation. Gross changes in fair value are reported in the management income statement. For the consolidated financial statements, all assets which are classified under IAS 16 are depreciated and any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount.*
d) *For the management report net profit calculation, coupons declared during the year on the subordinated capital loan instruments are shown as a deduction from net profit. For these consolidated financial statements, coupons are accounted for as an appropriation of distributable profit and adjusted in equity.*
e) *From 1 January 2016, in the management accounts, CDE, I-FLY, Ski Dubai, Wahoo Waterpark and Ski Egypt ('the Leisure & Entertainment units'), are not consolidated on a line by line basis. However, in these consolidated financial statements, the Leisure & Entertainment units are consolidated in accordance with IFRS 10.*
f) *In the management report, the legal entities Majid Al Futtaim Tilal Al Ghaf Co LLC (formerly Majid Al Futtaim South Beach LLC) and Majid Al Futtaim Tilal Al Ghaf Development Co LLC (formerly Majid Al Futtaim South Beach Development LLC) are consolidated on a line by line basis. However in these consolidated financial statement, these entities are not consolidated as the Group does not have a control over these legal entities under IFRS.*

8.5 Statutory segment assets and liabilities – by business segments

(AED in millions)

	SMBU		HBU		CBU		Corporate Centre		Total	
	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
Segment assets	40,431	37,443	4,505	4,782	2,834	2,724	409	337	**48,179**	45,286
Segment liabilities	(3,777)	(3,810)	(144)	(212)	(33)	(37)	(9,641)	(8,705)	**(13,595)**	(12,764)
Net Assets [a]	**36,654**	33,633	**4,361**	4,570	**2,801**	2,687	**(9,232)**	(8,368)	**34,584**	32,522

a) *Intra-company balances have been excluded to arrive at the net assets.*
b) *In presenting the geographic information, segment assets were based on the geographic location of the assets.*

8.6 Statutory segment assets and liabilities – by geographical segments

(AED in millions)

	UAE		Oman		Bahrain		KSA		GCC Total		Egypt		Lebanon		Total	
	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
Segment assets	36,572	34,053	2,529	2,158	3,178	3,397	1,932	1,891	**44,211**	41,499	1,990	1,722	1,978	2,065	**48,179**	45,286
Segment liabilities	(11,862)	(10,863)	(510)	(204)	(222)	(240)	(36)	(16)	**(12,630)**	(11,323)	(451)	(757)	(514)	(684)	**(13,595)**	(12,764)
Net Assets [a]	**24,710**	23,190	**2,019**	1,954	**2,956**	3,157	**1,896**	1,875	**31,581**	30,176	**1,539**	965	**1,464**	1,381	**34,584**	32,522

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

8.7 Major customer

Rental revenue earned from the Group's related parties have contributed to AED 366 million (2016: 348 million) which is 10% (2016: 10%) of the total rental revenue for the year ended 31 December 2017.

9. Revenue

Accounting Policy

The Group recognises revenue on an accrual basis, when the amount of revenue can be reliably measured and it is probable that future economic benefits will flow to the Group. Revenue comprises rental income and service income.

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

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

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

(AED in millions)

	2017	2016
Rental income from investment property	3,618	3,466
Service income:		
- Hospitality service	679	714
- Leisure and entertainment services	253	282
- Project management service *	26	14
- Others *	30	15
	4,606	4,491

**Refer note 29.1*

10. Operating expenses

(AED in millions)

	2017	2016
Employee benefits [a]	(652)	(610)
Depreciation	(423)	(460)
Selling and marketing expenses	(178)	(175)
Repairs and maintenance	(140)	(133)
Utilities	(114)	(124)
Consultancy fees	(85)	(83)
Hotel operator fee and sales commission	(73)	(76)
Housekeeping expenses	(72)	(69)
Security expenses	(47)	(40)
Service charges and other recharges	(45)	(41)
IT costs	(43)	(42)
Bad and doubtful debts expense	(41)	(31)
Hotels food and beverage expenses	(41)	(40)
Leisure and entertainment units' cost of operations	(19)	(21)
Amortization charge for intangible asset	(20)	(20)
Travel expenses	(17)	(17)
Property taxes	(17)	(19)
Insurance premiums	(17)	(20)
Office supplies	(16)	(15)
Rent	(9)	(6)
Miscellaneous expenses [b]	(67)	(95)
	(2,136)	(2,137)

a) *Staff costs are net of costs capitalised to various projects amounting to AED 110 million (2016: AED 99 million).*
b) *During the year ended 31 December 2017, the Group has paid AED 5 million (2016: AED 6 million) for various social contribution purposes.*

11. Finance costs

Accounting Policy

Finance costs comprise of interest expense, arrangement fees, participation fees and similar charges on loans and borrowings; and unwinding of discount adjustments. Interest expense is recognised using the effective interest method.

(AED in millions)

	2017	2016
Interest expense (including arrangement and participation fees) [a]	(564)	(522)
Unwinding of discount on finance lease liabilities	(17)	(18)
Unwinding of discount on receivable from a joint venture [a]	9	(2)
Less: Amounts capitalised with the cost of qualifying assets [b]	82	168
	(490)	(374)

a) Refer note 29.1
b) *Capitalised interest arises on borrowings for development expenditure. The capitalisation rate range used to determine the amount of borrowing cost eligible for capitalization was 4.49% - 19.96% (2016: 4.11% - 17.75%) depending on the effective interest rate over the tenure of the borrowings for individual developments.*

12. Impairment

Accounting Policy

Financial assets

The financial assets or group of assets of the Group are assessed at each reporting date to determine whether there is any objective evidence that it is impaired. Impairment losses are only recognised if there is objective evidence.

The amount of loss is measured as the difference between the carrying amount of the asset and the present value of the estimated future cash flows discounted at the original effective interest rate.

Assets that are individually significant are tested individually whereas others are grouped together with financial assets of similar credit risk characteristics and assessed collectively. All impairment losses are recognised in the profit or loss account.

Loss on impairment is reversed if the reversal can be objectively related to an event occurred after the impairment loss was recognised. For financial assets that are measured at amortised cost, the reversal is recognised in profit or loss account.

Non-financial assets

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

Loss on impairment is recognised if the carrying amount of the non-financial asset or its cash generating unit exceeds its recoverable amount.

For assets that have an indefinite life or are not yet available for use, the recoverable amount is assessed at the reporting date. The recoverable amount is the greater of its fair value and value in use less costs to sell.

Value in use is assessed by using the discounted future cash flow and the income capitalization method. This is done so that the time value of money and risks associated is reflected in the current market assessment.

(AED in millions)

	2017	2016
Reversals/(allowances) for impairment of property, plant and equipment	-	(19)
Reversals/(allowances) for impairment of investment property [a]	(475)	(8)
Reversals/(allowances) for impairment of investment in the associate [b]	-	(91)
	(475)	(118)

a) *Significant unobservable inputs include discount rate of 19.70% and income capitalization rate of 11.34% for shopping malls in Egypt and Oman respectively. The estimated impairment loss would (increase) / decrease if the discount rates were (higher) / lower.*

b) *In the last year the Group had performed an analysis of its carrying amount of investment in an associate. Based on the results of this analysis, management was of the view that the carrying amount of the investment was eroded due to adverse market and business conditions and had, therefore, recognised an impairment loss of AED 91 million in the prior year thereby reducing its carrying value to Nil. This investment was sold in the current year for AED 10 million (refer note 7.1 and 13).*

13. Other income/ (expenses) - net

(AED in millions)

	2017	2016
IT and other service charges levied on related parties (refer note 29.1)	13	5
Profit on sale of an associate (refer note 7.1 and 12 (b))	10	-
Interest income	13	12
Development expenses	(26)	(34)
Property, plant and equipment / project costs written off	(4)	(10)
Foreign exchange gain/(loss) - net	1	(25)
Reversal of provision	(1)	(2)
Other income – net	23	20
	29	(34)

14. Net revaluation gain on land and buildings

(AED in millions)

	2017	2016
(Loss)/gain arising on changes in fair value of property, plant and equipment (refer note 15.2 (b))	(178)	42
Gain arising on changes in fair value of investment property (refer note 16.2)	768	350
	590	392

15. Property, plant and equipment

Accounting policy

Recognition and measurement

Land and buildings mainly comprising hotels and offices held for use in the production or supply of goods or services, or for administrative purposes, are stated at their revalued amounts, being the fair value at the date of revaluation, less any subsequent accumulated depreciation and subsequent impairment losses. Revaluations are performed with sufficient regularity such that the carrying amounts do not differ materially from those that would be determined using fair values at the end of each reporting period. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount.

Land on which development work has started with the intention of constructing property, plant and equipment is fair valued at the date when significant development commences. During the construction period, land is held at its carrying value and development expenditure is carried at cost less accumulated impairment until the valuation of the asset can be reliably determined. Once the property has been reliably determined, the entire property (that is land and building) is carried at revalued amount.

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

If significant parts of an item of property, plant and equipment have different useful lives, then they are

accounted for as separate items (major components) of property, plant and equipment.

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

Depreciation

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

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

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

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

Revaluation reserve

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

Reclassification to investment property

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

De-recognition

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

15.1 Critical judgements

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

15.1.2 *Apportionment of fair values between land and buildings*

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

(ii) Change in fair value apportioned to buildings is then allocated to the building structure as it is impracticable to obtain detailed fair value information at each component level of the building from the 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.

15.2 Reconciliation of the net carrying amount at the reporting date

(AED in millions)

	Land & buildings	Motor vehicles	Furniture, fixtures & equipment	Leisure rides & games	Capital work in progress	Total
Cost/ valuation						
At 1 January 2016	4,416	8	720	378	234	5,756
Additions [a]	46	2	103	6	185	342
Disposals/write offs/other adjustments	3	(1)	(14)	(250)	(11)	(273)
Capitalised	-	-	58	-	(58)	-
Accumulated depreciation & impairment eliminated on valuation	(335)	-	-	-	-	(335)
Transferred from investment property	4	-	-	-	138	142
Transferred to a related party	-	-	-	-	(5)	(5)
Net revaluation gain [b]	181	-	-	-	-	181
Effect of movements in exchange rates	-	-	(13)	-	(9)	(22)
At 31 December 2016	4,315	9	854	134	474	5,786
At 1 January 2017	4,315	9	854	134	474	5,786
Additions [a]	30	-	83	12	254	379
Disposals/write offs/other adjustments	(3)	(1)	(32)	-	(57)	(93)
Capitalised	-	-	71	-	(71)	-
Accumulated depreciation & impairment eliminated on valuation	(271)	-	-	-	-	(271)
Reclassification	-	-	-	-	(39)	(39)
Transferred from/ (to) investment property	-	-	64	-	(18)	46
Transferred to a related party	-	-	-	-	(5)	(5)
Net revaluation gain/(loss) [b]	6	-	-	-	(118)	(112)
Effect of movements in exchange rates	-	-	-	-	1	1
At 31 December 2017	**4,077**	**8**	**1,040**	**146**	**421**	**5,692**
Depreciation/ impairment						
At 1 January 2016	-	(5)	(476)	(311)	(30)	(822)
Depreciation charge for the year	(335)	(1)	(120)	(4)	-	(460)
Accumulated depreciation & impairment eliminated on valuation	335	-	-	-	-	335
Disposals/write offs/other adjustments	-	-	6	250	-	256
Provision for impairment	-	-	-	-	(22)	(22)
Reclassification	-	-	60	(60)	-	-
Effect of movements in exchange rates	-	-	10	1	-	11
At 31 December 2016	-	(6)	(520)	(124)	(52)	(702)
At 1 January 2017	-	(6)	(520)	(124)	(52)	(702)
Depreciation charge for the year	(271)	(1)	(142)	(9)	-	(423)
Accumulated depreciation & impairment eliminated on valuation	271	-	-	-	-	271
Impairment reversal	-	-	-	-	30	30
Disposals/write offs/other adjustments	-	1	30	-	-	31
At 31 December 2017	**-**	**(6)**	**(632)**	**(133)**	**(22)**	**(793)**
Carrying amounts						
At 31 December 2017	**4,077**	**2**	**408**	**13**	**399**	**4,899**
At 31 December 2016	4,315	3	334	10	422	5,084

Major movement in property, plant and equipment:

a) *The capital expenditure in the current year mainly relates to IT projects and the ongoing construction of Aloft City Centre Deira Hotel. In the prior year, in addition to the IT projects and Aloft City Centre Deira Hotel, capital expenditure related to the construction of the MoE Hilton Garden Inn, as well as refurbishment of MoE Kempinski Hotel.*

b) *A revaluation loss of AED 112 million (for the year ended 31 Dec 2016: AED 181 million gain) has been recognized. This comprises of a valuation gain of AED 66 million (for the year ended 31 Dec 2016: AED 139 million gain) recognised in other comprehensive income and a valuation loss of AED 178 million (for the year ended 31 Dec 2016: AED 42 million gain) recognised in profit or loss (refer to note 14).*

15.3 Other notes

i) The fair value measurement for property, plant and equipment (including an asset forming part of capital work in progress in the current year) of AED 4,248 million (2016: AED 4,314 million) has been categorized as a Level 3 fair value based on the inputs to the valuation technique used.

ii) Measurement of fair value

Particulars	Hotels & building
Significant unobservable inputs used	Discount rate* 31 December 2017: 10.25% to 11.75% and 31 December 2016: 11.25% to 12.75% Compounded annual growth rates of EBITDA (31 December 2017: 5.98%; 31 December 2016: 5.78%)

*****For the valuations at 31 December 2017, a more conservative approach has been taken to projecting revenue assumptions. Therefore, exit yields and discount rates have been adjusted to reflect the reduced risk in achieving the projected levels of EBITDA at the point of exit in the cash flow.

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

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

(AED in millions)

	2017		2016	
	Land	Buildings	Land	Buildings
Cost	327	4,020	327	3,992
Accumulated depreciation	-	(2,206)	-	(1,927)
At 31 December	**327**	**1,814**	327	2,065

16. Investment property

Accounting Policy

Recognition and measurement

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

Reclassification to property plant and equipment

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

De-recognition

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

16.1 Critical judgements

Accounting for dual use property

- Certain properties of the Group include a portion that is held to generate rental income or capital appreciation and another portion that is held for own use by the Group in the supply of services or for administrative purposes. Such properties are called 'dual use properties'.
- Dual use properties where portions can be sold or finance-leased separately will be split between property, plant and equipment and investment properties based on the leasable value of each portion.
- For dual use properties where portions cannot be sold or finance-leased separately, estimates will be made to assess level of own use of the property using leasable value of the self-occupied and let out portions. If the level of own use of a property, as determined by leasable value, is insignificant, the property is classified as investment property, otherwise, it is classified as property, plant and equipment.

16.2 Reconciliation of the net carrying amount at the reporting date

(AED in millions)

	2017	2016
At 1 January	37,132	36,320
Additions [a]	2,456	2,452
Write offs	(3)	-
Transferred to development property	-	(243)
Transferred from a related party [b]	-	284
Transferred to property, plant & equipment	(46)	(142)
Net fair value change (refer note 14)	768	350
Impairment	(462)	-
Effect of movements in exchange rates [c]	30	(1,889)
At 31 December	**39,875**	37,132

Major movement in investment property:

a) *Additions in the current year mainly relate to expansion or redevelopment of existing shopping malls and offices (AED 1,235 million) and development of new shopping malls in Oman (AED 576 million), Egypt (AED 418 million) and UAE (AED 227 million). In the prior year, the expenditure mainly related to land acquisitions (AED 766 million), development of new shopping malls in Egypt (AED 804 million), UAE (AED 152 million) and improvement/expansion of existing shopping malls and offices (AED 730 million).*

b) *The rights over a leasehold land and the property constructed on the land (a shopping mall) was transferred from Majid Al Futtaim Hypermarkets LLC, a related party, to the subsidiary of the Group.*

c) *During the previous year the Central Bank of Egypt floated its tightly controlled currency which lead to a sharp devaluation of the Egyptian Pound resulting in a significant impact on the assets held.*

d) *The carrying value as at the reporting date includes an operational shopping mall in the UAE amounting to AED 145 million (2016: AED 209 million) and two shopping malls under construction in Oman of AED 550 million (2016: AED 199 million) which are constructed on leasehold lands.*

16.3 Other notes

i) Amounts recognised in profit or loss for investment properties:

(AED in millions)

	2017	2016
Rental income	**3,618**	3,466
Direct operating expenses from property that generated rental income	**(936)**	(842)

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

(AED in millions)

	2017	2016
Fair value of land and buildings (including capital work in progress)	40,112	37,350
Less: Adjustment for accrued operating lease income (refer note 18)	(237)	(218)
Net adjusted fair value	**39,875**	37,132

iii) Restrictions on the investment property

At 31 December 2017, assets with a carrying amount of AED 2,266 million (2016: AED 2,085 million) were subject to mortgages for various term loans from banks (refer note 24.1).

As at 31 December 2017, certain lands were held in the personal name of a majority shareholder of the ultimate holding entity for the beneficial interest of the Group.

iv) Measurement of fair value

Particulars	Shopping malls	Offices
Significant unobservable inputs used	Discount rates on income streams 31 December 2017: 10.00% to 27.50%; 31 December 2016: 10.00% to 27.50% Compounded annual growth rates of Net operating income ("NOI") 31 December 2017: 3.59%; 31 December 2016: 3.25%	Equivalent yield 31 December 2017: 8.00% to 9.25%; 31 December 2016: 8.00% to 9.25%

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

v) Fair value hierarchy

The fair value measurement for investment property of AED 39,875 million (2016: AED 37,132 million) has been categorized as a Level 3 fair value based on the inputs to the valuation technique used.

17. Intangible asset

Accounting Policy

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

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

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

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

(AED in millions)

Metro naming rights	2017	2016
At 1 January	53	73
Amortisation	(20)	(20)
At 31 December	**33**	53

18. Trade and other receivables

Accounting Policy

Trade receivables

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

Provision for bad and doubtful debts

Receivables from shopping malls business

Provision for bad and doubtful debts is based on the age of the overdue amount and the percentage of the respective age bucket.

Category	Past due (payment date)	Provision amount (%)
Good	1 – 30	0%
Doubtful	31 – 60	10%
Doubtful	61 – 90	20%
Doubtful	91 – 180	50%
Bad	Over 180	100%

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

The calculated provision amounts whether based on above percentage or specific cases will be recognised after netting off against 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.

Also refer note 4.2 (i) for details of the impact of IFRS 9 on the Group's impairment for lease receivables as at 1 January 2018.

Receivables from communities business

Provision for bad and doubtful debts is created when any uncertainty arise regarding collectability of receivables. In the case of receivables where possession of property is already handed over to the customer, provision is created at an accelerated rate or fully written off based on the facts and circumstances on a case by case basis.

(AED in millions)

	2017	2016
Trade receivables, net of provision for bad and doubtful debts (refer note 18.3)	349	277
Accrued income on operating leases (refer note 16.3 (ii))	237	218
Advances and deposits	106	112
Prepayments	58	62
Other receivables	15	15
At 31 December	**765**	684
- Non-current (Accrued income on operating lease)	**175**	162
- Current	**590**	522

18.1 Long term receivables

(AED in millions)

	2017	2016
Accrued income on operating lease	175	162
Advances to contractors	428	293
Other long term receivables	39	-
Long term prepayment	8	9
At 31 December	**650**	464

18.2 Provision for bad and doubtful debts

(AED in millions)

	2017	2016
At 1 January	(65)	(48)
Charge for the year	(41)	(31)
Reversal during the year	2	13
Foreign exchange differences	-	1
At 31 December	**(104)**	(65)

18.3 Ageing of trade receivables

(AED in millions)

	2017	2016
Current balance	198	162
Past due 31 - 60 days	42	47
Past due 61 - 90 days	15	26
Past due 91 - 180 days	63	45
Past due over 180 days	135	62
Total trade receivables	**453**	342
Less: Provision for bad and doubtful debts	(104)	(65)
Net trade receivables	**349**	277

19. Income tax

Accounting Policy

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

Current tax

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

Deferred tax

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

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

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

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different taxable entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised for unused tax losses, unused tax credits and deductible temporary differences, to the extent it is probable that future tax profits will be available against which the temporary difference can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

19.1 Income tax (expense) / credit recognised in profit or loss

(AED in millions)

	2017	2016
Current tax expense		
- Current year	(15)	(30)
- Adjustment for prior years	(2)	-
	(17)	(30)
Deferred tax (expense) / credit		
- Origination and reversal of temporary differences	(21)	43
	(21)	43
	(38)	13

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

19.2 Reconciliation of effective tax rate

(AED in millions)

		2017		2016
Profit before tax from continuing operations		2,291		2,347
Tax using the Company's domestic tax rate	0.00%	-	0.00%	-
Effect of tax rates in foreign jurisdictions	0.61%	(14)	1.19%	(28)
Non-deductible expenses	0.04%	(1)	0.09%	(2)
Change in recognised deductible temporary differences	0.92%	(21)	1.83%	43
Change in estimates related to prior years	0.09%	(2)	0.00%	-
	1.66%	**(38)**	0.55%	13

19.3 Deferred tax liabilities

(AED in millions)

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

(AED in millions)

	01 January 2016	Recognised in profit or loss	Recognised in OCI	Exchange rate movement	31 December 2016
Investment property and others	198	(43)	-	(85)	70

Deferred tax liability has been computed on the taxable temporary differences arising as a result of valuation gains/losses on properties in Oman, Egypt and Lebanon. The tax rates in these countries are 15%, 22.5% and 15% respectively (2016: 12%, 22.5% and 10% respectively). The corresponding valuation gain or loss has been recognised in profit or loss. Accordingly, the resulting net deferred tax expense / (credit) has been recognised in profit or loss.

19.4 Deferred tax assets

(AED in millions)

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

(AED in millions)

	01 January 2016	Recognised in profit or loss	Recognised in OCI	Exchange rate movement	31 December 2016
Investment property and others	9	-	-	-	9

20. Inventories

Accounting Policy

Development property

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

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

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

Spares and consumables

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

(AED in millions)

	2017	2016
Development property	251	245
Spares and consumables	26	26
At 31 December	**277**	271
- Current	**277**	271
- Non-current	**-**	-

20.1 Development property

(AED in millions)

	2017	2016
At 1 January	245	-
Additions during the year	6	2
Transferred from/(to) investment properties	-	243
At 31 December	**251**	245

21. Cash and bank balances

(AED in millions)

	2017	2016
Cash in hand	10	15
Fixed deposits	119	73
Call deposits and current accounts	238	348
At 31 December	**367**	436
Less: fixed deposits with maturity of more than 3 months	(9)	(9)
Cash and cash equivalents	**358**	427

22. Trade and other payables

Accounting Policy

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

(AED in millions)

	2017	2016
Trade payables	96	78
Capital work in progress accruals	429	257
Accruals	364	353
Current portion of a long term liability	10	9
Current portion of a finance lease liability [a]	3	29
Unearned rental income	878	803
Retention from contractor payments	197	152
Tenant related deposits	642	578
Tenant related advances	191	152
Tax payable	50	49
Others	26	47
At 31 December	**2,886**	2,507

a) (Refer note 25.1)

23. Provisions

Accounting Policy

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

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

(AED in millions)

	2017	2016
Bonus provisions [a]	91	89
Other provisions	59	44
At 31 December	**150**	133
- Current	**150**	122
- Non-current	**-**	11

23.1 Reconciliation of provisions as at the reporting date

(AED in millions)

	Bonus provisions [a]	Other provisions
At 1 January 2016	68	32
Additional provisions recognised	99	44
Reduction arising from payments/write backs	(78)	(32)
At 31 December 2016	89	44
At 1 January 2017	89	44
Additional provisions recognised	92	17
Reduction arising from payments/write backs	(90)	(2)
At 31 December 2017	**91**	59

a) Bonus provisions represent the amount payable to the employees of the Company, which is expected to be paid out by the end of April 2018.

24. Loans and borrowings

(AED in millions)

	2017	2016
Secured – At amortised cost		
Term loans - From banks [a]	623	1,190
	623	1,190
Unsecured – At amortised cost		
Sukuk certificates	1,837	3,306
Bank overdraft	55	55
	1,892	3,361
At 31 December	**2,515**	4,551
- Current	**146**	1,692
- Non-current	**2,369**	2,859

a. Carrying amount adjusted for unamortised transaction costs of AED 28 million (2016: AED 16 million).

24.1 Term loans – From banks

(AED in millions)

	2017	2016
At 1 January	1,206	1,540
Borrowed during the year	306	278
Repaid during the year	(870)	(65)
Currency translation adjustment	9	(547)
At 31 December	**651**	1,206
Net unamortized transaction costs incurred	(28)	(16)
	623	1,190
- Current	**91**	168
- Non-current	**532**	1,022

(AED in millions)

Loan facility	2017	2016	Security	Repayment interval	Repayment start date	Original maturity date
USD 53 (AED 196) and LBP 170,000 (AED 418)	375	529	First ranking charge over the plot on which the shopping mall is constructed and assignment of lease rentals of the shopping mall	Annual & half-yearly	05-Nov-15 20-Mar-16	05-May-22 20-Sep-22
AED 225	69	155	First degree mortgage over land and building of the shopping mall, assignment of insurance policies and lease rentals of the shopping mall	Half-yearly	29-Sep-13	29-Mar-21
EGP 3,000 (AED 608)	-	522	First degree mortgage over the property, assignment of lease proceeds and insurance contracts	Unequal instalments every year	26-Jul-17	28-Apr-26
EGP 2,500 (AED 517)	133	-	Assignment of lease proceeds and insurance contracts	Unequal instalments every year	28-Sep-21	28-Sep-30
OMR 175 (AED 1,672)	74	-	Assignment of lease proceeds, insurance and construction contracts	Quarterly	31-Dec-20	30-Sep-30
At 31 December	**651**	1,206				

These loans are obtained at margins ranging from 1.1% to 4.1% (2016: 1.1% to 3.5%) over the base lending rate. For loans obtained in the UAE, the base lending rate used is EIBOR / LIBOR. For loans obtained by overseas subsidiaries an appropriate base lending rate prevailing in the related markets is used.

24.2 Sukuk certificates [a]

(AED in millions)

	2017	2016
At 1 January	3,306	3,306
Borrowed during the year	-	-
Repaid during the year	(1,469)	-
At 31 December	**1,837**	3,306
- Current	**-**	1,469
- Non-current	**1,837**	1,837

(AED in millions)

Loan facility	2017	2016	Interest rate and term	Repayment Interval	Start date	Maturity date
USD400 (AED1,469)	-	1,469	5.85% per annum (semi-annual basis) and 5 years	Bullet payment	Feb-12	Feb-17
USD500 (AED1,837)	1,837	1,837	4.50% per annum (semi-annual basis) and 10 years	Bullet payment	Nov-15	Nov-25
At 31 December	**1,837**	3,306				

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

25. Other liabilities

(AED in millions)

	2017	2016
Finance lease liabilities	161	143
Others	1	14
At 31 December	**162**	157

25.1 Finance lease liabilities

Accounting policy

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

(AED in millions)

	Future minimum lease payments		Interest		Present value of minimum lease payments	
	2017	2016	**2017**	2016	**2017**	2016
Less than one year	17	44	14	15	3	29
Between one and five years	78	86	52	57	26	29
More than five years	390	297	255	183	135	114
At 31 December	**485**	427	**321**	255	**164**	172
- Current					**3**	29
- Non-current					**161**	143

a) *In 2014, a subsidiary of the Company has entered into an usufruct contract with the Government of Sultanate of Oman which has provided the subsidiary usufruct rights over two plots of land in Oman for a period of fifty years.*
b) *In 2016, a subsidiary of the Company, entered into an agreement with a related party, Majid Al Futtaim Hypermarkets LLC, to transfer the rights over a leasehold land and the property constructed on the land (a shopping mall) to the subsidiary of the Company. The land on which the shopping mall has been constructed has been obtained on a long term lease from the Government of Dubai for a range of 8 to 25 years for different parts of the land.*
c) *In 2017, a subsidiary of the Company entered into an usufruct contract with the Government of Sultanate of Oman which has provided the subsidiary usufruct rights over a plot of land in Oman for a period of fifty years.*
d) *All these leasehold interests meet the recognition criteria of an investment property and, accordingly, the Group has accounted for the land leases as a finance lease. The lands are restricted to be used for commercial purposes in relation to MAFP businesses and the right to renew the lease is reserved with the Governments of Oman and Dubai, respectively. If the lease is not renewed the land and building will be transferred to the Governments of Oman and Dubai respectively at the end of the lease term. The leasehold interest meets the recognition criteria of an investment property and accordingly the Group has accounted for the lease as a finance lease.*
e) *Interest rates underlying all obligations under finance leases are determined at the respective contract dates based on the incremental borrowing rates ranging from 8.7% to 9.6% (2016: 9.5% to 9.6%) per annum.*

26. Retirement benefit obligation

Accounting Policy

Defined benefit plan

Provision for staff terminal benefits is calculated in accordance with the labour 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 yield at the reporting date on premium bonds that have maturity dates approximating the terms of the Group's obligation.

Defined contribution plan

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

(AED in millions)

	2017	2016
Defined benefit plan	**103**	80
Defined contribution plan	**4**	3
At 31 December	**107**	83

26.1 Defined benefit plan

Key assumptions and estimation uncertainties:

The principal assumptions used for the purposes of the valuation of staff terminal benefits were as follows:

	2017	2016
Discount rate	**3.0%**	2.6%
Future salary increase	**5%**	5%
Probability of employees staying for a full service period	**50%**	50%

Reconciliation of defined benefit obligation liability at the reporting date:

(AED in millions)

	2017	2016
At 1 January	80	68
Expense / (reversal) for the year - net	35	28
Benefits paid during the year	(9)	(8)
Other reclassifications	(3)	(8)
At 31 December	**103**	80

26.2 Defined contribution plan

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

(AED in millions)

	2017	2016
Total expense recognised in profit or loss during the year	**13**	11
Contributions payable at the end of the reporting year	**4**	3

27. Equity

27.1 Share capital

(AED in millions)

	2017	2016
Authorised, issued and fully paid:		
3,500,000 shares of AED 1,000 each	3,500	3,500
At 31 December	**3,500**	3,500

27.2 Shareholder contribution

(AED in millions)

	2017	2016
Subordinated capital loan instruments [a]	2,750	2,750
Contribution from MAFH [b]	188	188
At 31 December	**2,938**	2,938

a) *In 2009, the Company issued subordinated capital loan instruments of AED 2,500 million in five loan instruments of AED 500 million each. During 2010, an additional loan instrument of AED 250 million was issued by the Company. These instruments are collectively referred to as "the hybrid instruments" and are fully subscribed to by MAFH as per the terms of a Master Capital Loan Agreement and a separate Capital Loan Agreement for each loan, dated 5 October 2009. The hybrid instruments carry a coupon payment, payable semi-annually, at a fixed rate of 8% per annum up to 7 October 2019 and at a floating rate of EIBOR + 5% thereafter.*
The hybrid instruments have a first par call date on 7 October 2019, at the election of the Company, without any obligation. The hybrid instrument does not have a final maturity date. The coupon is non-cumulative in nature and can be deferred indefinitely at the Company's discretion without constituting a default. In case of the MAFH ceasing control of the Company, the prevailing coupon rate on the hybrid instruments will be permanently increased by 5% and such coupons will become cumulative.
Based on the terms of the hybrid instruments, these were accounted for as equity instruments. The hybrid instruments were subscribed to through a debt to equity swap transaction.

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

27.3 Statutory reserve

In accordance with the Articles of Association of companies in the Group and relevant local laws, 10% of the net profit for the year of the individual companies, to which the law is applicable, is transferred to a statutory reserve. Such transfers may be discontinued when the reserve equals the limit prescribed by the relevant laws applicable to individual entities. This reserve can be utilised only in the manner specified under the relevant laws and is not available for distribution. During the year, AED 313 million (2016: AED 297 million) has been transferred to this reserve.

27.4 Currency translation reserve

The currency translation reserve comprises all foreign currency differences arising from translation of the consolidated financial statements of foreign operations. In the previous year the Central Bank of Egypt floated its tightly controlled currency which led to a sharp devaluation of the Egyptian Pound. As the Group had significant net assets denominated in Egyptian Pound, the devaluation had resulted in a significant impact on the currency translation reserve in the previous year.

28. Financial instruments

Accounting Policy

Financial assets

Classification of financial assets

Financial assets are classified into four categories according to their nature and the entity's intent in holding them:

- held-to-maturity investments;
- financial assets measured at fair value through profit or loss;
- loans and receivables;
- assets available for sale

Only the 'loans and receivables' category is relevant to the Group.

Recognition and measurement of financial assets

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

a) Loans and receivables ('L&R'):
Loans and receivables primarily comprise trade receivables, related party receivables and other receivables. After their initial recognition, they are measured at amortised cost using the effective interest rate method. Long-term loans and receivables not bearing interest or bearing interest at a rate below the market rate are discounted when the amounts are significant, discounted at a rate representative of market conditions. Any impairments are recognised in profit or loss.

b) Cash and cash equivalents:
Cash and cash equivalents comprise cash and call deposits with maturities of three months or less.

De-recognition of financial assets

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

Financial liabilities

Financial liabilities are classified in two categories:

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

Only the 'amortised cost' category is relevant to the Group.

Recognition and measurement of financial liabilities

The measurement of financial liabilities depends on their classification under IAS 39. All financial liabilities are initially recognised at their fair value less transaction costs (with the exception of the transaction costs of liabilities measured at fair value through profit or loss, which are recognised as an expense).

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

De-recognition of financial liabilities

The financial liabilities are derecognised when the contractual obligations are discharged, cancelled or expired.

General

Breakdown between current and non-current

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

Offset of financial assets and financial liabilities

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

Derivatives and hedging activity

There are no derivatives and any hedging activity executed by the Group.

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

Financial assets

(AED in millions)

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

(AED in millions)

At 31 December 2016	Carrying amount A	Non-financial assets B	Financial assets C=A-B	IAS 39 classification
Trade and other receivables (including long term)	986	694	292	L&R
Cash and bank balances	436	-	436	L&R
Receivables from and loans to related parties (short term and long term balances)	174	-	174	L&R
	1,596	694	902	

Financial liabilities

(AED in millions)

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

(AED in millions)

At 31 December 2016	Carrying amount A	Non-financial liabilities B	Financial liabilities C=A-B	IAS 39 classification
Loans and borrowings	4,551	-	4,551	AC
Term loans from a related party	5,252	-	5,252	AC
Trade and other payables	2,507	955	1,552	AC
Due to related parties	11	-	11	AC
Other liabilities	157	-	157	AC
	12,478	955	11,523	

28.2 Fair value measurement and hierarchy

Management believes that the fair value of the financial assets and liabilities, except for the sukuk certificates issued, are not materially different from their carrying amounts. The fair value of the sukuk certificate that matures in 2025 is AED 1,908 million (2016: 1,876 million). The fair value of the sukuk certificate that matured in 2017 was AED 1,476 million in 2016. These certificates are carried at level 2 of the fair value hierarchy. The fair value measurement method used is described in Note 5.

28.3 Financial risk management

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

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

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

28.3.1 Credit risk

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

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

(AED in millions)

	2017	2016
Trade and other receivables (including long term)	403	292
Fixed deposits	119	73
Call deposits and current accounts	238	348
Receivables from and loans to related parties and others (short term and long term balances)	589	174
At 31 December	**1,349**	**887**

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

28.3.2 Liquidity risk

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

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

(AED in millions)

At 31 December 2017	Carrying amount	Contractual cash flows	6 months or less	6-12 months	1-2 years	2-5 years	5 years or more
Secured loans and borrowings	651	1,016	70	84	146	527	189
Unsecured loans and borrowings	1,837	2,484	41	41	83	248	2071
Bank overdraft	55	55	55	-	-	-	-
Total external borrowings	2,543	3,555	166	125	229	775	2,260
Related party loans	7,663	8,419	174	184	-	8,061	-
Payables and accruals	2,080	2,387	968	951	-	78	390
Due to related parties	12	12	6	6	-	-	-
	12,298	**14,373**	**1,314**	**1,266**	**229**	**8,914**	**2,650**

(AED in millions)

At 31 December 2016	Carrying amount	Contractual cash flows	6 months or less	6-12 months	1-2 years	2-5 years	5 years or more
Secured loans and borrowings	1,206	1,994	170	139	256	842	587
Unsecured loans and borrowings	3,306	4,045	1,520	41	82	248	2,154
Bank overdraft	55	55	55	-	-	-	-
Total external borrowings	4,567	6,094	1,745	180	338	1,090	2,741
Related party loans	5,252	5,747	110	117	5,520	-	-
Payables and accruals	1,809	2,065	877	791	27	56	314
Due to related parties	11	11	5	6	-	-	-
	11,639	13,917	2,737	1,094	5,885	1,146	3,055

28.3.2.1 Funding and liquidity

At 31 December 2017, the Group has net current liabilities of AED 1,400 million (2016: AED 2,997 million) which includes loans and borrowings maturing in the short-term of AED 146 million (2016: AED 1,692 million). To meet the above commitments, the Group has access to sufficient committed facilities from MAFH and banks. On the basis of the above, management has concluded that the Group will be able to meet its financial commitments in the foreseeable future.

28.3.3 Market risk

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

a) Interest rate risk

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

The following is the assessment of sensitivity to interest rate risk:

(AED in millions)

		2017		2016
Fixed interest bearing instruments				
- Financial assets (fixed deposits)		119		73
- Financial liabilities (loans)		(1,837)		(3,306)
- Financial liabilities (finance lease liabilities)		(164)		(172)
- Financial liabilities (other long term liabilities)		(1)		(23)
		(1,883)		(3,428)
Variable interest bearing instruments				
- Financial liabilities (loans and borrowings)		(8,341)		(6,497)
- Financial assets (long term receivable from minority shareholder)		16		19
		(8,325)		(6,478)
At 31 December		**(10,208)**		(9,906)
	P&L	**OCI**	**P&L**	**OCI**
Sensitivity analysis on variable interest bearing instruments:				
- Increase of 100bps	**(83)**	**-**	**(65)**	-
- Decrease of 100bps	**83**	**-**	**65**	-

b) Foreign currency risk

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

28.4 Capital management

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

(AED in millions)

	2017	2016
Loans and borrowings (excl. finance lease liabilities)	10,178	9,803
Total debt	**10,178**	9,803
Share capital	3,500	3,500
Shareholder contribution	2,938	2,938
Revaluation reserve	14,473	14,407
Retained earnings	13,367	11,715
Other reserves	(57)	(388)
Total equity attributable to owners of the Company - At 31 December	**34,221**	32,172

All bank covenants are monitored at regular intervals. During the year, the Group complied with its banking covenants.

The most frequent agreed covenants in the loan agreements are: net worth, debt to equity, interest coverage and debt service coverage ratios.

29. Related party transactions and balances

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

29.1 Related party transactions

(AED in millions)

	Parent		Fellow subsidiaries		Joint ventures		Associates		KMP		Total	
	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
Profit or loss transactions (income / (expense):												
Services received:												
- Treasury, corporate secretarial services and others	**(20)**	(16)	**-**	-	**-**	-	**-**	-	**-**	-	**(20)**	(16)
- Facility management services	**-**	-	**(113)**	(107)	**-**	-	**-**	-	**-**	-	**(113)**	(107)
Services rendered:												
- Renting of retail and office space	**5**	4	**364**	343	**-**	-	**-**	-	**-**	-	**369**	347
- Asset management	**-**	-	**-**	-	**3**	3	**-**	-	**-**	-	**3**	3
- Development management	**-**	-	**-**	-	**14**	12	**-**	-	**-**	-	**14**	12
- Project management	**3**	3	**5**	-	**18**	11	**-**	-	**-**	-	**26**	14
- IT and other service charges	**11**	2	**1**	2	**1**	1	**-**	-	**-**	-	**13**	5
Unwinding of discount on receivable from a joint venture	**-**	-	**-**	-	**9**	(2)	**-**	-	**-**	-	**9**	(2)
Interest expense on loans	**(306)**	(200)	**-**	(10)							**(306)**	(210)
Compensation to key management personnel ('KMP') [a]	**-**	-	**-**	-	**-**	-	**-**	-	**(47)**	(45)	**(47)**	(45)
Balance sheet and equity transactions (inflows / (outflows)):												
Coupon declared on subordinated capital loan instrument	**(220)**	(220)	**-**	-	**-**	-	**-**	-	**-**	-	**(220)**	(220)
Transfer of investment property (incl. miscellaneous assets) against loan payable	**-**	-	**-**	(159)	**-**	-	**-**	-	**-**	-	**-**	(159)
Additional investment in a joint venture	**-**	-	**-**	-	**25**	-	**-**	-	**-**	-	**25**	-
Off-balance sheet transactions (received / (provided)):												
Provision of corporate guarantees:												
- On various bank loans availed by related party	**(4,131)**	(1,311)	**-**	-	**-**	-	**-**	-	**-**	-	**(4,131)**	(1,311)
- On hybrid perpetual note instruments and bonds issued under the Global Medium Term Note ('GMTN') program	**(8,448)**	(6,612)	**-**	-	**-**	-	**-**	-	**-**	-	**(8,448)**	(6,612)
Capital commitments	**-**	-	**-**	-	**582**	729	**-**	-	**-**	-	**582**	729

a) *The aggregate compensation comprises of: directors' fees and expenses of AED 6 million (2016: AED 5 million), short term employee benefits (salaries and allowances including provision for bonus) of AED 40 million (2016: AED 39 million) and provision for staff terminal benefits of AED 1 million (2016: AED 1 million). This does not include amounts paid by MAFH in relation to services provided by its key management personnel to the Company.*

29.2 Related party balances:

(AED in millions)

	Parent		Fellow subsidiaries		Joint ventures		Associates		KMP		Total	
	2017	**2016**	**2017**	**2016**	**2017**	**2016**	**2017**	**2016**	**2017**	**2016**	**2017**	**2016**
Assets:												
Trade receivables	**-**	-	**104**	74	**-**	-	**-**	-	**-**	-	**104**	74
Other assets												
i) Short term loan to a related party												
- Short-term, interest-free and unsecured loan	**-**	-	**-**	-	**25**	24	**-**	-	**-**	-	**25**	24
- Short-term, interest-free and unsecured receivable [a]	**-**	-	**-**	-	**45**	-	**-**	-	**-**	-	**45**	-
	-	-	**-**	-	**70**	24	**-**	-	**-**	-	**70**	24
ii) Receivables from related parties												
a) Long-term receivables from related parties												
- Long-term, interest-free and unsecured receivable [a]	**-**	-	**-**	-	**13**	49	**-**	-	**-**	-	**13**	49
- Long-term, interest-bearing and unsecured receivable	**-**	-	**16**	19	**-**	-	**-**	-	**-**	-	**16**	19
	-	-	**16**	19	**13**	49					**29**	68
b) Short-term, interest-free and unsecured receivable	**-**	-	**44**	6	**473**	103	**-**	-	**-**	-	**517**	109
Less: Provision for doubtful receivables	**-**	-	**-**	-	**(27)**	(27)	**-**	-	**-**	-	**(27)**	(27)
Net balance	**-**	-	**44**	6	**446**	76	**-**	-	**-**	-	**490**	82
Liabilities:												
Loans and borrowings												
i) Term loan – related party [b]	**7,663**	5,252	**-**	-	**-**	-	**-**	-	**-**	-	**7,663**	5,252
Other liabilities												
ii) Payable to related parties												
- Short-term, interest-free and unsecured payable	**5**	10	**7**	1	**-**	-	**-**	-	**-**	-	**12**	11

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

b) *Effective 15 April 2014, the loan agreement between MAFH and the Company was amended to increase the facility amount from AED 5,000 million to AED 7,000 million. In February 2017, the limit of the intercompany loan agreement was increased from AED 7,000 million to AED 8,500 million. The loan agreement has been renewed and will not be called upon for repayment within 12 months from the reporting date. Accordingly, it has been classified as long-term in these consolidated financial statements. This is an unsecured loan. The facility carries a margin of 2.9% (2016: 3.15%) per annum over EIBOR in the current year. Refer note 29.2.1 for movement in the loan.*

29.2.1. Term loan – related party

(AED in millions)

	2017	2016
At 1 January	5,252	4,504
Interest payable to MAFH converted to long term loan	306	57
Borrowed during the year	4,325	2,571
Coupon payable to MAFH adjusted against long term loan	220	220
Inter-company adjustment	-	159
Repaid during the year	(2,440)	(2,244)
Currency translation adjustment	-	(15)
At 31 December	**7,663**	5,252
- Current	**-**	-
- Non-current	**7,663**	5,252

30. Operating leases

Accounting policy

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

Group as lessor

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

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

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

In the current year, the Group has restated the disclosure in the prior year for the minimum lease payments under non-cancellable operating leases as a lessor owing to:

- Identification of a correction required in the prior year disclosure arising from a data entry issue. The Group has undertaken an extensive review of the controls operating over source data and at the reporting date this exercise is complete.

- Revision of the basis of measuring minimum lease payments under non-cancellable operating leases, which in prior years captured all signed leases including those for malls and stores which had not yet opened. As part of a detailed review in 2017, the Group believes it is more appropriate that a signed lease should only be included within future minimum lease payments under non-cancellable leases where the mall in which the store is located has opened. This is management's best estimate as of the reporting date. The revision in the basis of measuring minimum lease payments does not result in a significant change in the amounts.

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

(AED in millions)

	2017	2016 (as restated)
Less than one year	2,743	2,535
Between one and five years	5,081	5,238
More than five years	1,114	1,163
At 31 December	**8,938**	8,936

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

Group as lessee

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

(AED in millions)

	2017	2016
Less than one year	8	8
Between one and five years	24	26
More than five years	18	23
At 31 December	**50**	57

31. Capital commitments

(AED in millions)

	2017	2016
Capital commitments of the Group	4,043	2,329
The Group's share of capital commitments in relation to its equity accounted investees.	582	729
At 31 December	**4,625**	3,058

Capital commitments refers to the value of contracts signed for the development and construction of assets as at 31 December 2017, net of costs incurred up to that date.

32. Contingent liabilities

(AED in millions)

	2017	2016
Corporate guarantees on various bank loans availed by MAFH	4,131	1,311
Co-guarantee on hybrid perpetual notes issued by a subsidiary of MAFH	3,673	1,837
Co-guarantee on bonds issued under the Global Medium Term Note (GMTN) Program by a subsidiary of MAFH	4,775	4,775
Other operational guarantees issued in the normal course of business	4	4
At 31 December	**12,583**	7,927

33. Litigation and claims

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

34. Subsequent events

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

35. Seasonality and cyclicality

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