MAJID AL FUTTAIM

GREAT MOMENTS
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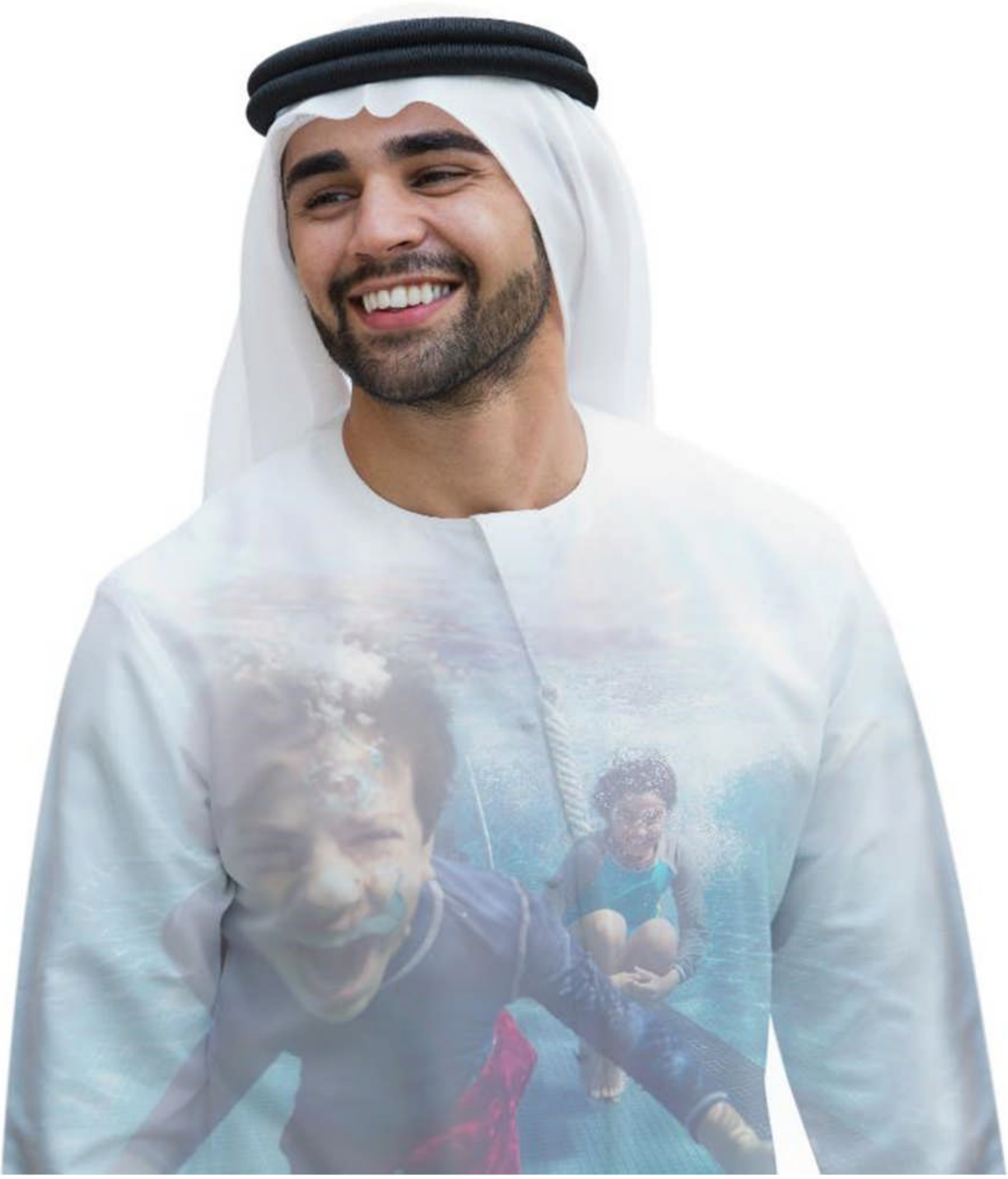
EVERYDAY

MAJID AL FUTTAIM PROPERTIES LLC AND ITS SUBSIDIARIES
CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020



Contents

MAJID AL FUTTAIM PROPERTIES 2020 FULL YEAR REPORT

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

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

SHOPPING MALLS 'SMBU' / 'SMDBU'	HOSPITALITY 'HBU'	COMMUNITIES 'CBU'	PROJECT MANAGEMENT 'PMBU'
❖ Owns, develops and operates **27** destination shopping malls across 5 countries: UAE, Oman, Lebanon, Egypt, Bahrain ❖ Total shopping malls GLA of over **1.5 million m²**	❖ Owns **13** hotels in the UAE and Bahrain that are operated by International Hotel Brands ❖ Offers over **3,600** rooms and suites	❖ Develops and operates **5** mixed-used projects in the UAE, Oman and Lebanon ❖ Combined land area of approximately **6.5 km²**	❖ Supports the delivery of Group's project developments

Key financial highlights:

REVENUE	EBITDA	NET LOSS	CASH FLOW FROM OPERATING ACTIVITIES
AED **3,489** MILLION	AED **2,342** MILLION	AED **(2,839)** MILLION	AED **1,838** MILLION
2019: AED 4,613m	2019: AED 2,974m	2019: AED (2,225)m	2019: AED 3,408m

2020 key financial highlights:

- ❖ COVID-19 pandemic adversely impacted the financial results of the Group.
- ❖ Revenue and EBITDA declined by 24% and 21% respectively driven by closure of assets and drop in shopping malls rental income post-lockdown period.
- ❖ Net loss increased by 28% driven by negative valuations and impairments.

Directors' report

The Directors' report and the audited consolidated financial statements of Majid Al Futtaim Properties LLC ('MAFP' or 'the Company') and its subsidiaries (collectively referred to as 'the Group') are presented for the year ended 31 December 2020. The consolidated financial statements were prepared by management. The Board of Directors has taken responsibility for the fair presentation of the consolidated financial statements in accordance with the applicable financial reporting framework and has given clearance for the issuance of these consolidated financial statements on 23 February 2021.

COVID-19 impact and Economic Background

The pandemic had a significant impact on the UAE, Bahrain and Oman economies with a real GDP contracting during the year by 5.5%, 5.3% and 6.2%, respectively. Retail performance across the region was significantly affected by the government-mandated closures and lack of visitors due to the border restrictions. This impacted negatively the Group's property valuation. The outlook for the UAE economy remains positive, with its real GDP forecast to expand at an annual average of 3.5% between 2021 and 2025 reflecting the swift reaction and effective health measures imposed to control the virus spread, and Government support to mitigate the impact of business disruptions and economic contraction. In terms of global inoculation, the UAE and Bahrain are among the leading countries to have rolled out and administered vaccinations. Expo 2020, postponed to October 2021, is expected to have a positive impact on the hospitality sector and the overall economy as it will lead to an influx of tourism to the Emirate, although this remains dependent on the application of a successful vaccine on a global scale. In addition, the improvement in relations with Israel and Qatar will be positive for the region.

Despite the pandemic and strict lockdown measures, the IMF commended Egypt's economic performance, with a real GDP growth rate of 3.6% in 2020. During the year, IMF granted financial assistance to Egypt to mitigate COVID-19 disruption. Various structural reforms launched over the past few years mitigated the economic shock of the pandemic to a certain extent and inflation in Egypt has now stabilized at about 5%. As a result of consumer spending and rising rental levels, the valuations on our Egypt property portfolio have increased. The worsening financial crisis in Lebanon, coupled with the recent explosion and the pandemic, have devastated the economy bringing it to hyperinflationary status during the year. Currency devaluation is probable as part of an IMF solution to the severe economic conditions. With a parallel market rate significantly diverging from the official USD exchange rate, the Group reassessed the rate to be applied for translating the value of its Lebanese operations at year-end and devalued the currency by about 82%. The Group also assessed the impact of hyperinflation on its consolidated financial statements and concluded that the impact was not material. On a positive note, the Group has seen improved market appetite for acquiring real estate at our Waterfront City site.

In response to these issues, MAFP acted quickly to develop a comprehensive plan to address the health and safety concerns of our guests, tenants, employees and suppliers, implemented effective work from home where possible, took actions to mitigate the financial impacts of closure and reduced shoppers and tourists on our business (focusing in particular on liquidity and funding requirements) as well as taking steps to support our tenants. The success of these actions was only possible due to the dedication and commitment of the entire MAFP workforce and the Board thanks them for their exceptional efforts in these challenging times.

2020 Key Financial and Operational Highlights

Revenue

- The Group's revenue of AED 3.5 billion was down by 24% compared with 2019 (AED 4.6 billion) driven by closure of assets and a fall in shopping malls rental income post-lockdown. The Group offered rent relief during the temporary suspension period to all affected retail partners and a discretionary rent incentive program as part of the Group's commitment to supporting its tenants post lockdown.
- The decline in hotel revenue (62% down vs prior year) was partially offset by cost mitigation efforts driven by temporary shutdowns of selected hotels and containment of non-essential spend (mainly marketing & selling expenses) saving AED 207 million (49% better vs prior year).
- The Group's communities business demonstrated strong resilience with revenue of AED 1.3 billion, up by 29% vs prior year, with 679 units sold (2019: 368 units) during the year. The Group handed over 281 units in 2020 across its portfolio.

Operating Expense

- The adverse impact in the Group revenue was partially offset by management initiatives to optimize the cost base as part of its financial mitigation plan, resulting in operating expenses of AED 1.5 billion (2019: AED 2.1 billion), 26% better vs prior year. This was mainly driven by procurement savings in all non-essential corporate spend and significant cuts in discretionary marketing spend, and period related savings due to temporary closure of assets. Further, management decided not to award staff bonuses during the year and suspended other allowances and benefits for a limited period, without compromising on employee base salaries.

EBITDA

- The Group started the year with a strong performance in January and February 2020 recording 10% higher EBITDA vs prior year. At the onset of the pandemic, the positive results were quickly eroded after the temporary closure of our assets for varying periods. Consequently, the Group ended the year with EBITDA of AED 2.3 billion, down by 21% vs prior year.

Net Profit

- Net profit was further impacted by significant fair value losses and impairments totalling AED 4.5 billion (2019: AED 4.1 billion) on the Group's property portfolio and under construction assets. In total, the net loss was AED 2.8 billion (2019: AED 2.2 billion).

Growth

- Tenant sales recovered from 52% decline in Q2 2020 vs prior period to 7% decline in Q4 2020 vs prior year.
- The Group's shopping malls traffic has gradually picked up from 63% decline in Q2 2020 vs prior period to 22% decline in Q4 2020 vs prior year.

Cash flows and Coupon payment

- Operating cash flow was AED 1.8 billion (2019: AED 3.4 billion). Working capital deteriorated by AED 0.77 billion, reflecting the build-up in trade and other receivables due to liquidity pressure on retail partners, increased accrued income due to discretionary rent relief; partially mitigated by a focus on working capital and cash collections from tenants and related parties.
- During the year, the Company declared a coupon of AED 175 million (2019: AED 220 million) to MAFH in relation to the subordinated capital loan instrument, carrying a coupon rate of 6.375% (2019: 8%) per annum.

Risk Management

To improve the Group's ability to leverage emerging opportunities and reduce its risk exposure, management has developed an enterprise-wide risk management capability that it is integrating into its planning, forecasting and decision making processes. This allows a scenarios-based view on principal risks (including geo-political and macroeconomic volatility, supply and demand imbalance and changes in laws and regulations) and mitigation strategies, as well as framing trade-offs. Business continuity management, disaster recovery and crisis management programs are linked to the risk management framework to support effective management of disruptive events. Early warning signals in the form of Key Risk Indicators have been introduced to provide the ability to monitor the risk landscape.

The full impact of COVID-19 remains uncertain. The extent of the impact will be determined by factors that continue to evolve, including: the effectiveness of vaccines and their availability at a global scale, the extent and success of support measures introduced by governments, volume and velocity of the tourism trade, changes in consumer sentiment and tenant relations, pace of growth in online penetration, scope and duration of any further restrictions as well as the overall ability of the wider economy to recover. To ensure continued resilience, alternative scenarios for the duration of the pandemic and pattern of economic recovery form the basis of our business planning, financial forecasting and liquidity evaluation processes. Further, the Group is adapting its strategy over medium and long terms to enable sustainable growth in the changing landscape through investments in digital assets, omni-channel and operational excellence programs. Our risk management approach has been aligned with these strategic priorities, including data privacy, information security governance and cyber risk management.

Viability assessment

Annually, we review the longer-term viability of the business, including stress testing the outlook against principal risks. This analysis provides reasonable assurance of the resilience of our operations and our ability to meet liabilities as they fall due based on our severe but plausible risk scenarios for the next 3 years. This has been demonstrated by the Group's flexibility and agility in responding to the extreme circumstances caused by COVID-19. Throughout the pandemic, financial impacts have been mitigated through rigorous management of costs and liquidity, funding requirements, operational excellence as well as continued support to our retail partners to revitalize our business ecosystem.

Whilst the Group's diversification, financial strengths and disciplined liquidity management have served the stakeholders well, we will continue to focus on cost efficiency, operational excellence and careful assessment of priorities, and emerging threats.

2021 Business Events

- The Group continues to make progress with its development projects and will be bringing two major shopping malls to the market in 2021 and 2022.
- Effective Q1 2021, Enova will be forming part of the Group as a joint venture with a third-party global leader in optimized environmental resource management. This will enable better synergies in areas of energy management solutions and property management and maintenance.
- The Majid Al Futtaim Group partnered with the Department of Health and has been approved to administer vaccination for all its UAE-based employees (and their dependents), in line with the UAE's COVID-19 vaccination drive.

Sustainability

Majid Al Futtaim's investments in sustainable experiences and initiatives continued to grow in 2020. The Group's sustainability strategy, *Dare Today, Change Tomorrow*, brings together all Majid Al Futtaim's businesses under one overarching sustainability vision.

- **Strategy:** In 2020 we achieved ESG low risk rating (rated by Sustainalytics) of 18.1.
- **Rethinking Resources:** During the year, solar panels have been installed in our Oman malls to contribute to our Net Positive Carbon goals. We delivered a water offsetting report covering principles, best practices, and proposed approach for the Company to adopt and conducted asset-level climate risk modelling.
- **Awards and Recognition**: Majid Al Futtaim achieved Green Globe for all our hotels. We achieved LEED platinum certification for additional 3 hotels in the UAE. Further, Majid Al Futtaim received the Advanced Dubai Chamber CSR label for the 3rd consecutive year, which recognizes and endorses our sustainability agenda and enhances our reputation within the region.
- **Empowering our people:** Developed Company-wide accommodation audit checklist and health & safety checklist for COVID-19 procedures,.
- **Transforming Lives:** Created partnership with the Ministry of Health and Prevention and deployed the first driverless UAE car to support the health and wellbeing of residents in Al Zahia, including distribution of masks and sanitizers.

Business Strategy

The Group's strategic priorities remains focused on the following:

- Continue with the drive on operational efficiencies to optimize the cost base.
- Protect the core mall assets by accelerating malls' performance through:
  - Leasing tactics including remerchandising, resizing, category changes and introduction of target tenants / experiences
  - Marketing tactics including improvements in consumer segmentation, initiatives to drive frequency, spend effectiveness and boosting 'SHARE'
  - Diligent deployment of capital to operating mall assets to improve the customer experience by investing in digital/ omni-channel and creating enhanced offerings.
- Successful opening of mall investments nearing completion - CC Al Zahia and Mall of Oman.
- Hotels business to continue to focus on market segmentation strategy shift, enhance F&B offerings.
- Communities business remains focused on faster exit from existing projects and faster entry to new projects to accelerate shareholder returns.

Board of Directors

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

Auditors

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

On behalf of the Board of Directors

Khaled Rabbani

Company Secretary

KPMG

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Independent Auditors' Report

To the Shareholders of Majid Al Futtaim Properties LLC

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Majid Al Futtaim Properties LLC ("the Company") and its subsidiaries ("the Group"), which comprise the consolidated statement of financial position as at 31 December 2020, 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 2020, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

Basis for Opinion

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

Key Audit Matters

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

Key audit matter	How our audit addressed the key audit matter
Valuation of property, plant and equipment and investment property *Refer to notes 7, 16, 17 and 18 to the consolidated financial statements*	
The Group's accounting policy is to state its properties (primarily comprising of shopping malls, hotels, offices and land) at fair value at each reporting date. The valuation of the property portfolio is a significant area of judgement and is underpinned by a number of assumptions. The existence of significant estimation uncertainty and lack of comparable transactions, heighted by COVID-19 pandemic warrants specific audit focus on this area. The Group engaged professionally qualified external valuers to fair value its property portfolio performing their work in accordance with the Royal Institution of Chartered Surveyors ('RICS') Valuation – Professional Standards. The external valuers' valuation for hotels as at 31 December 2020 contains a 'material valuation uncertainty' clause due to the market disruption caused by the COVID-19 pandemic. This clause does not invalidate the valuation but implies that there is substantially more uncertainty than under normal market conditions (see note 17.2). Key inputs in the valuation process included discount rates, yield rates, average daily rates, contracted estimated rental values, forecasted operating expenses and cost to complete estimates, which are influenced by prevailing market forces and the specific characteristics, such as property location, income return, growth rate, occupancy rate and development progress, of each property in the portfolio.	• We assessed the competence, independence and integrity of the external valuers and whether the valuation approach was suitable for use in determining the fair value of the properties in the consolidated statement of financial position. • We reviewed the terms of engagement of the external valuers with the Group to determine whether there were any matters that might have affected their objectivity or may have imposed limitations upon their scope of work. • We carried out procedures on selected properties of the portfolio to test on a sample basis whether property-specific current information supplied to the external valuers by management reflects the underlying property records held by the Group which have been tested during our audit. • We virtually met with the external valuers of the property portfolio to discuss the results of their work.

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

Valuation of property, plant and equipment and investment property (continued)

The property portfolio (excluding land bank and properties under development where the external valuers stated that fair value is not reliably determinable) was valued using discounted cash-flows method. The valuation of land is based on sales comparison method.

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

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

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

The effect of these matters is that, as part of our risk assessment, we determined that the valuation of properties has a high degree of estimation uncertainty, with a potentially significant range of reasonable outcomes.

- We involved our real estate valuation specialists to assess the valuation methodology and determine whether significant assumptions including market comparability for land, discount rates, compounded annual growth rate, EBITDA margin, yield rates for certain shopping malls and hotels are within an acceptable range.

- We discussed and challenged the valuation process, overall performance of the portfolio, significant areas of judgement and key assumptions.

- We evaluated year-on-year movements of significant valuation assumptions with reference to published benchmarks, if any. Where assumptions were outside the expected range or otherwise deemed unusual, and/or valuations appeared to experience unexpected movements, we undertook further inquiries and, where necessary, held further discussions with the external valuers in order to challenge the assumptions.

- Based on the outcome of our evaluation, we assessed the adequacy of disclosures in the consolidated financial statements.

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

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

Refer to notes 6.3, 14, 17 and 18 to the consolidated financial statements

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 if there are any indicators for impairment in relation to the carrying value of these properties held at cost on an ongoing basis.

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

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

- We evaluated management's process for identification of indicators of impairment of assets.
- In respect of properties under construction, we have reviewed management's assessment of the cost to complete of the projects by examining a sample of the underlying agreements and payment certificates with the contractors, the latest budgeted capital expenditure and minutes of meeting of the Project Cost Review (PCR).
- We considered the methodology adopted by the Group to develop the cash flow forecasts, tested the calculations of the impairment model for accuracy and performed sensitivity analysis on key assumptions and judgements.
- We assessed the reasonableness of the significant assumptions including forecasted lease rent, operating expenses, forecasted additional costs to complete, forecasted occupancy rates and growth rates by comparing these with the financial budgets approved by the Board of Directors, and current year performance achieved by similar assets.
- We involved our real estate valuation specialists to determine whether the discount / yield rates are within an acceptable range.
- Based on the outcome of our evaluation, we assessed the adequacy of disclosures in the consolidated financial statements.

Other information

Management is responsible for the other information. The other information comprises the information included in the 2020 Full Year report and the Directors' report.

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

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

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS, and their preparation in compliance with the applicable provisions of the UAE Federal Law No. (2) of 2015, 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.

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

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

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

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

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

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

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

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

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

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

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

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

Report on Other Legal and Regulatory Requirements

Further, as required by the UAE Federal Law No. (2) of 2015, we report that for the year ended 31 December 2020:

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 2020 Full Year report and the Directors' report is consistent with the books of account of the Group;

v) as disclosed in note 36 to the consolidated financial statements, the Group has not purchased any shares during the year ended 31 December 2020;

vi) note 31 to the consolidated financial statements discloses material related party transactions and the terms under which they were conducted;

Report on Other Legal and Regulatory Requirements (continued)

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 2020 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 2020; and

viii) note 12(c) to the consolidated financial statements discloses the social contributions made during the year.

KPMG Lower Gulf Limited

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

Date: 23 FEB 2021

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

(AED in millions)

	Note	2020	2019
Revenue	11	3,489	4,613
Operating expenses	12	(1,544)	(2,083)
Finance costs	13	(348)	(416)
Share of results of equity accounted investees - net of tax	9.1.1	18	13
Impairment loss on financial assets	14	(100)	(63)
Impairment loss on non-financial assets	14	(1,273)	(1,104)
Finance income		6	11
Other income/(expense) - net	15	144	(8)
Profit before net valuation loss on land and buildings and tax		**392**	963
Net valuation loss on land and buildings	16	(3,211)	(3,041)
Loss before tax		**(2,819)**	(2,078)
Income tax expense	21.1	(20)	(147)
Net loss after tax		**(2,839)**	(2,225)
Net loss after tax attributable to:			
Owners of the Company		(2,836)	(2,220)
Non-controlling interests	8.2	(3)	(5)
		(2,839)	**(2,225)**

Comprehensive income:

	Note	2020	2019
Net loss after tax		**(2,839)**	(2,225)
Other comprehensive income ('OCI')			
Items that will not be reclassified to profit or loss:			
Loss on revaluation of property, plant and equipment	17.2a	(400)	(150)
Items that are or may be reclassified subsequently to profit or loss:			
Foreign operations - foreign currency translation differences*	29.4	(713)	187
Other comprehensive income for the year, net of tax		**(1,113)**	37
Total comprehensive income for the year		**(3,952)**	(2,188)
Total comprehensive income attributable to:			
Owners of the Company		(3,932)	(2,183)
Non-controlling interests		(20)	(5)
		(3,952)	(2,188)

** Significant fluctuation in the 'foreign operations - foreign currency translation differences' mainly reflects the currency devaluation in Lebanon (note 29.4.1).*

The notes on pages 19 to 61 are an integral part of these consolidated financial statements.
The independent auditors' report is set out on pages 6 to 13.

Consolidated statement of financial position as at 31 December

(AED in millions)

	Note	2020	2019
Non-current assets			
Property, plant and equipment	17.2	3,626	4,342
Investment property	18.2	35,785	39,753
Investments in equity accounted investees	9.1.1	789	732
Long term receivables	20.2	491	433
Long term receivables from related parties	31.2	-	17
Intangible assets	19	9	22
Deferred tax assets	21.4	51	17
Right-of-use assets	32.2.1	31	66
Total non-current assets		**40,782**	**45,382**
Current assets			
Inventories	22	31	23
Trade and other receivables	20.1	967	647
Due from related parties	31.2	122	498
Short term loan to related parties	31.2	61	162
Cash and bank balances	23	209	335
Total current assets		**1,390**	**1,665**
Total assets		**42,172**	**47,047**
Non-current liabilities			
Term loan from a related party	31.2.1	4,029	4,458
Loans and borrowings	26	7,142	6,907
Other liabilities	27	152	191
Retirement benefit obligation	28	112	115
Deferred tax liabilities	21.3	224	188
Provisions	25	3	29
Total non-current liabilities		**11,662**	**11,888**
Current liabilities			
Trade and other payables	24	2,928	3,475
Provisions	25	27	122
Loans and borrowings	26	41	70
Short term loan from a related party	31.2	117	-
Due to related parties	31.2	50	24
Total current liabilities		**3,163**	**3,691**
Total liabilities		**14,825**	**15,579**
Equity			
Share capital	29.1	3,500	3,500
Shareholder contribution	29.2	2,938	2,938
Revaluation reserve		13,792	14,192
Retained earnings		7,301	10,312
Other reserves		(576)	120
Equity attributable to owners of the Company		**26,955**	**31,062**
Non-controlling interests	8.2	392	406
Total equity		**27,347**	**31,468**
Total equity and liabilities		**42,172**	**47,047**

The consolidated financial statements were approved by the Board of Directors and signed on their behalf on 23 February 2021.

Ahmed G Ismail

Chief Executive Officer

Chief Financial Officer

The notes on pages 19 to 61 are an integral part of these consolidated financial statements.
The independent auditors' report is set out on pages 6 to 13.

AK

Consolidated statement of cash flows for the year ended 31 December 2020

(AED in millions)

	Note	2020	2019
Cash flows from operating activities:			
Net loss for the year		**(2,839)**	(2,225)
Adjustments for:			
Finance income		(6)	(11)
Share of results of equity accounted investees - net of tax	9.1.1	(18)	(13)
Net valuation loss on land and buildings	16	3,211	3,041
Impairment loss on non-financial assets	14	1,273	1,104
Depreciation	12	419	472
Finance costs	13	348	416
Project costs provided for/written off	15	(6)	64
Impairment loss on financial assets	14	100	63
Amortization	19	13	18
Income tax expense	21.1	20	147
Retirement benefit obligations – net		(3)	2
Reversal of bonus and long-term incentive plan	12(a), 25.1	(56)	-
Other non-cash transactions		(259)	(65)
Operating profit before working capital changes		**2,197**	**3,013**
Changes in:			
Inventories		(24)	2
Trade and other receivables		(284)	(25)
Trade and other payables		(147)	357
Provisions		(56)	21
Due from/to related parties		167	69
Cash from operating activities		**1,853**	**3,437**
Income taxes paid		(15)	(29)
Net cash from operating activities		**1,838**	**3,408**
Cash flows from investing activities:			
Additions to property, plant and equipment		(212)	(154)
Additions to investment property		(1,108)	(2,590)
Dividends from equity accounted investees		97	17
Interest received		5	11
Proceeds from fixed deposits		-	9
Additions to investments in equity accounted investees		(13)	-
Net cash used in investing activities		**(1,231)**	**(2,707)**
Cash flows from financing activities:			
Proceeds from loans and borrowings and term loan from a related party	26.1, 26.2, 31.2.1	2,277	7,728
Repayment of loans and borrowings and term loan from a related party	26.1, 31.2.1	(2,662)	(8,121)
Payment of lease liabilities		(41)	(64)
Payment of finance costs		(283)	(193)
Additional contribution by a minority shareholder	8.2a	6	11
Net cash used in financing activities		**(703)**	**(639)**
Net (decrease)/increase in cash and cash equivalents		**(96)**	**62**
Cash and cash equivalents at beginning of the year	23	335	267
Effect of movements in exchange rates on cash held		(30)	6
Cash and cash equivalents at end of the year		**209**	**335**
Cash and cash equivalents comprise:			
Cash and bank balances	23	209	335
		209	**335**

The notes on pages 19 to 61 are an integral part of these consolidated financial statements.
The independent auditors' report is set out on pages 6 to 13.

Consolidated statement of changes in equity for the year ended 31 December 2020

(AED in millions)

	Attributable to the Owners of the Company								
					Other reserves				
	Share capital	Shareholder contribution	Revaluation reserve	Retained earnings	Statutory reserve	Currency translation reserve	Total	Non-controlling interests	Total equity
Balance at 1 January 2020	**3,500**	**2,938**	**14,192**	**10,312**	**1,750**	**(1,630)**	**31,062**	**406**	**31,468**
Comprehensive income for the year:									
Net loss for the year	-	-	-	(2,836)	-	-	(2,836)	(3)	(2,839)
Other comprehensive income for the year:									
Items that will not be reclassified to profit or loss:									
- Loss on revaluation of property, plant and equipment	-	-	(400)	-	-	-	(400)	-	(400)
Items that are or may be reclassified subsequently to profit or loss:									
- Foreign operations - foreign currency translation differences (note 29.4)	-	-	-	-	-	(696)	(696)	(17)	(713)
Total comprehensive income for the year	**-**	**-**	**(400)**	**(2,836)**	**-**	**(696)**	**(3,932)**	**(20)**	**(3,952)**
Transactions with owners of the Company:									
Coupon declared (note 29.2a)	-	-	-	(175)	-	-	(175)	-	(175)
Additional shareholder contribution (note 8.2a)	-	-	-	-	-	-	-	6	6
Total transactions with owners of the Company	**-**	**-**	**-**	**(175)**	**-**	**-**	**(175)**	**6**	**(169)**
Balance at 31 December 2020	**3,500**	**2,938**	**13,792**	**7,301**	**1,750**	**(2,326)**	**26,955**	**392**	**27,347**

The notes on pages 19 to 61 are an integral part of these consolidated financial statements.
The independent auditors' report is set out on pages 6 to 13.

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

(AED in millions)

	Attributable to the owners of the Company								
					Other reserves				
	Share capital	Shareholder contribution	Revaluation reserve	Retained earnings	Statutory reserve	Currency translation reserve	Total	Non-controlling interests	Total equity
Balance at 1 January 2019	3,500	2,938	14,342	12,752	1,750	(1,817)	33,465	400	33,865
Comprehensive income for the year:									
Net loss for the year	-	-	-	(2,220)	-	-	(2,220)	(5)	(2,225)
Other comprehensive income for the year:									
Items that will not be reclassified to profit or loss:									
- Loss on revaluation of property, plant and equipment	-	-	(150)	-	-	-	(150)	-	(150)
Items that are or may be reclassified subsequently to profit or loss:									
- Foreign operations - foreign currency translation differences (note 29.4)	-	-	-	-	-	187	187	-	187
Total comprehensive income for the year	-	-	(150)	(2,220)	-	187	(2,183)	(5)	(2,188)
Transactions with owners of the Company:									
Coupon declared (note 29.2a)	-	-	-	(220)	-	-	(220)	-	(220)
Additional shareholder contribution (note 8.2a)	-	-	-	-	-	-	-	11	11
Total transactions with owners of the Company	-	-	-	(220)	-	-	(220)	11	(209)
Balance at 31 December 2019	3,500	2,938	14,192	10,312	1,750	(1,630)	31,062	406	31,468

The notes on pages 19 to 61 are an integral part of these consolidated financial statements.
The independent auditors' report is set out on pages 6 to 13.

Notes to consolidated financial statements

1. Reporting entity

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

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

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

The Group's sukuk certificates (issued by a structured entity in the Cayman Islands) are listed on NASDAQ Dubai and Euronext Dublin, except for the USD 100 million issuance during the year (note 26.2 (b)).

2. Basis of accounting

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

UAE Federal Decree-Law No. 26 of 2020 which amends certain provisions of Federal Law No. 2 of 2015 on Commercial Companies was issued on 27 September 2020 and the amendments came into effect on 2 January 2021. The Group is in the process of reviewing the new provisions and will apply the requirements thereof no later than one year from the date on which the amendments came into effect.

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

These consolidated financial statements were approved by the Board of Directors and authorized for issue on 23 February 2021.

3. COVID-19 Impact

On March 11, 2020, the World Health Organization declared the novel strain of coronavirus, or COVID-19, a global pandemic and recommended containment and mitigation measures worldwide. The COVID-19 pandemic had a significant impact on economic and market conditions around the world during 2020 and continues to adversely impact economic activity. The impact of the COVID-19 continues to evolve and governments and other authorities, including where the Group operates, have imposed measures intended to control its spread, including movement restrictions, group gatherings and business operations such as travel bans, border closings, business closures, quarantines, stay-at-home, capacity limitations and social distancing measures. Governments and other authorities are in varying stages of lifting or modifying some of these measures, however certain governments and other authorities have already been forced to, and others may in the future, reinstate these measures or impose new, more restrictive measures, if the risks, or the tenants' and customers' perception of the risks, related to the COVID-19 pandemic worsen at any time.

The full impact of COVID-19 remains uncertain and will be determined by factors that continue to evolve. Even after certain restrictions have been lifted and reduced, the willingness of customers to visit public places is likely to be reduced and Group's tenants businesses are likely to be adversely affected, based upon many factors, including whether the number of COVID-19 transmissions are materially reduced, the vaccination which prevents or reduces the severity of COVID-19 is effective and readily available, or a cure or treatment is identified and becomes readily available. Further, demand could remain subdued due to heightened sensitivity to risks associated with the transmission of COVID-19 or other associated diseases.

The Group's businesses in shopping malls, hospitality, and leisure and entertainment have been impacted by the measures taken by governments and authorities to contain the spread of the COVID-19 pandemic. Shopping malls in the UAE, Bahrain, Oman, Egypt and Lebanon were closed for various periods mainly between March 2020 and June 2020. The Group's hotels experienced an overall drop in occupancies and had temporary closures for majority of its assets various lengths and periods. The majority of the Group's business is consumer driven and the current situation has impacted the consumer confidence and purchasing power. Consequently, the Group experienced significant reduction in income and revenues.

The Group has a documented business continuity plan that has been activated to ensure safe and stable continuation of its business operations as well as safety of all internal and external stakeholders. The Group has proactively introduced comprehensive measures to address and mitigate key operational and financial issues arising from the current situation. Management continues to assess and monitor the impact of COVID-19 on its businesses, particularly the effect on its operations. The crisis management plan, including stress testing under adverse scenario and enterprise risk management, aim at protecting the Group's core businesses. The Group has a strong governance model which focuses on cost efficiency, operational excellence, liquidity management and careful assessment of priorities and returns. By the end of the year, the Group's shopping malls and hotels, which had been temporarily closed during the year due to government mandates, had reopened. The Group's assets in leisure and entertainment businesses were reopened at limited capacities in compliance with restrictions.

In response to the crisis, the Group's focus has been on the health and safety of employees, customers and the local communities where the Group operates. To secure the Group's financial health, duty of care, brand equity and business performance, the Group introduced and integrated COVID-19 response plans at the very early signs of the pandemic. The plans cover multiple streams of action cutting across business and regions, including health and safety, business continuity, brand protection and financial mitigation plan. The plans implemented series of actions, including:

- significant reduction in all non-essential corporate spending;
- significant cut in operating expenses, including discretionary marketing spend;
- implementation of savings on staff cost through temporary suspension of certain allowances and bonuses for a limited period;
- reallocation of staff from its leisure and entertainment business to grocery retail; and
- phasing and deferral of certain capital expenditure.

The Group continues to conduct on-going scenario-based risk analyses, considering the high level of uncertainty, to anticipate impacts on: revenue, working capital, and asset values. At the same time, the Group is adapting its strategy over medium and long term to enable and continue sustainable growth in the changing landscape through investments in digital assets, omni-channel, agile business model and operational excellence programs.

The Group has assessed the impact of COVID-19 on its businesses and how it is reflected in its consolidated financial position and performance, which involved significant judgements, estimates and assumptions that were subject to a lesser degree of certainty as compared to those made in the prior year. The impact of COVID-19 on significant areas are set out in the respective notes and are summarized below:

- Rental income and tenant incentives (note 11(a)&(b))
- Impairment of non-financial assets (note 14(a))
- Valuation of land and buildings (note 17.2(a))
- Impairment of financial assets (note 20.3(a))
- Liquidity risk (note 30.3.2.1)

4. Use of judgements and estimates

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

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

4.1 Judgements

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

- Note 8 - Interest in other entities
- Note 11(a) - Rent concession during temporary closure period
- Note 11(b) - Discretionary rent relief program
- Note 17.1.2 - Apportionment of fair values between land and buildings
- Note 18.1 - Accounting for dual use property
- Note 29.2a - Subordinated capital loan instruments
- Note 32.1 - Determining the lease term as lessee: Whether the Group is reasonably certain to exercise option to renew

4.2 Assumptions and estimation uncertainties

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

- Note 7.2 - Measurement of fair values and valuation process: key inputs and assumptions underlying fair values.
- Note 14(a) - Impairment test: key assumptions underlying recoverable amounts, including the recoverability of development costs.
- Note 20 - Measurement of loss allowances on trade and other receivables: key assumptions in determining the loss rate, including assessment of facts and circumstances such as liquidation, bankruptcy, litigation, financial difficulties, etc.
- Note 21 - Recognition of deferred tax assets: availability of future taxable profit against which

deductible temporary differences and unused tax losses/credits carried forward can be utilized.

- Note 28.1 – Measurement of retirement benefit obligation: key valuation assumptions underlying discount rate, service period and salary increase.
- Note 29.4.1 – Lebanon currency devaluation
- Note 34.1 – Contingencies: key assumptions about the likelihood and magnitude of an outflow of resources
- Forecast of costs to complete on properties under construction or redevelopment:

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

There are a number of principles that apply to all contracts regardless of size, scale or location. All projects have a Project Cost Review ('PCR') on a regular basis where project management issues the forecast to complete the project. The PCR is attended by all relevant stakeholders within the management group. This forecast to complete includes input from all budget stakeholders who review the Total Development Cost ('TDC') and not just construction related costs. The construction forecast is reviewed and analysed for completeness. Any gaps in the report (early warnings, etc.) are adjusted within the forecasted cost to complete.

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

5. Significant accounting policies

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

In the current year, a number of new standards and amendments to IFRSs that are mandatorily effective for accounting period that begins on or after 1 January 2020:

- Amendments to References to Conceptual Framework in IFRS Standards
- Definition of Material (Amendments to IAS 1 and IAS 8)
- Definition of a Business (Amendments to IFRS 3)
- Interest Rate Benchmark Reform (Amendments to IFRS 9, IAS 39 and IFRS 7)
- COVID-19-Related Rent Concessions (Amendment to IFRS 16) (note 5.1 (A))

Except as disclosed in note 5.1 (A), these standards and amendments do not have a significant impact on the Group's consolidated financial statements as at 31 December 2020.

A. Amendments to IFRS 16 Leases

The IASB issued amendments to IFRS 16 effective for periods beginning on or after 1 June 2020, providing relief for lessees in accounting for rent concessions granted as a direct consequence of COVID-19. The Group adopted the amendment to the standard and has applied the relief to eligible rent concessions received prior to May 2020 as well.

The amendments provide the Group, as a lessee, with an exemption from the requirements to determine whether a COVID-19 related rent concession is a lease modification provided the following conditions are met:

- The rent concessions are a direct consequence of the COVID-19 pandemic;
- The change in lease payments result in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
- The reduction in lease payments affect only payments originally due on or before 30 June 2021;
- There is no substantive change to other terms and conditions of the lease.

At the reporting period, the Group did not have any material rent concessions as a lessee.

As a lessor, management assessed that under the applicable commercial laws in the jurisdictions of the Group's operations, tenants have a legal entitlement to rent concession during the respective temporary closure period, which does not constitute a lease modification (note 11(a)). Management accounts for any lease modification (for example, a change in scope or consideration for a lease that was not part of the original terms and conditions of the lease) as a new lease from the effective date of the modification, considering any prepaid or accrued lease payments relating to the original lease as part of the lease payments for the new lease.

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

5.2 Standards issued but not yet effective

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

- Interest rate benchmark reform – Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16) (1 January 2021).
- Onerous contracts – Cost of fulfilling a contract (Amendments to IAS 37) (1 January 2022).
- Annual improvements to IFRS Standards 2018 – 2020 (1 January 2022).
- Property, plant and equipment: Proceeds before intended use (Amendments to IAS 16) (1 January 2022).
- Reference to the Conceptual Framework (Amendments to IFRS 3) (1 January 2022)
- Classification of liabilities as current or non-current (Amendments to IAS 1) (1 January 2023)
- IFRS 17 Insurance Contracts (1 January 2023).
- Sale or contribution of assets between an investor and its associate or joint venture (Amendments to IFRS 10 and IAS 28) (Effective date deferred indefinitely)

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

6. General accounting policies

6.1 Foreign currency

Foreign currency transactions

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

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

Foreign operations

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

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

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

During 2020, Lebanon became a hyperinflationary economy. Management has performed a detailed assessment of the impact of applying IAS 29 *Financial Reporting in Hyperinflationary Economies* and determined that it is not material (note 29.4.1).

6.2 Borrowing costs

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

6.3 Properties under construction

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

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

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

For other properties that are developed with an intention of constructing an owner occupied property, both the capital expenditure and land are carried at cost, less impairment, if any, until a stage at which the fair value can be reliably determined and as such will be recorded at fair value.

Development expenses are capitalized after successful initial feasibility is conducted and before a site is acquired, subject to an approved budget and formal sign-off of a summary scoping document by management. These development costs are shown as assets under properties under construction. Development costs carried forward are reviewed in subsequent periods to ensure that circumstances have not changed such that the criteria for capitalization still holds good. However in circumstances where the criteria has changed, the costs are written-off or provided for to the extent they are believed to be irrecoverable. Regardless of the foregoing, if management has not obtained the Company's Board of Directors' approval to proceed to the next development stage within 24 months after its inception, the project will be deemed impaired and the full accumulated work in progress balance of that project (excluding land value, if land has been acquired) will be written off and charged to profit or loss.

7. Fair value measurement

7.1 Accounting Policy

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

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

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

Determination of fair value hierarchy

Fair values are categorized into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

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

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

Level 3: Inputs for the asset that are not based on observable market data (unobservable inputs). This category includes instruments whose inputs are not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation.

For example discount rates, growth rates, net equivalent yield etc.

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

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

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

7.2 Measurement of fair values and valuation process

Non-financial assets

The fair value of the investment property and land and buildings included within property, plant and equipment is determined twice a year at 31 December and 30 June by independent external RICS Chartered Surveyors with the valuers having sufficient current local and international knowledge of the respective property markets. The valuation has been prepared in accordance with the RICS Valuation Global Standards-2017 in conjunction with the International Valuations Standards and the RICS Professional Standards (the 'Red Book'). Given the significant uncertainty and these unprecedented set of circumstances on which to base these estimates, the valuation for the hotel portfolio is subject to "material valuation uncertainty" as set out in the RICS Valuation Global Standards as disclosed in note 17.2(a).

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.

In addition to the key drivers of valuations set out below, judgment this year has had to also include assumptions with regards the timing and strength of the recovery from the COVID-19 pandemic, heightened creditworthiness of tenants as well as the associated impact of changes in consumer behaviour (including a greater share of online sales).

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

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

A summary of valuations of the Group's investment property and land and buildings, including capital work in progress, is given below:

(AED in millions)

	2020	2019
Assets valued by independent external valuers	35,537	39,496
Assets valued internally	3,543	4,118
	39,080	43,614

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

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

Financial liability

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

Class of asset	Description
Sukuk certificates (except for the USD 100 million issuance during the year (note 26.2(b))	The fair value for sukuk certificates is benchmarked against the quoted market price (Level 2).

7.3 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 17 – Property, plant and equipment
- Note 18 – Investment property
- Note 30 – Financial instruments

8. Subsidiaries

Accounting Policy

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

Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial information of the subsidiaries is consolidated on a line by line basis (including adjustments to align the accounting policies to the Group's accounting policies, when necessary), from the date on which control commences until the date on which control ceases.

Transactions eliminated on consolidation

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

Non-controlling interests

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

Loss of control

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

Business combinations

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

Business combinations involving entities under common control

Business combinations arising from transfer of interests in entities that are under the control of the shareholder that controls the Group are accounted for as if the acquisition has occurred at the beginning of the earliest comparative year presented or, if later, at the date that common control was established. The Group applies the book value measurement method to all common control transactions. The assets and liabilities acquired or transferred are recognized or de-recognized at the carrying amounts recognized or de-recognized previously in the ultimate holding entity's consolidated financial statements. The components of OCI of the acquired entities are added to the same components within the Group's OCI. Any gain/loss arising is recognized directly in OCI. When a common control entity is sold or transferred, the cumulative amount in the currency translation reserve related to that entity is reclassified to profit or loss in line with the accounting policy on foreign operations (note 6.1).

Interest in other entities

The Group does not hold any direct ownership interest in MAF Sukuk Ltd. (a limited liability company incorporated in the Cayman Islands) which is a structured entity. However, based on the terms of the agreement under which this entity is established, the Group receives substantially all of the returns related to its operations and net assets and has the current ability to direct this entity's activities that most significantly affect these returns. MAF Sukuk Ltd. has issued Sukuk Certificates which are listed on NASDAQ Dubai and Euronext Dublin, except for the USD 100 million issuance during the year. Accordingly, the results and the financial position of the structured entity are included in these consolidated financial statements.

8.1 Details of the Group's material subsidiaries:

Name of material subsidiary	Principal activity	Country of incorporation	Proportion of ownership and voting rights held (%) 2020	2019
Majid Al Futtaim Shopping Malls LLC [a]	Shopping malls	UAE	100%	100%
Majid Al Futtaim Properties Bahrain BSC	Shopping malls/Hotels/ L&E	Bahrain	100%	100%
Majid Al Futtaim Hospitality LLC [a]	Hotels	UAE	100%	100%
Majid Al Futtaim Properties Lebanon LLC [a,b]	Shopping malls/Mixed use communities	UAE	100%	100%
Majid Al Futtaim Developments LLC [a]	Mixed use communities	UAE	100%	100%
Majid Al Futtaim Properties Saudia LLC [a]	Shopping malls/Mixed use communities/Hotels	UAE	100%	100%
Majid Al Futtaim Properties Co. Oman LLC [b]	Shopping malls	Oman	100%	100%
City Centre Almaza S.A.E. [b]	Shopping malls	Egypt	100%	100%
Majid Al Futtaim Properties Egypt SAE [b]	Shopping malls/L&E	Egypt	100%	100%
Majid Al Futtaim Real Estate Investments LLC	Investment in commercial enterprises	UAE	100%	100%
Majid Al Futtaim Commercial Facilities LLC	Shopping malls	Oman	100%	100%
Majid Al Futtaim Shopping Centres LLC	Shopping malls	Oman	100%	100%
Majid Al Futtaim Commercial Centre LLC	Shopping malls	Oman	100%	100%
MAF Sukuk Ltd. [c]	Issuing sukuks under the Trust Certificate Issuance Program	Cayman Islands	100%	100%
Fujairah City Centre Investment Company LLC	Shopping mall	UAE	62.5%	62.5%

a) *Certain subsidiaries owned by these entities are material to the Group.*
b) *The shares of certain subsidiaries are held by MAFH and its subsidiaries for the beneficial interest of the Group.*
c) *MAF Sukuk Ltd. is a subsidiary of the Company by virtue of control exercised over it.*

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

(AED in millions)

Name of subsidiary	Country of incorporation and principal place of business	Proportion of ownership and voting rights held by NCI 2020	2019	(Loss) / profit allocated to NCI 2020	2019	Accumulated NCI 2020	2019
Fujairah City Centre Investment Company LLC	UAE	37.5%	37.5%	7	2	149	142
Aswaq Al Emarat Trading Closed Joint Stock Co.[a]	Kingdom of Saudi Arabia	15%	15%	(7)	(2)	244	245
Suburban Development Company S.A.L [b]	Lebanon	3.18%	3.18%	(3)	(5)	(2)	18
Individually immaterial subsidiaries with NCI		Various	Various	-	-	1	1
Total				**(3)**	(5)	**392**	406

a) *During the year, an additional contribution of AED 6 million (2019: AED 11 million) has been made by the non-controlling interest.*
b) *During the year, translation of the subsidiary to AED resulted in a foreign currency translation loss attributable to NCI amounting to AED 17 million (2019: nil).*

9. Investments in equity accounted investees

Accounting Policy

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

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

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

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

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

9.1 Investments in joint ventures

9.1.1 Summary:

(AED in millions)

	2020	2019
Sharjah Holding Co. PJSC ('SHC')	336	339
Al Mouj Muscat S.A.O.C. ('AMM')	421	387
Waterfront City SARL ('WFC')	26	-
Other joint ventures (refer note 9.1.2 (c) and (d))	6	6
Carrying amount at the reporting date	**789**	732
Group's share of profit from continuing operations - net of tax	18	13
Group's share of other comprehensive income - net of tax	-	-
Group's share of total comprehensive income for the year	**18**	13

9.1.2 Details of the joint ventures:

Name of joint venture	Principal activity	Country of incorporation	Proportion of ownership and voting rights held 2020	2019
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%

Summary of unaudited financial information of the joint ventures (adjusted for aligning accounting policies to the Group's accounting policies) is as follows:

(AED in millions)

	SHC		AMM		WFC		Other	
	2020	2019	2020	2019	2020	2019	2020	2019
Current assets	1,003	761	2,336	2,474	60	759	11	6
Non-current assets	432	476	382	380	137	836	311	104
Current liabilities	(489)	(556)	(1,363)	(1,507)	(122)	(1,204)	(5)	(20)
Non-current liabilities	(274)	(4)	(512)	(573)	(11)	(6)	(357)	-
Net assets	**672**	677	**843**	774	**64**	385	**(40)**	90
Net assets - Group's share before provision for impairment	**336**	339	**421**	387	**32**	193	-	45

(AED in millions)

	SHC		AMM [a]		WFC [b]		Other [c]	
	2020	2019	2020	2019	2020	2019	2020	2019
Revenue	484	166	263	783	585	84	-	-
Profit/(loss) from continuing operations	(6)	(91)	3	117	110	(12)	(53)	(7)
Other comprehensive income	-	-	-	-	-	-	-	-
Total comprehensive income	**(6)**	(91)	**3**	117	**110**	(12)	**(53)**	(7)
Group's share of profit/(loss) from continuing operations	**(3)**	(46)	**(4)**	58	**26**	-	**-**	-
Carrying amount - At 1 January	339	405	387	405	-	-	-	-
Group's share of profit/(loss) from continuing operations	(3)	(46)	(4)	58	26	-	-	-
Provision for impairment for the year	-	-	-	-	-	-	(13)	-
Reversal of provision for impairment	-	-	-	-	39	-	-	-
Net addition/(reduction) in investments	-	(20)	38	(76)	(39)	-	13	-
Carrying amount - At 31 December	**336**	339	**421**	387	**26**	-	**-**	-

a) During the year, AMM has restructured its credit facility and, consequently, any dividend declarations/payments to JV partners have been restricted until the joint venture is able to revert to the existing repayment schedule (commencing in 2022), provide for a plan for reduction of short-term loan facilities and comply with all of its financial covenants. Consequently as part of the restructuring agreement, the dividend receivable from AMM of AED 38 million pertaining to 2019 declaration was agreed to be reversed.

b) During the year, WFC declared dividend amounting to AED 39 million. Accordingly, the Group performed an analysis of the carrying value of its investment in WFC. Based on the results of this analysis, management assessed that the prior year provision for impairment has been reversed to the extent of the current year dividend declaration of AED 39 million. In 2019, the Group's share of loss from WFC exceeded the carrying amount of the investment. Accordingly, the Group has discontinued recognizing its share of loss amounting to AED 6 million. During the year, the prior year unrecognized loss has been recognized after the JV resumed generating profits.

c) The Group's share of loss from one of the joint ventures in UAE exceeded the carrying amount of the investment. Accordingly, the Group has discontinued recognizing its aggregate share of loss amounting to AED 30 million (2019: AED 3 million) as the Group's interest in the joint venture was reduced to zero. The unaudited financial results of the joint venture include a right-of-use asset (before any impairment) and lease liabilities of AED 311 million and AED 357 million, respectively, and given the headwinds faced by the Project due to unfavourable leasing conditions, the joint venture is currently finalizing feasibilities on the way forward for the Project. The investment in joint venture was made through a SPV and its investment in the equity accounted investee remains fully provided for as at the reporting date and in the prior year.

d) The carrying amount of investment in other immaterial joint ventures amounting to AED 6 million (2019: AED 6 million) is after provision for impairment of AED 87 million as at the reporting date and in the prior year.

e) During the year, the Group received AED 39 million and AED 58 million cash for the dividend declared in 2020 and 2019, respectively (2019: AED 17 million cash from a joint venture for a dividend declared in 2018).

f) In 2019, a dormant joint venture was liquidated and written-off. The investment was previously fully impaired amounting to AED 12 million.

10. Operating segments

Accounting Policy

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

Segment reporting

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

Reportable Segments	Operations
Shopping Malls Business Unit (SMBU)	Leads and manages the shopping malls operations of the Group, from regional and super regional shopping malls to smaller community centres, including leisure and entertainment. Another shopping malls segment, Shopping Malls Development Business Unit ('SMDBU') is responsible for leading and managing the delivery of future shopping mall and retail developments of the Group. The financial results of SMDBU form part of SMBU in these consolidated financial statements.
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.
Corporate	Provides corporate support services to the business units of the Group.

EBITDA

The Group's measure of segment performance, EBITDA, is defined as earnings before interest, tax, non-controlling interests, depreciation, amortization, impairment and other exceptional items of charges or credits that are one-off in nature and significance. Management excludes one-off exceptional items in order to focus on results excluding items affecting comparability from one period to the next. EBITDA is not a measure of cash liquidity or financial performance under generally accepted accounting principles and the EBITDA measure used by the Group may not be comparable to other similarly titled measures of other companies. To further enhance comparability, EBITDA has been adjusted to reflect the reporting position prior to adoption of IFRS 16 *Leases* (effectively total rental expenses have been amortized consistently over the lease period) in conformity with the MAFH Group EBITDA reporting requirements.

10.1 Revenue, net profit and EBITDA – by reportable segments

(AED in millions)

	SMBU		HBU		CBU		PMBU		Corporate		Total	
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
Revenue	**3,197**	3,934	**236**	614	**36**	38	**20**	27	**-**	-	**3,489**	4,613
Net (loss)/profit after tax	**(2,360)**	(1,883)	**(284)**	10	**104**	9	**(3)**	(10)	**(296)**	(351)	**(2,839)**	(2,225)
EBITDA	**2,363**	2,887	**22**	192	**26**	(12)	**(4)**	(11)	**(65)**	(82)	**2,342**	2,974

a) *Intra-segment transactions have been excluded. SMBU includes SMDBU.*

10.2 Revenue by geographical segments

(AED in millions)

	UAE		Oman		Bahrain		Egypt		Lebanon		Total	
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
Revenue	**2,540**	3,426	**173**	239	**301**	439	**416**	365	**59**	144	**3,489**	4,613

a) Intra-segment transactions have been excluded.

In presenting the geographic information, segment revenue has been based on the geographic location of customers. Geographical segments continue to be divided into UAE, Oman, Bahrain, Egypt, and Lebanon, including the Kingdom of Saudi Arabia and Kuwait for which the Group did not yet commence its operations (hence, no revenue). This table is not presented to the senior management on a regular basis; however, it is disclosed in these consolidated financial statements for the readers' information.

10.3 Statutory segment assets and liabilities – by business segments

(AED in millions)

	SMBU		HBU		CBU		Corporate		Total	
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
Segment assets	34,991	38,706	3,455	4,119	2,501	2,801	1,225	1,421	42,172	47,047
Segment liabilities	(3,827)	(4,393)	(134)	(182)	(41)	(45)	(10,823)	(10,959)	(14,825)	(15,579)
Net assets [a]	**31,164**	34,313	**3,321**	3,937	**2,460**	2,756	**(9,598)**	(9,538)	**27,347**	31,468

a) Intra-segment balances have been excluded to arrive at the net assets. SMBU includes SMDBU.

10.4 Statutory segment assets and liabilities – by geographical segments

(AED in millions)

	UAE		Oman		Bahrain		KSA		Kuwait		Egypt		Lebanon		Total	
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
Segment assets	32,581	35,754	2,179	2,722	2,554	2,893	1,983	2,022	3	-	2,649	2,163	223	1,493	42,172	47,047
Segment liabilities	(12,655)	(13,258)	(621)	(550)	(170)	(212)	(43)	(71)	-	-	(1,323)	(1,144)	(13)	(344)	(14,825)	(15,579)
Net Assets [a]	**19,926**	22,496	**1,558**	2,172	**2,384**	2,681	**1,940**	1,951	**3**	-	**1,326**	1,019	**210**	1,149	**27,347**	31,468

a) Intra-segment 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.

10.5 Major customer

Rental revenue earned from the Group's related parties have contributed to AED 333 million (2019: AED 417 million) which is more than 10% of the total "revenue from investment property" for the year ended 31 December 2020. No single related party represents more than 10% of total revenue.

11. Revenue

Accounting Policy

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

Rental income
Rental income, including fixed rental uplifts, from investment property leased out under an operating lease is recognized in profit or loss on a straight-line basis over the term of the lease from the lease commencement date. Lease incentives being offered to lessees to enter into a lease, such as an initial rent-free period or a cash contribution to fit-out or similar costs, are an integral part of the net rental income and are therefore recognized on the same straight-line basis. Contingent rents, being lease payments that are not fixed at the inception of the lease, for example turnover rents, are recorded as income in the periods in which they are earned. Refer to note 32 for the accounting policy on leases.

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

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

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

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

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

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

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

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

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

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

Sale of alcohol

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

(AED in millions)

	2020	2019
Revenue from investment property:		
- Rental income [a]	2,576	3,215
- Service charge	416	414
- Marketing and promotion contribution	96	87
- Other	31	29
Revenue from hospitality [c]	236	614
Revenue from leisure and entertainment [c]	92	207
Project management revenue	20	27
Other revenue	22	20
	3,489	4,613

a) *During the year, the impact of the COVID-19 pandemic evolved rapidly and the governments and other authorities across the geographies where the Group operates imposed strict measures that resulted in temporary closure of the Group's assets. Shopping malls in the UAE, Bahrain, Oman, Egypt and Lebanon were closed for various periods mainly between March 2020 and June 2020. The Group assessed that under the applicable commercial laws in the jurisdictions of the Group's operations, tenants have a legal entitlement to rent concession during the respective temporary closure period. As a result, rental income of AED 381 million, pertaining to the temporary closure period, was not recognized by the Group. This did not constitute a lease modification.*

b) *During the year, management has provided a discretionary rent relief program totalling AED 284 million as part of the Group's commitment to supporting its tenants subsequent to the re-opening of the Group's shopping malls post lockdown period. The rent relief program was awarded to eligible tenants through modification of lease terms and, hence, amortized over the new lease term in accordance with IFRS 16. The associated charge to the consolidated statement of profit or loss for the year amounted to AED 24 million.*

c) *During the year, the Group's hospitality and L&E operations were temporarily suspended for various periods ranging from 3 to 9 months resulting in decline in revenue.*

12. Operating expenses

(AED in millions)

	2020	2019
Depreciation (notes 17.2 and 32.2.1)	(419)	(472)
Employee benefits [a,b]	(404)	(631)
Facilities maintenance and repairs	(111)	(145)
Selling and marketing expenses	(95)	(199)
Utilities	(66)	(99)
Legal and consultancy fees	(64)	(67)
Housekeeping expenses	(63)	(75)
IT costs	(53)	(54)
Security expenses	(41)	(50)
Hotel operator fee and sales commission	(33)	(54)
Service charges and other recharges	(30)	(48)
Insurance premiums	(19)	(17)
Property taxes [d]	(18)	41
Hotels food and beverage expenses	(14)	(39)
Amortization charge for intangible assets	(13)	(18)
Leisure and entertainment units' cost of operations	(10)	(17)
Office supplies	(9)	(17)
Travel expenses	(4)	(14)
Miscellaneous expenses	(78)	(108)
	(1,544)	(2,083)

a) *During the year, due to the impact of the COVID-19 pandemic in the overall business performance, management has assessed to discontinue accruing for bonus and incentives and reversed the remaining provision amounting to AED 56 million (note 25.1).*

b) *Staff costs are net of costs capitalized to various projects amounting to AED 80 million (2019: AED 138 million).*

c) *During the year, the Group incurred AED 4 million (2019: AED 5 million) for various corporate social responsibility (CSR) activities.*

d) *In 2019, a subsidiary in Lebanon was granted a right to reclaim AED 51 million relating to previous years' property tax payments (from 2013 to 2016), out of which AED 24 million was in settlement of corporate income tax due for those years.*

13. Finance costs

Accounting Policy

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

(AED in millions)

	2020	2019
Interest expense (including arrangement and participation fees)	(531)	(600)
Interest expense on lease liabilities	(15)	(17)
Unwinding of discount on receivables	7	3
Less: Amounts capitalized with the cost of qualifying assets [a]	191	198
	(348)	(416)

a) *Capitalized interest arises on borrowings for development expenditure. The capitalization rate range used to determine the amount of borrowing cost eligible for capitalization was 4.28% - 6.00% (2019: 4.67% - 19.50%) depending on the effective interest rate over the tenure of the borrowings for individual developments.*

14. Impairment loss

Accounting Policy

Impairment of financial assets

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

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

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

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

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

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

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

Impairment of non-financial assets

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

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

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

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

(AED in millions)

	2020	2019
Impairment of investment property under construction [a]	(1,293)	(1,084)
Impairment of property and equipment (note 17.2)	(6)	(20)
Reversal of impairment of investments in equity accounted investees (note 9.1.2)	26	-
Impairment loss on non-financial assets	**(1,273)**	**(1,104)**
Impairment loss on trade and other receivables - net	(100)	(53)
Impairment loss on due from related parties	-	(10)
Impairment loss on financial assets	**(100)**	**(63)**

a) Key judgements and sensitivities

During the year, a total impairment loss of AED 1,293 million (2019: AED 1,084 million) was recognized on shopping malls classified under properties under construction, as the carrying amount of each individual asset exceeded its recoverable amount. Following management assessment of the COVID-19 impact and uncertainties in market conditions, the recoverable amounts of these properties under construction have further reduced. Cash flow forecasts have been revised to reflect the key changes including delays in anticipated opening dates ranging from 5 to 6 months (based on phased opening), increase in total development costs due to delays in construction, overall decrease in estimated lease rental and other income and occupancy levels due to further estimated challenges in securing leasing commitments arising from competitive leasing terms and impact of COVID-19 on the retail market. In addition, WACC rates used in discounting cash flows increased between 10 bps to 20 bps (versus the previous year) taking into account the heightened risk incorporated in the cash flows. In addition, incremental borrowing costs were provided for.

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

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

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

(AED in millions)

	2020				2019		
	Asset 1	Asset 2	Asset 3[(i)]	Asset 4[(ii)]	Asset 1	Asset 2	Asset 4[(ii)]
Recoverable amount	**652**	**1,093**	**190**	**-**	910	1,227	-
Impairment loss - net	**(771)**	**(495)**	**(35)**	**8**	(242)	(622)	(220)
Discount Rate	10.50%	9.80%	N/A	N/A	10.30%	9.70%	N/A
Yield Rate	N/A	8.00%	N/A	N/A	N/A	8.00%	N/A

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

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

i) During the year, management re-assessed the cost of pre-development costs incurred and, as a result, provided for an impairment loss of AED 35 million (2019: nil), representing the costs relating to work carried out that are no longer relevant to the current development.

ii) During the year, final statement of accounts with contractors have been closed resulting in reversal of costs previously provided for amounting to AED 8 million. In 2019, management re-assessed its strategic plan for this asset and, as a result, provided for an impairment loss of AED 220 million for the year ended 31 December 2019, representing the pre-development costs incurred as the reporting period.

15. Other income/(expense) - net

(AED in millions)

	2020	2019
Project costs provided for/written-off	6	(64)
Development expenses	(7)	(30)
Other expense	**(1)**	**(94)**
IT and other service charges levied on related parties (note 31.1)	15	3
Foreign exchange gain - net	44	17
Other [a]	86	66
Other income	**145**	**86**
Other income/(expense) - net	**144**	**(8)**

a) *During the year, other income includes AED 38 million (2019: AED 18 million) in respect of a minimum performance guarantee from a third party hotel operator.*

16. Net valuation loss on land and buildings

(AED in millions)

	2020	2019
Gain on changes in fair value on property, plant and equipment (note 17.2 (a))	(82)	76
Loss on changes in fair value of investment property (note 18.2)	(3,129)	(3,117)
	(3,211)	**(3,041)**

17. 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 and development expenditure is carried at cost less any accumulated impairment until the fair value of the asset can be reliably determined. Once the fair value can be reliably determined, the entire property (that is land and building) is carried at fair value at each reporting date.

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

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

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

Depreciation

Depreciation is calculated to write off the cost of items of property, plant and equipment less their estimated residual values using the straight-line method over the estimated useful lives, and is recognized in profit or loss. Land is not depreciated. The estimated useful lives of assets for the current and comparative years are as follows:

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

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

Revaluation reserve

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

Reclassification to investment property

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

De-recognition

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

17.1 Critical judgement

17.1.1 The critical judgement related to the accounting for dual use property (property, plant and equipment and investment property) is discussed in note 18.1.

17.1.2 *Apportionment of fair values between land and buildings*

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

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

17.2 Reconciliation of the net carrying amount at the reporting date

(AED in millions)

	Land & buildings	Motor vehicles	Furniture, fixtures & equipment	Leisure rides & games	Capital work in progress	Total
Cost/revaluation						
At 1 January 2019	4,017	8	1,214	151	263	5,653
Additions	29	-	28	3	81	141
Disposals/write offs/other adjustments	14	-	(18)	-	(18)	(22)
Capitalized	-	-	67	-	(67)	-
Accumulated depreciation & impairment eliminated on revaluation	(267)	-	-	-	-	(267)
Transferred (to)/from investment property	12	1	42	-	(7)	48
Transferred to a related party	-	-	-	-	(10)	(10)
Net revaluation loss [a]	(74)	-	-	-	-	(74)
Effect of changes in foreign currency translation	-	-	14	1	1	16
At 31 December 2019	3,731	9	1,347	155	243	5,485
At 1 January 2020	3,731	9	1,347	155	243	5,485
Additions	5	1	62	5	100	173
Disposals/write offs/other adjustments	15	-	(110)	-	70	(25)
Capitalized	8	-	58	-	(66)	-
Accumulated depreciation & impairment eliminated on revaluation	(210)	-	-	-	-	(210)
Transferred (to)/from investment property	96	-	16	-	(107)	5
Net revaluation loss [a]	(482)	-	-	-	-	(482)
Effect of changes in foreign currency translation	-	-	(28)	-	(13)	(41)
At 31 December 2020	**3,163**	**10**	**1,345**	**160**	**227**	**4,905**

	Land & buildings	Motor vehicles	Furniture, fixtures & equipment	Leisure rides & games	Capital work in progress	Total
Accumulated depreciation/impairment						
At 1 January 2019	-	(6)	(792)	(140)	(16)	(954)
Depreciation charge for the year	(267)	-	(168)	(7)	-	(442)
Accumulated depreciation & impairment eliminated on revaluation	267	-	-	-	-	267
Impairment (charge)/reversal	-	-	(20)	-	5	(15)
Disposals/write offs/other adjustments	-	-	9	-	-	9
Effect of changes in foreign currency translation	-	-	(7)	(1)	-	(8)
At 31 December 2019	-	(6)	(978)	(148)	(11)	(1,143)
At 1 January 2020	-	(6)	(978)	(148)	(11)	(1,143)
Depreciation charge for the year	(210)	(1)	(172)	(7)	-	(390)
Accumulated depreciation & impairment eliminated on revaluation	210	-	-	-	-	210
Impairment charge	-	-	(6)	-	-	(6)
Disposals/write offs/other adjustments	-	-	25	1	-	26
Effect of changes in foreign currency translation	-	-	24	-	-	24
At 31 December 2020	**-**	**(7)**	**(1,107)**	**(154)**	**(11)**	**(1,279)**
Carrying amount						
At 31 December 2020	**3,163**	**3**	**238**	**6**	**216**	**3,626**
At 31 December 2019	3,731	3	369	7	232	4,342

a) *The Group's land and buildings of AED 3.1 billion (2019: AED 3.7 billion) were valued by independent external valuers. During the year, a net revaluation loss of AED 482 million (2019: AED 74 million) has been recognized. This comprises of a revaluation loss of AED 400 million (2019: AED 150 million) recognized in other comprehensive income and a revaluation loss of AED 82 million (2019: revaluation gain of AED 76 million) recognized in profit or loss (see note 16). With the heightened degree of uncertainty resulting from the COVID-19 pandemic, there is increased difficulty in exercising professional judgements to determine asset values when there are few, if any, comparable transactions in the new environment. Consequently, the external valuation report contains the following material uncertainty statement with regards to the valuation of hotel assets as part of their valuation which is consistent with the guidance issued by RICS Valuation Global Standards:*

> *The outbreak of the Novel Coronavirus (COVID-19), declared by the World Health Organisation as a "Global Pandemic" on the 11th March 2020, continues to impact many aspects of daily life and the global economy – with some real estate markets having experienced lower levels of transactional activity and liquidity. Travel, movement and operational restrictions have been implemented by many countries. In some cases, "lockdowns" have been applied – in varying degrees – to reflect further 'waves' of COVID-19.*
>
> *While these may imply a new stage of the crisis, they are not unprecedented in the same way as the initial impact. The pandemic and the measures taken to tackle COVID-19 continue to affect economies and real estate markets globally. In the case of the properties set out within this report, as at the valuation date, we continue to be faced with an unprecedented set of circumstances caused by COVID-19 and an absence of relevant market evidence on which to base our judgements. Our valuation is therefore reported as being subject to 'material valuation uncertainty', as set out in VPS 3 and VPGA 10 of the RICS Valuation – Global Standards. Consequently, in respect of these valuations less certainty – and a higher degree of caution – should be attached to our valuation than would normally be the case.*
>
> *For the avoidance of doubt, this explanatory note – including the 'material valuation uncertainty' declaration – does not mean that the valuation cannot be relied upon. Rather, it has been included to ensure transparency and to provide further insight as to the market context under which the valuation opinion was prepared. In recognition of the potential for market conditions to move rapidly in response to changes in the control or future spread of COVID-19, we highlight the importance of the valuation date.*

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

17.3 Other notes

i) The fair value measurement for land & buildings of AED 3.1 billion (2019: AED 3.7 billion) has been categorized as a level 3 fair value based on the inputs to the valuation technique used.

ii) Measurement of fair value

Particulars	Hotels	Offices
Significant unobservable inputs used	Discount rate 2020: 10.25% to 11.75% (2019: 10.00% to 11.50%) Compounded annual growth rates of EBITDA 2020: 13.98% (2019: 5.49%)	Equivalent yield 2020: 9.25% (2019: 9.25%)

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

a) For the hotel portfolio, the key drivers to the valuation are the discount rates applied and forecasted EBITDA generated from each asset's operations. The independent external valuers have made specific adjustments to exit capitalization rates to reflect the more cautious investor sentiment for hotel assets as a result of the income stream being purely unsecured. A 25 basis point increase in discount rate has been reflected across the board for the hotel portfolio. EBITDA projections reflected in Year 1 are muted as a result of the adverse impact on occupancy levels as a result of COVID-19. Consequently, overall CAGR has increased due to ramp up in forecasted EBITDA in the following years. A 50 basis point increase in exit yield results in a fair value decrease by approximately -4% and 50 basis point decrease in exit yield results in a fair value increase by approximately +3%.

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

(AED in millions)

	2020		2019	
	Land	Buildings	Land	Buildings
Cost	354	4,593	353	4,466
Accumulated depreciation	-	(2,832)	-	(2,710)
At 31 December	**354**	**1,761**	353	1,756

18. Investment property

Accounting Policy

Recognition and measurement

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

Reclassification to property plant and equipment

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

De-recognition

An investment property is derecognized on disposal or when it is permanently withdrawn from use and no future economic benefits are expected from its disposal. Any gain or loss on disposal or retirement calculated as the difference between the net proceeds and the carrying amount of the property is recognized in profit or loss. When investment property that was previously classified as property, plant and equipment is sold, any related amount included in the revaluation reserve (note 17) is transferred to retained earnings.

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

18.2 Reconciliation of the net carrying amount at the reporting date

(AED in millions)

	2020	2019
At 1 January	39,753	40,954
Additions	1,068	2,920
Transferred to a related party	(31)	-
Transferred to property, plant & equipment (note 17.2)	(5)	(48)
Net fair value change (note 16)	(3,129)	(3,117)
Impairment charge (note 14)	(1,293)	(1,084)
Disposals/write offs/other adjustments	(87)	(98)
Effect of movements in exchange rates	(491)	226
At 31 December	**35,785**	39,753

i. *The Group's investment property amounting to AED 32.4 billion (2019: AED 35.8 billion) were valued by independent external valuers. The independent external valuers adopted consistent valuations methodology with the previous cycles with specific adjustments made to the Shopping Malls portfolio to reflect the impact of COVID-19, as follows:*
   - Estimated rental values reduced by 9% across the portfolio reflecting the completed deals in 2020 including Group deals, as well as future leasing prospects.
   - Short-term vacancy increased by up to 36 months and long term vacancy increased by 0.5% - 3% on average.

ii. *Measurement of fair value*

   a) *Fair value hierarchy*
   The fair value measurement for investment property of AED 35.8 billion (2019: AED 39.8 billion) has been categorized as a level 3 fair value based on the inputs to the valuation technique used.

   b) *Inter-relationship between key unobservable inputs and fair value measurement*

Particulars	Shopping malls	Offices
Significant unobservable inputs used	<u>Discount rates on income streams</u> 2020: 7% to 25% (2019: 7% to 25.5%) <u>Compounded annual growth rates of Net operating income ("NOI")</u> 2020: 1.98% (2019: 1.94%)	<u>Equivalent yield</u> 2020: 8.00% to 9.05% (2019: 8.00% to 9.05%)

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

iii. *The carrying value as at the reporting date includes an operational shopping mall on leasehold land (right-of-use asset) in UAE amounting to AED 58 million (2019: AED 109 million) and an operational and an under construction shopping mall on leasehold lands (right-of-use assets) in Oman amounting to AED 720 million (2019: AED 1,008 million).*

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

v. *Details of the right-of-use assets included as part of investment property is as follows:*
   a) *In 2014, a subsidiary of the Company has entered into a usufruct contract with the Government of Sultanate of Oman, which provided the subsidiary usufruct rights over plots of land in Oman for a period of fifty years. The subsidiary is currently constructing a shopping mall on this land.*

b) *In 2016, a subsidiary of the Company, entered into an agreement with a related party, Majid Al Futtaim Hypermarkets LLC, to transfer the rights over a leasehold land and the property constructed on the land (a shopping mall) to the subsidiary of the Company. The land on which the shopping mall was constructed has been obtained on a long term lease from the Government of Dubai for a range of 8 to 25 years for different parts of the land.*
c) *In 2017, a subsidiary of the Company entered into a usufruct contract with the Government of Sultanate of Oman, which provided the subsidiary usufruct rights over a plot of land in Oman for a period of fifty years.*

18.3 Other notes

i. *Amounts recognized in profit or loss for investment property that generated income:*

(AED in millions)

	2020	2019
Revenue from investment property	3,119	3,745
Direct operating expenses on properties that generated rental income	(905)	(1,019)

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

(AED in millions)

	2020	2019
Fair value of land and buildings	36,004	39,530
Less: Adjustment for accrued operating lease income (notes 11 and 20)	(519)	(260)
Less: Advances to contractors	(6)	(16)
Add: Lease liabilities	121	128
Add: Retention from contractor payments	93	129
Add: Project related accruals	92	242
Net adjusted fair value	**35,785**	39,753

iii. *Restrictions on investment property*
As at 31 December 2020 and 2019, certain lands were held in the personal name of a majority shareholder of the ultimate holding entity for the beneficial interest of the Group.

In 2019, an asset with a carrying amount of AED 618 million was subject to mortgage for a term loan. During the year, the mortgage has been released due to full settlement of the term loan (note 26.1).

19. Intangible assets

Accounting Policy

Recognition and measurement

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

Amortization

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

(AED in millions)

Metro naming rights	2020	2019
At 1 January	22	13
Additions	-	27
Amortization charge for the year	(13)	(18)
At 31 December	**9**	22

In 2019, the Group entered into an agreement with a Government entity in the UAE to renew its naming rights for two stations of the Dubai Metro for a period of 2 years. Based on the present value of the future payments to be made, intangible assets have been recorded, which are amortized over the contract period using the incremental borrowing cost of the Group at 9.1% per annum, and a corresponding deferred liability was recorded (notes 24 and 27).

20. Trade and other receivables

Accounting Policy

Trade receivables

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

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

20.1 Trade and other receivables - current

(AED in millions)

	2020	**2019**
Trade receivables, net of loss allowances (note 20.4)	572	407
Advances and deposits	52	84
Prepayments	58	76
Accrued income on operating leases (note 18.3 (ii))	187	72
Other receivables [a]	98	8
At 31 December	**967**	647

a) As at 31 December 2020, other receivables mainly comprise receivable from a government authority (AED 31 million) and receivable from a third-party hotel operator (AED 38 million).

20.2 Long term receivables

(AED in millions)

	2020	**2019**
Accrued income on operating leases (note 18.3 (ii))	332	188
Advances to contractors	37	104
Other long term receivable - net	2	34
Long term prepayments	120	107
At 31 December	**491**	433

20.3 Loss allowances

(AED in millions)

	2020	2019
At 1 January	(146)	(109)
Charge for the year (note 14)	(100)	(53)
Write-offs/reversals	39	16
At 31 December	**(207)**	(146)

a) *The Group assessed the loss allowance of its trade receivables based on specific provisioning (for specific high risk accounts) and expected credit loss ("ECL") model in line with requirements of IFRS 9 Financial Instruments. The specific provisioning and ECL model were reassessed for the impact of COVID-19, mainly due to the operational disruption faced by the tenants, volatility in the current economic conditions, incidence of default and deterioration in tenant credit standing, that may lead to an increase in impairment on trade receivables. Given the increase in risk of default by tenants and customers, the Group has recognized impairment loss on trade receivables for the year amounting to AED 100 million (2019: AED 53 million).*

20.4 Ageing of trade receivables

(AED in millions)

	2020	2019
Current balances	231	165
Past due 31 - 60 days	210	53
Past due 61 - 90 days	85	26
Past due 91 - 180 days	197	68
Past due over 180 days	56	241
Total trade receivables	**779**	553
Less: Loss allowances	(207)	(146)
Net trade receivables	**572**	407

21. Income tax

Accounting Policy

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

Current tax

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

Deferred tax

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

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

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

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

21.1 Income tax expense recognized in profit or loss

(AED in millions)

	2020	2019
Current tax expense:		
- Current year	(15)	(22)
- Adjustment for prior years	-	(27)
	(15)	(49)
Deferred tax (expense) / credit:		
- Origination and reversal of temporary differences	(5)	(98)
	(20)	(147)

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

21.2 Reconciliation of effective tax rate

(AED in millions)

		2020		2019
Loss before tax from continuing operations		**(2,822)**		(2,078)
Tax using the Company's domestic tax rate	0%	-	0%	-
Effect of tax rates in foreign jurisdictions	1%	(15)	2%	(46)
Change in recognized deductible temporary differences	0%	(5)	5%	(98)
Change in estimates related to prior years	0%	-	0%	(3)
	1%	**(20)**	7%	(147)

21.3 Deferred tax liabilities

(AED in millions)

	01 January 2020	Recognized in profit or loss	Recognized in OCI	Exchange rate movement	31 December 2020
Investment property and others	188	33	-	3	**224**

(AED in millions)

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

A portion of the deferred tax liability has been computed on the taxable temporary differences arising as a result of valuation gains on properties in Oman and Egypt. The tax rates in these countries are 15% and 22.5%, respectively (2019: 15% and 22.5%, respectively). The corresponding valuation gain or loss has been recognized in profit or loss. Accordingly, the resulting net deferred tax expense/(credit) has been recognized in profit or loss

21.4 Deferred tax assets

(AED in millions)

	01 January 2020	Recognized in profit or loss	Recognized in OCI	Exchange rate movement	31 December 2020
Investment property and others	17	34	-	-	**51**

(AED in millions)

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

During the year, the Group has unrecognized deferred tax assets of AED 432 million relating to its subsidiaries in Oman, Egypt and Lebanon (2019: AED 436 million relating to its subsidiaries in Oman, Egypt and Lebanon). Based on the Group's strategic plan and taking into account the local taxation laws and regulation in those countries, the recognition of deferred tax asset is limited to the extent of future taxable profits and full recoverability of deferred tax asset is unlikely since the subsidiaries in Oman, Egypt and Lebanon (2019: subsidiaries in Oman and Egypt) are not expected to generate sufficient taxable profits and valuation gains in the foreseeable future.

22. Inventories

Accounting Policy

Development property

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

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

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

Spares and consumables

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

(AED in millions)

	2020	2019
Spares and consumables	18	23
Development property (note 31.1)	13	-
At 31 December	**31**	23

23. Cash and bank balances

(AED in millions)

	2020	2019
Cash in hand	5	14
Fixed deposits	-	36
Call deposits and current accounts	204	285
Cash and bank balances at 31 December	**209**	335

The Group's cash and deposit balances with banks and financial institutions amounted to AED 204 million at 31 December 2020 (2019: AED 321 million). Impairment on cash and cash equivalents has been measured on a 12-month expected loss basis, reflecting the short maturities of the exposures, and is not considered material to the Group's consolidated financial statements. To manage the credit risk, the Group has concentrated its main activities with counter-parties which are deemed creditworthy based on internal assessment on each counter-party's financial position, credit rating and track record. Individual counterparty credit risk limits and concentration of exposures are set and actively monitored by the Group's treasury department. The Group considers that its cash and deposits with banks and financial institutions have low credit risk based on internal assessment which takes into consideration the external credit ratings of the counterparties. Further, MAFH centrally manages the overall net cash position of the Group in Lebanon such that there is an overall minimal exposure.

24. Trade and other payables

Accounting Policy

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

(AED in millions)

	2020	2019
Trade payables	577	540
Project related accruals	191	450
Accruals	268	354
Unearned rental income	638	768
Tenant related deposits	636	683
Retention from contractor payments	210	298
Tenant related advances	228	227
Tax payable	15	53
Current portion of lease liabilities (note 32.2.2)	26	34
Current portion of deferred liability	23	13
Others	116	55
At 31 December	**2,928**	3,475

25. Provisions

Accounting Policy

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

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

(AED in millions)

	2020	2019
Bonus provisions (short and long term) [a]	-	115
Other provisions [b]	30	36
At 31 December	**30**	151
- Current	**27**	122
- Non-current	**3**	29

a) *Bonus provisions represent the amount payable to the employees of the Group.*
b) *Other provisions mainly relate to provision for tax and administration fees amounting to AED 22 million (2019: AED 20 million).*

25.1 Reconciliation of provisions as at the reporting date

(AED in millions)

	Bonus provisions	Other provisions
At 1 January 2019	92	30
Additional provisions recognized during the year	92	74
Reduction arising from payments/write backs/reclassifications made during the year	(69)	(70)
Effect of changes in foreign currency translation	-	2
At 31 December 2019	115	36
At 1 January 2020	115	36
Provisions (reversed)/recognized during the year (note 12(a))	(56)	3
Reduction arising from payments/write backs/reclassifications made during the year	(59)	(1)
Effect of changes in foreign currency translation	-	(8)
At 31 December 2020	**-**	**30**

26. Loans and borrowings

(AED in millions)

	2020	2019
Secured – At amortized cost		
Term loans - From banks [a]	-	246
	-	246
Unsecured – At amortized cost		
Term loans - From banks [a]	594	512
Sukuk certificates [a]	6,589	6,219
	7,183	6,731
At 31 December	**7,183**	6,977
- Current	**41**	70
- Non-current	**7,142**	6,907

a) Carrying amount adjusted for unamortized transaction costs of AED 27 million (2019: AED 31 million).

26.1 Term loans - From banks

(AED in millions)

	2020	2019
At 1 January	763	1,151
Borrowed during the year	84	554
Repaid during the year	(119)	(1,041)
Currency translation adjustment	(130)	38
Interest capitalized as part of loan principal	-	61
At 31 December	**598**	763
Net unamortized transaction costs incurred	(4)	(5)
	594	758
- Current	**41**	70
- Non-current	**553**	688

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

(AED in millions)

Loan facility	2020	2019	Security	Repayment interval	Repayment start date	Maturity date
USD 200 million	598	512	Corporate guarantee by MAFH	Quarterly	Jun 2021	Mar 2029
LBP 170.6 billion	-	251	First ranking charge over the plot on which a shopping mall is constructed and assignment of lease rentals of the shopping mall	Annual	Mar 2016	Fully settled in 2020
At 31 December	**598**	763				

These loans are obtained at interest margin of 1.35% (2019: 1.35% to 2.5%) over the base lending rates. For loans obtained in the UAE, the base lending rate used is EIBOR / LIBOR. For loans obtained by overseas subsidiaries, an appropriate base lending rate prevailing in the related markets is used.

26.2 Sukuk certificates

(AED in millions)

	2020	2019
At 1 January	6,245	1,837
Borrowed during the year	367	4,408
At 31 December	**6,612**	6,245
Net unamortized transaction costs incurred	(23)	(26)
	6,589	6,219
- Current	**-**	-
- Non-current	**6,589**	6,219

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

(AED in millions)

Loan issuance	2020	2019	Interest rate	Repayment Interval	Start date	Maturity date
USD 500 million	1,837	1,837	4.50% per annum (semi-annual basis)	Bullet payment	Nov 2015	Nov 2025
USD 600 million	2,204	2,204	4.638% per annum (semi-annual basis)	Bullet payment	May 2019	May 2029
USD 600 million	2,204	2,204	3.9325% per annum (semi-annual basis)	Bullet payment	Oct 2019	Feb 2030
USD 100 million	367	-	3.15% per annum (semi-annual basis)	Bullet payment	Nov 2020	Nov 2028
At 31 December	**6,612**	6,245				

a) *Arrangement ('Murabaha') includes transfer of ownership of certain identified assets to a special purpose vehicle (MAF Sukuk Ltd.) formed for the issuance of bonds without transfer of control. The certificate holders have no recourse to the assets and the profits are serviced from the returns generated from the identified assets. In 2019, the size of the Sukuk Trust Certificate Issuance Program was increased to USD 3.0 billion.*

b) *During the year, the Group issued additional Sukuk certificates raising USD 100 million (AED 367 million) for general corporate purposes. These Sukuk certificates issuance are not listed on stock exchanges as the issuance relates to a private placement with a third party financial institution. Given the issuance date in November 2020, the carrying value approximates its fair value as at the reporting date.*

c) *In 2019, the Group issued additional ten year Sukuk certificates raising USD 1.2 billion (AED 4.4 billion) to refinance existing eligible projects in accordance with the MAF Group's Green Finance Framework. These are listed on the stock exchanges - NASDAQ Dubai and Euronext Dublin.*

27. Other liabilities

(AED in millions)

	2020	2019
Lease liabilities	152	176
Deferred liability	-	14
Other	-	1
At 31 December	**152**	191

27.1 Reconciliation of liabilities arising from financing activities

(AED in millions)

	1 January 2020	Cash inflows	Cash outflows	Non-cash changes	31 December 2020
Term loan from a related party	4,458	1,709	(2,543)	405	4,029
Loans and borrowings	6,977	451	(119)	(126)	7,183
Lease liabilities	210	-	(41)	9	178
Short term loan to related parties	-	117	-	-	117
At 31 December	**11,645**	**2,277**	**(2,703)**	**288**	**11,507**

(AED in millions)

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

a) In 2019, includes cash outflow from bank overdrafts amounting to AED 45 million.

28. Retirement benefit obligation

Accounting Policy

Defined benefit plan

Provision for retirement benefit obligation is calculated in accordance with the labour laws of the respective country in which they are employed. The Group's retirement benefit obligation is calculated by estimating the amount of future benefit that employees have earned in return for their services in the current and prior periods, and is discounted to determine the present value of the obligation. The discount rate used is the yield at the reporting date on premium bonds that have maturity dates approximating the terms of the Group's obligation.

Defined contribution plan

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

(AED in millions)

	2020	2019
Defined benefit plan	110	113
Defined contribution plan	2	2
At 31 December	**112**	115

28.1 Defined benefit plan

Key assumptions and estimation uncertainties:

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

	2020	2019
Discount rate	**2.35%**	3.19%
Future salary increase	**3%**	3%
Probability of employees staying for a full service period	**50%**	50%

Reconciliation of defined benefit obligation liability at the reporting date:

(AED in millions)

	2020	2019
At 1 January	113	110
Expense for the year - net	30	19
Benefits paid during the year	(21)	(21)
Other reclassifications	(12)	5
At 31 December	**110**	113

28.2 Defined contribution plan

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

(AED in millions)

	2020	2019
Total expense recognized in profit or loss during the year	**20**	23
Contributions payable at the end of the reporting year	**2**	2

29. Equity

29.1 Share capital

(AED in millions)

	2020	2019
Authorized, issued and fully paid:		
3,500,000 shares of AED 1,000 each	3,500	3,500
At 31 December	**3,500**	3,500

29.2 Shareholder contribution

(AED in millions)

	2020	2019
Subordinated capital loan instruments [a]	2,750	2,750
Contribution from MAFH [b]	188	188
At 31 December	**2,938**	2,938

a) *In 2009, the Company issued subordinated capital loan instruments of AED 2,500 million in five loan instruments of AED 500 million each. In 2010, an additional loan instrument of AED 250 million was issued by the Company. These instruments are collectively referred to as "the hybrid instruments" and are fully subscribed to by MAFH as per the terms of a Master Capital Loan Agreement and a separate Capital Loan Agreement for each loan, dated 5 October 2009. During the year, the agreement with MAFH has been amended resulting in a change in coupon payment rate at a fixed rate of 6.375% (31 December 2019: 8%) per annum payable semi-annually in arrears.*

The hybrid instrument does not have a final maturity date. The coupon is non-cumulative in nature and can be deferred indefinitely at the Company's discretion without constituting a default. In case of MAFH ceasing control of the Company, the prevailing coupon rate on the hybrid instruments will be permanently increased by 5% and such coupons will become cumulative. Based on the terms of the hybrid instruments, these are accounted for as equity instruments. The hybrid instruments were subscribed to through a debt to equity swap transaction.

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

29.3 Statutory reserve

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

29.4 Currency translation reserve

The currency translation reserve comprises all foreign currency differences arising from translation of the consolidated financial statements of foreign operations mainly in Lebanon (see note 29.4.1) and Egypt. During the year, the Group recorded foreign currency translation net loss of AED 713 million (2019: net gain of AED 187 million). During the year, translation of the Group's operations in Egypt resulted in a net gain of AED 50 million owing to strengthening Egyptian Pound and stabilizing inflation rate.

29.4.1 Lebanon political and economic crisis continued to deteriorate during the year. In June 2020, the central bank started foreign exchange rate management with the help of regulated exchange houses to stabilize the economy and attract foreign inflow and subsequently introduced a secondary exchange rate, referred to as "Sayrafa" rate. This secondary exchange rate trades at a discount of approximately 60% to the official pegged rate suggesting that the peg is extremely stressed and is likely to break. As a consequence of developing currency crisis, in July 2020, the Group moved to Sayrafa rate for translating its Lebanese operations, thereby devaluing the currency from Lebanese Pound (LBP) 410 to LBP 1,055 against AED. With crisis further deepening and the parallel market even diverging from the Sayrafa rate, the Group reassessed the exchange rate to be applied for translating the value of its Lebanese operations and devalued the currency further by LBP 1,232 against AED to LBP 2,287. At the reporting date, the Group translated its financial position at LBP 2,287 against AED and the results from operations were translated at the average rate prevailing during the year. The Group's operations in Lebanon contributed a net loss of AED 160 million (2019: AED 183 million) to Group's consolidated results and the net assets amounted to AED 210 million at 31 December 2020 (2019: AED 1,149 million). The drop in the exchange rate resulted in AED 763 million foreign currency translation loss recognized in the statement of other comprehensive income for the year ended 31 December 2020 in accordance with IAS 21. A further devaluation of 25% in the exchange rate used would result in a decline in net assets of Lebanon by AED 53 million.

Furthermore, the Lebanese economy was designated as hyperinflationary during the year, consequently resulting in application of IAS 29 to all the Group entities whose functional currency is LBP. The impact of the application of IAS 29 is not material to the Group's consolidated financial statements.

30. Financial instruments

Accounting Policy

Financial assets

Classification and measurement

Initial recognition

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

Financial asset at amortized cost

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

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

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

Financial asset at FVOCI

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

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

Financial asset at FVTPL

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

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

Subsequent measurement

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

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

Cash and cash equivalents:

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

De-recognition of financial assets

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

Financial liabilities

Financial liabilities are classified in two categories:

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

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

Recognition and measurement of financial liabilities

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

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

De-recognition of financial liabilities

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

General

Breakdown between current and non-current

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

Offset of financial assets and financial liabilities

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

Derivatives and hedging activity

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

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

Financial assets

(AED in millions)

At 31 December 2020	Carrying amount A	Non-financial assets B	Financial assets C=A-B	Classification
Trade and other receivables (including long term)	1,458	786	672	Amortized cost
Cash and bank balances	209	-	209	
Receivables from and loans to related parties (short term and long term balances)	183	-	183	
	1,850	**786**	**1,064**	

(AED in millions)

At 31 December 2019	Carrying amount A	Non-financial assets B	Financial assets C=A-B	Classification
Trade and other receivables (including long term)	1,080	631	449	Amortized cost
Cash and bank balances	335	-	335	
Receivables from and loans to related parties (short term and long term balances)	677	-	677	
	2,092	631	1,461	

Financial liabilities

(AED in millions)

At 31 December 2020	Carrying amount A	Non-financial liabilities B	Financial liabilities C=A-B	Classification
Loans and borrowings	7,183	-	7,183	Amortized cost
Term loan from a related party	4,029	-	4,029	
Trade and other payables	2,928	881	2,047	
Short term loan from a related party	117	-	117	
Due to related parties	50	-	50	
Other liabilities	152	-	152	
	14,459	**881**	**13,578**	

(AED in millions)

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

30.2 Fair value measurement and hierarchy

Management believes that the fair value of the financial assets and liabilities, except for the listed sukuk certificates, are not materially different from their carrying amounts. The fair value of the sukuk certificate that matures in 2025, 2029 and 2030 is AED 2,025 million (2019: AED 1,968 million), AED 2,492 million (2019: AED 2,383 million) and AED 2,378 million (2019: AED 2,255 million), respectively. These certificates are carried at level 2 of the fair value hierarchy. The fair value measurement method used is described in note 7.

30.3 Financial risk management

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

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

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

30.3.1 Credit risk

Credit risk is defined as the unforeseen losses on assets if counterparties should default. The entities in the Group have credit policies in place and the exposure to credit risk is monitored on an on-going basis. A majority of the Group's income is by way of advance receipts and is supported by a deposit equivalent to three months' rental. Credit evaluations are performed on all customers requiring credit over a certain amount and there is no significant concentration of credit risk. Cash is placed with reputable banks and the risk of default is considered remote. Under the current economic conditions, management has assessed the recoverability of its trade receivables (net of provisions) as at the reporting date and consider them to be recoverable. Due from related parties (net of provisions) are considered recoverable by management. Further details of credit risks on trade receivables and cash and bank balances are discussed in note 20.4 and 23, respectively.

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

(AED in millions)

	2020	2019
Trade and other receivables (including long term receivables)	672	449
Fixed deposits	-	36
Call deposits and current accounts	204	285
Receivables from and loans to related parties and others (short term and long term balances)	183	677
At 31 December	**1,059**	1,447

In addition, the Group is exposed to credit risk in relation to various financial guarantees provided against the bank loans of MAFH; and the hybrid perpetual notes and bonds issued by a subsidiary of MAFH (note 34).

30.3.2 Liquidity risk

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

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

(AED in millions)

At 31 December 2020	Gross Carrying amount	Contractual cash flows	Less than one year	Between one and two years	Between two and five years	More than five years
Unsecured loans and borrowings	7,210	9,420	326	343	2,879	5,872
Term loan from a related party	4,029	4,613	-	-	4,613	-
Trade and other payables	2,047	2,061	2,061	-	-	-
Short term loan from a related party	117	117	117	-	-	-
Due to related parties	50	50	50	-	-	-
Other liabilities	152	421	-	26	48	347
	13,605	**16,682**	**2,554**	**369**	**7,540**	**6,219**

(AED in millions)

At 31 December 2019	Gross Carrying amount	Contractual cash flows	Less than one year	Between one and two years	Between two and five years	More than five years
Secured loans and borrowings	251	279	83	80	116	-
Unsecured loans and borrowings	6,757	9,182	288	315	993	7,586
Total loans and borrowings	7,008	9,461	371	395	1,109	7,586
Term loan from a related party	4,458	5,335	-	-	5,335	-
Trade and other payables	2,427	2,443	2,443	-	-	-
Due to related parties	24	24	24	-	-	-
Other liabilities	191	474	-	43	71	360
	14,108	17,737	2,838	438	6,515	7,946

30.3.2.1 Funding and liquidity

In response to the crisis, the Group continues to monitor and respond to all liquidity and funding requirements. To secure the Group's financial health, duty of care, brand equity and business performance, management has proactively introduced and integrated COVID-19 response plan at the very early signs of the pandemic in the region. The plan covers multiple streams of action cutting across the business and regions, including health and safety, business continuity, brand protection and financial mitigation plan. Executive oversight and on-going monitoring mechanisms have been put in place to ensure the effectiveness of each of the streams. The financial mitigation plan primarily focuses on preserving and generating cash and aims to:

- conduct on-going scenario-based risk analyses, considering the high level of uncertainty, to anticipate the potential impacts on main areas: revenue, working capital, and assets values;
- come up with a roadmap to mitigate the impacts through action plans for revenue, operating expenses, working capital, dividends, and capital expenditures/ investments. Such action plans are continuously updated according to the changing circumstances and anticipated impacts; and
- establish a mechanism to monitor the execution of the defined action plans and ensure progression as planned.

At 31 December 2020, the Group has net current liabilities of AED 1.8 billion (2019: AED 2.0 billion) which includes loans and borrowings maturing in the short-term of AED 41 million (2019: AED 70 million). Further, at 31 December 2020, debt maturing in the long term amounts to AED 11.2 billion (2019: AED 11.4 billion), wherein the earliest repayment of a major loan falls in 2024 ('term loan to a related party' of AED 4.0 billion). To meet its commitments, the Group has access to sufficient undrawn committed facilities from MAFH and banks amounting to AED 5.0 billion as at the reporting period. The Group's assessment of funding and liquidity shows sufficient liquidity for the foreseeable future through its cash and available committed lines. Despite short-term reduction in revenue due to the COVID-19 impact, the Group continues to maintain sufficient headroom on its debt covenants relating to net worth, debt to equity, interest coverage and debt service coverage.

30.3.3 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 26. 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)

		2020		2019
Fixed interest bearing instruments				
- Financial assets (fixed deposits)		-		36
- Financial assets (long term receivable from a related party)		-		17
- Financial liabilities (loans)		(6,612)		(6,245)
- Financial liabilities (lease liabilities)		(178)		(210)
- Financial liabilities (deferred liability)		(23)		(27)
At 31 December		**(6,813)**		(6,429)
Variable interest bearing instrument				
- Financial liabilities (loans and borrowings)		(4,627)		(5,221)
- Financial liabilities (short term loan from a related party)		(117)		-
At 31 December		**(4,744)**		(5,221)
	P&L	**OCI**	**P&L**	**OCI**
Sensitivity analysis on variable interest bearing instruments:				
- Increase of 100bps	**(47)**	**-**	(52)	-
- Decrease of 100bps	**47**	**-**	52	-

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. Aside from the foreign currency risk from Lebanon (refer note 29.4.1), any fluctuation in exchange rate is not likely to have a significant impact on Group's equity and profit or loss as the Group's functional currency is currently pegged to USD.

30.4 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. The capital structure of the Group consists of debt (loans and borrowings as per note 26) and equity (comprising issued capital, shareholder contribution, revaluation reserve, retained earnings and other reserves as per note 29).

(AED in millions)

	2020	2019
Loans and borrowings (excl. finance lease liabilities)	11,212	11,435
Total debt	**11,212**	11,435
Share capital	3,500	3,500
Shareholder contribution	2,938	2,938
Revaluation reserve	13,792	14,192
Retained earnings	7,301	10,312
Other reserves	(576)	120
Total equity attributable to owners of the Company - At 31 December	**26,955**	31,062

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.

31. Related party transactions and balances

Balances and transactions between the Company and its subsidiaries (note 8), which are related parties of the Company, have been eliminated on consolidation and are not disclosed in this note. Details of transactions between the Group and other related parties are disclosed below. The Group's related party transactions are conducted based on agreed terms.

31.1 Related party transactions

(AED in millions)

	MAFC		MAFH		Sister companies		Joint ventures		KMP and other		Total	
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
Profit or loss transactions (income / (expenses):												
Services received:												
- Treasury, corporate secretarial services and others	**-**	-	**(20)**	(30)	**-**	-	**-**	-	**-**	-	**(20)**	(30)
- Facility management services	**-**	-	**-**	-	**-**	-	**-**	-	**(93)**	(117)	**(93)**	(117)
- Renting of retail space	**-**	-	**-**	-	**-**	-	**-**	-	**-**	-	**-**	-
Services rendered:												
- Renting of retail and office space	**-**	-	**8**	8	**323**	407	**-**	-	**2**	2	**333**	417
- Asset management	**-**	-	**-**	-	**-**	-	**5**	6	**-**	-	**5**	6
- Development management	**-**	-	**-**	-	**-**	-	**1**	3	**-**	-	**1**	3
- Project management	**-**	-	**7**	10	**3**	2	**10**	15	**-**	-	**20**	27
- IT and other service charges	**-**	-	**-**	-	-	-	**15**	3	**-**	-	**15**	3
Interest expense on loans	**-**	-	**(232)**	(316)	**-**	-	**-**	-	**-**	-	**(232)**	(316)
Compensation to key management personnel ('KMP') [a]	**-**	-	**-**	-	**-**	-	**-**	-	**(27)**	(43)	**(27)**	(43)
Balance sheet and equity transactions (inflows / (outflows)):												
Coupon declared on subordinated capital loan instrument	**-**	-	**(175)**	(220)	**-**	-	**-**	-	**-**	-	**(175)**	(220)
Additional investment in a joint venture	**-**	-	**-**	-	**-**	-	**13**	-	**-**	-	**13**	-
Dividend declared by joint ventures	**-**	-	**-**	-	**-**	-	**39**	96	**-**	-	**39**	96
Additional shareholder contribution	**-**	-	**-**	-	**-**	-	**-**	-	**6**	11	**6**	11
Acquisition of development property	**-**	-	**-**	-	**-**	-	**13**	-	**-**	-	**13**	-
Off-balance sheet transactions (received / (provided)):												
Provision of corporate guarantees (note 34):												
- On various bank loans availed by related party	**-**	-	**(6,002)**	(4,211)	**-**	-	**-**	-	**-**	-	**(6,002)**	(4,211)
- On hybrid perpetual note instruments and bonds issued under the Global Medium Term Note ('GMTN') program	**-**	-	**(6,244)**	(6,755)	**-**	-	**-**	-	**-**	-	**(6,244)**	(6,755)
Capital commitments (note 33)	**-**	-	**-**	-	**-**	-	**343**	442	**-**	-	**343**	442

a) *The aggregate compensation comprises of: directors' fees and expenses of AED 5 million (2019: AED 6 million), short term employee benefits (salaries and allowances including provision for bonus) of AED 21 million (2019: AED 35 million) and provision for retirement benefit obligation of AED 1 million (2019: AED 1 million). This does not include amounts paid by MAFH in relation to services provided by its key management personnel to the Company.*

31.2 Related party balances:

(AED in millions)

	MAFC		MAFH		Sister companies		Joint ventures		Other		Total	
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
Assets:												
Trade receivables	**-**	-	**8**	-	**87**	73	**-**	-	**1**	-	**96**	73
Short term loan to related parties:												
- Short-term, interest-free and unsecured loan	**-**	-	**-**	-	**-**	-	**43**	42	**18**	-	**61**	42
- Short-term, interest-free and unsecured receivable	**-**	-	**-**	-	**-**	-	**-**	120	**-**	-	**-**	120
	-	-	**-**	-	**-**	-	**43**	162	**18**	-	**61**	162
Long term receivables from related parties:												
- Long-term, interest-free and unsecured receivable	**-**	-	**-**	-	**-**	-	**-**	-	**-**	-	**-**	-
- Long-term, interest-bearing and unsecured receivable	**-**	-	**-**	-	**-**	-	**-**	-	**-**	17	**-**	17
	-	-	**-**	-	**-**	-	**-**	-	**-**	17	**-**	17
Due from related parties:												
- Short-term, interest-free and unsecured receivable [a]	**1**	1	**-**	-	**47**	35	**82**	477	**-**	-	**130**	513
- Less: loss allowances	**-**	-	**-**	-	**-**	-	**(8)**	(15)	**-**	-	**(8)**	(15)
	1	1	**-**	-	**47**	35	**74**	462	**-**	-	**122**	498
Liabilities:												
Trade and other payables	**-**	-	**3**	3	**187**	159	**-**	-	**1**	-	**191**	162
Short term loan from a related party [b]	**-**	-	**-**	-	**117**	-	**-**	-	**-**	-	**117**	-
Term loan from a related party [c]	**-**	-	**4,029**	4,458	**-**	-	**-**	-	**-**	-	**4,029**	4,458
Due to related parties:												
- Short-term, interest-free and unsecured payable	**-**	-	**23**	21	**25**	2	**-**	-	**2**	1	**50**	24

a) *Includes an amount of AED 42 million (2019: AED 384 million) expected to be settled following the joint venture's normal operating cycle.*

b) *The short-term loan from a related party carries a margin of 50 bps over the Central Bank of Egypt overnight deposit rate per annum. The overdraft facility shall be repaid within forty-five (45) days if a written demand for payment is received from the related party lender to that effect.*

c) *Effective April 2014, the loan agreement between MAFH and the Company was amended to increase the facility amount from AED 5,000 million to AED 7,000 million. In February 2017, the limit of the intercompany loan agreement was increased from AED 7,000 million to AED 8,500 million. In February 2018, the limit was further increased from AED 8,500 million to AED 8,800 million. Effective 1 January 2020, the loan agreement has been amended and the applicable repayment date is by 1st January 2024 that is subject to automatic renewal for a period of four (4) years unless agreed otherwise. The unsecured facility carries a margin of 2.5% (2019: 2%) per annum over EIBOR in the current period. Refer to note 31.2.1 for movement in the loan.*

31.2.1 Term loan from a related party

(AED in millions)

	2020	2019
At 1 January	4,458	8,236
Borrowed during the year	1,709	2,766
Interest payable to MAFH converted to long term loan	230	316
Coupon payable to MAFH adjusted against long term loan	175	220
Repaid during the year	(2,543)	(7,080)
At 31 December	**4,029**	4,458
- Current	**-**	-
- Non-current	**4,029**	4,458

a) *The coupon payment of AED 175 million (2019: AED 220 million) and interest payable to MAFH of AED 230 million (2019: AED 316 million) adjusted against /converted to the 'term loan from a related party' are non-cash transactions.*

32. Leases

Accounting policy

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

Policy applicable from 1 January 2019

i. Definition of a lease

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

ii. As a lessee

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

Right-of-use assets

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

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

Lease liability

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

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

Short-term leases and leases of low-value assets

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

iii. As a lessor

When the Group acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease. To classify each lease, the Group makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then it is an operating lease. As part of this assessment, the Group considers certain indicators such as whether the lease is for the major part of the economic life of the asset. The Group accounts for a modification to an operating lease (for example, a change in scope or consideration for a lease that was not part of the original terms and conditions of the lease) as a new lease from the effective date of the modification, considering any prepaid or accrued lease payments relating to the original lease as part of the lease payments for the new lease, and amortized over the new lease term.

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

32.1 Critical judgement

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

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

32.2 Group as lessee

The Group leases plots of land that meet the definition of investment property (note 18.2). Further, the Group leases residential and commercial properties with lease terms for a period of 1 year or more. All operating lease contracts contain market review clauses in the event the renewal option is exercised.

32.2.1. Right-of-use assets

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

(AED in millions)

	2020	2019
At 1 January	66	96
Depreciation charge for the year	(29)	(30)
Effect of changes in foreign currency translation	(2)	-
Other	(4)	-
At 31 December	**31**	66

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

32.2.2 Lease liabilities

(AED in millions)

	Future minimum lease payments		Interest		Present value of minimum lease payments	
	2020	2019	2020	2019	2020	2019
Less than one year	40	49	14	15	26	34
Between one and two years	26	56	12	26	14	30
Between two and five years	48	44	34	23	14	21
More than five years	347	359	223	234	124	125
At 31 December	**461**	508	**283**	298	**178**	210
- Current (note 24)					**26**	34
- Non-current (note 27)					**152**	176

a) *Interest rates underlying all lease liabilities are determined at the respective contract dates based on the incremental borrowing rates ranging from 1.30% to 10.30% (2019: 3.82% to 19.25%) per annum.*

32.3 Group as lessor

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

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

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

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

	2020	**2019**
Less than one year	2,741	2,952
One to two years	1,984	2,141
Two to three years	1,332	1,403
Three to four years	846	923
Four to five years	488	592
More than five years	1,509	1,437
At 31 December	**8,900**	9,448

The net rental income earned by the Group from its investment property for the year is set out in note 18.3.

33. Capital commitments

(AED in millions)

	2020	**2019**
Capital commitments of the Group	620	1,126
The Group's share of capital commitments in relation to its equity accounted investees	343	442
At 31 December	**963**	1,568

Capital commitments refers to the value of contracts signed for the development and construction of assets as at 31 December 2020, net of costs incurred and advances made up to that date.

34. Contingent liabilities

(AED in millions)

	2020	**2019**
Corporate guarantees on various bank loans availed by MAFH	6,002	4,211
Co-guarantee on hybrid perpetual notes issued by a subsidiary of MAFH	3,306	3,306
Co-guarantee on bonds issued under the Global Medium Term Note (GMTN) Program by a subsidiary of MAFH	2,938	3,449
Other operational guarantees issued in the normal course of business	-	1
At 31 December	**12,246**	10,967

34.1 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. Except for the matter in note 34.1.1, 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.

34.1.1 During the year, an arbitration was filed by the Group against a third party in relation to breach of Shareholders' Agreement entered into by the Group and a joint venture partner. The main remedies sought by the Group in the arbitration included a claim for damages amounting to AED 382 million (USD 104 million) representing the Group's share of loss from its joint venture triggered by the transfer of land initially contributed to the joint venture and wrongful liquidation of the joint venture. The third party has made a counterclaim as part of its arbitration defense of AED 128 million (USD 35 million plus c. USD 3 million additional legal cost), which management believes has limited legal merit. Accordingly, no provision has been recorded in the consolidated statement of financial position in relation to the outcome of the arbitration.

35. Seasonality and cyclicality

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

36. Investment in shares

The Group has not invested in any shares during the year ended 31 December 2020 and 2019.

37. Subsequent events

Aside from the matters noted in note 3, in particular the ongoing impact of COVID-19 there has been no significant event subsequent to the reporting date and up to the date of authorization on 23 February 2021, which would have a material effect on the consolidated financial statements.