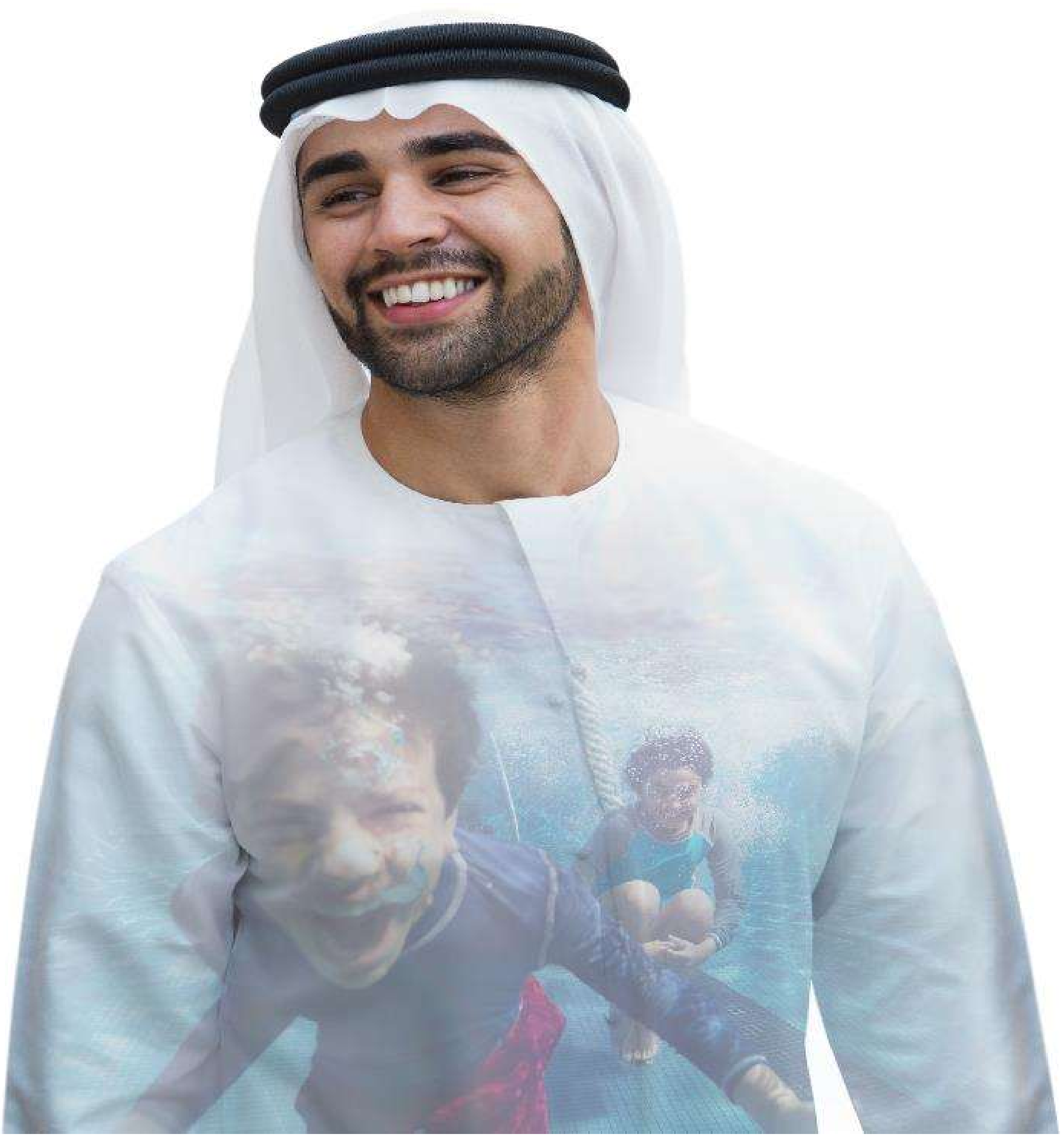
GREAT MOMENTS
FOR **EVERYONE,**
EVERYDAY

MAJID AL FUTTAIM HOLDING LLC
CONDENSED CONSOLIDATED
INTERIM FINANCIAL STATEMENTS
FOR THE SIX MONTH PERIOD ENDED
30 JUNE 2018



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Independent Auditors' Report on Review of Condensed Consolidated Interim Financial Statements

To the Shareholders of Majid Al Futtaim Holding LLC

Introduction

We have reviewed the accompanying condensed consolidated statement of financial position of Majid Al Futtaim Holding LLC as at 30 June 2018, the condensed consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the six month period then ended, and notes to the interim financial information ("the condensed consolidated interim financial statements"). Management is responsible for the preparation and presentation of these condensed consolidated interim financial statements in accordance with IAS 34, 'Interim Financial Reporting'. Our responsibility is to express a conclusion on this condensed consolidated interim financial statements based on our review.

Scope of Review

We conducted our review in accordance with the International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of condensed consolidated interim financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed consolidated interim financial statements as at 30 June 2018 is not prepared, in all material respects, in accordance with IAS 34, 'Interim Financial Reporting'.

KPMG Lower Gulf Limited

Richard Ackland
Registration No: 1015
Dubai, United Arab Emirates
Date: 30 AUG 2018

Condensed consolidated interim statement of profit or loss and other comprehensive income
For the six month period ended 30 June

(AED in millions)	Note	2018 Unaudited	2017 Unaudited
Revenue	8	17,802	15,732
Cost of sales		(12,317)	(10,729)
Operating expenses		(4,027)	(3,503)
Finance costs - net	9	(199)	(190)
Other income/(expense) - net		13	(43)
Impairment charge on financial assets - net		(66)	(76)
Impairment reversal on non-financial assets - net	10	16	1
Share of profit in equity accounted investees - net of tax	12	6	94
Profit before valuation (loss)/gain on land and buildings		**1,228**	**1,286**
Net valuation (loss)/gain on land and buildings	11.1 & 11.2	(725)	13
Profit before tax		**503**	**1,299**
Tax charge - net		(39)	(44)
Profit for the period		**464**	**1,255**
Profit for the period attributable to:			
- Owners of the Company		446	1,234
- Non-controlling interests		18	21
Profit for the period		**464**	**1,255**
Profit for the period		**464**	**1,255**
Other comprehensive income			
Items that will not be reclassified to profit or loss:			
Net valuation (loss)/gain on land and buildings	11.1	(91)	76
Deferred tax on revaluation of land and buildings		(1)	(10)
		(92)	**66**
Items that are or may be reclassified subsequently to profit or loss:			
Foreign currency translation differences from foreign operations		(4)	3
Net change in fair value of cash flow hedges		49	(15)
		45	**(12)**
Total other comprehensive income for the period		**(47)**	**54**
Total comprehensive income for the period		**417**	**1,309**
Total comprehensive income for the period attributable to:			
- Owners of the Company		399	1,288
- Non-controlling interests		18	21
Total comprehensive income for the period		**417**	**1,309**

The notes on pages 9 to 23 are an integral part of these condensed consolidated interim financial statements.
The independent auditors' report on review of condensed consolidated interim financial statements is set out on page 1.

Condensed consolidated interim statement of financial position

(AED in millions)	Note	30 June 2018 Unaudited	31 December 2017 Audited
Non-current assets			
Property, plant and equipment	11.1	12,439	11,900
Investment property	11.2	36,384	36,305
Equity accounted investees	12	1,116	1,054
Long term receivable from related parties	15.1	31	31
Intangible assets and goodwill	13	1,542	1,557
Deferred tax assets		48	50
Other non-current assets		1,002	1,181
Total non-current assets		**52,562**	**52,078**
Current assets			
Development properties		251	251
Inventories		2,158	2,304
Trade and other receivables		2,753	2,552
Short term loan to related parties	15.2	85	92
Other short term receivable	10.2	177	-
Due from related parties		904	597
Cash in hand and at bank		1,407	1,131
		7,735	**6,927**
Assets held for sale	14	-	53
Total current assets		**7,735**	**6,980**
Total assets		**60,297**	**59,058**
Current liabilities			
Trade and other payables		8,988	9,231
Provisions	16	139	144
Short term loan from a related party	15.3	140	21
Due to related parties		46	41
Bank overdraft	17	122	130
Short term loan	18	92	55
Current maturity of long term loans	19	464	326
		9,991	**9,948**
Liabilities directly associated with assets held for sale	14	-	13
Total current liabilities		**9,991**	**9,961**
Non-current liabilities			
Long term loans	19	11,733	10,868
Long term loans from related parties	15.4	31	31
Deferred tax liabilities		116	110
Other long term liabilities and provisions		1,246	1,114
Total non-current liabilities		**13,126**	**12,123**
Total liabilities		**23,117**	**22,084**
Net assets		**37,180**	**36,974**

Condensed consolidated interim statement of financial position (continued)

(AED in millions)	Note	30 June 2018 Unaudited	31 December 2017 Audited
Equity			
Share capital		2,487	2,487
Statutory reserve		2,882	2,882
Revaluation reserve		18,418	18,510
Retained earnings		11,053	10,836
Other reserves		(1,859)	(1,904)
Total equity attributable to the owners of the Company		**32,981**	**32,811**
Hybrid equity instrument	20	3,674	3,654
Non-controlling interests		525	509
Total equity		**37,180**	**36,974**

By the order of the Board on 30 August 2018:

Majid Al Futtaim Holding LLC
Chief Executive Officer

Majid Al Futtaim Holding LLC
Chief Financial Officer

The notes on pages 9 to 23 are an integral part of these condensed consolidated interim financial statements.
The independent auditors' report on review of condensed consolidated interim financial statements is set out on page 1.

Condensed consolidated interim statement of cash flows
For the six month period ended 30 June

(AED in millions)	**Note**	**2018 Unaudited**	**2017 Unaudited**
Cash flows from operating activities			
Profit for the period after tax		**464**	**1,255**
Adjustments:			
Finance costs - net	9	199	190
Net valuation loss/(gain) on land and buildings	11.1 & 11.2	725	(13)
Depreciation and amortisation (including amortisation of lease premium)		708	616
Share of profit in of equity accounted investees - net of tax	12	(6)	(94)
Impairment charge on financial assets - net		66	76
Impairment reversal on non-financial assets - net		(16)	(1)
Provision for staff terminal benefits - net		60	45
Tax charge - net		39	44
		2,239	**2,118**
Changes to working capital			
Inventories		146	(21)
Trade and other receivables		(116)	(411)
Trade and other payables		(245)	447
Due from/to related parties - net		(187)	(52)
Tax paid		(31)	(92)
		(433)	**(129)**
Net cash generated from operating activities		**1,806**	**1,989**
Cash flow from investing activities			
Acquisition of property, plant and equipment, investment property and development property		(2,198)	(1,464)
Advance paid for acquisition of a business		-	(1,524)
Proceeds from sale of property, plant and equipment and investment properties		34	-
Acquisition of investments held at fair value through profit or loss - net		-	(34)
Movement in fixed deposits - net		(162)	(89)
Investment in equity accounted investees	12	(25)	-
Payments against intangible assets		(22)	-
Dividend received		1	2
Finance income received		30	24
Net cash used in investing activities		**(2,342)**	**(3,085)**

Condensed consolidated interim statement of cash flows (continued)
For the six month period ended 30 June

(AED in millions)	Note	2018 Unaudited	2017 Unaudited
Cash flow from financing activities			
Short term loan granted to related parties		(4)	(14)
Short term loan received from a related party	15.3	110	99
Short term loan repaid to a related party	15.3	(191)	(133)
Long term loan from related parties - net		-	(1)
Long term loans received	19	1,955	3,738
Long term loans repaid	19	(873)	(3,985)
Short term loans received	18	1,084	1,421
Short term loans repaid	18	(1,047)	(1,289)
Issuance of hybrid equity instrument - net	20	1,469	1,828
Repurchase of hybrid equity instrument - net	20	(1,488)	-
Capital contribution in a subsidiary by non-controlling interest		31	5
Payment against finance lease liability		-	(3)
Finance cost paid		(250)	(295)
Coupon paid on hybrid equity instrument		(105)	(65)
Dividend paid to non-controlling interest		(33)	(4)
Net cash generated from financing activities		**658**	**1,302**
Net increase in cash and cash equivalents		**122**	**206**
Cash and cash equivalents at the beginning of the period		894	631
Cash and cash equivalents at the end of the period		**1,016**	**837**
Cash and cash equivalents comprise:			
Cash in hand and at bank		**1,407**	1,506
Less: fixed deposits with an original maturity of more than three months		**(269)**	(180)
Less: bank overdraft		**(122)**	(489)
		1,016	**837**

The notes on pages 9 to 23 are an integral part of these condensed consolidated interim financial statements.

Condensed consolidated interim statement of changes in equity
For the six month period ended 30 June

	Attributable to owners of the Company										
					Other reserves						
(AED in millions)	Share capital	Statutory reserve	Revaluation reserve	Retained earnings	Hedging reserve	Currency translation reserve	Total other reserves	Total equity	Hybrid equity instrument	Non-controlling interests	Total
At 1 January 2017 (audited)	**2,487**	**2,438**	**18,179**	**9,670**	**(35)**	**(1,900)**	**(1,935)**	**30,839**	**1,826**	**441**	**33,106**
Total comprehensive income for the period											
Net profit for the period	-	-	-	1,234	-	-	-	**1,234**	-	21	**1,255**
Other comprehensive income											
Net gain on valuation of land and buildings (note 11)	-	-	76	-	-	-	-	**76**	-	-	**76**
Deferred tax liability arising on revaluation of land and buildings	-	-	(10)	-	-	-	-	**(10)**	-	-	**(10)**
Net change in fair value of cash flow hedges	-	-	-	-	(15)	-	**(15)**	**(15)**	-	-	**(15)**
Currency translation differences in foreign operations	-	-	-	-	-	3	**3**	**3**	-	-	**3**
Total comprehensive income for the period	**-**	**-**	**66**	**1,234**	**(15)**	**3**	**(12)**	**1,288**	**-**	**21**	**1,309**
Transactions with owners recorded directly in equity											
Contribution by and distributions to owners and other movement in equity											
Dividend declared and settled / paid	-	-	-	(150)	-	-	-	**(150)**	-	(4)	**(154)**
Capital contribution in a subsidiary by non-controlling interest	-	-	-	-	-	-	-	**-**	-	5	**5**
Adjustment to non-controlling interest on finalization of purchase price allocation	-	-	-	-	-	-	-	**-**	-	(2)	**(2)**
Transfer to statutory reserve	-	2	-	(2)	-	-	-	**-**	-	-	**-**
Total contribution by and distribution to owners	**-**	**2**	**-**	**(152)**	**-**	**-**	**-**	**(150)**	**-**	**(1)**	**(151)**
Issuance of hybrid equity instrument	-	-	-	-	-	-	-	**-**	1,828	-	**1,828**
Coupon paid on hybrid equity instrument	-	-	-	(65)	-	-	-	**(65)**	-	-	**(65)**
At 30 June 2017 (unaudited)	**2,487**	**2,440**	**18,245**	**10,687**	**(50)**	**(1,897)**	**(1,947)**	**31,912**	**3,654**	**461**	**36,027**

The notes on pages 9 to 23 are an integral part of these condensed consolidated interim financial statements.

Condensed consolidated interim statement of changes in equity (continued)
For the six month period ended 30 June

(AED in millions)	Share capital	Statutory reserve	Revaluation reserve	Retained earnings	Hedging reserve	Currency translation reserve	Total other reserves	Total equity	Hybrid equity instrument	Non-controlling interests	Total
	Attributable to owners of the Company										
					Other reserves						
At 1 January 2018 (audited), as previously reported	**2,487**	**2,882**	**18,510**	**10,836**	**(26)**	**(1,878)**	**(1,904)**	**32,811**	**3,654**	**509**	**36,974**
Adjustment on initial application of IFRS 9 (net of tax) (Note 5.1.1)	-	-	-	3	-	-	-	**3**	-	-	**3**
Adjustment on initial application of IFRS 15 (net of tax) (Note 5.1.2)	-	-	-	117	-	-	-	**117**	-	-	**117**
Adjusted balance at 1 January 2018 (Unaudited)	**2,487**	**2,882**	**18,510**	**10,956**	**(26)**	**(1,878)**	**(1,904)**	**32,931**	**3,654**	**509**	**37,094**
Total comprehensive income for the period											
Net profit for the period	-	-	-	446	-	-	-	**446**	-	18	**464**
Other comprehensive income											
Net loss on valuation of land and buildings (note 11)	-	-	(91)	-	-	-	-	**(91)**	-	-	**(91)**
Deferred tax liability arising on revaluation of land and buildings	-	-	(1)	-	-	-	-	**(1)**	-	-	**(1)**
Net change in fair value of cash flow hedges	-	-	-	-	49	-	**49**	**49**	-	-	**49**
Currency translation differences in foreign operations	-	-	-	-	-	(4)	**(4)**	**(4)**	-	-	**(4)**
Total comprehensive income for the period	**-**	**-**	**(92)**	**446**	**49**	**(4)**	**45**	**399**	**-**	**18**	**417**
Transactions with owners recorded directly in equity											
Contributions and distributions											
Dividend declared and settled / paid	-	-	-	(200)	-	-	-	**(200)**	-	(33)	**(233)**
Capital contribution in subsidiaries by non-controlling interest	-	-	-	-	-	-	-	**-**	-	31	**31**
Total contribution by and distribution to owners	**-**	**-**	**-**	**(200)**	**-**	**-**	**-**	**(200)**	**-**	**(2)**	**(202)**
Hybrid prepetual note instruments											
Issuance of hybrid equity instrument (note 20)	-	-	-	-	-	-	-	**-**	1,464	-	**1,464**
Buy back of hybrid equity instrument (note 20)	-	-	-	(8)	-	-	-	**(8)**	(1,444)	-	**(1,452)**
Premium paid on buy back of hybrid equity instrument (note 20)	-	-	-	(36)	-	-	-	**(36)**	-	-	**(36)**
Coupon paid on hybrid equity instrument	-	-	-	(105)	-	-	-	**(105)**	-	-	**(105)**
	-	**-**	**-**	**(149)**	**-**	**-**	**-**	**(149)**	**20**	**-**	**(129)**
At 30 June 2018 (unaudited)	**2,487**	**2,882**	**18,418**	**11,053**	**23**	**(1,882)**	**(1,859)**	**32,981**	**3,674**	**525**	**37,180**

The notes on pages 9 to 23 are an integral part of these condensed consolidated interim financial statements.

Notes to the condensed consolidated interim financial statements

1. LEGAL STATUS AND PRINCIPAL ACTIVITES

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

The condensed consolidated interim financial statements of the Company as at and for the six month period ended 30 June 2018 comprises the Company and its subsidiaries (together referred to as "the Group"), and the Group's interest in jointly controlled entities and associates. The activities of its subsidiaries are the establishment and management of shopping malls, hotels, residential projects, hypermarkets, supermarkets, fashion retailing, leisure and entertainment, credit cards operations, leasing, food and beverages and investment activities. Majid Al Futtaim Holding LLC is wholly owned by Majid Al Futtaim Capital LLC ("the Parent Company").

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

2. BASIS OF PREPARATION

These condensed consolidated interim financial statements have been prepared in accordance with IAS 34 - Interim Financial Reporting. Selected explanatory notes are included to explain events and transactions that are significant for an understanding of the changes in the financial position and performance of the Group since the last annual audited consolidated financial statements as at and for the year ended 31 December 2017. These condensed consolidated interim financial statements do not include all the information required for full annual audited consolidated financial statements and should be read in conjunction with the annual audited consolidated financial statements of the Group as at and for the year ended 31 December 2017.

This is the first set of Group's financial statements where IFRS 15 and IFRS 9 have been applied. Changes to the significant accounting policies are described in Note 5.

3. USE OF JUDGEMENTS AND ESTIMATES

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

In preparing these condensed consolidated interim financial statements, the significant judgments made by management in applying Group's accounting policies and the key sources of estimation and uncertainty were the same as those that applied to the annual audited consolidated financial statements as at and for the year ended 31 December 2017, except for new significant judgements and key sources of estimation uncertainty related to the application of IFRS 15 and IFRS 9, which are described in Note 5.

4. SEASONALITY AND CYCLICALITY

There is no material seasonality or cyclicality impacting interim financial reporting.

5. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies applied in the preparation of these condensed consolidated interim financial statements are consistent with those applied by the Group in its annual audited consolidated financial statements as at and for the year ended 31 December 2017, except to the extent of impact of the new accounting standards adopted by the Group from 1 January 2018.

5.1 New and amended standards adopted by the Group

A number of new or amended standards became applicable for the current reporting period and the Group amended its accounting policies and make adjustments as a result of adopting the following standards:

- IFRS 9 Financial Instruments; and
- IFRS 15 Revenue from Contracts with Customers

The impact of the adoption of these standards and new accounting policies are disclosed below. The other standards did not have any material impact on Group's accounting policies and did not require retrospective adjustments. The changes in accounting policies are also expected to be reflected in the Group's consolidated financial statements as at and for the year ending 31 December 2018.

5.1.1 IFRS 9 Financial instruments

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

IFRS 9 was adopted without restating the comparative information, the reclassifications and the adjustments arising from the new impairment rules are therefore not reflected in the comparative statement of financial position as at 31 December 2017, but are recognized in the opening statement of financial position as at 1 January 2018. The Group's impact on opening retained earnings as at 1 January 2018 amounted to AED 3 million, on account of reversal of provision in relation to credit card and lease receivables.

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

Classification and measurement of financial assets and financial liabilities

The adoption of IFRS 9 has not had a significant impact of Group's accounting policies related to financial liabilities and derivative financial instruments. The impact of IFRS 9 on the classification and measurement of financial assets is set out below.

Under IFRS 9, on initial recognition, a financial asset is classified and measured at: amortised cost or fair value through profit or loss (FVTPL). The classification of financial assets under IFRS 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. Derivatives embedded in contracts where the host is a financial asset in the scope of the standard are never separated. Instead, the hybrid financial instrument as a whole is assessed for classification.

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

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

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

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

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

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

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

(AED in millions)	**Original classification under IAS 39**	**New classification under IFRS 9**	**Carrying amount IAS 39**	**Carrying amount IFRS 9**
Interest rate swaps	FVTPL	FVTPL	58	58
Trade and other receivables	Loans and receivables	Amortised cost	2,294	2,297
Due from related parties	Loans and receivables	Amortised cost	597	597
Cash and bank balances	Loans and receivables	Amortised cost	1,131	1,131
			4,080	**4,083**

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

Impairment of financial assets

IFRS 9 replaces the 'incurred loss' model in IAS 39 with an 'expected credit loss' (ECL) model. The new impairment model applies to financial assets measured at amortised cost. The financial assets at amortised cost consist of trade and other receivables, due from related parties and cash and cash equivalents.

The Group has established a provision 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 categories (i.e. lower risk category has higher expected recovery rate). Forward looking default rates are calculated by adjusting historical credit loss rates with forward-looking information (i.e. relevant macro-economic indicators).

Exception to the above are receivable balances with significantly higher risk of recovery, such as customers experiencing financial difficulties, under litigation, etc. In these cases, specific provisioning is applied on a case to case basis.

Impairment losses related to trade and other receivables is presented separately in the condensed consolidated statement of profit or loss and other comprehensive income ('OCI'). As a result, the Group reclassified impairment losses from the prior period amounting to AED 76 million, recognised under IAS 39, from 'operating expenses' to 'impairment loss on trade and other receivables' in the condensed consolidated statement of profit or loss and OCI for the six months ended 30 June 2017.

The Group has determined that the application of IFRS 9's impairment requirement at 1 January 2018 results in a net reversal of AED 3 million in the impairment allowance against credit cards and lease receivables as follows:

(AED in millions)	
Provision for bad and doubtful debts at 31 December 2017 under IAS 39 (Audited)	166
Decrease in impairment recognised at 1 January 2018 on lease receivables	(19)
Increase in impairment recognized at 1 January 2018 on credit card receivables	16
Provision for bad and doubtful debts at 1 January 2018 under IFRS 9 (Unaudited)	**163**

Hedge accounting

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

5.1.2 IFRS 15 Revenue from Contracts with Customers

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

The Group has adopted IFRS 15 using the cumulative effective method with the effect of initially applying this standard recognised at the date of initial application (i.e. 1 January 2018). Accordingly, the information presented for 2017 has not been restated - i.e. it is presented, as previously reported, under IAS 18. The details of adjustments to opening retained earnings and other account balances are as follows:

(AED in millions)	**31 December 2017 Audited**	**Adjustment**	**1 January 2018 Unaudited**
Assets			
Equity accounted investees	1,054	117	1,171
Equity			
Retained earnings	10,836	117	10,953

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

Accounting for customer loyalty programmes – IFRS 15 requires that the total consideration received must be allocated to the loyalty points and goods sold based on relative stand-alone selling prices rather than based on the residual value method. This will result in higher amounts being allocated to the goods sold and result in an earlier recognition of a portion of the revenue. The management has concluded the impact on retained earnings at 1 January 2018 and it is considered to be immaterial in the condensed consolidated interim financial statements.

Apart from the changes in accounting policies above as a result of adopting IFRS 15, the standard did not have a significant impact on any other Group accounting policies.

5.2 New and amended standards not yet effective

A number of new standards and amendments to standards are effective for annual periods beginning after 1 January 2018 and earlier application is permitted; however, the Group has not early adopted them in preparing these condensed consolidated interim financial statements. The Group has the following updates to information provided in the latest annual financial statements about the standards issued but not yet effective that may have a significant impact on the Group's consolidated financial statements.

5.2.1 IFRS 16 Leases

IFRS 16 was issued in January 2016 and is effective for annual periods beginning on or after 1 January 2019. It will result in almost all leases as lessee being recognised on the statement of financial position, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases. The accounting for lessors will not significantly change.

The Group has completed an initial assessment of the potential impact on its consolidated financial statements but not yet completed its detailed assessment. The actual impact of applying IFRS 16 on the financial statements in the period of initial application will depend on future economic conditions, including the Group's borrowing rate at 1 January 2019, the composition of Group's lease portfolio at that date, the Group's latest assessment of whether it will exercise any lease renewal options and the extent to which the Group chooses to use practical expedients and recognition exemptions.

As a lessee, the Group can either apply the standard using a retrospective approach; or a modified retrospective approach with optional practical expedients. As at the reporting date the Group is in the process of assessing the transition provisions under the new leasing standard.

6. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group’s Financial Risk Management objectives, policies and procedures are consistent with those disclosed in the annual audited consolidated financial statements as at and for the year ended 31 December 2017.

7. SEGMENT REPORTING

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

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

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

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

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

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

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

7.1 By business

The segment information provided to the Board of Directors for the reportable segments for the six month period ended 30 June 2018 are as follows:

(AED in millions)	Properties	Retail	Ventures	Head office	Total
For the period ended 30 June 2018 (unaudited):					
Revenue					
Gross revenue	2,302	14,556	1,107	-	17,965
Eliminations and adjustments	(163)	-	-	-	(163)
Revenue from external customers	**2,139**	**14,556**	**1,107**	**-**	**17,802**
Results from operations					
EBITDA*	1,466	612	118	(63)	2,133
Eliminations and adjustments					(10)
					2,123
Depreciation and amortisation expense	(223)	(249)	(158)	(5)	(635)
Eliminations and adjustments					(73)
					(708)
Valuation loss on land and buildings - net	(797)	-	-	-	(797)
Eliminations and adjustments					72
					(725)
Net finance (cost)/income	(210)	20	(72)	52	(210)
Eliminations and adjustments					11
					(199)
Net profit/(loss) after tax	240	358	(129)	(16)	453
Eliminations and adjustments					11
					464
Capital expenditure	1,371	224	289	5	1,889
Total assets	49,015	7,406	3,850	1,162	61,433
Eliminations and adjustments					(1,136)
					60,297

The segment information provided to the Board of Directors for the reportable segments for the six month period ended 30 June 2017 are as follows:

(AED in millions)	Properties	Retail	Ventures	Head office	Total
For the period ended 30 June 2017 (unaudited):					
Revenue					
Gross revenue	2,282	12,611	1,007	-	15,900
Eliminations and adjustments	(168)	-	-	-	(168)
Revenue from external customers	**2,114**	**12,611**	**1,007**	**-**	**15,732**
Results from operations					
EBITDA*	1,466	553	115	(73)	2,061
Eliminations and adjustments					(8)
					2,053
Depreciation and amortisation expense	(213)	(170)	(142)	(5)	(530)
Eliminations and adjustments					(86)
					(616)

(AED in millions)	Properties	Retail	Ventures	Head office	Total
For the period ended 30 June 2017 (unaudited):					
Valuation (loss)/gain on land and buildings - net	(3)	-	-	-	(3)
Eliminations and adjustments					16
					13
Net finance (cost)/income	(207)	30	(50)	51	(176)
Eliminations and adjustments					(14)
					(190)
Net profit/(loss) after tax	1,070	405	(119)	(30)	1,326
Eliminations and adjustments					(71)
					1,255
Capital expenditure	1,030	201	294	-	1,525
31 December 2017 (Audited)					
Total assets	48,179	7,241	3,761	488	59,669
Eliminations and adjustments					(611)
					59,058

* Excludes negative EBITDA of AED 26 million (30 June 2017: AED 22 million) from healthcare clinics.

8. REVENUE

(AED in millions)	Six month period ended 30 June 2018 Unaudited	 2017 Unaudited
Sale of goods	13,587	11,712
Listing fees, gondola fees and commissions	1,131	1,016
Rental income	1,687	1,625
Leisure and entertainment	792	776
Hospitality revenue	323	362
Others	282	241
	17,802	**15,732**

The nature and effect of initially applying IFRS 15 on the Group's condensed consolidated interim financial statement are disclosed in note 5.

9. FINANCE COSTS - NET

(AED in millions)	Six month period ended 30 June 2018 Unaudited	 2017 Unaudited
Finance costs:		
Arrangement and participation fee	(14)	(31)
Interest charges on bank loans	(173)	(280)
Finance charges on related party balances	(9)	(10)
Capitalized interest on development expenditure	62	60
	(134)	**(261)**
Changes in the fair value/settlement of derivatives held as FVPL	(99)	-
Cash flow hedges reclassified from hedging reserve	(6)	(8)
Bond programme cost	(4)	(4)
	(243)	**(273)**

(AED in millions)	Six month period ended 30 June 2018 Unaudited	 2017 Unaudited
Finance income:		
Interest income on bank balances	30	24
Interest income from operational financing	11	10
Cash flow hedges reclassified from hedging reserve	3	14
Changes in the fair value/settlement of derivatives held as FVPL	-	35
	44	**83**
	(199)	**(190)**

10. IMPAIRMENT REVERSAL/(CHARGE) ON NON-FINANCIAL ASSETS - NET

(AED in millions)	Six month period ended 30 June 2018 Unaudited	 2017 Unaudited
Impairment charge on investment property under construction - net (note 10.1)	(160)	-
Impairment (charge)/reversal of property, plant and equipment - net	1	2
Reversal/(charge) for impairment on investment in equity accounted investees (note 10.2)	175	(1)
	16	**1**

10.1 During the current period, an impairment loss of AED 160 million (six month period ended 30 June 2017: Nil) has been recognized in profit or loss in respect of investment property under construction where management has assessed that the fair value cannot be reliably measured. Significant unobservable inputs include discount rates of 9.8% to 19.8% and income capitalization rates of 8.5% to 9.5% for shopping malls in Egypt and Oman. The estimated impairment loss would (increase)/decrease if the discount rates/income capitalization rates were (higher)/lower.

10.2 In prior years, the Group contributed AED 389 million as an advance to the joint venture partner, towards its contribution against the purchase of land. Subsequently, management reassessed the future prospects of the joint venture and a full impairment provision was recognised against this advance. In 2015, the Group received AED 107 million in cash and accordingly the impairment provision had been reversed to that extent. At that time, the joint venture partner also agreed to transfer four (4) plots of land to the Group in order to settle the balance of AED 282 million. As at the reporting date, management received a notice from the joint venture partner indicating that the land is ready for transfer. Subsequent to 30 June 2018, the Group received four (4) plots of land from its joint venture partner as final settlement, with fair value of AED 177 million. Accordingly, the receivable is valued at AED 177 million and impairment has been reversed with the same amount. In addition, the Group recorded an impairment charge of AED 2 million against an investment in associate (note 12).

11. TANGIBLE FIXED ASSETS

11.1 PROPERTY, PLANT AND EQUIPMENT

The nature of significant movements during the six month period ended 30 June is as follows:

(AED in millions)	2018 Unaudited	2017 Unaudited
Capital expenditure	816	649
Disposals / write offs / adjustments	(3)	(5)
Depreciation charge for the period	(621)	(582)
Transfer from investment property (note 11.1.1)	504	191

(AED in millions)	**2018 Unaudited**	**2017 Unaudited**
Valuation (loss) / gain of land and buildings		
- recognised in other comprehensive income	(91)	76
- recognised in profit or loss	(39)	(56)
	(130)	20
Impairment reversal - net	-	2

11.1.1 Following significant transfers took place between property, plant and equipment and investment properties (note 11.2):

- During the current period, net transfers amounting to AED 356 million has been transferred from investment property to property, plant and equipment on account of increase in proportion of properties held for own use by the Group.
- During the current period, the Group completed construction of a shopping malls amounting to AED 139 million in Oman and AED 57 million in UAE. The shopping mall in Oman, constructed on lease hold land, cannot be split to be sold or finance leased separately, consequently the whole amount has been classified under property, plant and equipment. Of the AED 57 million for the shopping mall in UAE, AED 9 million representing owned use portion, has been transferred to property plant and equipment.

11.2 INVESTMENT PROPERTY

The nature of significant movements during the six month period ended 30 June is as follows:

(AED in millions)	**2018 Unaudited**	**2017 Unaudited**
Capital expenditure	1,444	903
Valuation (loss)/gain recognised in profit or loss	(686)	69
Impairment charge - net	(160)	-
Transfer to property, plant and equipment (note 11.1.1)	(504)	(191)

11.3 MEASUREMENT OF FAIR VALUES

The fair value measurement for land and buildings, included under property, plant and equipment, of AED 8,186 million (31 Dec 2017: AED 7,823 million) has been categorised as a Level 3 fair value based on the inputs to the valuation techniques used.
The fair value measurement for investment property of AED 36,384 million (31 Dec 2017: AED 36,305 million) has been categorized as a Level 3 fair value based on the inputs to the valuation techniques used.

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

		Key unobservable inputs	
Class of asset		**30 June 2018**	**31 December 2017**
Shopping malls	Discount rates on income streams	9.75% to 27.50%	10.00% to 27.50%
	Compound annual growth rates of net operating income	3.39%	3.59%
Offices	Equivalent yield	8.00% to 9.25%	8.00% to 9.25%
Hotels & building	Discount rate	10.25% to 11.75%	10.25% to 11.75%
	Compounded annual growth rate of EBITDA	6.23%	5.98%

12. EQUITY ACCOUNTED INVESTEES

Movement of the investment in equity accounted investees during the period is as follows:

	Associates		Joint Ventures	
(AED in millions)	**30 June 2018 Unaudited**	**30 June 2017 Unaudited**	**30 June 2018 Unaudited**	**30 June 2017 Unaudited**
At 1 January (Audited)	130	156	924	1,186
Effect of change in accounting policy (note 5.1.2)	-	-	117	-
At 1 January (Unaudited)	130	156	1,041	1,186
Additions investment during the period	-	-	25	-
Share of profit accounted through profit or loss	16	4	(10)	90
Transfer to a related party (note 15.5.2)	(83)	-	-	-
Dividend income received	(1)	(2)	-	-
Impairment charge - net (note 10.2)	(2)	(1)	-	-
	60	**157**	**1,056**	**1,276**

The above balance of equity accounted investees is net of provision for impairment amounting to AED 151 million (31 December 2017: AED 391 million).

13. INTANGIBLE ASSETS AND GOODWILL

The nature of significant movements during the six month period ended 30 June is as follows:

(AED in millions)	**2018 Unaudited**	**2017 Unaudited**
Additions	22	26
Amortization charge for the period	(37)	(29)

14. ASSETS CLASSIFIED AS HELD FOR SALE

In December 2017, the Group classified assets (AED 53 million) and liabilities (AED 13 million) of all of its healthcare clinics as held for sale. In June 2018 the Group disposed off fixed assets and stock of two clinics for a consideration of AED 33 million. The remaining assets and liabilities were assumed by the Group. At period end, the Group has received consideration amounting to AED 28 million, with the remaining to be paid upon completion of legal transfer.

15. RELATED PARTY TRANSACTIONS AND BALANCES

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

15.1 Long term receivable from related parties

(AED in millions)	**30 June 2018 Unaudited**	**31 December 2017 Audited**
Receivable from joint ventures	13	13
Receivable from a minority shareholder	16	16
Receivable from a joint operator	2	2
	31	**31**

15.2 Short term loans to related parties

(AED in millions)	30 June 2018 Unaudited	31 December 2017 Audited
Receivable from joint ventures	85	81
Receivable from an associate	-	11
	85	**92**

15.3 Short term loan from a related party

(AED in millions)	30 June 2018 Unaudited	30 June 2017 Unaudited
At 1 January	21	2
Borrowed during the period	110	99
Adjustment for dividend settlement	200	150
Payments/adjustments made during the period	(191)	(133)
	140	**118**

15.3.1 The above loan is obtained from the Parent Company, against a loan facility of AED 800 million, renewable every year.

15.4 Long term loan from related parties

Long term loans from related parties include:

- The un-secured loan amounting to AED 30 million (31 December 2017: AED 30 million) by a Group's subsidiary from it's non-controlling shareholder repayable upon the fifth anniversary of the agreement dated August 2015.
- AED 1 million (31 December 2017: AED 1 million) loan is obtained by a Group's joint operation from a joint operator.

15.5 Related party transactions

15.5.1 During the current period, certain projects and activities were undertaken on behalf of the Parent Company. Accordingly, costs relating to such projects and proportion of management time and travel costs, amounting to AED 64 million (30 June 2017: AED 25 million), incurred on these projects have been cross charged to the Parent Company.

15.5.2 During the current period, the Group transferred its investment in its associate, MENA 360 Holding Limited (a company incorporated and registered in Cayman Islands) to Majid Al Futtaim Technology LLC ('Majid Al Futtaim Technology'), a fellow subsidiary for consideration of USD 22 million (AED 83 million), representing the original investment made by the Group in MENA 360 Holding Limited during the prior periods.

15.5.3 During the current period, the Group made payments on behalf of Majid Al Futtaim Technology amounting to AED 18 million in respect of investment in an unlisted entity, classified as fair value through profit and loss. The balance due from Majid Al Futtaim Technology is expected to be settled within one year from the reporting date.

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

(AED in millions)	30 June 2018 Unaudited	30 June 2017 Unaudited
Directors' fees and expenses	9	9
Employee benefits (salaries and allowances including provision for bonus)	59	56
Post employment benefits (provision for end of service benefits)	2	3
	70	**68**

16. PROVISIONS

(AED in millions)	30 June 2018 Unaudited	30 June 2017 Unaudited
At 1 January	144	153
Additions during the period	2	35
Paid during the period	(7)	(11)
	139	**177**

17. BANK OVERDRAFT

(AED in millions)	30 June 2018 Unaudited	31 December 2017 Audited
Bank overdraft	122	130

17.1 The Group has bank overdraft facilities aggregating to AED 1,147 million (31 December 2017: AED 1,120 million). The facilities carry interest at 0.8% - 3.3% (31 December 2017: 0.8% - 3.0%) above the base lending equivalent and the drawn amounts are repayable on demand.

18. SHORT TERM LOAN

(AED in millions)	30 June 2018 Unaudited	30 June 2017 Unaudited
At 1 January	55	51
Borrowed during the period	1,084	1,421
Repaid during the period	(1,047)	(1,289)
	92	**183**

18.1 The loan is a revolving facility of USD 100 million with a margin of 1.3% (30 June 2017: 1.3%) per annum over base lending rate, maturing within 3 months from the date of each drawdown.

19. LONG TERM LOANS

(AED in millions)	30 June 2018 Unaudited	30 June 2017 Unaudited
At 1 January	11,194	10,274
Borrowed during the period	1,955	3,738
Interest payable converted to loan	24	-
Fair value movement	(102)	16
Repaid during the period	(873)	(3,985)
Currency translation adjustment	(1)	-
	12,197	**10,043**
Less: Current maturity of long term loans	(464)	(265)
Non-current portion	**11,733**	**9,778**

19.1 The floating rate loans carry margins ranging from 1.0% to 4.1% (30 June 2017: 1.0% to 3.6%) per annum over the base lending rate, whilst fixed rate on these facilities ranges from 4.5% to 5.3% (30 June 2017: 4.5% to 5.3%). For loans obtained in the UAE, the base lending rate used is EIBOR/LIBOR while loans obtained by overseas subsidiaries an appropriate base lending rate prevailing in the related markets is used.

19.2 The details of long term loans are mentioned below:

(AED in millions)

Loan facility 'in millions	Repayment interval	Repayment commencing	Maturity date	Note	30 June 2018 Unaudited	31 December 2017 Audited
AED 225	Semi-annual	29-Sep-13	28-Apr-26	19.3	54	67
USD 45	Semi-annual	5-Nov-15	22-Mar-20	19.4	6	13
USD 8.3	Annual	27-Sep-16	5-Nov-18	19.4	8	8
LBP 170,633	Annual	20-Mar-16	27-Sep-18	19.4	335	349
EGP 2,500	Unequal installments every year	28-Sep-21	28-Sep-30	19.5	221	137
OMR 175	Unequal installments every year	31-Dec-20	30-Sep-30	19.6	273	55
KES 1,530	Semi-annual	31-Dec-18	15-Sep-19	19.7	30	30
GEL 10.9	Semi-annual	17-Mar-18	17-Mar-21	19.7	16	16
PKR 1,850	Quarterly	6-Aug-18	6-May-21	19.8	53	61
USD 500	Bullet	NA	3-Nov-25	19.9	1,784	1,810
USD 435	Revolver	NA	26-Feb-23		220	218
AED 4,022	Revolver	NA	26-Feb-23		905	906
USD 500	Bullet	NA	5-Jul-19	19.10	1,835	1,835
USD 800	Bullet	NA	7-May-24	19.10	2,906	2,984
USD 100	Revolver	NA	24-Jul-19		367	220
USD 800	Revolver	NA	11-Sep-20		2,807	2,145
USD 800	Revolver	NA	30-Jun-22		377	340
					12,197	**11,194**

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

19.4 These loan facilities were obtained by a subsidiary in Lebanon during 2011 and are secured by way of a first ranking charge over the plot on which a shopping mall is constructed and the assignment of lease rentals of the shopping mall.

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

19.6 In 2017, a loan facility of OMR 175 million was obtained by a subsidiary in Oman in relation to the construction of a shopping mall, which is secured by assignment of lease proceeds, insurance and construction contracts.

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

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

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

In November 2015, the Group issued ten year Sukuk certificates (“bonds”) under its Sukuk Program dated 8 October 2015, raising USD 500 million (AED 1,837 million). The ten year senior unsecured bonds issued in November under this program are listed on the NASDAQ Dubai, UAE and on the Irish Stock Exchange. The terms of the arrangement include payment to the Group for the purchase of an Asset Portfolio by MAF Sukuk Ltd, the Issuer, and the purchase of a Commodity Murabaha Investment for a deferred sale price. The Asset Portfolio, the Commodity Murabaha Investment and all other rights arising under or with respect to such asset portfolio and the Commodity Murabaha Investment shall comprise the “Wakala Portfolio”.

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

The Sukuk Program was originally listed on the London Stock Exchange in 2012. All subsequent updates of the program since then, have been listed on the Irish Stock Exchange and on the NASDAQ Dubai, UAE. Of the total amount raised under the Sukuk Program, USD 200 million (31 December 2017: USD 200 million) is hedged by interest rate swaps and accordingly, carried at fair value.

19.10 In July 2012, under the USD 2,000 million Global Medium Term Note (GMTN) Program (increased to USD 3,000 million in 2015), the Group issued seven year fixed rate unsecured bonds of USD 500 million (AED 1,837 million), ten year fixed rate unsecured bonds in May 2014 of USD 500 million (AED 1,837 million) and additional USD 300 million (AED 1,102 million) as part of May 2014 issue in July 2016. The bonds carry coupon rates ranging from 4.75% to 5.25% per annum, payable every six months. The bonds issued in July 2012 are listed on London and NASDAQ Dubai, UAE Stock Exchange and bonds issued in May 2014 are listed on NASDAQ Dubai, UAE and Irish Stock Exchange. In addition the GMTN Program was originally listed on the London Stock Exchange in 2011. All subsequent updates have been listed on Irish Stock Exchange and on NASDAQ Dubai, UAE. Of the total amount raised under the GMTN Program, USD 625 million (31 December 2017: USD 625 million) is hedged by interest rate swaps and accordingly, carried at fair value.

20. HYBRID EQUITY INSTRUMENTS

(AED in millions)

Hybrid Perpetual Note Instruments	Amount	Interest rate	Call date	Reset terms	30 June 2018 Unaudited	31 December 2017 Audited
October 2013	USD 105 million (31 December 2017: USD 500 million)	7.125% payable semi-annually in arrears	29-Oct-18	5 years to a new fixed rate plus the margin	382	1,826
March 2017	USD 500 million (31 December 2017: USD 500 million)	5.5% payable semi-annually in arrears	7-Sep-22	5.5 years to first reset, thereafter 5 years and a new fixed rate plus the margin	1,828	1,828
March 2018	USD 400 million	6.375% payable semi-annually in arrears	20-Mar-26	5.5 years to first reset, thereafter 5 years and a new fixed rate plus the margin	1,464	-
					3,674	**3,654**

During the period, the Group repurchased Hybrid Perpetual Notes, with par value USD 395 million (AED 1,452 million), part of the October 2013 issue, for USD 405 million (AED 1,488 million). The repurchase has been financed through issuance of USD 400 million (AED 1,469 million) perpetual notes issued in March 2018. USD 10 million (AED 36 million) premium paid on repurchase of these Notes has been recognized in the retained earnings. The proportionate transaction cost amounting to AED 8 million has been reclassified from hybrid equity instruments and reclassified to retained earnings.

On these hybrid perpetual notes, the Group may elect at its sole and absolute discretion not to pay interest on interest payment dates. Pursuant to the requirements of IAS 32 and the terms/conditions, the hybrid instruments are classified as equity net of transaction costs, which amounted to AED 16 million (31 December 2017: AED 19 million). These hybrid perpetual note instruments are listed on the Irish Stock Exchange.

21. FINANCIAL INSTRUMENTS

21.1 Fair values

The fair value of the Group's financial assets and liabilities are not materially different from their carrying amounts.

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined 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:** Valuation techniques based on observable inputs, either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes assets/liabilities valued using: quoted market prices in active or the most advantageous market for similar assets/liabilities; quoted prices for identical or similar assets/liabilities; or other valuation techniques where all significant inputs are directly or indirectly observable from market data.
- **Level 3:** Inputs for the asset that are not based on observable market data (unobservable inputs). This category includes instruments whose inputs are not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. For example discount rates, growth rates, net equivalent yield etc.

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

At 30 June 2018 (Unaudited)				
	Carrying	**Fair value**		
(AED in millions)	**amount**	**Level 1**	**Level 2**	**Level 3**
Financial assets				
Interest rate derivatives	49	-	49	-
Financial liabilities				
Interest rate derivatives	145	-	145	-
Sukuk and Note liabilities	6,525	-	6,716	-
	6,670	**-**	**6,861**	**-**

At 31 December 2017 (Audited)				
	Carrying	**Fair value**		
(AED in millions)	**amount**	**Level 1**	**Level 2**	**Level 3**
Financial assets				
Interest rate derivatives	58	-	58	-
Financial liabilities				
Interest rate derivatives	103	-	103	-
Sukuk and Note liabilities	6,629	-	6,921	-
	6,732	**-**	**7,024**	**-**

There were no changes in valuation techniques during the periods.

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

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

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

22. FUNDING AND LIQUIDITY MANAGEMENT

At 30 June 2018, the Group has net current liabilities of AED 2,256 million (31 December 2017: AED 2,981 million) which includes debt maturing in the short-term of AED 829 million (31 December 2017: AED 532 million). Further, at 30 June 2018 debt maturing in the long term is AED 11,806 million (31 December 2017: AED 10,946 million).

At 30 June 2018, the Group has undrawn facilities of AED 8,835 million (31 December 2017: AED 8,147 million) and cash in hand and at bank of AED 1,407 million (31 December 2017: AED 1,131 million) to cover its liquidity needs for at least the next 18 months.

23. CONTINGENT LIABILITIES, GUARANTEES AND COMMITMENTS

(AED in millions)	**30 June 2018 Unaudited**	**31 December 2017 Audited**
Capital commitments	4,601	4,815
Group's share of capital commitments in relation to its equity accounted investees	428	582
Letters of credit outstanding	121	27
Bank guarantees outstanding	254	226

24. SUBSEQUENT EVENTS

Except as disclosed in note 10.2, there has been no significant event subsequent to the reporting date and up to the date of authorisation on 30 August 2018, which would have a material effect on the condensed consolidated interim financial statements.