MAJID AL FUTTAIM

GREAT MOMENTS
FOR EVERYONE,
EVERYDAY

Majid Al Futtaim

ANNUAL REPORT AND ACCOUNTS 22

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Letter from the Chair

Sir Michael Rake

The year began with the Company mourning the passing of our founder, Mr Majid Al Futtaim. From the opening of the very first mall, City Centre Deira in 1995, his extraordinary vision helped build modern Dubai. Mr Majid was, without a doubt, an elite businessman; an exceptional man with extraordinary foresight and clarity of purpose. His death left a void for his family, for Dubai, for the UAE and of course, for Majid Al Futtaim, the Company that is his legacy. The values he embodied: *bold, passionate, together* are strongly rooted within the organisation and are the foundation of our culture. Together, we remain committed to ensure the Company maintains its momentum and strategic execution to serve the community Mr Majid so deeply loved.

Despite the challenges posed by currency volatility, supply chain constraints and geopolitical stresses, Majid Al Futtaim has maintained its resilience. And nowhere is this more evident than in the strong commercial performance achieved across the business throughout 2022. I am proud of our people who demonstrated insurmountable resilience and delivered a solid performance, deserving the highest praise for all that the Company achieved.

A New Beginning

2022 has also been a transitional phase, where we welcomed nine new shareholders. I would like to extend my gratitude on behalf of the entire Board of Directors for their support, alignment and commitment to advancing the strategic priorities of the Company. I know the shareholders also join me in thanking employees for their service, dedication and commitment to the values and the legacy Mr Majid created.

I am also excited to welcome Ahmed Galal Ismail as the new Chief Executive Officer, effective 13 January 2023. With over 17 years of service to the Company, including as Vice President of Strategy, CEO of Fashion Retail, Leisure and Entertainment, Cinemas, Financial Services and Facilities Management business, as well as Chief Executive Officer of Majid Al Futtaim Properties, our largest and most profitable business, Ahmed brings a wealth of experience.

> I am confident that we will continue to accelerate the delivery of our key strategic objectives.

On behalf of the Board of Directors, I welcome Ahmed to the role. Due to his integral knowledge of all aspects of our business and his extensive experience, he is well-equipped to take the Company forward. I wish him the very best and I look forward to working closely with him.

Strategic Progress

Of course, other challenges lie ahead: global inflation and rising interest rates, the ongoing tension in Ukraine, US-China tensions and the possibility of recession in many parts of the world, add up to an uncertain outlook. But I am confident that we will continue to accelerate the delivery of our key strategic objectives. A strategy which rests on our ecosystem of complementary businesses that work together to achieve a shared goal: *create great moments for everyone, everyday*. MAF is able to use its diversification – of businesses, of geographies and of talent – a real power in generating synergies, to offer our customers an immersive lifestyle experience.

Delivering for our Planet

Sustainability is at the heart of everything we do. We strive tirelessly to become role-models in sustainable business by providing the communities we serve with a healthy, fulfilling and sustainable way of life. We believe it is our duty to *Dare Today, Change Tomorrow*, an ESG-focused roadmap that underpins how we do business. *Rethinking Resources, Transforming Lives and Empowering our People* are the three pillars that define our strategic approach and enable us to deliver on our commitment to sustainable business.

I am confident that we remain well-positioned to continuously build an organisation that will evolve, grow and flourish over decades to come.

Sir Michael Rake
Chairman

Letter from the CEO

Ahmed Galal Ismail

I commence by taking the opportunity to thank the shareholders for the confidence entrusted in me to lead Majid Al Futtaim during this critical transitional phase for the Company. I am humbled and honoured to take the helm and lead the business into the future, confirming our position as a cornerstone of UAE's economy and all markets where we operate. Our focus remains on strengthening our financial position, boosting our core competitiveness and delivering on our strategic initiatives. I look forward to building on the strong foundations we have, with refreshed energy and a positive culture to keep growing, performing, and innovating.

Strength in a Year of Upheaval

Despite the unnerving combination of geopolitical tensions, inflation, supply chain disruption, the lingering shadow of the COVID-19 pandemic and energy scarcity – all of which have challenged the global economic recovery, 2022 saw a return to growth for Majid Al Futtaim, with a solid operating performance, assisted by the strong economy in the UAE, our largest market.

In 2022, we focused on recovery to pre-Covid levels and on the delivery of our commitments to all stakeholders, including our *Dare Today, Change Tomorrow* sustainability strategy and our People agenda. Balanced execution in these areas ensure that we are well positioned to maximise the value of our diverse portfolio and strengthen top - and bottom - line results.

Core Growth

By remaining customer-centric at all times, we delivered a strong performance. Our ability to perform in changing macro conditions and uncertain markets is the result of the disciplined execution of our strategy. I am pleased to report that our EBITDA rose to AED 4.1 billion, a 4 percent increase to 2021 supported by an increase in consolidated revenues to AED 36.3 billion, up 12 percent when compared to 2021. With a strong portfolio of trusted brands and continued investment in innovation, our talented people delivered solid returns to all our stakeholders. We also reported a total asset value of AED 66.1 billion, up 9 percent from 2021.

Our net debt was AED 14.2 billion, a figure that is within our risk tolerance and within the threshold of our BBB credit rating. Our net profit for the year was AED 2.4 billion, demonstrating our ability to generate funds and maintain debt at comfortable levels.

Building on Our Success

I am proud of what our Company has achieved. We have spent more than 25 years building a business that aims to be best-in-class across markets, sectors and geographies. But there is always more do to, especially now, at this pivotal point in our history.

> Having a strong purpose is essential for our business: serving our customers, communities and the planet remains engrained in our identity

Building on our success, I look to the future, setting out our strategic priorities to ensure Majid Al Futtaim retains its competitive advantage and is future-fit for generations to come. Having a strong purpose is essential for our business: serving our customers, communities and the planet remains engrained in our identity.

My focus for 2023 and the immediate term is to ensure the Company is on a sustainable and profitable growth trajectory that generates competitive returns to our shareholders and distinctive value to all our stakeholders. Rightsizing our cost structure is an important first step in the pathway for enabling best-in-class operating margins and maximizing shareholder returns. Improved efficiency will allow us to invest with more confidence and sharpened focus in our core markets, new businesses and strategic initiatives. I remain equally committed to strengthening our balance sheet, underpinned by an asset-light approach, focused on high-potential, value-accretive growth initiatives, physically and digitally.

Dare Today, Change Tomorrow

In 2021, as momentum built for COP26, the UAE Government launched its Net Zero by 2050 initiative, reflecting the leadership role it plays within the international community.

At Majid Al Futtaim, we share the same ambition and aspire to be a leading company for ESG and a leader in stakeholder capitalism. Since confirming our commitment to a Net Positive business model by 2040, we achieved a 9.2 percent reduction in carbon emissions across the Company, a 17.5 percent reduction in water usage as well as a 32 percent increase in recycling rate across malls. We also made public commitments to set science-based targets (SBTs), bringing new rigour and discipline to how we measure progress, making us one of the only four companies in the UAE to have committed to or set SBTs.

Sustainability is embedded in the behaviours and mindset of our people and it is at the forefront of management's planning and execution; integrated in our decision-making with the view of delivering long-term value for our stakeholders.

Delivering for our People

Without a doubt, the past few years have proven challenging, due to a series of factors, including the pandemic and the unrest in Ukraine. Collectively, we have taken many steps to ensure our employees prosper and thrive. We remain committed to our mission to lead with purpose and to create a healthy workspace that fosters wellness, adapting our training and education programmes to capture the benefits of digital learning. With over 120 nationalities, diversity is our strength. Creating a positive and inclusive culture for all MAFers is key to unlocking our full potential.

The work we have made this year gives me confidence that we are on the right path to achieve sustainable growth in future as we embark on a new chapter for our Company.

Ahmed Galal Ismail
Chief Executive Officer

Introduction

Majid Al Futtaim was built with a clear vision – to create great moments for everyone, everyday.

Today, this remains at the heart of what we do as much as it was when Mr Majid Al Futtaim opened our first shopping mall, back in 1995. With a long history of success, we take great pride in the role we play to shape the region.

We are proud to always lead by example - what we do matters. We are relentlessly pursuing excellence, driven by an unparalleled commitment to our customers, the communities we serve, the planet and our people.

Majid Al Futtaim is a symbol of strength, focus and distinction. Our brand is a reflection of our beloved founder, Mr Majid Al Futtaim, always setting new benchmarks for innovation and excellence.

We strive tirelessly to elevate our customer experience and it is our fantastic team of 46,000 MAFers who make it happen. Built on entrepreneurial flair, our people seize opportunities to create with extraordinary dynamism and energy.

Unapologetically curious, we are always at the forefront of driving innovation.

At Majid Al Futtaim, we write the future. We are entrepreneurs, known for our state-of-the-art technology and for always thinking outside of the box.

Our Mission
Majid Al Futtaim is a purpose-led organisation, with a clear vision and values. We create unique and engaging experiences by applying a pioneering mindset and mastering the art of delivery.

Our Values
We strive to offer customers endless opportunities to craft memories. Our values, Bold, Passionate, Together are rooted in our every day life.

BOLD

We promote the creative environment where there is courage to challenge convention and make the impossible possible, celebrating progress through innovation.

PASSIONATE

We nurture a spirit of excellence and perseverance. We take pride in what we do, how we do it, and who we do it for.

TOGETHER

We cultivate synergy where the whole is greater than the sum of the parts. We shape and deliver the future together in an atmosphere of support and openness that respects diversity, facilitates communication and makes collaboration constructive.

2022 Performance Highlights

Our strategy has momentum, delivering top-and bottom- line results through consistent execution across our portfolio of trusted brands.

Asset Value
AED 66bn

Group Revenue
AED 36bn

Revenue growth
12%

EBITDA
AED 4.1bn

Employees
46,000

Credit Rating
BBB

Cashflow from Operations
AED 3.78bn

At a glance

The Majid Al Futtaim Ecosystem

Founded in 1992, Majid Al Futtaim brings a diverse portfolio of well-trusted, high-quality, iconic brands to over 600 million customers across 16 countries. Unapologetically customer-centric, we create value for all stakeholders by building on our heritage and strong brand identity.

Data and technology innovation is at the core of everything we do, enabling us to drive efficiency and capitalise on opportunities. Majid Al Futtaim is continuously advancing its analytical capabilities to ensure delivery of unique and engaging customer experiences.

Retail

- متاجر MATAJER
- سيتي سنتر City Centre
- مول مصر Mall of Egypt
- سيتي سنتر City Centre
- مول الإمارات Mall of the Emirates
- ذات THAT
- كارفور Carrefour
- ALLSAINTS
- Crate&Barrel
- LEGO
- CB2
- abercrombie kids
- Abercrombie & Fitch
- lululemon
- SHISEIDO
- HOLLISTER CALIFORNIA

Hospitality

- Kempinski Hotel Mall of the Emirates Dubai
- Sheraton Dubai
- ibis
- The Westin Bahrain City Centre
- aloft
- Le Meridien
- Pullman
- Hilton Garden Inn
- Novotel

Leisure & Entertainment

- DREAMSCAPE
- ماجيك بلانيت Magic planet
- iFLY DUBAI
- ڤوكس VOX
- المستكشفون الصغار little explorers
- SNOW OMAN
- SKI EGYPT
- SKI DUBAI

Services

- ENOVA by VEOLIA
- شير SHARE
- XSIGHT FUTURE SOLUTIONS

Food & Beverage

- TOP BUN
- KITCHEN 35
- MELT
- PIZZA AL TAGLIO
- nutella

Mixed-use Communities

- مسقط muscat الموج al mouj
- تلال الغاف Tilal AlGhaf
- Waterfront City LEBANON
- الزاهية al zahia

Our Business Model

Majid Al Futtaim has a unique combination of strengths. We have an unparalleled ecosystem that allows us to leverage economies of scale and to bring quality products and experiences to our customers, creating great moments for everyone, everyday. 46,000 MAFers share our purpose and embody our values. With an unmatched understanding of consumer desires, we have an unrivaled portfolio of brands and services that focuses on the needs of our customers. We continuously foster a culture of innovation to ensure Majid Al Futtaim retains its competitive edge at all times.

We believe the way we do business is fundamental to our success. This is why our lean and agile approach, and sustainable business practices, are an integral part of our business model and sit at the heart of our growth strategy. Ultimately, our goal is to be a source of good in the world and deliver value for all our stakeholders.

Retail

450+	Carrefour outlets
16	Countries across the region
30	Countries with exclusive franchise rights

Properties

29	Shopping malls in 5 countries across the Middle East
1.8+	Mn SQM of GLA of prime retail space and expanding
18+	Hotels and communities launched to date

Entertainment

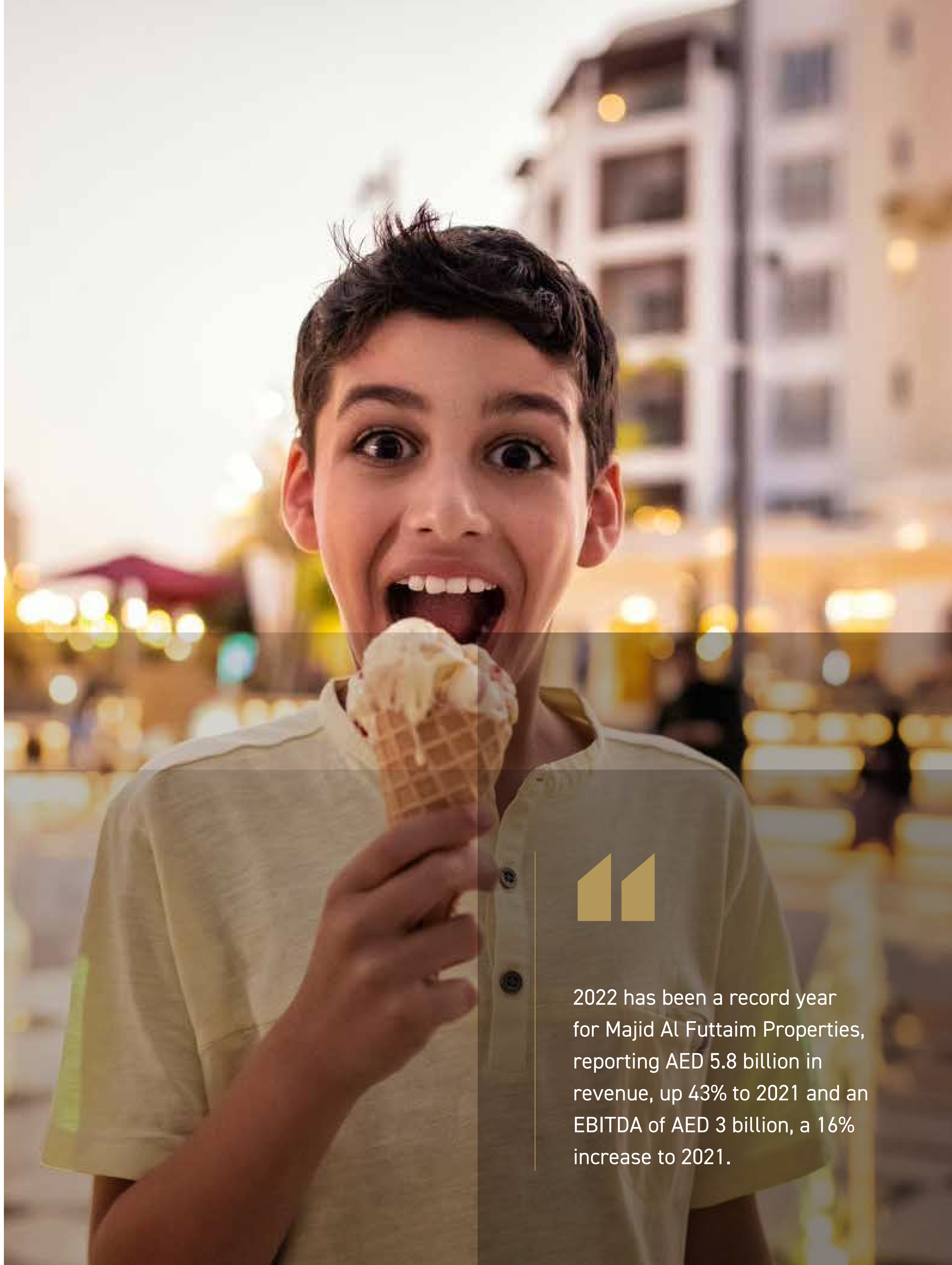
580+	Cinemas across MENA

Magic Planet · DREAMSCAPE · SKI DUBAI · iFLY DUBAI

Lifestyle

55	Lifestyle stores across MENA

lululemon · HOLLISTER · LEGO · THAT · Crate&Barrel · Abercrombie & Fitch · ALLSAINTS



2022 has been a record year for Majid Al Futtaim Properties, reporting AED 5.8 billion in revenue, up 43% to 2021 and an EBITDA of AED 3 billion, a 16% increase to 2021.

Get to Know Us

Majid Al Futtaim Properties

Our Properties business is a leading shopping mall, hospitality and communities developer and operator in the Middle East.

A Record Year
2022 has been a record year for Majid Al Futtaim Properties, reporting AED 5.8 billion in revenue from external customers, up 43 percent to 2021 and an EBITDA of AED 3 billion, a 16 percent increase to 2021.

The valuation gains of our asset portfolio resulted in an overall fair value gain of AED 1.5 billion, which significantly boosted net profit to AED 3.1 billion, up 10% to prior year.

Overview of Majid Al Futtaim Properties

29*	1.8+	3	212m	13
Shopping malls successfully operating in 5 countries across the Middle East and North Africa	Million SQM of GLA of prime retail space and expanding	New projects under development and 1 completed	Visitors YTD 2022 across all of our malls	Hotels 11 in UAE 2 in Bahrain

* of which 5 community malls form part of joint venture with the Government of Sharjah.

Key financial highlights

Revenue	EBITDA	Net profit	Cashflow from operating activities
AED 5,818m*	AED 3,011m	AED 3,126m	AED 2,208m
2021: AED 4,055m	2021: AED 2,603m	2021: AED 2,848m	2021: AED 2,591m

* Revenue from external customers

Majid Al Futtaim Shopping Malls

As one of our largest and most profitable businesses, it owns, develops and operates twenty-nine destination shopping malls, across five countries: UAE, Oman, Lebanon, Egypt and Bahrain, anchored by long-term leases to over 4,500 high-quality tenants. World renowned for innovation within our shopping malls, we deliver more than great shopping - we offer an immersive lifestyle experience.

Highlights
In 2022, our Shopping Malls business welcomed approximately 212 million visitors and witnessed an increase of 16 percent in footfall when compared to 2021. Shopping malls tenant sales (excluding Carrefour) showed continued improvement, reporting an 8 percent increase on a Year-on-Year basis, with the Mall of the Emirates recording its best year in terms of footfall and tenant sales since its opening. Overall rental income during the year amounted to AED 3.4 billion, a 6 percent increase to 2021. On the sustainability front, the number of malls that have been awarded LEED Platinum has almost doubled from 4 to 7, with Mall of the Emirates becoming the largest LEED Platinum mall in the world.

Spotlight on
Mall of the Emirates

2022 was a winning year. We are honored that our malls have been recognised for their excellent standards, for the unparalleled ability to succeed and for implementing limitless innovation by the MENA Shopping Centre and Retailer Awards.

Mall of the Emirates received a silver award for its omnichannel experiences. Recognising that shoppers want to have more than just one option when it comes to browsing their favourite international or local brands, the mall elevated its offering with a new Digital Concierge, bespoke personal stylist service, smart parking, and the opportunity to shop via the mall's e-commerce website — all within the touch of a button.

Opened	2005
Area m^2 GLA	245k
Occupancy Rate	98%

Spotlight on
Mall of Oman

Mall of Oman, home to 260 international and local retail outlets, is the 5th largest shopping and entertainment destination in the Sultanate. Featuring distinct architecture and offering exceptional retail and hospitality options, Mall of Oman is also home to Snow Oman – the largest snow park in the region and also Oman's largest VOX Cinemas — complete with 15 screens.

Underscoring Majid Al Futtaim's industry leading sustainability standards, Mall of the Oman was named the biggest mall globally to have achieved LEED Platinum under New Building Core and Shell for its success in saving 28.59 percent of energy, with a 49 percent water saving and introducing low-emission-vehicle parking spaces.

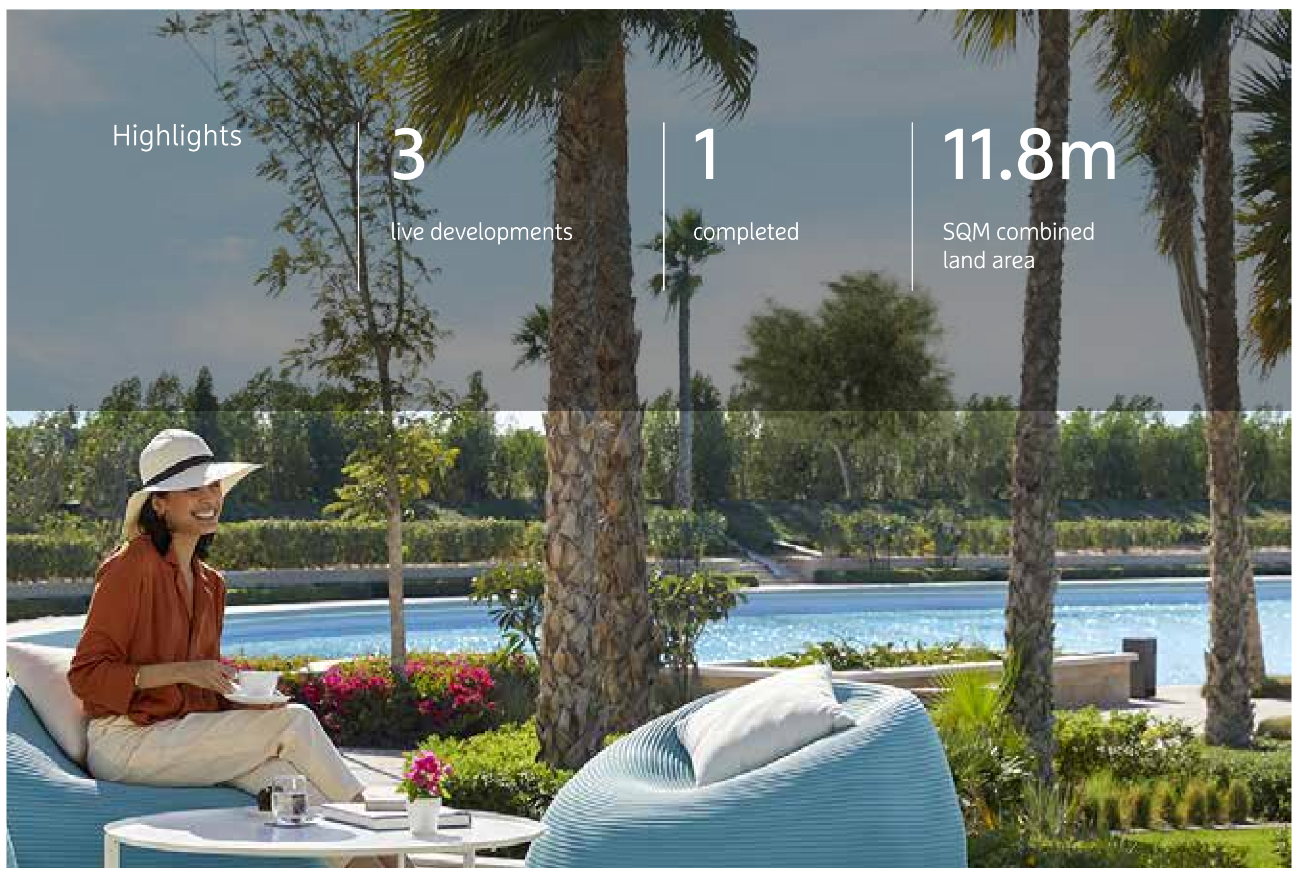
Opened	**2021**
Area m^2 GLA	**134k**
Occupancy Rate	**94%**

Majid Al Futtaim Communities

At Majid Al Futtaim Communities, we create human-centric destinations by uniting people, business and culture to create world-class developments with unparalleled quality of life. We strive to build civic pride and a sense of belonging as our communities are designed to deliver long-term value and continue to grow and evolve in character and culture.

Our Ethos

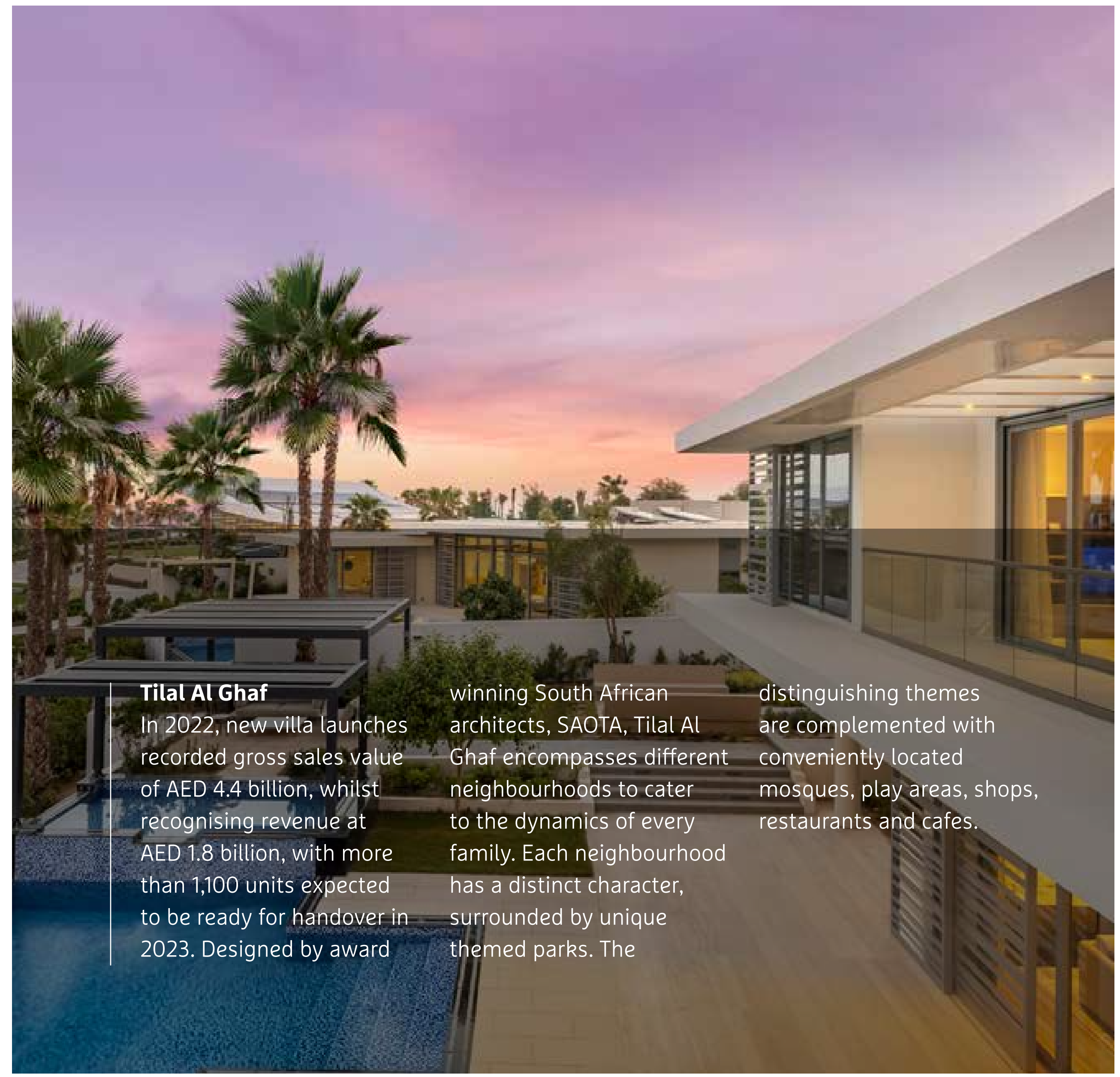
We develop aspirational communities and sustainable environments, enabling businesses to flourish and families to thrive. By leveraging our deep understanding of market dynamics, insights in global trends, operational excellence and top tier talent, we have a track record of setting new standards of living. We create inspirational and impactful lifestyle destinations shaped by our philosophy of placemaking, with sustainability at the core.



Tilal Al Ghaf

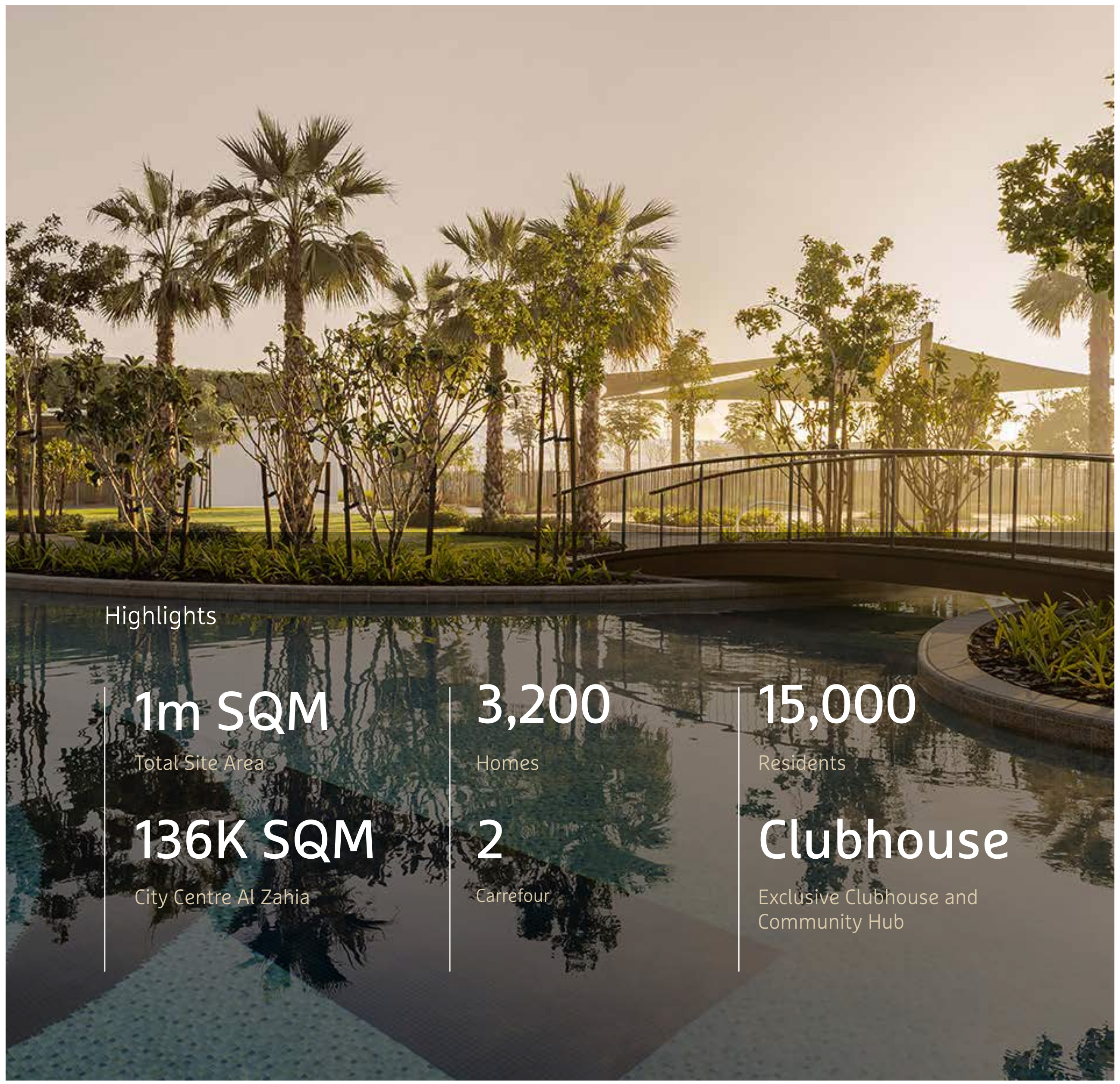
Dubai, UAE

Tilal Al Ghaf is Majid Al Futtaim's flagship mixed-use community in Dubai, offering resort-like living around lagoon Al Ghaf. Spanning over 3 million square meters, the community provides walkable neighbourhoods featuring luxury villas, townhouses and apartments, all of which are connected by pathways, natural open spaces and parks, complemented by vibrant retail, dining, leisure and cultural options.



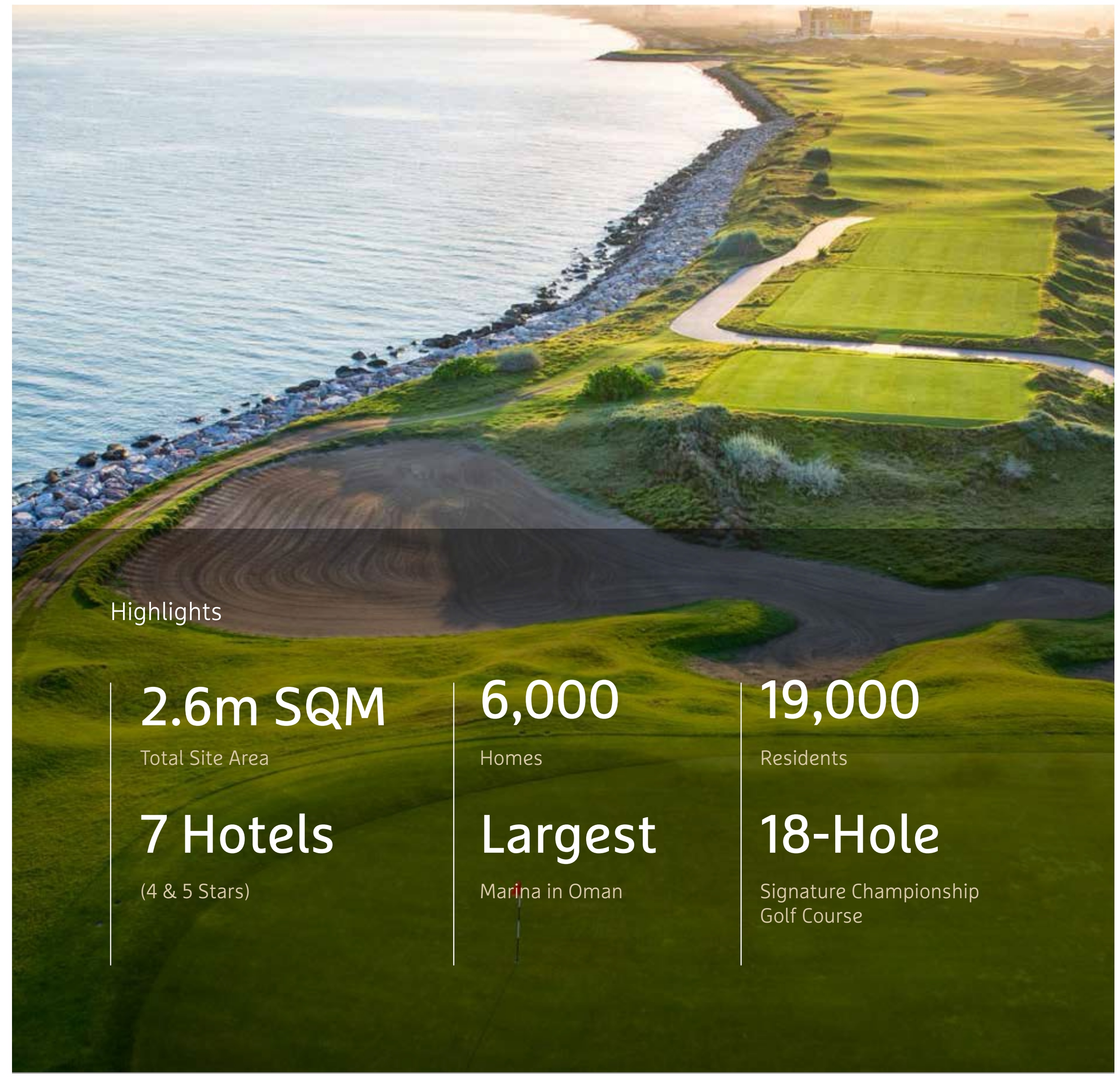
Al Zahia
Sharjah, UAE

As Sharjah's premier lifestyle destination, Al Zahia brings a contemporary community lifestyle and traditional values together throughout every aspect of its development. Spanning a total area of over 1,000,000 sqm, Al Zahia is designed to meet the needs of the entire family, in addition to communal areas and retail facilities.



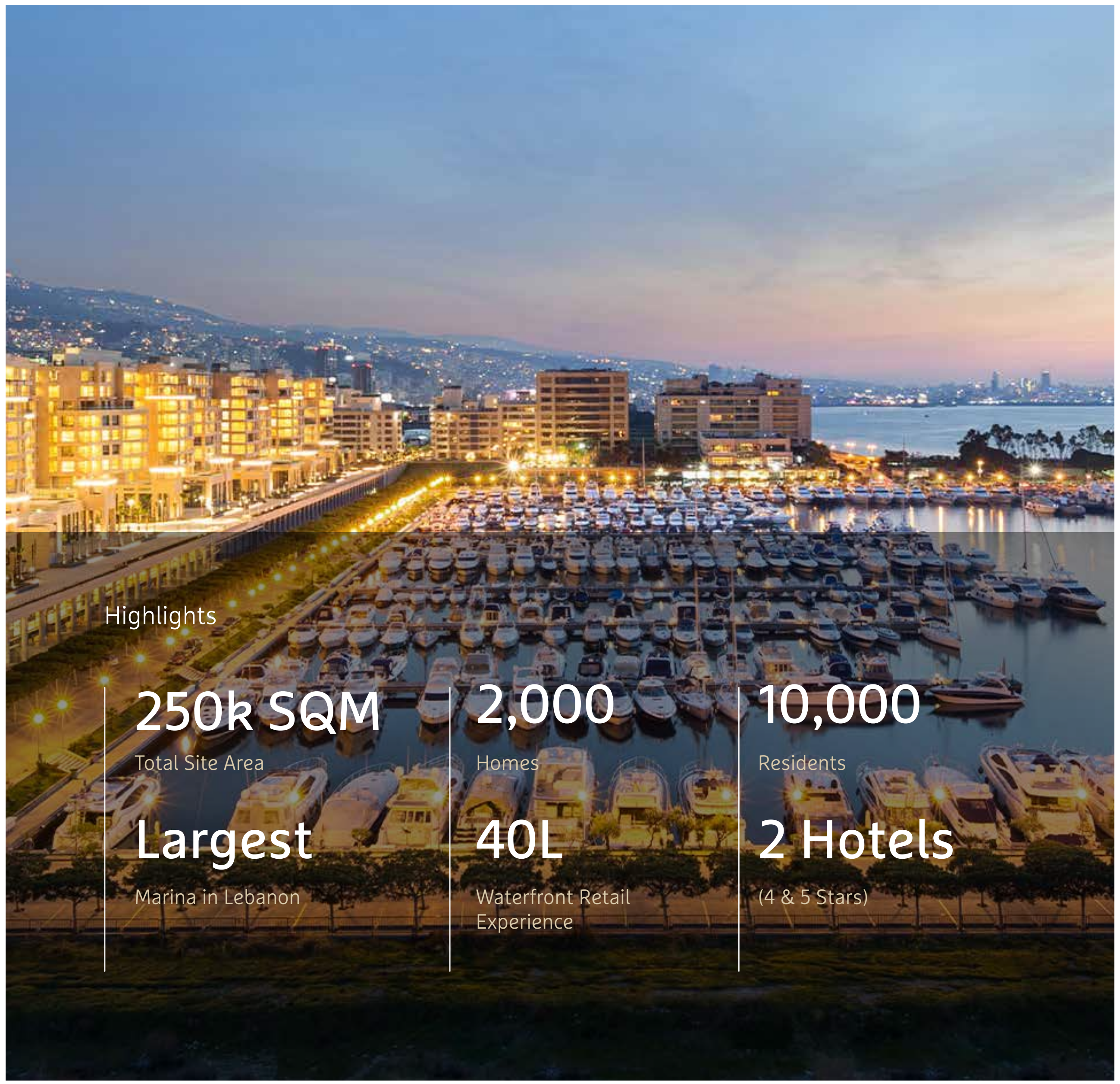
Al Mouj
Muscat, Oman

The development redefined urban living in the region with an impressive portfolio of oceanfront residential properties, luxury and authentic hospitality, elegant business parks, award-winning architecture and well-designed landscapes. As one of the region's leading and most successful residential areas, Al Mouj offers a warm and vibrant community at the heart of Oman's capital, becoming home to over 19,000 residents.



Waterfront City
Beirut, Lebanon

Waterfront City is a seafront community crystallising the essence of the contemporary city by offering modern residences, vibrant shopping surroundings, secure neighbourhoods and a rich public realm overlooking the Mediterranean.



Majid Al Futtaim Hotels

Majid Al Futtaim develops hotels that are connected, or adjacent to, shopping malls offering value, convenience and experience to guests from overseas, the region and the surrounding business community. We own 11 hotels in the UAE and 2 in Bahrain, all operated by international hotel brands.

In 2022, our hotels business saw a record-breaking financial performance driven by strong demand in the UAE and Bahrain, resulting in 50 percent increase in RevPar (revenue per available room) and 14 percent increase in occupancy rate when compared to 2021.

Brands

aloft Dubai Creek
Hilton Garden Inn
ibis Al Rigga Dubai
ibis Deira City Centre Dubai
ibis Mall of the Emirates Dubai
Kempinski Hotel Mall of the Emirates Dubai
Le Meridien
pullman Hotels and Resorts
pullman Hotels and Resorts
Novotel Hotels & Resorts
Novotel Suites
Sheraton Dubai Mall of the Emirates Hotel
The Westin Bahrain City Centre

Delivering on our strategy for 2022, we opened 35 new stores and have made great progress in helping our customers eat better. Deeply rooted in our ethos is the belief that retailers must seek solutions that remove access barriers to healthy food.

Majid Al Futtaim Retail

Key financial highlights

Revenue	EBITDA	Net profit	Cashflow from operating activities
AED 28bn	AED 1.2bn	AED 539.6m	AED 1.8bn
2021: AED 26.3bn	2021: AED 1.4bn	2021: AED 774.9m	2021: AED 2.5bn

Majid Al Futtaim brought Carrefour to the region in 1995 and owns the exclusive rights to operate the brand in over 30 countries across the Middle East, Africa and Asia.

Today, we operate over 450 Carrefour outlets serving more than 750,000 customers daily and employing more than 37,000 people.

In line with our commitment to provide the widest range of quality products and value for money, Carrefour offers an unrivalled choice of more than 500,000 food and non-food products, and a locally inspired customer experience to create great moments for everyone every day.

Across Carrefour's stores, we source more than 80 percent of our products from the region, being a key enabler in supporting local producers, suppliers, families and economies.

Operational excellence has been the focus throughout 2022 to ensure a pre-Covid recovery. Majid Al Futtaim Retail recorded AED 28 billion revenue, an increase of 7 percent compared to prior year, and with an EBITDA at AED 1.2 billion. Despite having faced an extremely challenging operating environment with high inflation, currency devaluation and supply chain disruption, further exacerbated by the conflict in Ukraine, our market share grew by 0.3 percent across offline and online channels.

Delivering on our strategy, we opened 35 new stores and have made great progress in helping our customers *Shop Smarter, Live Better*. Deeply rooted in our ethos is the belief that retailers must continue to seek solutions that remove access barriers to healthy food and increase availability, accessibility and affordability of healthier products, improving thereafter community wellbeing while reducing the impact on the environment.

How We Create Value

We are committed to build on our strong brand and reputation for quality while offering consistent value to all stakeholders. We are continuously finding opportunities to simply operations and lower our cost-to-serve.

Healthy Kitchen

Carrefour's Healthy Kitchen is a perfect example of our commitment to enrich and nourish our customers' lives. We offer a wide array of over 2,500 of the best eating products from organic to 'free-from', to diet and fitness food at competitive prices.

Carrefour Private Label

Knowing and understanding our customers is essential to our success. With over 3.000 different products, we are proactively investing in our Carrefour Private Label offering, addressing thereafter a growing demand for high-quality, nutritious range at affordable prices. Clear labelling of food products, which we have implemented across our Private Label range, helps customers make informed choices.

Raising Awareness Campaigns

Our philosophy is to look after the wellbeing of our consumers. In our continuous efforts to help consumers make better, healthier choices, in 2022, we conducted several initiatives across our geographies, including:

- **Enjoy Health Campaign in Egypt:** We launched an in-store health campaign, aimed at raising awareness of the benefits of fresh fruits and vegetables by highlighting respective health benefits.
- **Celiac Awareness Week in Jordan:** Carrefour City Mall provided all customers with discount vouchers, laboratory tests, in-body tests and raised general awareness on healthy diets.
- **Healthy Lifestyle Week in Iraq:** Carrefour Iraq launched a one-week campaign to highlight our healthy products in collaboration with Ziyan, a fitness instructor, nutritionist, and social media influencer.

Source Local

We acknowledge that the impact we have on the environment and the communities in which we operate is wider than our own operations, which is why we are committed to sourcing the materials and ingredients we need in a responsible manner.

We are also committed to supporting local businesses and local economies by sourcing the majority of our products locally. With more than 80 percent of our products within our UAE Carrefour stores sourced regionally, we are a key enabler in supporting local producers, suppliers, families and communities.

Moreover, as a result of our collaboration with the UAE Ministry of Climate Change and Environment to boost the availability of locally grown produce across our stores, we opened new distribution channels for more than 6,000 small and medium-sized local farmers, ensuring a sustainable supply of fresh fruit and vegetables across the country.

In Egypt, by partnering with the Micro, Small, and Medium Enterprises Development Agency to market Egyptian homemade products across our Carrefour's branches, we established a platform enabling suppliers of small and medium-sized companies to introduce their products to Carrefour's wide network and consequently improve their production levels.

In Kenya, we collaborated with Kenya Export Promotion and Branding Agency to amplify our support for local suppliers via the Made in Kenya brand, resulting thereafter in the promotion of 40 products from 17 local suppliers to customers through discounted prices, in-store communication, social media platforms and the Carrefour app.

Animal Welfare

In 2021, Majid Al Futtaim Retail became the first company in the region to commit to only selling cage-free eggs across our Carrefour franchise under the newly adopted Animal Welfare Policy. We are working towards reaching 100% cage-free eggs for our Private Label assortment across all markets we operate in by 2030 and all national brands by 2032.

Developed in partnership with The Humane League, the first-of-its-kind commitment contributes to further improve the farming conditions in the region, promoting alternative and more sustainable housing systems, such as cage-free, outdoor access systems, organic and free-range.

Connected to Customers

Serving 750,000 customers daily, it as our responsibility to envision, develop and deliver the best experience possible. We are not only competing on price but also on experience, endlessly engaging in innovation to offer the best in all we do. In partnership with Takeoff Technologies, that use AI, automation and robotisation to prepare orders within minutes, we opened three automated fulfilment centres. Moreover, pioneering the use of Blockchain Technology and Artificial Intelligence through our strategic partnership with IBM, we enabled food traceability in Carrefour, allowing thereafter consumers full transparency on the food they purchase. There is no doubt that customer experience is at the heart of our strategy.

Spotlight on
Carrefour BIO Store

Maid Al Futtaim Retail was honoured to welcome the UAE Minister of Climate Change and Environment to inaugurate our first BIO Store in the City Centre Me'aisem. With over 3,000 items available, the concept store specialises in healthy and organic products spanning from food and beverages to beauty, personal, and home care items. Carrefour BIO supports organic living and promotes locally grown produce in line with UAE's National Food Security Strategy 2051. Featuring our first ever café and an in-store hydroponic farm to support farm-to-table, it offers a state-of-the-art solution for consumers looking to make sustainable choices.

Produce from 100% organic certified farms

Store energy consumption up to 15% reduction

Over 3,000 items to choose from

Majid Al Futtaim Entertainment

Key highlights

Secured distribution rights across 14 countries in MENA	5+ Awards for the best asset, exhibitor of the year, best edutainment	**25x5 initiative** Completed production of 3 Arabic movies

Our Entertainment business manages over 580 cinema screens across MENA, along with complementary lifestyle destinations including 26 Magic Planet entertainment centres, Dreamscape, Ski Dubai and Ski Egypt.

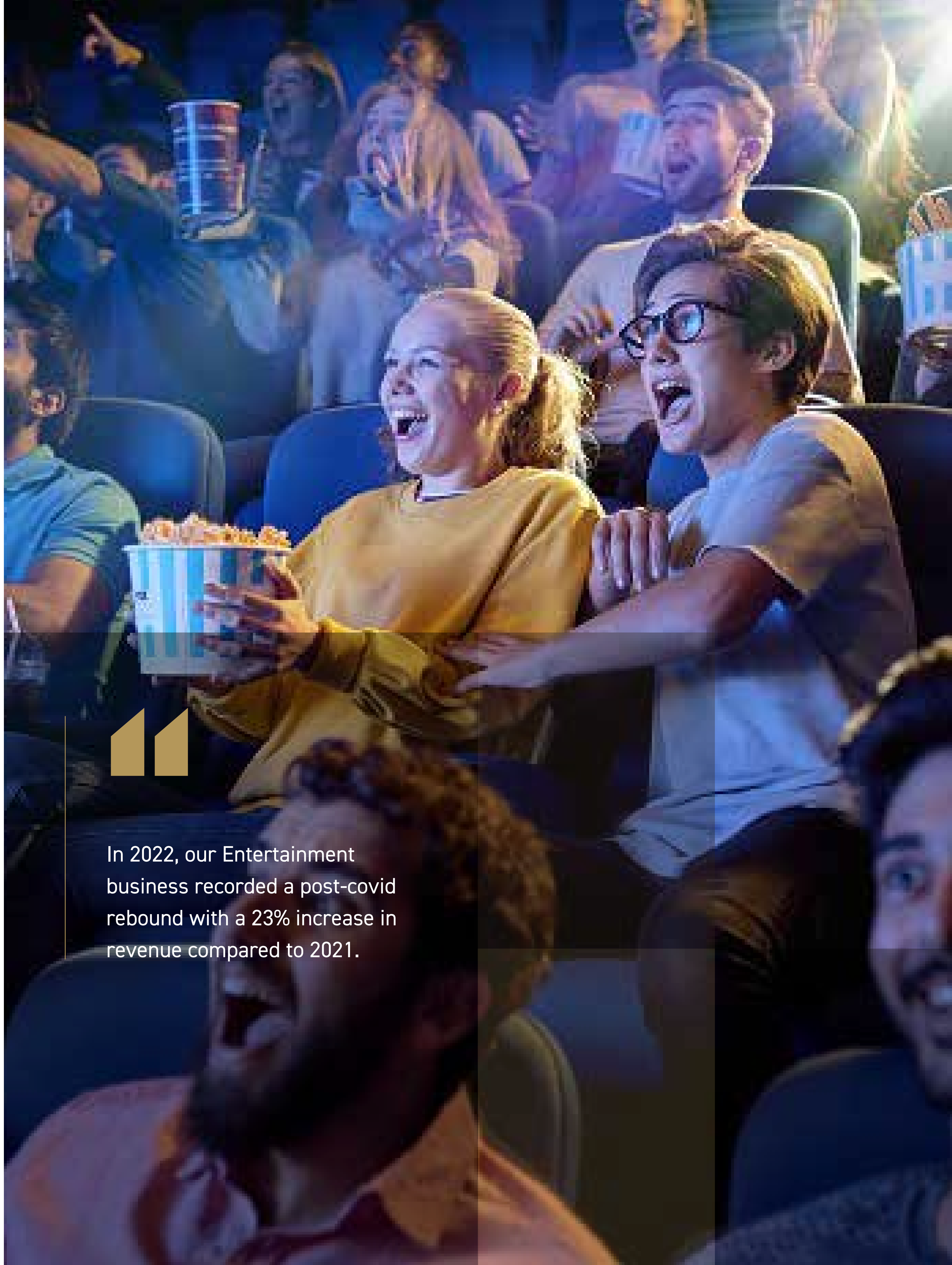
We aspire to offer a harmonised, diversified entertainment portfolio that provides the best omnichannel experience, driven by a high-performing organisation.

Strategic Pillars

Portfolio Optimisation	Geographic Expansion	New Concept Development

In 2022, our cinema business recorded a post-Covid rebound with a 25 percent increase in revenue compared to 2021, despite still being 20 percent under 2019 levels. Against this backdrop, we successfully increased our market share to 59 percent in the UAE, up 4 percent to 2021.

Spotlight: VOX Cinemas, in partnership with Dubai Autism Centre, has introduced Sensory Friendly Screenings which feature certain adjustments to make the cinema more inclusive and accessible for children with sensory sensitivities. While the typical cinema environment can be stressful for guests with sensory sensitivities, the Sensory Friendly Screenings provide a safe and comfortable environment including keeping the house lights on (dimmed) throughout the film, lowering the audio volume, removing the advertisements and trailers before the film and a reduced number of guests in the auditorium. Families are also allowed to bring their own food if they have any special dietary needs. Sensory-Friendly Screenings are shown at VOX Cinemas across the United Arab Emirates including Mall of the Emirates, Yas Mall, City Centre Sharjah, City Centre Fujairah, Al Jimi Mall and City Centre Ajman.



Spotlight on
Ski Dubai

Ski Dubai offers an exclusive mountain-themed snow setting within the Mall of the Emirates, in Dubai, where our guests can enjoy skiing, snowboarding, tobogganing and meeting our beloved penguins. Covering an impressive 22,500 square metres, this once-in-a-lifetime experience attracts both aspiring and professional snow sport enthusiasts, residents and tourists; and includes five ski runs of varying difficulty, a freestyle zone, a zip wire and one of the world's largest indoor Snow Park. In 2022, Ski Dubai recorded 38 percent growth in revenue on Year-on-Year basis, an increase of 15 percent on 2019.

Opened	**2005**
Indoor ski area m^2	**22,500**
Runs	**5**

Spotlight on VOX Cinemas

VOX Cinemas is the one of Middle East's most innovative and customer-focused cinema experience. With 52 cinema complexes totalling over 580 screens, VOX Cinemas is the region's largest and most rapidly growing cinema. It is also home to VOX KIDS, the first cinema in the Middle East dedicated to children.

Locations	52
Screens	580+
Market Share in the UAE	59%

Majid Al Futtaim Lifestyle

Majid Al Futtaim Lifestyle is home to world-class fashion and retail brands with more than 55 stores across the MENA region. As the retail partner of choice for some of the most desirable brands, we hold exclusive licensing rights across the region for names such as Lululemon, Lego, Abercrombie & Fitch, Hollister, AllSaints, CB2, Shiseido and Crate & Barrel.

2022 has been a record year for Majid Al Futtaim Lifestyle, reporting revenue of AED 801 million, up 38 percent to 2021, with EBITDA at AED 25 million, a 317 percent increase versus prior year. This material improvement in topline growth and profitability has been driven by solid growth across the brand portfolio and our focus on operational excellence, including optimisation, digital automation and advanced analytics.

Our priority remains on scaling the business geographically and unlocking opportunities, whilst maintaining an omnichannel and customer-first approach.

Key highlights

Revenue	EBITDA	Stores	Cashflow from operating activities
AED 801m	AED 25m	55	AED 52m
2021: AED 580m	2021: AED 6m	2021: 45	2021: AED 77m

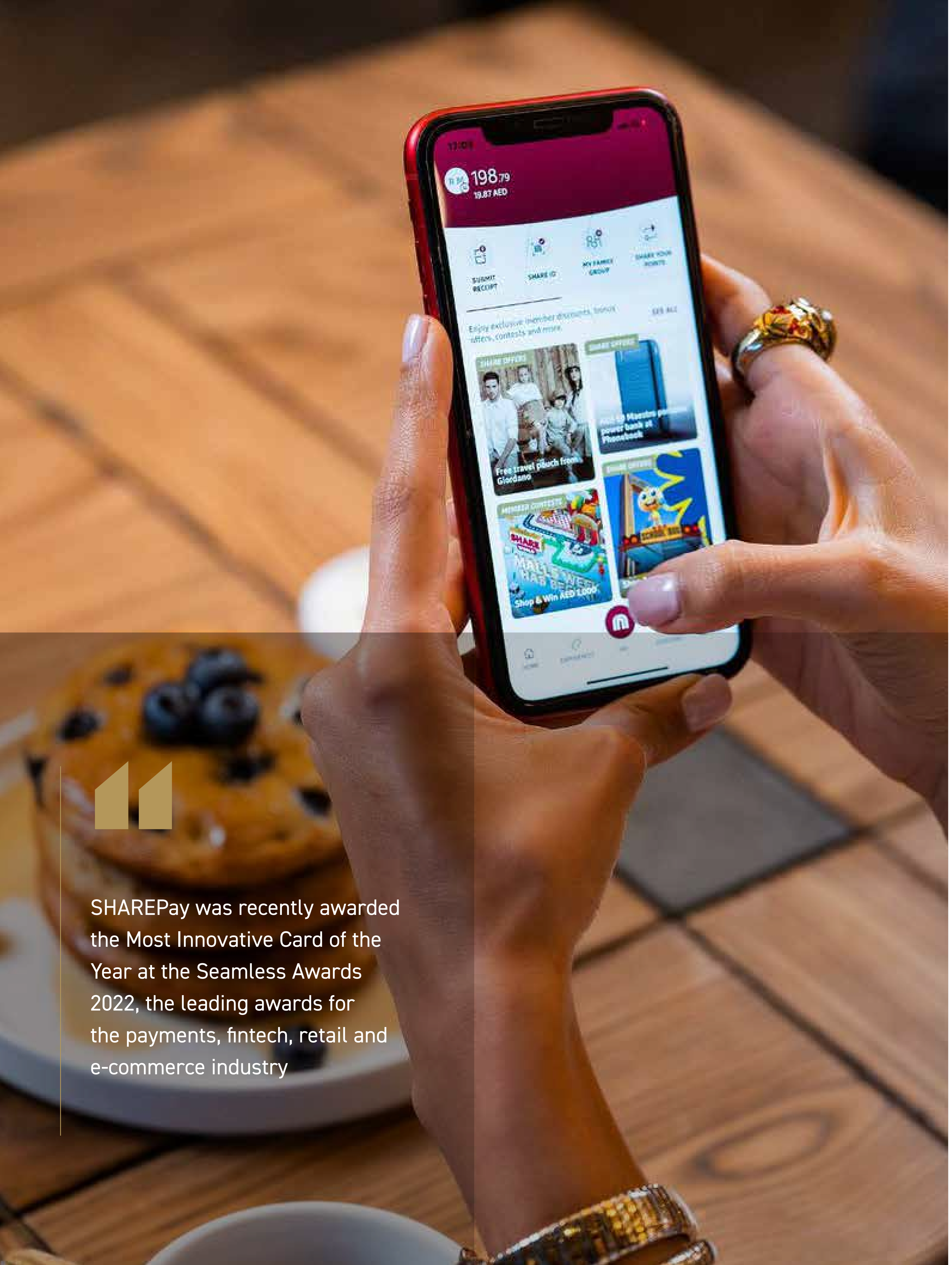
> 2022 has been a record year for Majid Al Futtaim Lifestyle, reporting revenue of AED 801 million, up 38% to 2021, with EBITDA at AED 25 million, a 317% increase versus prior year

Majid Al Futtaim Global Solutions

Majid Al Futtaim Global Solutions is the central support provider, with service delivery centres in UAE, Egypt and India, has continued building the capacity and capabilities needed to effectively support our business, enabling future organisational growth. Now numbering more than 1,000 people, Global Solutions manages many of our central processes, including IT, finance, procurement and HR and continues to make good progress in streamlining our operational activities through implementation of common processes, standards and ways of working.

Key highlights

16	35,000+	7,000+	1.3bn	200+
Countries served	**Employees** served across all OPCOs and countries	**MAFERs** hired, with Onboarding completed end to end	**Spend** under procurement management	**Technology** projects delivered



> SHAREPay was recently awarded the Most Innovative Card of the Year at the Seamless Awards 2022, the leading awards for the payments, fintech, retail and e-commerce industry

We Know Our Customers

XSIGHT: Enabling the Customer Ecosystem

XSIGHT Future Solutions is encompassing the common capabilities and customer platforms that were incubated under Majid Al Futtaim Holding including Digital Labs, Analytics & Data Solutions, Fintech Solutions, Startups' Launchpad, and Share, to pave the way for an advanced digital solutions' suite serving internal and external customers across our ecosystem and enabling business acceleration and growth.

As part of XSIGHT integrated vision, knowing and understanding our customers is paramount to our success and to how we deliver value. SHARE, our Loyalty Lifestyle Rewards Programme, unlocks our ability to connect with our customers by bringing consumer insights into our business decision-making. With over 3.5 million SHARE users, we aim to build a long-term understanding of trends and consumer behaviours which then allows us to innovate and develop products and offerings that respond to their needs.

Leveraging the unique insights offered by SHARE remains a strategic priority as it allows us to drive customer lifetime value by offering an enhanced and personalised shopping experience whilst building incremental revenue opportunities across our portfolio of brands.

In 2022, we launched SHAREPay, the first digital wallet in the MENA region, enabling SHARE members to link up to ten existing debit/credit cards to a single digital card allowing for seamless instant earning and redeeming of SHARE points across the entire Majid Al Futtaim ecosystem.

SHAREPay was recently awarded the Most Innovative Card of the Year at the Seamless Awards 2022, the leading awards for the payments, fintech, retail and e-commerce industry.

SHAREPay Benefits

Seamless
Pay, earn and redeem in just one tap.

Convenient
Your iPhone is all you need to pay, earn and redeem.

Real Time
Earn & redeem your points in an instant.

Available Everywhere
Use SHAREPay anywhere in our malls and stores.

Safe and Secure
Use SHAREPay with confidence, powered by Apple Pay technology.

Sustainable Business

Delivering for our Planet

The environmental and social challenges we face have never been greater. As a responsible organisation, we remain focused on prioritising the interests of all stakeholders to increase their long-term prosperity and sustainability. We are committed to creating an economic system that encourages businesses to benefit all parties, including communities, employees, and the environment, which fosters a more equitable global economy and promotes global unity.

To deliver on our promise of becoming Net Positive by 2040, we launched our Dare Today, Change Tomorrow roadmap, enabling us to address material risks and opportunities whilst ensuring we manage the issues that matter most to our stakeholders and respond effectively to the ESG trends that could impact how we operate. *Rethinking Resources, Transforming Lives and Empowering Our People* defines our strategic approach, taking a holistic view to drive positive impact in our local and global communities.

Our progress in advancing sustainable business practices was recognised by leading global ratings agencies.

As leaders in sustainability in the region, we continuously seek ways to minimise our impact on the environment, and focus our investments, innovations, and partnerships to drive green solutions that have a positive impact.

Our 2022 Highlights include:

We participated in the “Dubai Can”, a sustainability initiative by His Highness Sheikh Hamdan bin Mohammed bin Rashid Al Maktoum, Dubai Crown Prince and Chairman of The Executive Council of Dubai. The initiative aims to reduce single-use plastic by encouraging individuals to use refillable water bottles. In the first eight months, the 12 air-to-water machines placed in metro stations around the city produced 89,897 litres of water from air and reduced 179,794 plastic bottles usage.

We have expanded the air-to-water integration across several indoor assets. 1,000 litre dispensers in our Communities provided construction workers with high quality chilled water on-site.

Majid Al Futtaim Holding LLC

Industry Group: **Food Retailers**

Identifier:

ESG Risk Rating COMPREHENSIVE

15.0 Low Risk

Negligible	Low	Medium	High	Severe
0-10	10-20	20-30	30-40	40+

Last updated **Sep 8, 2022**

We are committed to creating positive social and economic impact in the communities we serve through different engagement initiatives.

In line with our sustainability strategy, we continue to implement a number of practices to eliminate single-use plastic from all our assets by 2025.

- The distribution of single-use cutlery and that of single-use plastic e-commerce bags has been phased out in five countries (Georgia, Kenya, Oman, Pakistan and Uganda).
- Partnered with the Ministry of Climate Change and Environment and the Environment Agency – Abu Dhabi at COP27 to enhance cooperation to further integrate sustainability in the public and private sectors. Our aim is to help conserve natural and environmental resources by encouraging the use of reusable products through the launch of smart reusable bags to address the challenge of excessive plastic waste.
- Became the first and only conglomerate in the world to be awarded the prestigious LEED Platinum certification for our portfolio of hotels.
- VOX City Centre Mirdif became the first in the world to be certified under LEED, followed by certification for VOX Cinemas in the Mall of Emirates.
- Signed our first US$1.5 billion sustainability-linked-loan (SLL) in 2021, followed by a $1.25 billion SLL more recently in 2022 in an effort to facilitate the reduction of our carbon footprint, achieve LEED certification for our assets, and improve gender diversity within our organisation.

Serving our Communities

We are committed to creating positive social and economic impact in the communities we serve through a series of engagement activities.

Food Redistribution

A key focus for 2022 has been to increase the redistribution of surplus of food for human consumption. In December 2022, we launched a food rescue programme, 'Feed the Future', focused on recovering edible food from restaurants in Mall of the Emirates and repurposing it to the community. As part of this programme, we manage donations and coordinate pickups with the UAE Food Bank, who then distributes the food to charitable organisations, workers in communal housing and families.

Supporting Entrepreneurs

We are also committed to developing and supporting entrepreneurs. Our Launchpad Programme is a market accelerator initiative aimed to attract start-ups and SMEs in strategic sectors of interest by providing access to the Majid Al Futtaim ecosystem. In its first edition, we received 196 applications from across the MENAP region and globally. The 14 winners, 50 percent of which female entrepreneurs, will receive access to business growth incentives and mentorship programmes.

Our People

Our people are our greatest asset and key to the successful execution of our strategy. Looking after our employees and investing in their development is essential to building a culture of trust. We are committed to ensuring our values Bold, Passionate, Together are practiced across the organisation so that our people can grow and thrive. We strive to create a positive and inclusive culture that allows our people to deliver their best every day.

Diversity:

With over 46,000 employees representing approximately 120 nationalities, our diversity is one of our greatest strengths, bringing new perspectives on how we can deliver on our goals, inspire growth, innovation, and creativity. At Majid Al Futtaim, we foster an environment where employees feel valued and empowered, engaged and comfortable to bring their true self to work.

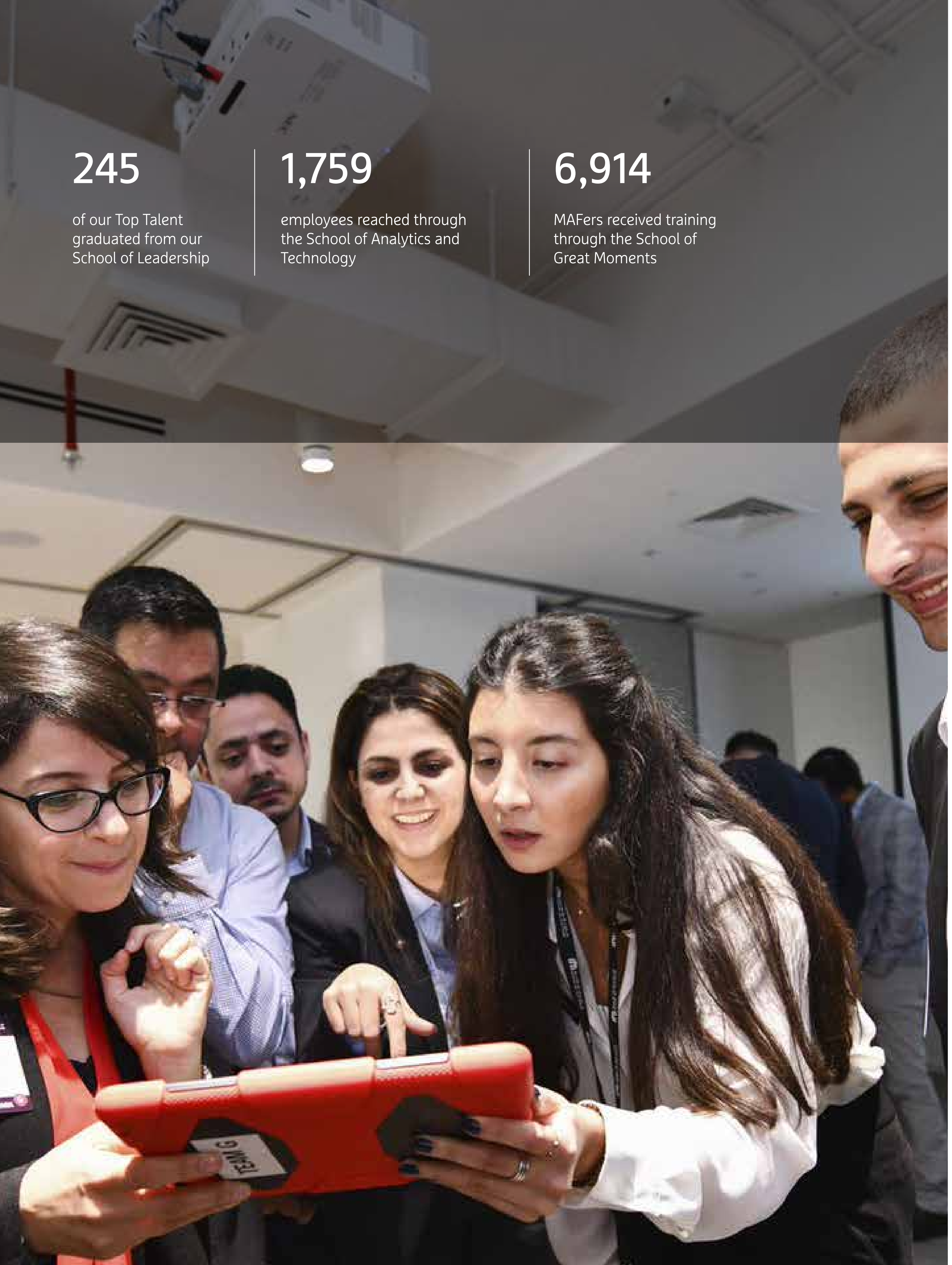
Committed to creating a culture of Diversity and Inclusion in the workplace, we made a pledge to increase our gender balance. We also set a target to increase gender diversity among senior management in the top three seniority levels (board, senior executive and senior management) to reach 30 percent, in line with global best practice.

In support of our aim to employ over 35% of women in advanced technologies and digital roles, we launched the region's first private sector women coders programme aimed at training 5,000 women over five years.

Lead by Example

We expect our leadership team to role-model and display the values we share and promote. Leading by example, we instil a culture that celebrates our entrepreneurial spirit, encourages new ideas, promotes commitment, and supports individual development. We encourage our people, regardless of role or career stage, to play an active part in all aspects of our business, thereby helping to turn our vision of creating 'great moments for everyone, everyday' into a reality.

Our people are our greatest asset and key to the successful execution of our strategy. Looking after our employees and investing in their development is essential to building a culture of trust.



245

of our Top Talent graduated from our School of Leadership

1,759

employees reached through the School of Analytics and Technology

6,914

MAFers received training through the School of Great Moments

Leadership Institute

Our Leadership Institute provides innovative and hands-on development programmes through partnerships with leading experts and global faculty – fostering an environment of empowerment and growth. Launched in May 2015, our goal is to inspire members to spearhead the business' future ambitions, and to shape and promote a common culture based on our core values.

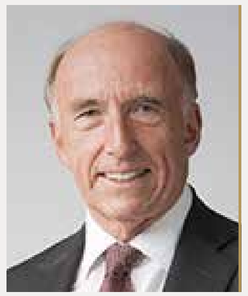
In 2022, the Leadership Institute reached 10,137 MAFers through its three schools: i) the School of Great Moments; ii) the School of Analytics & Technology; and iii) the School of Leadership Development, offering 16 programs for a total of 82,306 learning hours.

Emiratisation:

One year after announcing our commitment to support the UAE Government's NAFIS programme, we exceeded our first-year target by hiring over 700 Emirati nationals, almost 6 percent of our UAE workforce. Our pledge to develop local talent across its markets has seen some of the most deserving and experienced young Emirati professionals appointed to roles within our head offices and the 18 UAE-based shopping malls. Positions held by Emiratis now include front-liners and clerical staff, entry level professionals, middle management, senior management, and senior executives. As a proudly Emirati-owned organisation, we welcome the opportunity to contribute to the UAE's impressive vision for its citizens.

Board of Directors

Sir Mike Rake
Chairman



Sir Ian Davis
HC & Remuneration Committee Chairman

Tariq Al Futtaim
Non-Executive Director

Alan Keir
Audit & Risk Committee Chairman

Victor Chu
Non-Executive Director

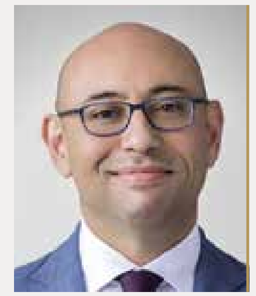
Lord Stuart Rose
Non-Executive Director

Luc Vandevelde
Non-Executive Director

Philip Bowman
Non-Executive Director

Ahmed Galal Ismail
Chief Executive Officer

Executive Team



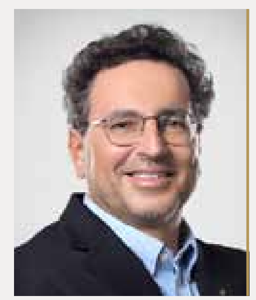
Ahmed Galal Ismail
Chief Executive Officer

Ziad Chalhoub
Chief Financial Officer

Hassan Basil Hassan
General Counsel

Viviana Alberu
Chief Human Capital Officer

Joe Abi Akl
Chief Corporate Development Officer



Charles Awad
Chief Customer Officer

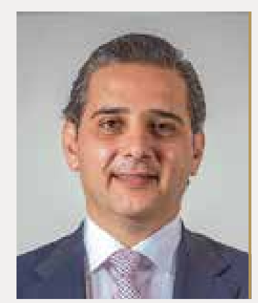
Elham Al Qasim
Chief Strategy & Technology Officer

Peter Davison
Company Secretary

Ahmed El Shamy
Chief Executive Officer Properties

Hani Weiss
Chief Executive Officer Retail

Ignace Lahoud
Chief Executive Officer Entertainment



Fahed Ghanim
Chief Executive Officer Lifestyle

Khaled El Chidiac
Chief Executive Officer Global Solutions

2022 Business Performance:

Management Discussion and Analysis

2022 Business Performance: Management Discussion and Analysis

This Management Discussion and Analysis is designed to provide you with a narrative explanation from management of how we performed, as well as information about our financial condition. We recommend that you read this in conjunction with our consolidated financial statements.

Basis of Preparation

Unless otherwise indicated or the context otherwise requires, references in this discussion to "we," "our," "us" and "the Group" are to Majid Al Futtaim Holding LLC and its subsidiaries. Any reference to "Parent Company" shall mean Majid Al Futtaim Capital LLC.

We prepare our consolidated financial statements in United Arab Emirates Dirhams ("AED") in accordance with International Financial Reporting Standards (IFRS), as issued by the International Accounting Standards Board (IASB).

In this Management Discussion and Analysis, we discuss our results on both an IFRS and non-IFRS basis. We use non-IFRS measures as supplemental indicators of our operating performance and financial position. We believe non-IFRS financial measures provide insight into our performance. Non-IFRS measures do not have standardized meanings prescribed by IFRS and therefore are unlikely to be comparable to the calculation of similar measures used by other companies and should not be viewed as alternatives to measures of financial performance calculated in accordance with IFRS.

Our non-IFRS financial measures include:

- EBITDA[1];
- Adjusted EBITDA and related margin; and Net debt and our leverage ratio of net debt to adjusted EBITDA

Majid Al Futtaim Holding Consolidated

Our focus for 2022 has been on sustainable growth and strengthening the balance sheet to continue our sustainable and resilient financial structure. We have maintained prudent debt levels and a strong balance sheet, ending 2022 with a good performance across all operating units.

The Group reported revenues of AED 36,319 million in 2022, an increase of 12%. EBITDA reached AED 4,066 million, an increase of 4% over 2021. These positive movements were driven by a return to normal trading across our businesses, and by the benign macro-economic backdrop in our most important markets. This reflected growth in both online and offline revenue.

Net profit for the year declined slightly to AED 2,406 million.

[2] The Group's measure of segment performance, EBITDA (non-GAAP measure), is defined as earnings before interest, tax, non-controlling interests, depreciation, amortization, impairment and other exceptional items or charges or credits that are one-off in nature and significance. 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. All references to EBITDA refer to the adjusted EBITDA from a calculation of which is set out on page 54.

Consolidated Income Statement Analysis

The following are key financial highlights from Group's performance for FY 2022 and 2021 of the Group:

(AED in Millions)	2022	2021	Change
Revenue	36,319	32,291	4,028
Operating profit	1,519	1,830	(311)
Valuation gains on property portfolio	1,153	933	220
Net profit	2,406	2,461	(55)
EBITDA	4,066	3,906	160
EBITDA margin	11.2%	12.1%	-0.9%

Overall Group **revenue** grew by 12% to AED 36.3 billion, as all operating units registered growth in top line, with Properties registering 41% uptick in revenue owing to full year impact of revenue from Tilal Al Ghaf and strong performance of shopping mall and hotel assets in the UAE. Lifestyle and Entertainment also registered double digit growth by registering 38% and 23% growth, respectively, in revenue. Retail's revenue increased by 7%, a strong rebound after a decline in revenue in prior year. The current year's revenue growth in Retail was attributable to growth in both online and offline revenue.

Operating profit declined from AED 1.8 billion to AED 1.5 billion. This decline was caused by the devaluation of the Egyptian Pound, which had a negative impact on translation of foreign operations, including USD-denominated borrowings.

Valuation gain on land and buildings amounted to AED 1.5 billion (2021: AED 1.5 billion), of which AED 1.1 billion (2021: AED 0.9 billion) is recognized in profit and loss and a gain of AED 0.4 billion (2021: AED 0.5 billion) is recorded under revaluation reserve in other comprehensive income. The valuation gains were largely due to strong tenant sales across UAE assets and in Mall of Oman, combined with an improvement in occupancy levels and tenancy rates across the portfolio.

EBITDA increased by 4% to AED 4.1 billion vs AED 3.9 billion in 2021, albeit with a lower y-o-y margin. The lower EBITDA margin (11.2% vs 12.1%) was due to the increase in EBITDA contribution from property development (Communities) business, which has lower margin than shopping malls. Furthermore, Retail's EBITDA margin has been impacted due to rising costs and supply chain challenges.

The following table shows a reconciliation of Group's EBITDA to profit/(loss) as shown in the consolidated statement of profit or loss and other comprehensive income for the financial year ended 31 December 2022 and 2021, respectively:

(AED in Millions)	2022	2021	Change
Net profit Adjustments for:	**2,406**	**2,461**	**(55)**
Fair value changes	(1,153)	(933)	(220)
Finance costs - net	798	677	121
Depreciation and amortization	2,154	2,203	(49)
Income tax expense	191	171	20
Equity accounted income - net	(60)	(97)	37
Impairment loss on non-financial assets - net	118	177	(59)
Foreign exchange loss - net	391	17	374
Other non recurring items	40	(14)	54
EBITDA	**4,885**	**4,662**	**223**
Rent expense de-recognized on adoption of IFRS 16	(819)	(756)	(63)
Adjusted EBITDA	**4,066**	**3,906**	**160**

Analysis of Operating Companies

The following is a discussion of our reportable segments and corporate costs.

	Revenue			EBITDA			Net profit/(loss)		
(AED in Millions)	2022	2021	Change	2022	2021	Change	2022	2021	Change
Properties	6,197	4,406	1,791	3,011	2,603	408	3,126	2,848	278
Retail	28,017	26,299	1,718	1,242	1,447	(205)	540	775	(235)
Entertainment	1,663	1,352	311	126	75	51	(387)	(500)	113
Lifestyle	801	580	221	25	6	19	(67)	(57)	(10)
Global Solutions	-	-	-	(54)	(64)	10	(86)	(73)	(13)
Head-office/unallocated costs	109	5	104	(284)	(161)	(123)	(792)	(385)	(407)
Total segments	36,787	32,642	4,145	4,066	3,906	160	2,334	2,608	(274)
Adjustments/eliminations	(468)	(351)	(117)	-	-	-	72	(147)	219
Total	**36,319**	**32,291**	**4,028**	**4,066**	**3,906**	**160**	**2,406**	**2,461**	**(55)**

Majid Al Futtaim Properties ("Properties")
During the year, Properties revenue increased by 43% to AED 5.8 billion compared to AED 4.4 billion for the year ended 31 December 2021 whereas its EBITDA increased by 16% to AED 3,011 million compared to AED 2,603 million for prior year.

The gap between revenue and EBITDA growth is attributable to change in revenue mix and currency volatility in Egypt.

The strong increase in revenue is because of:

- Positive progress in the completion of the Tilal Al Ghaf development in Dubai.
- Full year impact of City Center Al Zahia in the emirate of Sharjah, UAE and Mall of Oman, which opened in March 2021 and September 2021, respectively; and
- Increase in rental income, primarily from UAE assets, due to strong growth in tenant sales and their impact on estimated rental values (ERVs).
- Strong performance from the Hotels business, particularly in first half of the year due to EXPO 2020.

Majid Al Futtaim Retail (“Retail”)
Retail’s revenue increased by 7% to AED 28 billion compared to AED 26.3 billion for the year ended 31 December 2021. The topline growth is primarily driven by the post-covid rebound in consumer confidence, an increase in travel and tourism across our markets, and new store openings.

Retail’s revenue includes AED 2.1 billion revenue from its online operations, an increase of 51% from AED 1.4 billion in 2021. The net operating cost of AED 445 million pertaining to Retail online operations is reported under another subsidiary of the Parent Company as part of its continuing investment in building digital capabilities.

Retail’s EBITDA declined by 14% to AED 1.2 billion, compared to AED 1.4 billion for prior year due to pressure on operating margins because of higher inflation and supply chain challenges, which are universal headwinds to the retail sector.

Majid Al Futtaim Entertainment (“Entertainment”)
Revenue increased by 23% to AED 1.7 billion from AED 1.4 billion as capacity restrictions across most geographies were lifted and popular films began to be released again. EBITDA registered 68% growth to AED 126 million vs AED 75 million in 2021.

Majid Al Futtaim Lifestyle (“Lifestyle”)
Lifestyle revenue increased by 38% to AED 801 million from AED 580 million in prior year, with EBITDA growing by 317% from AED 6 million to AED 25 million in 2022.

Majid Al Futtaim Global Solutions continued to scale up as a shared services hub for key support functions of Finance, Technology, Human Capital, and Procurement through its service delivery centers across Egypt, UAE, and India. The operating and unallocated cost of Global Solutions for FY 2022 amounted AED 86 million, up from AED 73 million in 2021, representing Group’s ongoing investment in technology and capability building for the service centre.

Analysis of Financial Position

(AED in Million)	2022	2021	Change
Total assets	66,102	60,588	5,514
Net debt	14,163	11,977	2,186
Total equity	30,795	29,050	1,745

Total assets increase of AED 5.5 billion was driven by valuation gains on Group’s property portfolio, translation gains gain on real estate assets in Lebanon, as management has reverted the translation of these assets (shopping mall, land and buildings) to the official USD/AED pegged exchange rate, transfer of land from the Parent Company and the continued development of infrastructure and units in Tilal Al Ghaf community.

Capital Expenditure

For the year ended 31 December 2022, gross capital spending amounted to AED 2.5 billion (2021: AED 2.5 billion). Capital expenditure from Properties amounted to AED 1.5 billion in 2022 and was mainly focused on development of snow park in Mall of Oman, planning and design work on the North Riyadh project and shopping malls operational and turn around capex.

Retail capital spending of AED 0.4 billion pertained to opening of 9 new hypermarkets and 43 new supermarkets across the region along with continued investment in fulfilment and last mile capabilities.

Capital spending on intangible assets across Global Solutions and Xsight Future Solutions amounting to AED 0.2 billion pertained to design and blueprint of One ERP project and development of analytics platforms, data lakes and digital infrastructure.

The Group has capital commitments amounting to AED 2.6 billion as of 31 December 2022, these mainly pertained to Tilal Al Ghaf community development in the Emirate of Dubai and North Riyadh Project in Riyadh, KSA.

Liquidity and Capital Resources

Our focus for 2022 has been on sustainable growth and strengthening the balance sheet to put in place a sustainable and resilient structure with prudent levels of debt. The Group’s net debt increased by AED 2.2 billion to AED 14.2 billion (2021: AED 12 billion) primarily due to cash utilised in working capital during FY2022 and due to an early pre-payment of a term loan facility of the Parent Company.

Liquidity is principally monitored through cash and cash equivalents and available borrowing capacity under the Group’s committed credit facilities. The outstanding balance under the Group’s credit facilities fluctuates as it is drawn to finance working capital requirements, capital expenditures or repaid with funds from operations and investing activities.

The Group intends to fund its operations, working capital and capital expenditure primarily from cash flow from operating activities and its existing credit facilities.

For 2022, operating activities generated AED 3.8 billion of cash, compared to AED 5.3 billion of cash in the same period for 2021. The decline in cash flow from working capital, despite an increase in EBITDA is due to drag from long-term working capital cycle.

(AED in Million)	2022	2021	Change
Operating activities	3,776	5,288	(1,512)
Investing activities	(2,398)	(2,382)	(16)
Financing activities	(1,060)	(5,215)	4,155

The net finance cost increased as no interest cost was eligible for capitalization during FY 2022, coupled with rise in interest rates and increase in overall net debt.

Cash used in investing activities for the year includes capital expenditure on Mall of Oman, North Riyadh project, expansion of online and offline platforms of Retail and routine capex incurred by all operating units of the Group.

(AED in Million)	2022	2021	Change
Committed credit facilities	14,260	13,436	824
Drawings on committed credit facilities	(5,755)	(2,860)	(2,895)
Undrawn committed facilities	8,505	10,576	(2,071)
Net finance costs	(798)	(677)	(121)

The amount drawn on Group's committed credit facilities increased to AED 5.8 billion on 31 December 2022, compared to AED 2.9 billion at 31 December 2021. The significant increase from prior year is due to liquidity locked up in long-term working capital cycle of Group's property development project, Tilal Al Ghaf. At year-end, a further AED 0.8 billion draw down was due to pre-payment of Parent Company's term loan facility.

In FY 2022, the Group structured an additional AED 4.6 billion (2021: AED 5.6 billion) committed credit facilities into sustainability linked loans, thereby linking these to Group's ESG KPIs.

As at 31 December 2022, the Group was in compliance with all financial and non-financial covenants as illustrated in the table.

Covenant	2022	2021
Net worth* must be greater than AED 15 billion	AED 29.6bn	AED 27.8bn
Net debt to equity* ratio must be 70% or less	48%	43%
Interest cover must be greater than 2:1	6.9:1	8:5:1
Percentage of assets pledged not to exceed 49%	0.0%	0.0%

* Net worth and Net Debt/Equity has been reduced by goodwill as per Group's debt covenants.

Total equity increased from AED 29.1 billion at 31 December 2021 to AED 30.8 billion. The increase was mainly driven by net profit for the year and valuation gains-net of deferred tax of AED 0.4 billion. These were partly offset by currency translation losses, dividend, and hybrid coupon payments. In June 2022, the Group issued USD 500 million hybrid notes under the Green Finance Framework to replace its hybrid notes issued in 2017, which were redeemed during the year.

KPMG Lower Gulf Limited
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Level 4, Office No: 04.01
Sheikh Zayed Road, P.O. Box 3800
Dubai, United Arab Emirates
Tel. +971 (4) 4030300, www.kpmg.com/ae

Independent auditors' report

To the Shareholders of Majid Al Futtaim Holding LLC

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Majid Al Futtaim Holding LLC ("the Company") and its subsidiaries ("the Group"), which comprise the consolidated statement of financial position as at 31 December 2022, 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 2022 and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with IFRS Standards as issued by the International Accounting Standards Board (IFRS Standards).

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

Valuation of property, plant and equipment and investment property	
Refer to note 17 to the consolidated financial statements	
The key audit matter	**How the matter was addressed in our audit**
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, heightened by the ongoing regional geopolitical events 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. 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. 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.	- 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 met with the external valuers of the property portfolio to discuss the results of their work. - 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 judgment and key assumptions.

Valuation of property, plant and equipment and investment property (continued)	
Refer to note 17 to the consolidated financial statements	
The key audit matter (continued)	**How the matter was addressed in our audit (continued)**
The key driver of the property valuations in relation to the shopping malls is the contracted terms of the leases in place at the valuation date. These determine the majority of the secured cash flow profile of the property for the contracted lease term and therefore form the base of the valuation. 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 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.

Supplier rebates and benefits	
Refer to notes 10 and 11 to the consolidated financial statements	
The key audit matter	**How the matter was addressed in our audit**
Within the scope of its retail activities, the Group receives rebates and benefits from its suppliers in the form of discounts and commercial cooperation fees. These rebates and benefits, generally based on a percentage defined contractually, and on purchases made from suppliers, are recorded as a deduction from cost of goods sold. Additionally, the Group also receives service income from certain suppliers towards promotional, marketing and other specific services including in-store displays which are recorded as revenue. The variety and number of the buying arrangements with suppliers on rebates and benefits can make it judgmental to determine the performance conditions associated with these supplier arrangements. This requires a detailed understanding of the contractual arrangements as well as complete and accurate source data to calculate the supplier rebates, benefits and service income due to the Group. There may also be incentives or pressures for management to manipulate the timing of recognition of these benefits, to meet internal targets. Considering the material impact of these arrangements on financial results, the large number of contracts concerned and the necessity for management to estimate the purchases covered by these rebates and benefits for each supplier, we considered accounting for rebates and benefits to be a key audit matter.	- We obtained an understanding of the internal controls implemented by the management on the measurement and the recognition of rebates and benefits, assessed their design and implementation and tested the operating effectiveness of the internal controls on a sample of supplier arrangements. - Our IT specialists tested the general IT control and access control environment of the merchandising and supplier benefits application employed by management, to verify the accuracy of the calculation, interface to the financial application and the restriction over access to configure or update supplier rebates and benefit terms in the IT application. - We performed tests on a sample basis to assess whether the accounting treatment of supplier rebates and benefits was appropriate, including verifying that amounts recognised were accurate and recorded in the correct accounting period based on the contractual performance terms mentioned in the related supplier agreements. - We performed revenue and gross margin analysis to understand trends by product category in order to identify, and test anomalies, if any, which may indicate potential errors in accounting for supplier rebates and benefits. - We tested, on a sample basis, supplier reconciliation statements and supplier balance confirmations / statements to verify that any significant reconciling items including supplier rebates and benefits are valid and are cleared in a timely manner.

Other Information

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

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

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

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS Standards and their preparation in compliance with the applicable provisions of the UAE Federal Decree Law No. 32 of 2021 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 auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment 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.

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

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

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

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

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

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

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

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, 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 Decree Law No. 32 of 2021 we report that for the year ended 31 December 2022:

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 Decree Law No. 32 of 2021;

iii) the Group has maintained proper books of account;

iv) the financial information included in the annual report is consistent with the books of account of the Group;

v) as disclosed in note 8.2 to the consolidated financial statements, the Group has purchased shares during the year ended 31 December 2022;

vi) note 27 to the consolidated financial statements discloses material related party transactions, and the terms under which they were conducted;

vii) based on the information that has been made available to us, nothing has come to our attention which causes us to believe that the Group has contravened during the financial year ended 31 December 2022 any of the applicable provisions of the UAE Federal Decree Law No. 32 of 2021 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 2022; and

viii) note 12.5 to the consolidated financial statements discloses the social contributions made during the year ended 31 December 2022.

KPMG Lower Gulf Limited

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

Date: 02 March 2023

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

(AED in millions)	Note	2022	2021
Revenue	10.3	36,319	32,291
Cost of sales	11.2	(24,412)	(22,012)
Operating expenses	12	(9,157)	(7,776)
Finance costs - net	13.2	(798)	(677)
Other (expense)/income - net	14	(433)	4
Impairment loss on non-financial assets - net	15.3	(118)	(177)
Impairment loss on financial assets - net	15.4	(17)	(51)
Share of profit in equity-accounted investees - net of tax	18.3 & 18.4	60	97
Profit before net valuation gains on land and buildings		1,444	1,699
Net valuation gain on land and buildings	17.5.1	1,153	933
Profit before tax		**2,597**	**2,632**
Income tax expense - net	16.2	(191)	(171)
Profit for the year		**2,406**	**2,461**
Profit for the year attributable to:			
- Owners of the Company		2,372	2,476
- Non-controlling interests	7.3	34	(15)
Profit for the year		**2,406**	**2,461**
Profit for the year		**2,406**	**2,461**
Other comprehensive income			
Items that will not be reclassified to profit or loss:			
Net valuation gain on land and buildings	17.4.2	391	526
Deferred tax on revaluation of land and buildings	16.4 & 16.5	(1)	(10)
Remeasurement gain on defined benefit plans - net	31.2.3	46	-
		436	**516**
Items that are or may be reclassified subsequently to profit or loss:			
Foreign operations - foreign currency translation differences	32.6	(269)	(167)
Net change in fair value of cash flow hedges	13.5	187	82
		(82)	**(85)**
Total other comprehensive income for the year		**354**	**431**
Total comprehensive income for the year		**2,760**	**2,892**
Total comprehensive income for the year attributable to:			
- Owners of the Company		2,728	2,960
- Non-controlling interests		32	(68)
Total comprehensive income for the year		**2,760**	**2,892**

The notes on pages 73 to 135 are an integral part of these consolidated financial statements.
The independent auditors' report is set out on pages 59 to 65.

Consolidated statement of financial position as at 31 December

(AED in millions)	Note	2022	2021
Non-current assets			
Property, plant and equipment	17.4	11,635	12,568
Investment property	17.5	34,688	32,572
Right-of-use assets	17.6	3,451	3,586
Equity-accounted investees	18.2	864	855
Intangible assets and goodwill	19.2	1,693	1,608
Deferred tax assets	16.4	140	150
Due from related parties	27.3	34	30
Other non-current assets	20	1,153	920
Total non-current assets		**53,658**	**52,289**
Current assets			
Development property	17.7	2,253	609
Inventories	21.2	2,924	2,469
Trade and other receivables	22	2,828	2,087
Short term receivable from related parties	27.1	27	43
Due from related parties	27.3	112	148
Restricted cash	23.2	2,572	1,342
Cash in hand and at bank	23.2	1,728	1,601
Total current assets		**12,444**	**8,299**
Total assets		**66,102**	**60,588**
Current liabilities			
Trade and other payables	24	9,458	8,874
Provisions	25.2	574	327
Other liabilities	26	3,717	3,014
Short term loan from a related party	27.2	66	18
Due to related parties	27.4	434	378
Bank overdraft	28	123	225
Current maturity of long term loans	29	58	55
Current maturity of lease liabilities	30.3	638	621
		15,068	13,512
Liabilities directly associated with assets held for sale		-	6
Total current liabilities		**15,068**	**13,518**
Non-current liabilities			
Long term loans	29	15,542	13,189
Lease liabilities	30.3	3,392	3,524
Deferred tax liabilities	16.5	276	352
Provisions	25.2	147	62
Post employment benefit obligations	31.2	778	779
Other liabilities	26	104	114
Total non-current liabilities		**20,239**	**18,020**
Total liabilities		**35,307**	**31,538**
Net assets		**30,795**	**29,050**

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

(AED in millions)	Note	2022	2021
Equity			
Share capital	32.2	2,671	2,671
Statutory reserve	32.4	3,198	2,984
Revaluation reserve		18,549	18,159
Retained earnings		5,430	4,174
Hedging reserve	32.5	137	(50)
Currency translation reserve	32.6	(2,866)	(2,599)
Total equity attributable to the owners of the Company		**27,119**	**25,339**
Hybrid equity instrument	33	3,283	3,292
Non-controlling interests	7.3	393	419
Total equity		**30,795**	**29,050**

The consolidated financial statements were approved by the General Assembly and signed on their behalf on 2 March 2023:

DocuSigned by:
770D476FB29C4C7...
Ahmed G Ismail

Majid Al Futtaim Holding LLC
Authorized Signatory

DocuSigned by:
E591558358F54F0...
Ziad Chalhoub

Majid Al Futtaim Holding LLC
Authorized Signatory

The notes on pages 73 to 135 are an integral part of these consolidated financial statements.
The independent auditors' report is set out on pages 59 to 65.

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Consolidated statement of cash flows for the year ended 31 December

(AED in millions)	Note	2022	2021
Cash flows from operating activities			
Profit for the year after tax		2,406	2,461
Adjustments for:			
Depreciation and amortization	12	2,154	2,203
Rent concessions received due to COVID-19	12.4	(16)	(51)
Finance costs - net	13.2	798	677
Impairment loss on non-financial assets - net	15.3	118	177
Impairment loss on financial assets - net	15.4	17	51
Net valuation gain on land and buildings	17.5.1	(1,153)	(933)
Share of profit in equity-accounted investees - net of tax	18.3 & 18.4	(60)	(97)
Foreign exchange loss - net	14	391	17
Changes to post employment benefit obligations	31.2	46	(34)
Other income	14	-	(54)
Income tax expense - net	16.2	191	171
		4,892	**4,588**
Changes to working capital			
Inventories		(455)	(201)
Development property		53	(49)
Trade and other receivables		(855)	265
Trade and other payables		1,513	1,912
Restricted cash		(1,230)	(1,059)
Due from/to related parties - net		(16)	(25)
		(990)	**843**
Tax paid		(126)	(143)
Net cash from operating activities		**3,776**	**5,288**
Cash flow from investing activities			
Acquisition of property, plant and equipment and investment property		(2,200)	(2,240)
Payments against intangible assets		(272)	(175)
Payment of deferred consideration for acquisition of a business	26.3	(34)	(35)
Lease premium paid		-	(25)
Payment of liability for acquisition of intangible asset		-	(23)
Investment in equity accounted investees		-	(3)
Cash received upon acquisition of subsidiaries		6	-
Cash received in common control transaction		4	-
Proceeds from divestment in a subsidiary	14	-	54
Proceeds from sale of property, plant and equipment and investment properties		15	4
Movement in fixed deposits - net		-	-
Dividend received from equity-accounted investees	18.3 & 18.4	33	38
Finance income received		50	23
Net cash used in investing activities		**(2,398)**	**(2,382)**

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

(AED in millions)	Note	2022	2021
Cash flow from financing activities			
Proceeds from term loans received from related parties	27.2	233	206
Repayment of term loan to related parties	27.2	(2,100)	(1,200)
Long term loans received	29	8,337	5,174
Long term loans repaid	29	(5,498)	(7,659)
Issuance of hybrid equity instrument - net		1,819	-
Repurchase of hybrid equity instrument - net		(1,841)	-
Payment against lease liabilities	30.3	(841)	(782)
Collateral paid against derivative instruments - net		(209)	(155)
Finance cost paid		(688)	(600)
Capital contribution in a subsidiary by a non-controlling interest	7.4	-	7
Consideration paid for acquisition of non-controlling interest	7.5	-	(11)
Repayment of shareholder contribution		(25)	-
Coupon paid on hybrid equity instrument	33	(214)	(195)
Dividend paid to non-controlling interest		(33)	-
Net cash flows used in financing activities		**(1,060)**	**(5,215)**
Net increase/(decrease) in cash and cash equivalents		**318**	**(2,309)**
Cash and cash equivalents at the beginning of the year*		1,376	3,699
Effect of movements in exchange rates on cash held		(89)	(14)
Cash and cash equivalents at the end of the year	23.6	1,605	1,376

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

The notes on pages 73 to 135 are an integral part of these consolidated financial statements.
The independent auditors' report is set out on pages 59 to 65.

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

(AED in millions)	Share capital	Statutory reserve	Revaluation reserve	Retained earnings	Hedging reserve	Currency translation reserve	Total equity	Hybrid equity instrument	Non-controlling interests	Total
	Attributable to the owners of the Company									
At 1 January 2021	2,671	2,984	17,643	2,705	(132)	(2,433)	23,438	3,292	449	27,179
Total comprehensive income for the year										
Net profit/(loss) for the year	-	-	-	2,476	-	-	2,476	-	(15)	2,461
Other comprehensive income										
Net valuation gain on land and buildings (note 17.4.2)	-	-	526	-	-	-	526	-	-	526
Deferred tax liability on revaluation of land and buildings (note 16.4 & 16.5)	-	-	(10)	-	-	-	(10)	-	-	(10)
Net change in fair value of cash flow hedges (note 13.5)	-	-	-	-	82	-	82	-	-	82
Currency translation differences in foreign operations (note 32.6)	-	-	-	-	-	(166)	(166)	-	(1)	(167)
Total comprehensive income for the year	-	-	516	2,476	82	(166)	2,908	-	(16)	2,892
Transactions with owners recorded directly in equity										
Contribution by and distributions to owners and other movement in equity										
Capital contribution by a non-controlling shareholder	-	-	-	-	-	-	-	-	7	7
Acquisition of non-controlling interest without a change in control	-	-	-	(5)	-	-	(5)	-	(6)	(11)
Dividend declared and settled / paid (note 32.3)	-	-	-	(675)	-	-	(675)	-	(18)	(693)
Reclassification	-	-	-	(3)	-	-	(3)	-	3	-
Acquisition of a subsidiary under common control transaction (note 8.3.3)	-	-	-	(129)	-	-	(129)	-	-	(129)
Total contribution by and distribution to owners	-	-	-	(812)	-	-	(812)	-	(14)	(826)
Hybrid prepetual note instruments										
Coupon paid on hybrid equity instrument (note 33)	-	-	-	(195)	-	-	(195)	-	-	(195)
	-	-	-	(195)	-	-	(195)	-	-	(195)
At 31 December 2021	2,671	2,984	18,159	4,174	(50)	(2,599)	25,339	3,292	419	29,050

The notes on pages 73 to 135 are an integral part of these consolidated financial statements.

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

(AED in millions)	Share capital	Statutory reserve	Revaluation reserve	Retained earnings	Hedging reserve	Currency translation reserve	Total equity	Hybrid equity instrument	Non-controlling interests	Total
	Attributable to the owners of the Company									
At 1 January 2022	**2,671**	**2,984**	**18,159**	**4,174**	**(50)**	**(2,599)**	**25,339**	**3,292**	**419**	**29,050**
Total comprehensive income for the year										
Net profit for the year	-	-	-	2,372	-	-	2,372	-	34	2,406
Other comprehensive income										
Net valuation gain on land and buildings (note 17.4.2)	-	-	391	-	-	-	391	-	-	391
Deferred tax liability on revaluation of land and buildings (note 16.4 & 16.5)	-	-	(1)	-	-	-	(1)	-	-	(1)
Remeasurement gain on defined benefit plans - net (note 31.2.3)	-	-	-	46	-	-	46	-	-	46
Net change in fair value of cash flow hedges (note 13.5)	-	-	-	-	187	-	187	-	-	187
Currency translation differences in foreign operations (note 32.6)	-	-	-	-	-	(267)	(267)	-	(2)	(269)
Total comprehensive income for the year	**-**	**-**	**390**	**2,418**	**187**	**(267)**	**2,728**	**-**	**32**	**2,760**
Transactions with owners recorded directly in equity										
Contribution by and distributions to owners an other movement in equity										
Dividend declared and settled / paid (note 32.3)	-	-	-	(625)	-	-	(625)	-	(33)	(658)
Repayment of shareholder contribution	-	-	-	-	-	-	-	-	(25)	(25)
Transfer to statutory reserve (note 32.4)	-	214	-	(214)	-	-	-	-	-	-
Acquisition of a subsidiary under common control transaction (note 8.3.2)	-	-	-	(96)	-	-	(96)	-	-	(96)
Total contribution by and distribution to owners	**-**	**214**	**-**	**(935)**	**-**	**-**	**(721)**	**-**	**(58)**	**(779)**
Hybrid prepetual note instruments										
Issuance of hybrid equity instrument (note 33)	-	-	-	-	-	-	-	1,819	-	1,819
Buy back of hybrid equity instrument (note 33)	-	-	-	(9)	-	-	(9)	(1,828)	-	(1,837)
Premium paid on buy back of hybrid equity instrument (note 33)	-	-	-	(4)	-	-	(4)	-	-	(4)
Coupon paid on hybrid equity instrument (note 33)	-	-	-	(214)	-	-	(214)	-	-	(214)
	-	-	-	(227)	-	-	(227)	(9)	-	(236)
At 31 December 2022	**2,671**	**3,198**	**18,549**	**5,430**	**137**	**(2,866)**	**27,119**	**3,283**	**393**	**30,795**

The notes on pages 73 to 135 are an integral part of these consolidated financial statements.

Notes to the consolidated financial statements

1. LEGAL STATUS AND PRINCIPAL ACTIVITES

Majid Al Futtaim Holding LLC ("the Company") is registered as a limited liability company in the Emirate of Dubai under the UAE Federal Law No. (32) of 2021 as applicable to commercial companies.

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

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

2. BASIS OF PREPARATION

These consolidated financial statements, which include the financial position and performance of the Company, it's subsidiaries, associates and joint ventures, have been prepared on a going concern basis in accordance with International Financial Reporting Standards ("IFRS(s)") and the requirements of the UAE Federal Law No. (32) of 2021, and the relevant laws applicable to the various entities comprising the Group. These are presented in United Arab Emirates Dirhams ("AED") (rounded to the nearest millions unless otherwise stated), which is the Company's functional currency.

On 20 September 2021, the UAE Federal Decree Law No. (32) of 2021 was issued and came into effect on 2 January 2022 which repealed the UAE Federal Law No. (2) of 2015. Companies have (1) one year from 2 January 2022 to comply with the provisions of the UAE Federal Decree Law No. (32) of 2021. The Company is in the process of amending its Articles of Association to be fully compliant with the UAE Federal Decree Law No. (32) of 2021. These amendments are substantively drafted and will be put before its general assembly for approval.

These consolidated financial statements have been prepared under the historical cost convention unless otherwise indicated.

The following assets and liabilities are measured at fair value:

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

These consolidated financial statements were authorized for issue by the General Assembly on 2 March 2023.

3. IMPACT OF GLOBAL EVENTS

3.1 COVID-19

In 2020, the World Health Organization ("WHO") announced a global health emergency because of coronavirus (the "COVID-19 Outbreak") and classified the outbreak as a pandemic.

Compared to 2020 wherein the pandemic had impacted adversely, in the current and prior year, there has been a significant improvement in operating results of the Group across key segments and geographies as the impact of pandemic started to ease in markets where the Group operates. Although the global economic situation with relation to COVID-19 remains fluid and will be determined by factors that continue to evolve, such as resurgence of variants, success of support measures introduced by governments and the effectiveness of public policies intended to contain the spread, the Group's management continues to evaluate the situation for any adverse impact.

3.2 INFLATION AND GLOBAL CENTRAL BANKS TIGHTENING PROGRAMS

The global economic outlook deteriorated throughout 2022 amid high inflation, monetary tightening from central banks and uncertainties from both conflict in Ukraine and the lingering pandemic. Central Banks across most economies responded by increasing interest rates, resulting in slowdown in growth. The rising government borrowing costs, slowdown in growth and large capital outflows have exacerbated fiscal and balance of payments pressures in a number of developing economies, including Egypt, Lebanon, Pakistan and Kenya, where the Group operates.

As a consequence, the Group's financial statements for the year have been impacted by currency movements across developing economies, in particular Egypt and Lebanon (refer to Note 32.6).

3.3 RUSSIA-UKRAINE CONFLICT

The current ongoing conflict between Russia-Ukraine has triggered global economic disruption and has, amongst other impacts, led to increased volatility in global financial markets and commodity prices due to disruption of supply chain which may affect a broad range of entities across different jurisdictions and industries.

As per management's assessment, the conflict does not have a material impact to the Group's consolidated financial statements as there is no direct exposure to/from the impacted countries and any associated sanctions.

The Group continues to monitor these developments and other geopolitical risks around fluctuations in commodity prices, foreign exchange rates, restrictions to imports and other supply chain challenges in order to mitigate any impact that may emerge over time.

4. USE OF JUDGEMENTS AND ESTIMATES

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

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

• Recognition of property sale revenue	Note 10.2
• Classification of properties	Note 17.2
• Valuation of properties and apportionment of fair values between land and buildings	Note 17.2
• Estimation or forecast of cost to complete	Note 17.2
• Net realizable values of development property and real estate inventory	Note 17.2
• Impairment of non-financial assets	Note 15.2 & 15.3.1
• Supplier balances and sourcing (rebates)	Note 11.1
• Impairment testing of goodwill	Note 19.4
• Determining lease term, payments & incremental borrowing rates in calculating lease liabilities	Note 30.2
• Measurement of defined benefit obligations	Note 31.1.1
• Foreign currency exchange rate for translation of foreign operations	Note 34.5.1

5. FAIR VALUE MEASUREMENT

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. The Group measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

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

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

Level 3: Inputs for the assets or liabilities 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.

6. SIGNIFICANT ACCOUNTING POLICIES

The Group has applied the accounting policies given below in these consolidated financial statements.

Accounting policy	Note reference	Page No.
Foreign currency	6.3.1	76
Offsetting	6.3.2	77
Assets classified as held for sale	6.3.3	77
Basis of consolidation	7.1	77
Business combinations	8.1	79
Operating segments	9.1	81
Revenue recognition	10.1	85
Finance costs and income	13.1	90
Impairment of equity-accounted investees	15.1.1	91
Impairment of non-financial assets	15.1.2	91
Impairment of financial assets	15.1.3	92
Tax	16.1	94
Property, plant and equipment	17.1.1	97
Capital work in progress	17.1.2	98
Investment property	17.1.3	98
Right-of-use assets	17.1.4	99
Development property	17.1.5	99
Investments	18.1	106
Intangible assets and goodwill	19.1	109
Inventories	21.1	111
Cash and cash equivalents	23.1	112
Provisions	25.1.1	113
Employee benefits (long term and short term)	25.1.2 & 25.1.3	114
Leases	30.1	119
Post employment benefit obligations	31.1	122
Share capital	32.1	123
Non-derivative financial assets	34.1.1	125
Non-derivative financial liabilities	34.1.2	127
Derivative financial instruments	34.1.3	127

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

6.1.1 Onerous Contracts - Cost of Fulfilling a Contract (Amendments to IAS 37)

The Group has adopted Onerous Contracts - Costs of Fulfilling a Contract (Amendments to IAS 37) from 1 January 2022. This resulted in a change in accounting policy from performing an onerous contracts assessment to include both incremental costs and an allocation of the other direct costs. Previously, only incremental costs to fulfil a contract were considered when determining whether that contract was onerous.
The amendments apply prospectively to contracts existing at the date when the amendments are first applied. The Group has analyzed all contracts at 1 January 2022 and determined that none of them would be identified as onerous applying the revised accounting policy.

In addition to the above, in the current year, the Group has applied a number of amendments to IFRSs that are mandatorily effective for an accounting period that begins on or after 1 January 2022:

- *Annual Improvements to IFRS Standards 2018-2020*
- *Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16)*
- *Reference to Conceptual Framework (Amendments to IFRS 3)*

These standards and amendments do not have a significant impact on the Group's consolidated financial statements as at 31 December 2022.

6.2 Other standards

A number of new standards are effective for annual periods beginning after 1 January 2023 and earlier adoption is permitted. However, the Group has not early adopted the new or amended standards in preparing these consolidated financial statements.
The following amended standards and interpretations are not expected to have a significant impact on the Group's consolidated financial statements.

	Effective date
• *Classification of Liabilities as Current or Non-current (Amendments to IAS 1)*	1 January 2023
• *IFRS 17 Insurance Contracts and amendments to IFRS 17 Insurance Contracts*	1 January 2023
• *Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2)*	1 January 2023
• *Definition of Accounting Estimates (Amendments to IAS 8)*	1 January 2023
• *Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12)*	1 January 2023

6.3 General accounting policies

6.3.1 Foreign currency

Foreign currency transactions

Transactions denominated in foreign currencies are translated into respective functional currencies of the Group's entities at the rates of exchange ruling at the date of transaction. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated into functional currency at the exchange rates ruling at that date. Foreign exchange differences arising on translation are recognized in profit or loss.
Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are translated to functional currency at the exchange rates ruling at the dates when the fair value was determined. Non-monetary assets and liabilities denominated in foreign currencies, which are measured in terms of historical cost, are translated into functional currency at the exchange rates ruling at the date of the transaction. Foreign exchange differences arising on the translation of non-monetary assets and liabilities carried at fair value are recognized in profit or loss.
Foreign exchange differences arising on the translation of non-monetary items in respect of which gains and losses are recognized directly in other comprehensive income are recognized directly in consolidated statement of other comprehensive income.

Foreign operations

The assets and liabilities of foreign operations are translated into the functional currency at foreign exchange rates at the reporting date. Share capital is translated at historical rate. The income and expenses of foreign operations are translated at average rates of exchange for the year. Foreign exchange differences arising on retranslation are recognized directly in other comprehensive income, and are presented in currency translation reserve in equity. However, if the operation is a non-wholly-owned subsidiary, then the relevant proportionate share of the translation difference is allocated to the non-controlling interest.
When a foreign operation is disposed-off partially or in its entirety such that control, significant influence or joint control is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal. When the Group disposes off only part of its interest in a subsidiary that includes a foreign operation while retaining control, the relevant proportion of the cumulative amount is reattributed to non-controlling interests. When the Group disposes only a part of its investment in an associate or joint venture that includes a foreign operation while retaining significant influence or joint control, the relevant proportion of the cumulative amount is reclassified to profit or loss.
When the settlement of a monetary item receivable from or payable to a foreign operation is neither planned nor likely in the foreseeable future, foreign exchange gains and losses arising from such a monetary item are considered to form part of a net investment in a foreign operation and are recognized in other comprehensive income, and presented in the currency translation reserve in equity.

In 2020, Lebanon became a hyperinflationary economy. Management performed a detailed assessment of the impact of applying IAS 29 Financial Reporting in Hyperinflationary Economies. Based on these assessments, the consolidated financial statements in 2021 and 2022, management determined that the impact of applying IAS 29 is not material to the Group (note 32.6).

6.3.2 Offsetting

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position when, and only when, the Group has a legally enforceable right to set off the recognized amounts and it intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.
Income and expenses are presented on a net basis only when permitted under IFRS, or of gains and losses arising from a group of similar transactions.

6.3.3 Assets classified as held for sale

Non-current assets or disposal groups comprising assets and liabilities that are expected to be recovered primarily through sale rather than through continuing use are classified as held for sale. Immediately before classification as held for sale, the assets or components of a disposal group are measured in accordance with the Group's accounting policies. Thereafter, the assets are measured at the lower of their carrying amount and fair value less costs to sell.
Impairment losses on initial classification as held for sale and subsequent gains and losses on re-measurement are recognized in profit or loss. Gains are not recognized in excess of any cumulative impairment loss previously recognized in profit or loss.
Once classified as held for sale, intangible assets and property, plant and equipment are no longer amortized or depreciated and any equity accounted investee is no longer equity accounted.

7. SUBSIDIARIES

7.1 Accounting policy

Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases.
Upon the loss of control, the Group derecognizes the assets and liabilities of the subsidiary, any non-controlling interests and the other components of equity related to the subsidiary. Any resulting gain or loss arising on the loss of control is recognized in profit or loss. If the Group retains any interest in the previous subsidiary, then such interest is re-measured at fair value on the date that control is lost. Subsequently it is accounted for as an equity-accounted investee or as an available-for-sale financial asset depending on the level of influence retained.
The accounting policies of subsidiaries have been changed, where necessary to align them with the policies adopted by the Group. Losses applicable to non-controlling interests in a subsidiary are allocated to non-controlling interests which may cause the non-controlling interests to have a deficit balance.

Transactions eliminated on consolidation

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

Non-controlling interests

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

Interests in other entities

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

7.2 Principal subsidiaries

The Group had the following principal subsidiaries at 31 December 2022:

			Effective ownership	
Name of subsidiary	Country of incorporation	Nature of business	2022	2021
Majid Al Futtaim Properties LLC*	United Arab Emirates	Operating and managing commercial projects including shopping malls, hotels, leisure and entertainment, residential and investing in joint ventures and associates	100%	100%
Majid Al Futtaim Retail LLC	United Arab Emirates	Establishment and management of hypermarkets and other retail format stores	100%	100%
Majid Al Futtaim Ventures LLC*	United Arab Emirates	Establishment and management of cinemas, leisure and entertainment and food and beverage	100%	100%
Majid Al Futtaim Lifestyle LLC* (previously known as Majid Al Futtaim Fashion LLC)	United Arab Emirates	Establishment and management of fashion retail and home furniture stores	100%	100%
MAF Global Securities Limited	Cayman Islands	Structured entity established for issuance of bonds	100%	100%
Majid Al Futtaim Rewards LLC	United Arab Emirates	Operating and managing of Group's loyalty program	100%	100%
Majid Al Futtaim Global Solutions LLC	United Arab Emirates	Operating and managing Group's shared services	100%	100%
Xsight Future Solutions LLC	United Arab Emirates	Operating and managing Group's technology initiatives	100%	-

* These subsidiaries have certain interest in entities which are consolidated by the Group and the portion of non-controlling interest in these entities for the year ended 31 December 2022 amounts to AED 393 million (2021: AED 419 million).

7.3 Non-controlling interests

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

(AED in millions)		Proportion of ownership and voting rights held by NCI		Profit/(loss) allocated to Non-controlling interest		Accumulated Non-controlling interest	
Name of subsidiary	Country	2022	2021	2022	2021	2022	2021
Fujairah City Centre Investment Company LLC	UAE	37.5%	37.5%	17	7	151	149
Aswaq Al Emarat Trading CJSC (note 7.4)	KSA	15.0%	15.0%	(6)	(7)	225	244
Oman Arab Cinemas Co. LLC (note 7.5)	Oman	-	20.0%	-	(6)	-	10
The Avenues Cinema Bahrain W.L.L	Bahrain	50.0%	50.0%	(6)	(13)	(11)	10
VOX Cinemas for Movie Screening LLC	Kuwait	50.0%	50.0%	15	(8)	18	28
Individually immaterial subsidiaries with NCI		Various	Various	14	12	10	(22)
				34	(15)	393	419

7.4 During the year, an additional contribution of Nil (2021: AED 7 million) has been made by the non-controlling interest.

7.5 During the prior year, the Group had acquired remaining 20% shareholding in Oman Arab Cinemas Co. for AED 11 million, thus increasing its ownership from 80% to 100%. The carrying amount of net assets of the investee in the Group's consolidated financial statement on the date of acquisition was AED 28 million.

8. BUSINESS COMBINATIONS

8.1 Accounting policy

All business combinations are accounted for by applying the acquisition method except for acquisition of entities under common control. The excess of cost of acquisition over the Group's interest in the fair value of the identifiable assets and liabilities at the date of acquisition is recorded as goodwill. Negative goodwill arising on acquisition is immediately 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 transfers of interests in entities that are under the control of the shareholder that controls the Group are accounted for as if the acquisition had occurred at the beginning of the earliest comparative year presented or, if later, at the date that common control was established.

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

8.2 WATERFRONT CITY S.A.L.

At 30 September 2022, the Group acquired the remaining 50% shareholding in Waterfront City SAL, an equity accounted joint venture, for a net consideration of AED 1 million, thus increasing its ownership from 50% to 100%. The carrying value, approximating the fair value, of Waterfront City SAL net assets at the date of acquisition amount to AED 2 million (note 18.4). Accordingly, these financial statements consolidates the results of Waterfront City SAL from the acquisition date until the reporting date.

Subsequent to the acquisition, in accordance with the prevailing market trend where the real estate transactions in Lebanon are predominantly valued in USD, the acquired investment property has been revalued prior to the year end and the gain from fair value and currency translation have been recognized accordingly (note 17.5).

8.3 COMMON CONTROL TRANSACTIONS

8.3.1 Tilal Al Ghaf Development LLC

At 31 December 2022, investment in Tilal Al Ghaf Development LLC is transferred from Tilal Al Ghaf LLC, a wholly owned subsidiary of the Parent Company, to the Group. Accordingly, these consolidated financial statements capture the results of Tilal Al Ghaf Development LLC. The following table summarizes the financial position of Tilal Al Ghaf Development LLC transferred on 31 December 2022:

(AED in millions)	31 December 2022 Unaudited
Assets	
Development property	912
Due from related parties	891
Cash and bank balances	1
Total assets	**1,804**
Liabilities	
Trade and other payables	2
Due to related parties	86
Total liabilities	**88**
Net assets	**1,716**

The Group did not apply IFRS 3 Business Combination as the acquisition is a common control transaction at book value defined under IFRS 3.

8.3.2 Xsight Future Solutions

During 2022, the operations of fintech, advanced analytics and Group wide loyalty program were brought under Xsight Future Solutions LLC (Xsight FS), a wholly owned subsidiary of Majid Al Futtaim Investments LLC (a wholly owned subsidiary of the Parent Company), with a view to integrate these as part of the Group's operations. Accordingly, the beneficial ownership of Xsight FS has been transferred to the Group and is reported under Head Office segment in these consolidated financial statements. The impact of this transfer is as follows:

- XSight FS, includes results of Beam Portal LLC ("Beam Portal"). The consolidated statements of changes in equity has been adjusted with AED 96 million, representing its net liability position, in accounting for the common control transaction.
- Xsight FS and its subsidiaries, contributed net loss of AED 103 million (EBITDA loss of AED 35 million) to these consolidated financial statements.

8.3.3 Majid Al Futtaim Tilal Al Ghaf Phase A LLC

From 1 January 2021, TAG Development LLC, a wholly owned subsidiary of the Parent Company, transferred its investment in TAG Phase A LLC for the beneficial ownership of the Group. During the year, the legal ownership of TAG Phase A LLC has been transferred to the Group from TAG Development LLC.
The Group did not apply IFRS 3 Business Combination in 2021 as the acquisition is a common control transaction at book value defined under IFRS 3.

9. OPERATING SEGMENTS

9.1 Accounting policy

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. The operating results of all operating segments are reviewed regularly by senior management and the Board of Directors to make decisions about resources to be allocated to the segments and assess their performance, and for which discrete financial information is available.
The Group has six segments, consistent with internal reporting and are considered the Group's strategic business units. The strategic business 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 include 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 supermarkets in accordance with the franchise agreement with Carrefour Partenariat International, a Carrefour SA affiliate.

Entertainment: Previously referred to as Leisure Entertainment and Cinemas. The principal activities include establishing, through subsidiaries, establishment and management of cinemas, family entertainment centers, leisure and entertainment activities and food and beverage.

Lifestyle: The principal activities include establishing, investing in and operating fashion, home furniture and retail stores through its subsidiaries.

Global Solutions (GS): The principal activities include providing finance, human capital, technology and procurement services across the Group.

Head Office: The principal activities include acting as the holding company of the Group's subsidiaries, arranging the Group's financing requirements and providing strategic guidance and certain support services to the subsidiaries. The results for 31 December 2022 and the balances include the results of Xsight Future Solutions in the following tables.

Effective 1 January 2021, the Ventures segment was dissolved, and its business vertical consolidated under two new operating segments, LEC and Lifestyle. Additionally, the Group's 51% investment in Enova Facilities Management Services LLC, an equity accounted investee, was transferred from Ventures to Properties as a common control transaction.

EBITDA (non-GAAP measure)

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

9.2 Segment reporting by business

The segment information provided to the stakeholders for reportable segments for the year ended 31 December 2022 and 31 December 2021 are as follows:

9.2.1 Disaggregation of revenue by business

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

(AED in millions)	Properties	Retail	Entertainment	Lifestyle	Others (i)	Total
31 December 2022						
Gross revenue	6,197	28,017	1,663	801	109	**36,787**
Eliminations of intercompany income	(379)	-	-	-	(89)	**(468)**
Revenue from external customers	**5,818**	**28,017**	**1,663**	**801**	**20**	**36,319**
External revenue from major service/product lines						
Sale of goods	-	25,442	-	801	-	**26,243**
Service income and commissions	-	2,431	-	-	-	**2,431**
Sale of property	1,819	-	-	-	-	**1,819**
Leisure and entertainment	224	-	1,654	-	-	**1,878**
Hospitality revenue	671	-	-	-	-	**671**
Others	35	101	-	-	7	**143**
	2,749	**27,974**	**1,654**	**801**	**7**	**33,185**
Rental income	3,069	43	-	-	-	**3,112**
Financial services revenue	-	-	9	-	13	**22**
	5,818	**28,017**	**1,663**	**801**	**20**	**36,319**
31 December 2021						
Gross revenue	4,406	26,299	1,352	580	5	**32,642**
Eliminations of intercompany income	(351)	-	-	-	-	**(351)**
Revenue from external customers	**4,055**	**26,299**	**1,352**	**580**	**5**	**32,291**
External revenue from major service/product lines						
Sale of goods	-	23,889	-	580	-	**24,469**
Service income and commissions	-	2,310	-	-	-	**2,310**
Sale of property	504	-	-	-	-	**504**
Leisure and entertainment	160	-	1,302	-	-	**1,462**
Hospitality revenue	453	-	-	-	-	**453**
Others	45	64	-	-	5	**114**
	1,162	**26,263**	**1,302**	**580**	**5**	**29,312**
Rental income	2,893	36	-	-	-	**2,929**
Financial services revenue	-	-	50	-	-	**50**
	4,055	**26,299**	**1,352**	**580**	**5**	**32,291**

(i) Others include revenue from Xsight FS with respect to recharges to other Group companies and other revenue from Group's loyalty program and pre-paid card operations.

9.2.2 Disaggregation of revenue from contracts with customers

(AED in millions)	Properties	Retail	Entertainment	Lifestyle	Others (i)	Total
31 December 2022						
Over period of time	1,819	2,431	-	-	7	**4,257**
At a point in time	930	25,543	1,654	801	-	**28,928**
	2,749	**27,974**	**1,654**	**801**	**7**	**33,185**
31 December 2021						
Over period of time	504	2,310	-	-	5	**2,819**
At a point in time	658	23,953	1,302	580	-	**26,493**
	1,162	**26,263**	**1,302**	**580**	**5**	**29,312**

9.2.3 Disaggregation of results from operations by business

(AED in millions)	Properties	Retail	Entertainment	Lifestyle	GS	Head office (iii)	Total
31 December 2022							
EBITDA	3,019	1,830	298	76	(54)	(284)	4,885
Eliminations and adjustments	(8)	(588)	(172)	(51)	-	-	(819)
Adjusted EBITDA	**3,011**	**1,242**	**126**	**25**	**(54)**	**(284)**	**4,066**
Depreciation and amortization expense	(324)	(1,092)	(537)	(131)	(11)	(91)	(2,186)
Eliminations and adjustments							32
							(2,154)
Valuation gain on land and buildings - net	1,202	4	-	-	-	-	1,206
Eliminations and adjustments							(53)
							1,153
Net finance (cost)/income	(431)	(198)	(159)	(37)	(7)	(459)	(1,291)
Eliminations and adjustments							493
							(798)
Net profit/(loss) after tax	3,126	540 (ii)	(387)	(67)	(86)	(792)	2,334
Eliminations and adjustments							72
							2,406

(i) Others include revenue from Xsight FS with respect to recharges to other Group companies and other revenue from Group's loyalty program and pre-paid card operations.

(ii) Net profit stated after recharges as set out in note 27.6.2

(iii) Includes operating results from Xsight FS.

(AED in millions)	Properties	Retail	Entertainment	Lifestyle	GS	Head office	Total
31 December 2021							
EBITDA	2,608	2,019	216	44	(64)	(161)	4,662
Eliminations and adjustments	(5)	(572)	(141)	(38)	-	-	(756)
Adjusted EBITDA	2,603	1,447	75	6	(64)	(161)	3,906
Depreciation and amortization expense	(366)	(1,139)	(545)	(103)	(9)	(58)	(2,220)
Eliminations and adjustments							17
							(2,203)
Valuation loss on land and buildings - net	1,039	1	-	-	-	-	1,040
Eliminations and adjustments							(107)
							933
Net finance (cost)/income	(370)	(216)	(155)	(32)	(1)	(165)	(939)
Adjustments							262
							(677)
Net profit/(loss) after tax	2,848	775	(500)	(57)	(73)	(385)	2,608
Eliminations and adjustments							(147)
							2,461

9.2.4 Disaggregation of capital expenditure by business

(AED in millions)	Properties	Retail	Entertainment	Lifestyle	GS	Head office	Total
31 December 2022							
Capital expenditure	(1,512)	(353)	(268)	(84)	(115)	(174)	(2,506)
31 December 2021							
Capital expenditure	(1,367)	(416)	(491)	(60)	(46)	(121)	(2,501)

9.2.5 Disaggregation of total assets by business

(AED in millions)	Properties	Retail	Entertainment	Lifestyle	GS	Head office	Total
31 December 2022							
Total assets	51,502	12,256	3,426	1,219	248	1,167	69,818
Eliminations and adjustments							(3,716)
							66,102
31 December 2021							
Total assets	46,399	12,605	3,829	817	110	821	64,581
Eliminations and adjustments							(3,993)
							60,588

9.3 Segment revenue and assets by geography

	Total revenue		Total assets	
(AED in millions)	2022	2021	2022	2021
UAE (country of domicile)	18,358	15,776	44,528	40,943
Saudi Arabia	3,368	3,106	4,846	4,414
Egypt	3,634	3,577	4,219	4,785
Qatar	2,534	2,263	897	907
Oman	1,501	1,449	4,437	3,606
Jordan	1,325	1,219	452	471
Bahrain	1,125	1,009	3,532	3,541
Kuwait	971	957	599	698
Pakistan	606	589	239	267
Georgia	1,009	668	290	208
Lebanon	201	170	1,399	116
Kenya	1,145	1,067	403	361
Iraq	286	305	76	80
Armenia	62	41	26	24
Uganda	146	63	133	117
Uzbekistan	48	32	26	50
	36,319	32,291	66,102	60,588

10. REVENUE

10.1 Accounting policy

Revenue from contracts with customers

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 transaction price to the performance obligations in a 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;
- 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.

For performance obligations where one of the above conditions are not met, revenue is recognized at the point in time at which performance obligation is satisfied.

When the Group satisfies a performance obligation by delivering the promised goods or services, it creates a contract asset based on the amount of consideration earned by the performance. Where the amount of consideration received from a customer exceeds the amount of revenue recognized this gives rise to a contract liability. Contract asset is currently presented as "Unbilled receivables" under trade and other receivables. Contract liabilities is currently presented as "Advances from customers" under trade and other payables.

Revenue is measured at the fair value of the consideration received or receivable, taking into consideration the contractually defined terms of payment and excluding taxes and duty. The Group assesses its revenue arrangements against specific criteria to determine if it is acting as principal or agent, The Group has concluded that it is acting as a principal in all of its revenue arrangements.

Revenue is recognized in the income statement to the extent that it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably.

Sale of goods

Revenue from the sale of goods is recognized when the Group sells a product to the customer. For goods sold in store, revenue is recognized at the point of sale. For online or wholesale sale of goods, revenue is recognized on collection by, or delivery to, the customer. Payment of the transaction price is due immediately when the customer purchases the goods and takes delivery in store.

Revenue from the sale of goods is measured at the fair value of the consideration received or receivable, net of returns and discounts. Revenue comprises amounts derived from the sale of goods falling within the ordinary activities of the Group and are recognized at the time of check-out sales when persuasive evidence exists that the control passes from the Group to the customer satisfying the performance obligation, and the amount of revenue can be measured reliably. Discounts are recognized as a reduction of revenue as the sales are recognized.

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

Sale of property

Revenue from property sales is recognized upon satisfaction of performance obligation by delivering the promised goods or services.

During the period of construction, the Group has no alternative use of the unit being created and where the local law permits has an enforceable right to force the collection in full over customers. Accordingly, in these circumstances the Group recognizes revenue over the period of construction based on percentage of completion. The percentage of completion is obtained from the commercial team.

Where the above criteria are not fulfilled, revenue is recognized at a point in time. In these cases, revenue is recognized when the control over the asset that is subject of the contract is transferred to the customer. In the case of contracts to sell real estate assets this is generally when the unit has been handed over to the customer.

Rebates and other supplier benefits

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

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

Listing and gondola fees

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

Opening fees

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

Commission

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

Loyalty programmes

The Group has customer loyalty programmes whereby customers are awarded credits known as “tickets/ loyalty points”. The fair value of the consideration received or receivable in respect of the initial sale is allocated between the reward credit and the other components of the sale. The amount allocated to the tickets/ loyalty points is considered to be the fair value for which they could be redeemed. Such amount is deferred and revenue is recognized only when the tickets/ loyalty points are redeemed and the Group has fulfilled its obligations to supply the products.
The amount of revenue recognized in those circumstances is based on the number of tickets/loyalty points that have been redeemed in exchange for products, relative to the total number of tickets/loyalty points that are expected to be redeemed. Deferred liability in respect of outstanding loyalty points is also released to profit or loss when it is no longer considered probable that the tickets/ loyalty points will be redeemed.

Rental income

Rental income, including fixed rental uplifts, from properties leased out under an operating lease is recognized in profit or loss on a straight-line basis over the term of the lease. Lease incentives being offered to lessees to enter into a lease, such as an initial rent-free period or a cash contribution to fit-out or similar costs, are an integral part of the net rental income and are therefore recognized on the same straight-line basis. Contingent rents, being lease payments that are not fixed at the inception of the lease, for example turnover rents, are recorded as income in the periods in which they are earned. Refer to note 30.1 for accounting policy on leases.

Services

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

Sale of alcohol

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

10.2 Critical accounting estimate and judgement

Revenue from contracts with customers is recognized in accordance with IFRS 15 which requires management to make the following judgements and estimations:

Satisfaction of performance obligations

The Group is required to assess each of its contracts with customers to determine whether performance obligations are satisfied over time or at a point in time in order to determine the appropriate method of recognizing revenue. The Group has assessed that based on the sale and purchase agreements entered into with customers and the provisions of relevant laws and regulations, where contracts are entered into to provide real estate assets customer, the Group creates an asset with no alternative use to the Group and has an enforceable right to payment for performance completed to date. In these circumstances, the Group recognizes revenue over time. Where this is not the case, revenue is recognized at a point in time.

Determination of transaction price

The Group is required to determine the transaction price in respect of each of its contracts with customers. In making such judgement the Group assess the impact of any variable consideration in the contract, due to discounts or penalties, the existence of any significant financing component in the contract and any non-cash consideration in the contract. In determining the impact of variable consideration, the Group uses the "most-likely amount" method in IFRS whereby the transaction price is determined by reference to the single most likely amount in a range of possible consideration amounts.

Transfer of control in contracts with customers

In cases where the Group determines that performance obligations are satisfied at a point in time, revenue is recognized when control over the assets that is the subject of the contract is transferred to the customer. In the case of contracts to sell real estate assets, this is generally when the unit has been handed over to the customer and when the consideration for the unit has been substantially received.

Allocation of transaction price to performance obligation in contracts with customers

The Group has elected to apply the input method in allocating the transaction price to performance obligations where revenue is recognized over time. The Group considers that the use of the input method which requires revenue recognition based on the Group's efforts to the satisfaction of the performance obligation which provides the best reference of revenue earned. In applying the input method, the Group estimates the cost to complete the projects in order to determine the amount of revenue to be recognized.

Cost to complete the projects

The Group estimates the cost to complete the projects in order to determine the cost attributable to revenue being recognized. These estimates include the cost of providing infrastructure, potential claims by contractors as evaluated by the project management business unit and the cost of meeting other contractual obligations to the customers.

10.3

(AED in millions)	2022	2021
Revenue from contract with customers	33,185	29,312
Other revenue		
- Rental income	3,112	2,929
- Financial services revenue	22	50
	36,319	**32,291**

10.3.1 Revenue from contract with customers includes revenue from Retail's online business amounting to AED 2,175 million (2021: AED 1,437 million). Investments made in Retail online business are supported by the Parent Company as set out in note 27.6.2.

10.3.2 Revenue from contract with customers include revenue from sale of properties of AED 1,819 million (2021: 504 million), net of AED 29 million (2021: 10 million) transfer fees to a government authority, which met the revenue recognition criteria.

10.3.3 Revenue from property sales during the year is net of AED 42 million discount against the transaction price for certain units sold with a significant financing component due to timing difference between the timing of cash receipt and revenue recognition.

10.3.4 Revenue recognized with respect to property development business also includes revenue from sale of property units to Group employees, including the key management personnel of AED 24 million (2021: AED 5 million). These sale transactions are carried out at an arms length basis.

11. COST OF SALES

11.1 Critical accounting estimate and judgement

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

11.2

(AED in millions)	2022	2021
Cost of goods sold		
Opening inventories (note 21.2)	(2,469)	(2,268)
Purchases	(26,695)	(24,667)
Closing inventories (note 21.2)	2,924	2,469
Supplier rebates and discounts	3,158	2,828
	(23,082)	**(21,638)**
Cost of revenue from property sales	(1,330)	(374)
	(24,412)	**(22,012)**

11.3 Cost of revenue from property sales and sales commission amounting to AED 1,330 million (2021: AED 374 million) and AED 84 million (2021: AED 25 million) (note 12), respectively, relates to Tilal Al Ghaf revenue recognized during the year.

12. OPERATING EXPENSES

(AED in millions)	2022	2021
Staff costs (note 12.1)	(3,888)	(3,269)
Depreciation and amortization (note 12.2)	(2,154)	(2,203)
Utilities	(536)	(483)
Advertising, selling and marketing expenses	(382)	(292)
Legal and consultancy expenses	(370)	(232)
Repair and maintenance	(347)	(297)
Franchise and management fees	(266)	(158)
Bank charges	(231)	(198)
Security expenses	(157)	(147)
Rent - short term leases and contingent rent (note 12.4 and 30.3.3)	(147)	(112)
House keeping and cleaning	(130)	(116)
Sales commission	(84)	(25)
Business travel expenses	(44)	(21)
Insurance charges	(44)	(40)
Other general and administrative expenses	(377)	(183)
	(9,157)	**(7,776)**

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

(AED in millions)	2022	2021
Gratuity cost	(153)	(102)
Pension cost	(30)	(24)
Staff cost capitalized	121	99

12.2 Depreciation and amortization includes following:

(AED in millions)	2022	2021
Property, plant and equipment (note 17.4)	(1,274)	(1,370)
Right-of-assets (note 17.6)	(672)	(646)
Intangible assets (note 19.2)	(163)	(166)
Prepaid lease premium (note 20.2)	(60)	(64)
Recharged out to related parties (note 27.6.2)	15	43
	(2,154)	(2,203)

12.3 The number of employees at 31 December 2022 was 46,174 (2021: 43,308).

12.4 Rent concessions amounting to AED 16 million (2021: AED 51 million) have been netted off against the rent expense for the year (note 30.3).

12.5 During the year, the Group paid AED 5 million (2021: AED 8 million) for various social contribution purposes.

13. FINANCE COSTS - NET

13.1 Accounting policy

Interest income and expense

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

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

Borrowing costs

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

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

13.2

	(AED in millions)	2022	2021
(i)	*Finance costs:*		
	Arrangement and participation fee	(60)	(55)
	Interest charges on bank loans (note 13.3)	(548)	(408)
	Interest expense on lease liabilities (note 30.3)	(210)	(226)
	Interest charges on related party balances	(5)	(8)
	Capitalized interest on development expenditure	-	84
		(823)	(613)
	Changes in the fair value/settlement of derivatives held as FVTPL	(3)	(11)
	Cash flow hedges reclassified from hedging reserve	(31)	(65)
	Discounting of long term receivable balances	-	(11)
	Bond programme cost	(8)	(4)
	Total finance costs	**(865)**	**(704)**

	(AED in millions)	2022	2021
(ii)	*Finance income:*		
	Interest income on bank balances	50	23
	Unwinding of discount on long term receivable balances	4	3
	Cash flow hedges reclassified from hedging reserve	13	1
	Total finance income	**67**	**27**
	Finance costs - net	**(798)**	**(677)**

13.3 Included within interest charges on bank loans is fair value loss of AED 299 million (2021: fair value loss of AED 102 million) in relation to derivatives used in fair value hedge relationship, with an offsetting fair value change of AED 299 million (30 June 2021: AED 120 million) for the underlying debt being hedged.

13.4 Capitalized interest arises on borrowings for development expenditure. During the year, there was no borrowing cost capitalized. In 2021, the capitalization rate range used to determine the amount of borrowing cost eligible for capitalization was 2.95% - 3.97% depending on the effective interest rate over the tenure of the borrowings for individual developments.

13.5 Net changes in fair value recognized directly in other comprehensive income:

(AED in millions)	2022	2021
Effective portion of changes in fair value of cash flow hedges	169	18
Cash flow hedges reclassified to profit or loss - net	18	64
	187	82

14. OTHER INCOME/EXPENSES - NET

(AED in millions)	2022	2021
Foreign exchange loss - net	(391)	(17)
Development expenses and project costs written-off	(31)	(35)
Gain on divestment in a subsidiary*	-	54
Loss on disposal of non-current assets	(12)	(6)
Other income - net	1	8
	(433)	4

* In prior year, AED 54 million gain was recognized from divestment in a subsidiary that was fully impaired in prior years.

15. IMPAIRMENT

15.1 Accounting policy

15.1.1 *Equity-accounted investees*

An impairment loss in respect of an equity-accounted investee is measured by comparing the recoverable amount of the investment with its carrying amount. An impairment loss is recognized in profit or loss, and is reversed if there has been a favorable change in the estimates used to determine the recoverable amount.

15.1.2 *Non-financial assets*

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

15.1.3 *Financial assets*

Financial instruments and contract assets

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

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

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

- No. of times 30 days past due or restructured >=1 in the past 12 months; or
- Categorized as "High Risk" for any two of the three risk parameters - industry risk classification, Payment ratio, PD pools.

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

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

12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).
When measuring ECL, the Group considers the maximum contractual period over which the Group is exposed to credit risk. All contractual terms are considered when determining the expected life, including prepayment options and extension and rollover options. For covered cards that do not have fixed maturity, the expected life is estimated based on the period over which the Group is exposed to credit risk and where the credit losses would not be mitigated by management actions.

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Group expects to receive). ECLs are discounted at the effective interest rate of the financial asset.
The Group measures loss allowances for its financial assets measured at amortized cost at an amount equal to lifetime ECLs. Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument.
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.

Credit-impaired financial assets

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

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

Presentation of allowance for ECL on the statement of financial position

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

Write-off

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

15.2 Critical accounting estimate and judgement for non-financial assets

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

15.3 IMPAIRMENT LOSS ON NON-FINANCIAL ASSETS - NET

(AED in millions)	2022	2021
Impairment of property, plant and equipment:		
- Furniture and fixtures (note 15.3.1)	(59)	(68)
- Capital work in progress (note 15.3.1)	(2)	(2)
Impairment of investment properties (note 15.3.3)	(17)	(122)
Impairment of right-of-use assets (note 15.3.1 and 17.6)	(3)	(42)
Impairment of intangible assets		
- Goodwill (note 19.2 and 15.3.1)	(11)	-
- Other intangible assets (note 19.2 and 15.3.2)	(76)	-
Impairment of equity accounted investees (note 18.3)	(1)	(4)
Reversal of impairment of equity accounted investees (note 18.4)	5	-
Reversal of impairment of property, plant and equipment (note 15.3.4)	46	61
	(118)	(177)

15.3.1 Impairment losses on assets (including right-of-use assets) pertaining to certain operating units (retail, entertainment and lifestyle) were recognized as the recoverable amount, which was estimated based on the value in use of the cash generating units, was lower than the carrying amount of the assets.

For Group's retail business the cash flow projections include specific estimates for five years at an average growth rate of 4.8% (2021: 5%) and a stable growth rate of 2.9% (2021: 3%) thereafter. The stable growth rate was determined based on management's estimate of the long-term standard inflation rate, consistent with the assumptions that a market participant would use. The Group used post-tax industry average Weighted Average Cost of Capital ('WACC') which reflects the country specific risk adjusted discount rate. Discount rates ranging from 8.5% to 43.5% (2021: 8.5% to 43.5%) have been determined and applied.

For entertainment operating unit pre-tax discount rates ranging from 9% to 22.5% (2021: 8.5% to 22.5%) and growth rates ranging from 3% to 38% (2021: 2% to 12%) were used. For lifestyle operating unit discount rates of 9.5% to 13.5% (2021: 9.5% to 13.5%) and growth rates from 2% to 12% (2021: 2% to 12%) were used.

15.3.2 Impairment loss relates to the carrying amount of intangible assets amounting to AED 19 million in Oman, recognized on acquisition of cinema in 2017, and AED 57 million on development of a mobile application. These are no longer considered to be recoverable, due to revised business plans.

15.3.3 During the year, a net impairment loss of AED 17 million (2021: AED 122 million) was recognized for the pre-development cost of a shopping mall and related infrastructure under development, as the carrying amount of the individual asset exceeded its recoverable amount. Management assessed that these impaired costs represented works carried out in prior years that were superseded or no longer relevant to the current development.
The recoverable amounts of the impaired investment property under construction as at the reporting date and the impairment loss recognized are set out below:

(AED in millions)	Asset 1 2022	Asset 1 2021
Recoverable amount	425	129
Impairment loss - net	(17)	(122)

15.3.4 AED 46 million (2021: AED 61 million) impairment was reversed due to improved performance and future projections of certain operating units.

15.4 IMPAIRMENT OF FINANCIAL ASSETS

(AED in millions)	2022	2021
Impairment loss on trade and other receivables (note 34.3)	(17)	(44)
Impairment loss on assets held for sale	-	(7)
	(17)	(51)

16. TAX

16.1 Accounting policy

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

Current tax

The Group calculates current income taxes according to the tax laws applicable to each subsidiary in the countries in which such subsidiary operates. In some cases, certain adjustments can only be determined after the balance sheet is issued. In cases in which the final tax outcome is different from the amounts that were initially recorded, such differences will impact the income tax in the period in which such determination is made.
Current tax for the current and prior periods is recognized as a liability to the extent that it has not yet been settled, and as an asset to the extent that the amounts already paid exceed the amount due. Current tax assets and liabilities are measured at the amount expected to be paid to (recovered from) taxation authorities, using the rates/laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax

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

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

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

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

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

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

16.2 INCOME TAX EXPENSE - NET

(AED in millions)	2022	2021
Current tax		
Current year	(159)	(98)
Adjustment for prior years	(16)	(7)
	(175)	**(105)**
Deferred tax		
Origination of temporary differences - net	(16)	(66)
	(16)	**(66)**
	(191)	**(171)**

The Group is subject to income tax in respect of its overseas operations. 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.

16.3 Reconciliation of effective tax rate

(AED in millions)		2022		2021
Profit after tax for the year		2,406		2,461
Income tax charge - net		(191)		(171)
Profit before tax for the year		**2,597**		**2,632**
Effect of tax rates in foreign jurisdictions	-6.1%	(159)	-3.7%	(98)
Deferred tax for temporary differences	-0.6%	(16)	-2.5%	(67)
Tax losses	0.0%	-	0.0%	1
Prior period adjustments	-0.6%	(16)	-0.3%	(7)
Total	**-7.3%**	**(191)**	**-6.5%**	**(171)**

16.4 DEFERRED TAX ASSETS

(AED in millions)	2022	2021
At 1 January	150	103
Credited in profit or loss	18	49
Credited to equity	-	2
Foreign currency translation difference from foreign operations	(28)	(4)
At 31 December	**140**	**150**

16.4.1 Deferred tax asset amounting to AED 69 million (2021: AED 59 million) is in respect of tax losses carried forward and temporary differences on depreciation of assets and provisions. Deferred tax asset amounting to AED 71 million (2021: AED 91 million) pertains to valuation losses on investment property.

During the year, the Group has unrecognized deferred tax assets of AED 207 million (2021: AED 318 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 these subsidiaries are not expected to generate sufficient taxable profits and valuation gains in the foreseeable future.

16.5 DEFERRED TAX LIABILITIES

(AED in millions)	2022	2021
At 1 January	352	226
Charged to profit or loss	34	115
Charged to equity	1	12
Foreign currency translation difference from foreign operations	(111)	(1)
At 31 December	**276**	**352**

16.5.1 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 (2021: 15% and 22.5%, respectively). The corresponding valuation gain or loss has been recognized in profit or loss and equity. Accordingly, the resulting net deferred tax expense/(credit) has been recognized in profit or loss and equity, respectively.

16.6 UAE Corporate Income Tax

On 9th December 2022, the UAE Ministry of Finance released the Federal Decree-Law No. 47 of 2022 on the Taxation of Corporations and Businesses (Corporate Tax Law or the Law) to enact a federal corporate tax regime in the UAE. The Corporate Tax regime will become effective for accounting periods beginning on or after 1 June 2023 (applicable for the Group from financial year ending 31 December 2024 onwards). Generally, UAE businesses will be subject to a 9% corporate tax rate, while a rate of 0% will apply to taxable income not exceeding a particular threshold specified in a Cabinet Decision (AED 375,000 based on decision released on 16th January 2023).

There are a number of other significant matters which are critical for entities to determine their status, and are yet to be finalized by way of Cabinet Decisions. Therefore, pending issuance of such important decisions by the Cabinet, the Group has determined that the Law was not practically operational as at 31 December 2022, and hence was not 'enacted' or 'substantively enacted' from the perspective of IAS 12 – Income Taxes. The Group will continue to monitor the timing of the issuance of these critical Cabinet Decisions to determine its tax status and the applicability of IAS 12 – Income Taxes.

The Group is currently in the process of assessing the possible impact on its financial statements, both from current and deferred tax perspective, once the Law becomes substantively enacted.

16.7 Global minimum tax

To address concerns around uneven profit distribution and tax contributions of large multinational corporations, various agreements have been reached at the global level, including an agreement by over 135 jurisdictions to introduce a global minimum tax rate of 15%. In December 2021, the Organization for Economic Co-operation and Development (OECD) released a draft legislative framework, followed by detailed and implementation guidance released in March 2022 and December 2022, respectively, that is expected to be used by individual jurisdictions, including the UAE, that signed the agreement to amend their local tax laws. Once changes to the tax laws in any jurisdiction in which the Group operates are enacted or substantively enacted, the Group may be subject to the top-up tax. At the date when these consolidated financial statements were authorized for issue, none of the jurisdictions in which the Group has operational presence had enacted or substantively enacted the tax legislation related to the top-up tax.

Management is closely monitoring the progress of the legislative process in each jurisdiction the Group operates in. At 31 December 2022, the Group did not have sufficient information to determine the potential quantitative impact.

17. TANGIBLE FIXED ASSETS

17.1 Accounting policy

17.1.1 Property, plant and equipment

Recognition and measurement

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

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

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

Subsequent cost

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

Depreciation

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

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

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

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

Revaluation reserve

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

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

De-recognition

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

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

17.1.2 Capital work in progress (CWIP)

Work in progress in respect of capital expenditure including land is classified as capital work in progress. Borrowing costs and other overheads directly attributable to the projects are included as costs until completion thereof. Where development work is carried out on land owned by the Group, the carrying value of the land is included under capital work in progress. Capital work in progress for properties that are being constructed with an intention of building an investment property is carried at fair value.

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

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

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

17.1.3 Investment property including properties under construction

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

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

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

Reclassification

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

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

De-recognition

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

17.1.4 Right-of-use assets

Recognition and measurement

The Group recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term, unless the lease transfers ownership of the underlying asset to the Group by the end of the lease term or the cost of the right-of-use asset reflects that the Group will exercise a purchase option. In that case the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property, plant and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

17.1.5 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 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.

Development property are classified as real estate inventory (within Development property) when the property is ready for handover and at cost which becomes its deemed cost for subsequent accounting. Subsequent to initial recognition, real estate inventories are valued at lower of cost and net realizable value. Costs are those expenses incurred in bringing each housing unit to its present location and condition. Costs which can be specifically allocated to a particular phase/area of the development are allocated to the property units constructed in that phase/area based on the GFA (Gross Floor Area) of each unit. Other common costs unrelated to a particular phase/area are recorded in a separate account as incurred and allocated to the revenue generating units. The Group allocates such costs on the basis of factors relevant to the units constructed.

17.2 Critical accounting estimates and judgement

Classification of properties

Investment property - accounting for dual-use properties

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

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

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

Valuation and apportionment fair values between land and buildings

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

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

Estimation or forecast of cost to complete (CTC)

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

Net realizable values of development property and real estate inventory

Properties in the process of construction or development for the purpose of sale on completion are classified as development property. In determining whether development property are measured at the lower of cost and net realizable value, the management makes judgements as to whether there is any observable data indicating that there is a reasonable measurable decrease in the estimated future selling price of the real estate properties. Accordingly, an impairment provision is made where there is a potential loss event or condition which, based on previous experience, is evidence of a reduction in the future selling price of the real estate properties. 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.

17.3 Measurement of fair values and valuation process

The fair value of the investment properties and land and buildings included within property, plant and equipment is determined twice a year at 31 December and 30 June by independent external valuer with sufficient current local and international knowledge of the respective property markets and member of the Royal Institution of Chartered Surveyors (RICS). The valuation has been prepared in accordance with the RICS Valuation Global Standards-2020 in conjunction with the International Valuations Standards and the RICS Professional Standards (the 'Red Book'). Internal valuations are carried out quarterly, based on the methods and assumptions used by the external valuer, to ensure that the carrying amount of a revalued asset does not differ materially from its fair value.

The key drivers of the property valuations in relation to the shopping malls are the discount rates applied and 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.

During the year, the overall valuation of the Group's shopping malls recorded a net fair value gain amounting to AED 1,264 million (2021: AED 1,362 million). The valuation gain for the year is primarily attributable to:

- Increase in tenant sales, resulting in an increase in estimated rental values, lease renewal expectations and net operating income.
- Egyptian assets fair value remained relatively flat as growth expectations have been tempered back in view of the macro-economic challenges.
- The valuation gain is partially offset by an increase in costs to complete by AED 380 million, in a shopping mall in the UAE, due to a planned refurbishment works for a Unique Leisure Offering (ULO) within the mall. The cost to complete captures management's best estimate of the cost of the planned refurbishment works and, hence, considered as a reduction in the fair value of the shopping mall.

For the hotel portfolio, the key drivers to the valuation are the discount rates applied and forecasted EBITDA generated from each asset's operations. During the year, overall valuation of the Group's hotel portfolio resulted in a net valuation gain of AED 116 million (2021: AED 270 million), which is a combination of net valuation loss assessed by independent external valuer and fully offset by valuation gain mainly arising from reinstatement of depreciated carrying value to the fair value. The valuation loss assessed by the independent external valuers is mainly driven by lower future growth projections and reduced 10 year CAGR.

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

Class of asset	Principle valuation	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 (DCF)	The fair value derived using DCF for Hotels is benchmarked against capital value per key and net initial yield.
Offices	Income capitalization approach	Fair value is derived by applying asset specific capitalization rate on the net operating income of the property benchmarked to market rates.
Lands	Comparable market transactions approach	Properties held for future development ('land bank') are valued using comparable methodology which involves analyzing 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.

17.3.1 Summary of valuation of Group's property portfolio, including capital work in progress is given below.

	Property, plant and equipment		Investment property	
(AED in millions)	2022	2021	2022	2021
Assets valued by independent external valuers	7,220	7,999	32,736	30,955
Assets valued internally	145	146	1,952	1,617
	7,365	8,145	34,688	32,572

The fair values are categorized as a Level 3 fair value based on the inputs to the valuation technique used. The independent external valuers adopted consistent valuations methodology consistent with the previous cycles.

For the year ended 31 December 2022, a net valuation gain of AED 1,544 million (2021: AED 1,459 million) has been recognized. This comprises a net valuation gain of AED 391 million (2021: AED 526 million) recognized in other comprehensive income and a net valuation gain of AED 1,153 million (2021: gain of AED 933 million) recognized in profit or loss.

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

Class of asset	Key unobser Key unobservable inputs	2022	2021
Shopping malls	Discount rates on income streams	7% to 25%	7% to 25%
	Compound annual growth rates of net operating income	2.16%	2.67%
Hotels	Discount rate	9.5% to 11.25%	9.75% to 11.25%
	Compound annual growth rates of EBITDA	5.45%	12.25%
Offices	Equivalent yield	8% to 9.25%	8% to 9.25%

The valuation of a shopping mall in Lebanon at present is particularly judgmental given the current geopolitical environment in the country. Management has adopted the valuation for this asset as determined by the external valuer, which is consistent with the Group's accounting policy and approach taken in the past. There is a possibility that if there is any further deterioration in the current economic condition, its carrying value may not be fully realized. A 30% decrease in the fair value would amount to a reduction of AED 93 million.

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

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

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

17.4 PROPERTY, PLANT AND EQUIPMENT

(AED in millions)	Land and buildings	Furniture fixtures and equipment	CWIP	Total
Cost/revaluation				
At 1 January 2021	**6,430**	**10,834**	**737**	**18,001**
Additions	258	137	909	**1,304**
Acquired under common control transaction	6	7	-	**13**
Disposals/write offs/adjustments	-	(106)	(10)	**(116)**
Transfer from investment properties-net (note 17.4.1 and 17.5)	1,227	68	-	**1,295**
Transfer to intangible assets (note 19.2)	-	-	(20)	**(20)**
Assets placed in service	-	991	(991)	**-**
Net gain on revaluation of properties (note 17.4.2)	535	-	-	**535**
Accumulated depreciation and impairment eliminated on revaluation	(435)	-	-	**(435)**
Effect of foreign exchange movements	(7)	(218)	95	**(130)**
At 31 December 2021	**8,014**	**11,713**	**720**	**20,447**

(AED in millions)	Land and buildings	Furniture fixtures and equipment	CWIP	Total
At 1 January 2022	**8,014**	**11,713**	**720**	**20,447**
Additions	63	310	709	**1,082**
Disposals/write offs/adjustments	-	(140)	-	**(140)**
Transfer to investment properties-net (note 17.4.1 and 17.5)	(805)	-	-	**(805)**
Transfer to intangible assets (note 19.2)	-	-	(60)	**(60)**
Transfer from development property	-	-	1	**1**
Assets placed in service	-	504	(504)	**-**
Net gain on revaluation of properties (note 17.4.2)	471	-	-	**471**
Accumulated depreciation and impairment eliminated on revaluation	(368)	-	-	**(368)**
Effect of foreign exchange movements	(141)	(409)	(17)	**(567)**
At 31 December 2022	**7,234**	**11,978**	**849**	**20,061**
Accumulated depreciation/impairment				
At 1 January 2021	**-**	**(7,089)**	**(27)**	**(7,116)**
Charged during the year	(435)	(935)	-	**(1,370)**
Acquired under common control transaction	-	(5)	-	**(5)**
Impairment loss (note 15.3)	-	(68)	(2)	**(70)**
Reversal of impairment (note 15.3)	-	61	-	**61**
Reclassification	-	-	-	**-**
Accumulated depreciation and impairment eliminated on revaluation	435	-	-	**435**
On disposals/write offs	-	96	10	**106**
Effect of foreign exchange movements	-	72	8	**80**
At 1 January 2022	**-**	**(7,868)**	**(11)**	**(7,879)**
Charged during the year	(368)	(906)	-	**(1,274)**
Impairment loss (note 15.3)	-	(59)	(2)	**(61)**
Reversal of impairment (note 15.3)	-	46	-	**46**
Accumulated depreciation and impairment eliminated on revaluation	368	-	-	**368**
On disposals/write offs	-	113	-	**113**
Effect of foreign exchange movements	-	261	-	**261**
At 31 December 2022	**-**	**(8,413)**	**(13)**	**(8,426)**
Carrying amounts				
At 31 December 2021	**8,014**	**3,845**	**709**	**12,568**
At 31 December 2022	**7,234**	**3,565**	**836**	**11,635**

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

- During the year, a shopping mall built on leasehold land in Oman became fully operational, based on a legal opinion on applicability of strata law on Group's properties built on leasehold land, the Group transferred AED 765 million from property, plant and equipment to investment property, being the non-owned portion.
- Net transfers amounted to AED 150 million (2021: 270 million) from investment property to property, plant and equipment on account of increase in proportion of properties held for own use by the Group.
- In previous year, the Group completed construction of a shopping mall amounting to AED 1,327 million in UAE and AED 756 million in Oman. AED 1,025 million, representing owned use portion of these shopping malls has been transferred to property, plant and equipment.

17.4.2 The details of revaluation gain on property, plant and equipment are as follows:

(AED in millions)	2022	2021
Gain recognized in revaluation reserve	391	526
Net gain recognized in profit or loss (note 17.5.1)	80	9
	471	535

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

	2022		2021	
(AED in millions)	Land	Buildings	Land	Buildings
Cost	938	7,780	911	10,323
Accumulated depreciation	-	(4,485)	-	(4,244)
Net carrying amount	938	3,295	911	6,079

17.4.4 Accrued lease income at the reporting date, relating to the accounting of operating lease rentals on a straight line basis as per IFRS 16, 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)	2022	2021
Fair value of land and buildings	7,122	7,665
Less: Adjustment for accrued operating lease income	(1)	(31)
Add: Lease liability	96	140
Add: Retention from contractor payments	3	89
Add: Project related trade payables and accruals	14	151
Net adjusted fair value	7,234	8,014

17.4.5 The carrying amount as at the reporting date includes, portion of an operational shopping mall in UAE amounting to AED 11 million (2021: AED 30 million) and operational shopping malls in Oman amounting to AED 146 million (2021: AED 860 million), which are constructed on leasehold lands (right-of-use assets). These leasehold 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 UAE and Oman, respectively. If the respective leases are not renewed the land and buildings will be transferred to the Governments of UAE and Oman respectively at the end of the lease term.

17.5 INVESTMENT PROPERTY

(AED in millions)	Land Undeveloped	Land and buildings	CWIP	Total
Cost/fair value				
At 1 January 2021	1,926	27,379	3,271	32,576
Additions	-	125	429	554
Net valuation (loss)/gain recognized in profit or loss (note 17.5.1)	(186)	1,110	-	924
Assets placed in service	-	2,083	(2,083)	-
Transfer to property, plant and equipment-net (note 17.4)	-	(1,295)	-	(1,295)
Impairment loss (note 15.3)	-	-	(122)	(122)
Effect of foreign exchange movements	(25)	(40)	-	(65)
At 1 January 2022	1,715	29,362	1,495	32,572
Additions	85	339	393	817
Acquired in business combination	10	3	-	13
Net valuation gain recognized in profit or loss (note 17.5.1)	252	870	(49)	1,073
Transfer to property, plant and equipment-net (note 17.4)	-	805	-	805
Transfer (to)/from development property-net (note 17.7)	(243)	-	3	(240)
Impairment loss (note 15.3)	-	-	(17)	(17)
Effect of foreign exchange movements	493	(888)	60	(335)
At 31 December 2022	2,312	30,491	1,885	34,688

17.5.1 The net valuation gain included in profit or loss is as follows:

(AED in millions)	2022	2021
Net gain taken on revaluation of property, plant and equipment (note 17.4.2)	80	9
Gain on valuation of investment properties	1,073	924
	1,153	933

17.5.2 Rental income derived from investment properties during the current year is AED 3,112 million (2021: AED 2,929 million). The direct operating expenses arising from investment property that generated rental income during the current year amounted to AED 1,208 million (2021: AED 1,019 million).

17.5.3 Accrued lease income at the reporting date, relating to the accounting of 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)	2022	2021
Fair value of land and buildings	30,654	29,620
Less: Adjustment for accrued operating lease income	(355)	(410)
Less: Advances to contractors	(2)	(1)
Add: Lease liability	36	-
Add: Retention from contractor payments	32	12
Add: Project related trade payables and accruals	126	141
Net adjusted fair value	30,491	29,362

17.5.4 Two plots of land in Oman, measuring 12 thousand sqm. with carrying amount of AED 13 million (2021: AED 13 million) are held by the estate of the late majority shareholder (deceased) of the Parent Company for the beneficial interest of the Group, before his passing in December 2021. The estate is currently under procedures of estate inventory, and the Group has not as of date received any cancellation of the beneficial benefit for the Group of these plots.

17.5.5 The carrying amount as at the reporting date includes portion of operational shopping malls in Oman amounting to AED 1,240 million (2021: nil), which are constructed on leasehold lands (right-of-use assets).

17.5.6 The Group's investment property includes plots of land that are currently held for undetermined future use amounting to AED 2,312 million (2021: AED 1,735 million).

17.6 RIGHT-OF-USE-ASSETS

Right-of-use assets related to leased assets that do not meet definition of investment property (note 17.5) or classification of property, plant and equipment carried at revalued amounts (note 17.4) are presented as a separate line item on statement of financial position. Movement in these is as follows:

(AED in millions)	2022	2021
Cost		
At 1 January	5,275	4,952
Additions during the year (note 30.3)	667	560
Derecognized on lease termination and modifications - net (note 30.3 and note 30.3.1)	(232)	(225)
Effect of foreign exchange movements	(89)	(12)
At 31 December	5,621	5,275
Accumulated depreciation/impairment		
At 1 January	(1,689)	(1,199)
Depreciation charge for the year (note 12.2)	(672)	(646)
On lease modification and termination (note 30.3 and note 30.3.1)	167	194
Impairment loss	(3)	(42)
Effect of foreign exchange movements	27	4
At 31 December	(2,170)	(1,689)
Carrying amount at 31 December	3,451	3,586

17.6.1 Details of the right-of-use assets included as part of property, plant and equipment and investment property are as follows:

- Two usufruct contracts with the Government of Sultanate of Oman for fifty years, which provides the Group usufruct rights over plots of land in Oman for a period of fifty years starting 2014 and 2017.
- Long term lease from Government of Dubai for a range of 8 to 25 years for different parts of land on which the Group has constructed a shopping mall.

17.7 DEVELOPMENT PROPERTY

(AED in millions)	2022	2021
At 1 January	**609**	**13**
Additions during the year	1,717	643
Acquired under common control transaction (note 8.3.1 and 8.3.3)	912	299
Transferred from investment property (note 17.7.3 and 17.5)	240	-
Transfer from a joint venture (note 17.7.4)	8	-
Transferred to property, plant and equipment	(1)	-
Transferred to cost of sales and inventory	(1,229)	(346)
Effect of foreign exchange movements	(3)	-
At 31 December	**2,253**	**609**

17.7.1 During the year, development property amounting to AED 912 million (2021: AED 299 million) (note 8.3.1 and 8.3.3) was acquired under common control transfers from the Parent Company.

17.7.2 In the prior year, the Group entered into an agreement with Tilal Al Ghaf Development LLC ('TAG Development'), a wholly owned subsidiary of the Parent Company, to develop and sell the project development over the land owned by TAG Development. The agreement entitles TAG Development to compensation equivalent to cost of land for which the control has been transferred to the Group based on agreed percentage of construction completion. During the year, the cost of land transferred to the Group amounted to AED 543 million (2021: AED 248 million) for phases which reached the required percentage of completion. On 31 December 2022, TAG Development, including the land, was acquired under common control transfer as a result of transfer of legal ownership of TAG Development and its subsidiaries to the Group (note 8.3.3).

17.7.3 During the year, land amounting to AED 240 million, previously held as investment property, has been transferred from investment property as plans for developing a community project were approved.

17.7.4 During the year, the Group's joint venture transferred parcels of land amounting to AED 8 million.

18. EQUITY-ACCOUNTED INVESTEES

18.1 Accounting policy

Interests in equity-accounted investees: Associates and Joint ventures

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

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

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

On acquisition of the investment in an associate or a joint venture, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognized as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognized immediately in profit or loss in the period in which the investment is acquired.
The financial statements of the Group's associates or joint ventures are prepared using consistent accounting policies. Wherever necessary, adjustments are made to bring accounting policies in line with those of the Group.

Interests in joint arrangements

The Group classifies its interest in joint arrangements as either joint ventures or joint operations depending on the Group's rights to the assets and obligations for the liabilities of the arrangements. When making this assessment, the Group considers the structure of the arrangements, the legal form, the contractual terms and other facts and circumstances. Joint arrangements are arrangements in which the Group has joint control, established by contracts requiring unanimous consent for decisions about the activities that significantly affect the arrangements' return.
When the Group has right to the assets and obligations for the liabilities, relating to an arrangement, it accounts for each of its assets, liabilities and transactions, including its share of those held or incurred jointly, in relation to the joint operation. The Group accounts for investment in joint operations using the proportionate consolidation method.

18.2

(AED in millions)	2022	2021
Investment in associates (note 18.3)	80	70
Investment in joint ventures (note 18.4)	784	785
	864	**855**

18.3 INVESTMENT IN ASSOCIATES

(AED in millions)	2022	2021
At 1 January	70	70
Additions during the year	-	3
Share of profit accounted through profit or loss	49	42
Dividend income received	(33)	(38)
Impairment charge (notes 15.3)	(1)	(4)
Foreign currency translation differences from foreign operations	(5)	(3)
At 31 December	**80**	**70**

18.3.1 Details of Group's material associates are as follows:

Name of associate	Country of incorporation	Nature of business	Effective ownership 2022	Effective ownership 2021
Enova Facilities	United Arab Emirates	Facilities management	51%	51%
Hollister Fashion LLC	United Arab Emirates	Fashion retailer	51%	51%

18.3.2 Summarized un-audited financial information in respect of the Group's interest in associates in UAE is set out as follows:

(AED in millions)	2022	2021
Total assets	835	551
Total liabilities	(631)	(369)
Net assets	**204**	**182**
Carrying amount of interest in investee at the year end	**80**	**70**
Revenue	1,037	816
Profit for the year	96	82
Share of profit for the year	**49**	**42**

18.4 INVESTMENT IN JOINT VENTURES

(AED in millions)	2022	2021
At 1 January	**785**	**789**
Additions during the year	-	-
Share of profit accounted through profit or loss (note 18.4.5)	11	55
Dividend income:		
- Declared and settled	(5)	-
- Declared but not received at the reporting date (note 18.4.2)	-	(38)
Impairment reversal	5	-
Acquisition of a subsidiary (note 18.4.1)	(2)	-
Foreign currency translation differences from foreign operations	(10)	(21)
At 31 December	**784**	**785**

18.4.1 During the year, a wholly owned subsidiary of the Group acquired the remaining 50% shareholding in Waterfront City SAL ('WFC'). This increased the Group's share ownership from 50% to 100%. On the date of acquisition, the carrying amount of the net assets of the investee reflected in the Group's consolidated financial statement amounted to AED 2 million (note 8.2).

18.4.2 In 2021, the Group reinstated the dividend receivable of AED 38 million from Al Mouj Muscat S.A.O.C. ("AMM") subsequent to confirmation of the joint venture compliance with its loan covenants in April 2021 and AMM management intention to settle the dividend over a period of three years. Accordingly, the receivable was discounted from AED 38 million to AED 27 million with a charge of AED 11 million recorded in the profit or loss. The carrying amounts adjusted for unamortized discount amounting to AED 34 million (31 December 2021: AED 30 million).

18.4.3 In 2021, the Board of Directors of a joint venture in UAE has resolved to amicably wind up the joint venture company and terminate the Musataha Agreement. The Group's share of loss from the joint venture exceeded the carrying amount of the investment and, accordingly, the Group has discontinued recognizing its aggregate share of loss amounting to AED 12 million (2021: AED 7 million) as the Group's interest in the joint venture was reduced to zero and remains fully provided for as at the reporting date and in the prior year. Liquidation proceedings for the joint venture company are in progress.

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

			Effective ownership	
Name of joint venture	Country of incorporation	Nature of business	2022	2021
Sharjah Holding Co. PJSC	United Arab Emirates	Property developer	50%	50%
Al Mouj Muscat S.A.O.C	Oman	Property developer	50%	50%
Waterfront City SARL (note 18.4.1)	Lebanon	Property developer	-	50%

18.4.5 Summarized unaudited financial information in respect of the Group's interest in joint ventures aggregated by

(AED in millions)	UAE	Oman	Total
31 December 2022			
Non-current assets	377	395	772
Current assets	1,404	2,411	3,815
Current liabilities	(866)	(1,425)	(2,291)
Non-current liabilities	(249)	(479)	(728)
Net assets	**666**	**902**	**1,568**
Carrying amount of interest in the investee at the year end*	**334**	**450**	**784**
Revenue	618	697	1,315
(Loss)/profit for the year	(59)	89	30
Share of (loss)/profit for the year	**(33)**	**44**	**11**

(AED in millions)	UAE	Oman	Others	Total
31 December 2021				
Non-current assets	423	387	45	**855**
Current assets	1,241	2,392	20	**3,653**
Current liabilities	(652)	(1,425)	(41)	**(2,118)**
Non-current liabilities	(276)	(540)	(2)	**(818)**
Net assets	**736**	**814**	**22**	**1,572**
Carrying amount of interest in the investee at the year end*	**365**	**407**	**13**	**785**
Revenue	537	447	10	**994**
Profit for the year	59	44	1	**104**
Share of profit for the year	**29**	**25**	**1**	**55**

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

19. INTANGIBLE ASSETS AND GOODWILL

19.1 Accounting policy

Goodwill

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

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

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

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

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

Other intangible assets

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

Cloud computing arrangements and applications

Cloud hosting arrangements are accounted for as intangible assets, provided the following conditions are met:

- The Group has the contractual right to take possession of the software at any time during the hosting period without significant penalty/payment, and
- It is feasible for the Group to either run the software on its own hardware or contract with a third party unrelated to the vendor to host the software.

Arrangements which do not meet the above criteria are accounted for as service contracts (charged to profit and loss over the period of service contract).

Arrangements that meet the above criteria are considered multiple-element arrangements to purchase both a software license and a service of hosting the software. These costs are allocated between the license and the hosting elements based on the relative fair value of each element.

Costs associated with the purchased license are accounted for under as intangible assets, if they meet the recognition criteria, whereas the hosting costs are expensed in the period in which they occur.

Amortization

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

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

19.2

(AED in millions)	Goodwill	Others	Total
Cost			
At 1 January 2021	**1,304**	**937**	**2,241**
Additions	-	297	**297**
Transfer from property plant and equipment (note 17.4)	-	20	**20**
Disposals/write-offs	-	(120)	**(120)**
Foreign currency translation differences from foreign operations	1	-	**1**
At 1 January 2022	**1,305**	**1,134**	**2,439**
Additions	-	272	**272**
Acquired pre-existing intangible under common control transaction (note 8.3.2)	21	13	**34**
Transfer from property plant and equipment (note 17.4)	-	60	**60**
Disposals/write-offs	-	(42)	**(42)**
Foreign currency translation differences from foreign operations	(1)	(2)	**(3)**
At 31 December 2022	**1,325**	**1,435**	**2,760**
Accumulated amortization/impairment			
At 1 January 2021	**(80)**	**(692)**	**(772)**
Charge for the year	-	(166)	**(166)**
On disposal/write-offs	-	107	**107**
At 1 January 2022	**(80)**	**(751)**	**(831)**
Charge for the year	-	(163)	**(163)**
Acquired pre-existing intangible under common control transaction (note 8.3.2)	(21)	(7)	**(28)**
Impairment loss (note 15.3)	(11)	(76)	**(87)**
On disposal/write-offs	-	42	**42**
At 31 December 2022	**(112)**	**(955)**	**(1,067)**
Carrying amounts			
At 31 December 2021	**1,225**	**383**	**1,608**
At 31 December 2022	**1,213**	**480**	**1,693**

19.3 In 2021, 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 10 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 1.89% per annum, and a corresponding deferred liability was recorded (notes 26.2).

19.4 Goodwill includes AED 1,020 million (2021: 1,021 million) goodwill recognized in respect of acquisition of a retail business in 2017. The goodwill is mainly attributable to the synergies expected to be achieved from integrating the acquired business into the Group's existing retail business, including know-how of operating small scale supermarket business models, relationship with key landlords/stakeholders and increasing market share. Goodwill has been allocated to the acquired businesses in each of the countries i.e. UAE, Bahrain and Kuwait and is tested annually for impairment.

The impairment test is based on the "value in use" calculation. These calculations use cash flow projections based on estimated operating results of the businesses acquired in each of the countries (identified as a CGU for the purpose of impairment testing of goodwill). Following are the key assumptions used for the projected cash flows involving significant judgements and any negative variation can result in a potential impairment.

- *Cash flow projections* – The cash flow projections included specific estimates for five years at an average growth rate 1.8% to 4.8% (2021: 2.1% to 4%) and a stable average growth rate of 2.0% to 3.6% (2021: 2.0% to 2.9%) thereafter. The stable growth rate was determined based on management's estimate of the long-term standard inflation rate, consistent with the assumptions that a market participant would make. Cash flow projections are done on the assumption of going concern.
- *Discount rates* – These represent the cost of capital adjusted for the respective country risk factors. The Group uses the post-tax industry average Weighted Average Cost of Capital which reflects the country specific risk adjusted discount rate. A discount rate of 10% to 12.5% (2021: 8.5% to 12.5%) has been determined and applied.

Based on the impairment test performed by management during the current year, the estimated recoverable amount (based on value in use calculations) of the CGU's exceeded its carrying amount.

The assumptions used for the projected cash flows require significant judgements and any unfavorable changes may result in a potential impairment.

Given the marginal headroom for the Kuwait and Bahrain CGU's, management has identified that a reasonably possible change in two key assumptions could cause the carrying amount to exceed the recoverable amount. For Bahrain a 0.55% (2021: 1.67%) and Kuwait a 1.03% (2021: 3.35%) change in the discount rates would result in the estimated recoverable amount to be equal to the carrying amount. Similarly, a change in the free cash flows for Bahrain by 0.97% (2021: 2.22%) and Kuwait by 2.63% (2021: 3.84%) would result in the estimated recoverable amount to be equal to the carrying amount.

The management is confident that actual results will meet the projections and that the assumptions in relation to the goodwill impairment test are reasonable. Accordingly, nil impairment loss with respect to Retail Arabia goodwill has been recorded against goodwill during the current year (2021: Nil).

20. OTHER NON-CURRENT ASSETS

(AED in millions)	2022	2021
Long term portion of:		
- Advances and deposits (note 22)	568	391
- Accrued income on operating leases (note 22)	274	352
- Unbilled receivables (note 20.1 and 22)	194	-
- Prepaid rentals (note 22)	6	6
Long term prepaid lease premium (note 20.2)	111	171
	1,153	920

20.1 Unbilled receivables pertain to revenue recognized from property sales but not billed as at the reporting date.

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

21. INVENTORIES

21.1 Accounting policy

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

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

21.2

(AED in millions)	2022	2021
Inventory (net of provisions)	3,008	2,589
Reduction in cost from incidence of rebates and discounts	(199)	(176)
Goods in transit	95	32
Spares and consumables	20	24
	2,924	2,469

Provision for stock obsolescence as at the year end amounted to AED 79 million (2021: AED 66 million). The Group estimates provision for stock obsolescence through a method based on ageing, rotation and profitability of an item. Provision rates have been determined specific to the nature of ageing of the items. Besides the above, specific provision is made on a case to case basis as deemed appropriate by the management.

22. TRADE AND OTHER RECEIVABLES

(AED in millions)	2022	2021
Trade receivables (note 34.3)	668	708
Advances and deposits	1,406	1,140
Prepayments	600	452
Unbilled receivables (note 20.1)	492	-
Accrued income on operating leases	356	440
Positive fair value of derivatives	149	130
Deposit against fair value movement of derivatives - interest bearing	177	-
Other receivables	132	86
	3,980	2,956
Provision for loss allowances (note 34.3)	(110)	(120)
	3,870	2,836
Less: long term portion (note 20)	(1,042)	(749)
Current portion	2,828	2,087

23. CASH IN HAND AND AT BANK

23.1 Accounting policy

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

23.2

(AED in millions)	2022	2021
Cash in hand	318	349
Cash at bank (note 34.3)	1,322	1,252
Fixed deposits (34.3)	88	-
	1,728	1,601
Restricted cash (note 23.5 and note 34.3)	2,572	1,342
	4,300	2,943

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

23.4 Fixed deposits are obtained at prevailing market interest rates.

23.5 Restricted cash represents proceeds received against sale of property by Tilal Al Ghaf Phase A LLC, which is held in escrow accounts in banks and restricted for use on development property expenditures. These deposits/balances are not under lien.

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

(AED in millions)	2022	2021
Cash in hand and at bank	4,300	2,943
Less: restricted cash	(2,572)	(1,342)
Less: bank overdraft	(123)	(225)
	1,605	**1,376**

24. TRADE AND OTHER PAYABLES

(AED in millions)	2022	2021
Trade payables	5,764	5,847
Accruals		
- Accrued expenses	2,319	1,968
- Project related accruals	380	374
- Accrued interest	102	91
Retentions payable	160	170
Tax payable	139	90
Negative fair value of derivatives	334	62
Deposits against fair value movement of derivatives - interest bearing	-	32
Other payables	260	240
	9,458	**8,874**

24.1 The Group has a supply chain finance programme (SCF) to support the cash flow of its supply base. Suppliers can access the programme and request early payment of invoices, a charge is incurred by the supplier based on the period of acceleration and the rate agreed between the paying agent and each supplier. All early payments are paid by the paying agent, and the Group settles the original invoice amount with the paying agent at maturity of the original invoice due date. The Group believes this programme offers a benefit to its suppliers, as it provides visibility and flexibility to manage their cash flow, and the rates offered can be preferential to their cost of funding. Balances outstanding under the SCF are classified as trade payables, since this arrangement is agreed between the supplier and the paying agent, and the Group does not provide additional credit enhancement. Any payments to a supplier by the paying agent are considered non-cash transactions.

25. PROVISIONS

25.1 Accounting policy

25.1.1 Provisions

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

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

25.1.2 Short term employee benefits

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

25.1.3 Long term employee benefits

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

25.2

(AED in millions)	2022	2021
Bonus provisions (note 25.3)	443	229
Other provisions (note 25.4)	278	160
	721	**389**
Non-current	147	62
Current	574	327
	721	**389**

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

(AED in millions)	2022	2021
At 1 January	229	133
Additions during the year - net	414	212
Payments made during the year	(197)	(116)
Foreign currency translation differences from foreign operations	(3)	-
At 31 December	**443**	**229**
Less: Current portion	(296)	(167)
Non-current portion	**147**	**62**

The provision for bonus includes AED 147 million (2021: AED 62 million) in respect of deferred bonus plan for the senior management staff of the Group.

25.4 Provisions movement during the year:

(AED in millions)	2022	2021
At 1 January	160	115
Acquired under common control transaction	-	37
Charge during the year	161	30
Payments/adjustments made during the year	(35)	(20)
Currency translation adjustments	(8)	(2)
At 31 December	**278**	**160**
Less: Current portion	(278)	(160)
Non-current portion	-	-

26. OTHER LIABILITIES

(AED in millions)	2022	2021
Advance receipts	1,224	1,204
Unearned income (note 26.1)	1,838	1,071
Unearned rental income	575	662
Deferred liability (note 26.2)	114	110
Deferred consideration (note 26.3)	30	59
Unredeemed points liability (note 26.4)	40	21
Other liabilities	-	1
	3,821	3,128
Non-current	104	114
Current	3,717	3,014
	3,821	3,128

26.1 Unearned income mainly comprises of payments received from customers for sale of properties from Tilal Al Ghaf Phase A LLC community projects. These revenues have not yet been recognized in the consolidated statement of profit or loss, in line with the revenue recognition policy of the Group. The aggregate amount of the sale price allocated to the performance obligations of the Group that are unsatisfied/partially unsatisfied as at 31 December 2022 is AED 8,453 million (2021: AED 5,915 million). The Group expects to recognize these unsatisfied performance obligations as revenue over a period up to 3 years.

26.2 Includes deferred liability with respect to metro naming rights of AED 95 million.

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

(AED in millions)	2022	2021
At 1 January	59	86
Interest accrued during the year	5	8
Payments made during the year	(34)	(35)
At 31 December	30	59
Less: Current portion	(30)	(34)
Non-current portion	-	25

26.4 The liability with respect to the unredeemed reward points for Group's loyalty program, "Share", amounted to AED 40 million (2021: AED 21 million) at year-end. Breakage on points liability amounted to AED 3 million (2021: AED 5 million).

27. 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.

27.1 SHORT TERM RECEIVABLES FROM RELATED PARTIES

(AED in millions)	2022	2021
Receivable from joint venture (note 27.1.1)	27	43

27.1.1 AED 27 million (2021: AED 43 million) from a joint venture in Egypt, and is payable on demand.

27.2 SHORT TERM LOAN FROM A RELATED PARTY

The loan is obtained from the Parent Company, against a loan facility of AED 1,100 million, renewable every year.

(AED in millions)	2022	2021
At 1 January	18	44
Borrowed during the year	233	206
Repaid during the year	(2,100)	(1,200)
Settlement of intercompany balance - net (note 27.2.1)	1,290	293
Adjusted for dividend settlement (note 32.3)	625	675
At 31 December	**66**	**18**

27.2.1 Represents settlement of intercompany balances between wholly owned subsidiaries of the Group and the Parent Company, including transfer of AED 1,716 million investment in Tilal Al Ghaf Development LLC (note 8.3.3) from the Parent Company to the Group.

27.3 DUE FROM RELATED PARTIES

(AED in millions)	2022	2021
Parent company	-	2
Subsidiaries of the Parent Company	2	11
Equity accounted investees	56	95
Others	100	86
	158	**194**
Provision for doubtful receivables	(8)	(8)
Unamortized discount on long term receivables	(4)	(8)
	146	**178**
Current	112	148
Non-current	34	30
	146	**178**

27.4 DUE TO RELATED PARTIES

(AED in millions)	2022	2021
Parent company	306	-
Subsidiaries of the Parent Company	59	334
Equity accounted investees	69	-
Others	-	44
	434	**378**

27.5 COMPENSATION TO KEY MANAGEMENT PERSONNEL

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

(AED in millions)	2022	2021
Directors' fees and expenses	18	16
Employee benefits (salaries and allowances including provision for bonus)	118	100
Post employment benefits (provision for end of service benefits)	6	3
	142	**119**

27.6 OTHER TRANSACTIONS WITH RELATED PARTIES DURING THE YEAR

27.6.1 During the year, the Parent Company has borne a proportion of costs, amounting to AED 6 million (2021: AED 10 million), incurred in respect of operations of the Leadership Institute.

27.6.2 During the year, certain projects and activities were undertaken on behalf of the Parent Company. Accordingly, costs amounting to AED 334 million (2021: AED 329 million) have been cross charged to the Parent Company and other subsidiaries of the Parent Company. These include investment in Retail online business (operating cost net of revenue - refer note 10.3.1) and also strategic initiatives and management time incurred on these activities.
Additionally, depreciation and amortization amounting to AED 15 million (2021: AED 43 million) pertaining to these assets have been cross charged.

28. BANK OVERDRAFT

In the ordinary course of business, companies within the Group use overdraft facilities from banks on market rate interest. The Group has bank overdraft facilities aggregating to AED 1,425 million (2021: AED 1,465 million). The facilities carry interest at 0.25% - 3.5% (2021: 0.25% - 3.5%) above the base lending equivalent and the drawn amounts are repayable on demand. At the reporting date, the carrying amount of bank overdraft amounted to AED 123 million (2021: AED 225 million).

29. LONG TERM LOANS

(AED in millions)	2022	2021
At 1 January	**13,244**	**15,958**
Borrowed during the year	8,337	5,174
Repaid during the year	(5,498)	(7,659)
Fair value movement	(460)	(221)
Net movement in unamortized arrangement and agency fee	(20)	(7)
Currency translation adjustment	(3)	(1)
At 31 December	**15,600**	**13,244**
Less: Current maturity of long term loans	(58)	(55)
Non-current portion	**15,542**	**13,189**

29.1 Details of term loans from banks are as follows:

(AED in millions)

Loan facility 'in millions	Repayment terms	Maturity	Note	2022	2021
USD 173	Quarterly starting from 10 Jun-21	10-Mar-29	29.1.1	546	601
Adjustments for unamortized fees on issuance				(2)	(3)
				544	**598**

The floating rate term loan carries margin of 1.35% (2021: 1.35%) per annum over the base lending rate.

29.1.1 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 was secured by assignment of lease proceeds and insurance contracts. During 2019, this loan facility was refinanced through a USD 200 million facility (reduced USD 173 million in 2021). Upon pre-payment of EGP 2,500 million facility, the assignment over lease proceeds and insurance contracts were released.

29.2 Details of drawn committed revolver facilities from banks are as follows:

(AED in millions)

Loan facility 'in millions	Base Lending Rate	Maturity	Note	2022	2021
USD 700	LIBOR	5-Jul-26	29.2.1	550	925
AED 3,054	EIBOR	5-Jul-26	29.2.1	1,084	367
USD 565	SOFR	27-Sep-27	29.2.1	551	350
AED 2,520	EIBOR	27-Sep-27	29.2.1	2,520	367
USD 665	SOFR	13-Jan-28		-	300
AED 1,229	EIBOR	13-Jan-28		1,050	551
USD 100	BHIBOR	30-Sep-24		-	-
				5,755	**2,860**
Adjustments for:					
Unamortized fees on issuance				(64)	(41)
				5,691	**2,819**

The Group has unsecured committed revolving facilities aggregating to AED 14,260 million (2021: AED 13,436 million). These floating rate facilities carry margins ranging from 1% to 1.38% (2021: 1% to 1.35%) per annum over the base lending rate.

29.2.1 The unsecured committed revolving facilities are structured into a sustainability linked loan (SLL), a financial instrument secured primarily on environmental, social and governance (ESG) related performance. The structure calls for ratcheting of the margin, between 1bps to 5 bps, if the Group is unable to meet its annual sustainability KPIs.

29.3 Details of fixed rate Debt Capital Market facilities are as follows:

(AED in millions)

Bonds and sukuks	Pricing	Maturity	Note	2022	2021
USD 500 million sukuk certificates	4.50% per annum, to be serviced every six months from returns generated from the Wakala portfolio	3-Nov-25	29.3.1	1,837	1,837
USD 600 million sukuk certificates	4.64% per annum, to be serviced every six months from returns generated from the Wakala portfolio	14-May-29	29.3.1	2,204	2,204
USD 600 million sukuk certificates	3.93% per annum, to be serviced every six months from returns generated from the Wakala portfolio	28-Feb-30	29.3.1	2,204	2,204
USD 100 million sukuk certificates	3.15% per annum, to be serviced every six months from returns generated from the Wakala portfolio	30-Nov-28	29.3.1	367	367
USD 800 million unsecured notes	4.75% per annum, payable every six months	7-May-24	29.3.2	2,938	2,938
				9,550	**9,550**
Adjustments for:					
Unamortized fees, discounts and premium on issuance				(4)	(5)
Fair value adjustment on borrowings hedged by interest rate swaps				(181)	282
				9,365	**9,827**

29.3.1 During 2019, the size of the Sukuk Trust Certificate Issuance Program ("Sukuk Program") was increased to USD 3,000 million. The size of the Sukuk Program had been increased from USD 1,000 million to USD 1,500 million in 2015 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). In May 2019 and October 2019, the Group issued additional long-ten year Sukuk certificates raising USD 1,200 million in tranches of USD 600 million each, to refinance existing eligible projects in accordance with the MAF Group's Green Finance Framework. These senior unsecured bonds issued in November 2015, May 2019 and October 2019 under this program are listed on the NASDAQ Dubai, UAE and on the Euronext Dublin. In November 2020, the Group issued unrated and unlisted eight year Sukuk certificates amounting to USD 100 million (AED 367 million) through a private placement under the Sukuk Program. The carrying value of these certificates issued in November 2020, as at 30 December 2022 and 31 December 2021 approximates its fair value.

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.

The profit on these fixed rate Sukuk certificates is serviced on a semi-annual basis 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 Euronext Dublin and on the NASDAQ Dubai, UAE. Of the total amount raised under the Sukuk Program, USD 750 million (31 December 2021: USD 750 million) is hedged by interest rate swaps and accordingly, carried at fair value.

29.3.2 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 ten year fixed rate unsecured bonds in May 2014 of USD 500 million and additional USD 300 million as part of May 2014 issue in July 2016. The bonds are listed on NASDAQ Dubai, UAE and Euronext Dublin. In addition the GMTN Program was originally listed on the London Stock Exchange in 2011. All subsequent updates have been listed on Euronext Dublin and on NASDAQ Dubai, UAE. Of the total amount raised under the GMTN Program, USD 250 million (31 December 2021: USD 250 million) is hedged by interest rate swaps and accordingly, carried at fair value.

30. LEASES

30.1 Accounting policy

A *As a lessee*

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 the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group uses the definition of a lease in IFRS 16.

This policy is applied to contracts entered into, on or after 1 January 2019.

At commencement 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 its relative stand-alone price. However, for the leases of property the Group has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

The Group recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term. In addition, the right-of-use asset is periodically reduced by impairment losses and adjusted for certain remeasurements of the lease liability, if any.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

The Group determines its incremental borrowing rate by obtaining interest rates from various external financing sources and makes certain adjustments to reflect the terms of the lease and type of the asset leased.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- lease payments in an optional renewal period if the Group is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Group is reasonably certain not to terminate early.

The lease liability is measured at amortized cost using effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, if the Group changes its assessment of whether it will exercise an extension or a termination option or if there is a revised in-substance fixed lease payment.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Group, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

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

When the lease liability is remeasured, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Group presents right-of-use assets as a separate line item in the statement of financial position except for right-of-use asset pertaining to properties, which are classified under land and building in 'Property, plant and equipment'. Right-of-use assets that meet the definition of investment property are presented within 'Investment property'. The Group presents lease liabilities separately in the statement of financial position.

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, including IT equipment. The Group recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

B *As a lessor*

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.

When the Group acts as a lessor, it determines at lease inception whether each lease is a finance 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.

When the Group is an intermediate lessor, it accounts for its interests in the head lease and the sub-lease separately. It assesses the lease classification of a sub-lease with reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset. If a head lease is a short-term lease to which the Group applies the exemption described above, then it classifies the sub-lease as an operating lease.

If an arrangement contains lease and non-lease components, then the Group applies IFRS 15 to allocate the consideration in the contract.

The Group applies the derecognition and impairment requirements in IFRS 9 to the net investment in lease. The Group further regularly reviews estimated unguaranteed residual values used in calculating the gross investment in the lease.

The Group recognizes lease payments received under operating leases as income on straight-line basis over the lease term as 'rental income' in revenue.

30.2 Critical accounting estimates and judgement

Lease term

In determining the lease term and assessing the length of the non-cancellable period of a lease, the Group applies the definition of a contract to determine the period for which the contract is enforceable. A lease is no longer enforceable when the Group (lessee) and the lessor, both, has the right to terminate the lease without permission from the other party with no more than an insignificant penalty.

In determining the lease term where the enforceability of the option solely rests with the Group, the management considers all facts and circumstances that create an economic incentive to exercise the option. Extension/renewal options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated). The following factors are most relevant:

- If there are significant penalties (contractual) to terminate (or not extend), the Group is typically reasonably certain to extend (or not terminate).
- If the lease improvements are expected to have a significant remaining value, the Group is typically reasonably certain to extend (or not terminate).
- Group also considers other factors including current market conditions, historical impairments on related CGUs, business plans etc.

Where the option on the lease term rests with both the Group (lessee) and the lessor, the Group considers that the option is not enforceable and that the term under the option is based on the consent of both parties and is not considered in the lease term since the Group cannot enforce the extension of the lease without the agreement of the lessor. In addition, economic incentives are also considered when evaluating the enforceability rights.

Variable lease payments

When discounting the minimum lease payments to calculate the lease liability, the Group assesses whether the rebates received from lessor under the "co-tenancy" clause are substantive (i.e. variable) or merely protective (i.e. in substance fixed payments). Where the rebate is substantive the Group considers the rebate when determining the minimum lease payments. If the rebate is assessed to be protective, the Group excludes the impact of rebate in calculation of lease liability.

Incremental borrowing rate

Generally, the Group uses its incremental borrowing rate as the discount rate. To determine the incremental borrowing rate, the Group uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk for relevant sector. Given that the Group's credit rating drives the credit spreads across all markets, individual country's rating does not impact the spread. Base rates are adjusted based on the currencies involved.

30.3 LEASE LIABILITIES

(AED in millions)	2022	2021
At 1 January	**4,145**	**4,236**
Additions (note 17.6)	667	560
Interest accrued (note 13.2 and 30.3.3)	210	226
Payments made against lease liabilities	(841)	(782)
COVID-19 related lease concessions (note 12.4)	(16)	(51)
Derecognized on lease termination and modification (note 30.3.1)	(65)	(31)
Currency translation adjustment	(70)	(13)
At 31 December	**4,030**	**4,145**
Less: current maturity of lease liabilities (note 30.3.2)	(638)	(621)
Non-current portion	**3,392**	**3,524**

30.3.1 During the year, the Group reassessed the lease term of its lease portfolio, including the probability of exercising early termination and renewal options. Based on this reassessment the Group derecognized lease liabilities amounting to AED 65 million (2021: AED 31 million) with a corresponding change in right-of-use assets (note 17.6).

30.3.2 Lease liabilities are as follows:

	Future minimum lease		Interest		Present value of	
(AED in millions)	2022	2021	2022	2021	2022	2021
Less than one year	834	819	196	198	638	621
Between one and five years	1,990	2,448	464	572	1,526	1,876
More than five years	2,507	2,275	641	627	1,866	1,648
	5,331	5,542	1,301	1,397	4,030	4,145

The Group has discounted lease liabilities using incremental borrowing rates ranging from 0.66% to 19.7% (2021: 0.56% to 19.7%).

30.3.3 The Group leases many assets, including properties, retail stores, staff accommodations, office buildings and warehouses. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants on the Group.

For the year ended 31 December 2022, the Group recognized interest expense on lease liabilities amounting to AED 210 million (2021: AED 226 million) (note 13.2) and depreciation of right-of-use asset amounting to AED 672 million (2021: AED 646 million) (note 17.6). Expenses relating to short-term leases and contingent rent expense - net of rent concessions received, excluded from measurement of lease liabilities, amounted to AED 147 million (2021: AED 112 million) (note 12).

Some lease contracts contain extension options exercisable by the Group before the end of the non-cancellable contract period. Where practicable, the Group seeks to include extension options in new leases to provide operational flexibility. The Group assesses at lease commencement date whether it is reasonably certain to exercise the extension options. The Group reassess whether this if there are significant changes in circumstances within its control.

30.4 LEASES AS A 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:

(AED in millions)	2022	2021
Less than one year	2,598	2,681
One to two years	1,878	1,925
Two to three years	1,210	1,258
Three to four years	699	693
Four to five years	377	383
More than five years	488	255
	7,250	7,195

31. POST EMPLOYMENT BENEFIT OBLIGATIONS

31.1 Accounting policy

31.1.1 Defined benefit plan

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

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

	2022	*2021*
Discount rate	2.50% - 4.23%	1.08% - 2.50%
Future salary increase	3.00% - 5.00%	3.00% - 5.00%

31.1.2 Defined contribution plan

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

31.2

(AED in millions)	2022	2021
Defined benefit plan	772	775
Defined contribution plan	6	4
	778	779

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

(AED in millions)	2022	2021
At 1 January	775	810
Charge during the year (note 31.2.3)	153	102
Payments made during the year	(155)	(136)
Currency translation adjustment	(1)	(1)
At 31 December	772	775

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

(AED in millions)	2022	2021
Total expense recognized in profit or loss during the year	30	24
Contributions payable at the end of the reporting year	6	4

31.2.3 The Group recognized net remeasurement gain on defined benefit plans amounting to AED 46 million (2021: nil) in other comprehensive income, arising primarily from change in actuarial assumptions pertaining to discount rates used in discounting the defined benefit plans. The Group uses market yields on government bonds, in absence of deep markets for high quality corporate bonds, in the geographies in which it operates.

32. SHARE CAPITAL AND RESERVES

32.1 Accounting policy

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

32.2 SHARE CAPITAL

(AED in millions)	2022	2021
Issued and fully paid 2,670,729 shares of AED 1,000 each	2,671	2,671

32.3 During the year, a dividend of AED 625 million (2021: AED 675 million) was declared and settled by the Company (note 27.2).

32.4 STATUTORY RESERVE

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

32.5 HEDGING RESERVE

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

32.6 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 and Egypt. During the year, the Group recorded net foreign currency translation loss of AED 269 million (2021: AED 167 million).

Egypt

To float the currency to a flexible exchange rate, the Central Bank of Egypt allowed the Egyptian Pound (EGP) to depreciate by 16% in March 2022 and then by another 21% in October 2022, thereby devaluing the currency by 37% during the year. The devaluation has resulted in translation losses amounting to AED 1,161 million in the currency translation reserve.

The Group's operations in Egypt contributed a net profit of AED 120 million to Group's consolidated results for the year. This includes AED 271 million foreign exchange loss on Group's USD denominated loan facility in Egypt. The net assets amounted to AED 2,158 million at year-end.

Subsequent to the year-end the EGP has devalued by another 7%, taking the cumulative devaluation from March 2022 to 44%. As a result of the devaluation in January, the Group's net assets in Egypt have declined by c. AED 151 million.

With further devaluations expected, the Group is managing the foreign currency risk associated with Egypt operations by adjusting its forecasts, investing excess cash in high yielding local T-bills, pre-paying external loan facilities, denominating inter-company borrowings as net-investments and partially hedging foreign currency risk through forward contracts.

Lebanon

Lebanon's political and economic crisis continued to deteriorate during the period with the market exchange rate diverging significantly away from the official and the secondary (referred to as the "Sayrafa" rate) exchange rates. The market exchange rate trades at a discount of approximately 96% to the official pegged rate and 10% to the Sayrafa rate suggesting that the peg on the official exchange rate is extremely stressed and is likely to break.

The Group reassessed the exchange rate to be applied for translating the value of its Lebanese operations for the year and estimated a further devaluation from LBP 6,806 against AED to LBP 11,544 at the reporting date. At the year-end, the Group translated its financial position at LBP 11,544 against AED, except for certain property assets, and the results from operations were translated at the average rate prevailing during the period.

The Group's operations in Lebanon contributed a net profit of AED 280 million to Group's consolidated results and the net assets amounted to AED 1,219 million at the year-end. Excluding the real estate assets, translated at USD to AED exchange rate, the net liabilities amounted to AED 115 million. A further devaluation of 25% in the exchange rate used would result in increase in net assets of Lebanon by AED 29 million as the net liabilities denominated in LBP would decline.

Translation of property assets

The Group has reverted the translation of property assets (shopping mall, land and buildings) in Lebanon to 3.673 (i.e. the official USD/AED) pegged exchange rate as the valuations carried out by external valuer are considered to be in USD and accordingly, the pegged USD rate is used to translate these assets in AED. Consequently, translation gain of AED 958 million has been recognized in currency translation reserve in respect of these assets.

At 31 December 2022, if these property assets are to be translated at the management estimated rate of LBP 11,544 against AED instead of AED 3.673 against USD, the total assets of the Group would decline by AED 1,290 million, with a corresponding charge on the equity in currency translation reserve.

Furthermore, the Lebanese economy was designated as hyperinflationary in 2020, 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 and accordingly IAS 29 is not applied.

33. HYBRID EQUITY INSTRUMENTS

(AED in millions)

Hybrid Perpetual Note	Amount	Interest rate	Call date	Reset terms	2022	2021
March 2017	USD 500 million	5.5% payable semi-annually in	07-Sep-22	5.5 years to first reset, thereafter 5 years and a new fixed rate plus the margin	-	1,828
March 2018	USD 400 million	6.375% payable semi-annually in	20-Mar-26	8 years to first reset, thereafter 5 years and a new fixed rate plus the margin	1,464	1,464
June 2022	USD 500 million	7.875% payable semi-annually in	30-Sep-27	5.25 years to first reset, thereafter 5 years and a new fixed rate plus the margin	1,819	-
					3,283	3,292

In June 2022, the Group issued USD 500 million Hybrid Perpetual Notes in June 2022 under the MAF Group's Green Finance Framework. These non-call 5.25 year Hybrid Perpetual Notes are issued as the replacement for the Hybrid Perpetual Notes issued in March 2017, with the first call date falling in September 2022.

During the year, the Company repurchased Notes issued in March 2017 with par value of USD 500 million in two different transactions. USD 420 million (AED 1,543 million) was repurchased for USD 421 million (AED 1,547 million) and USD 80 million at par in July 2022. USD 1 million (AED 4 million) premium paid on repurchase of these Notes has been recognized in the retained earnings. The associated transaction costs against the repurchased perpetual notes amounting to AED 9 million has been reclassified from hybrid equity instruments and charged to the retained earnings.

The Group may elect at its sole and absolute discretion not to pay interest on interest payment dates. Pursuant to the requirements of IAS 32 and the terms/conditions, these are classified as equity net of transaction costs of AED 18 million (31 December 2021: AED 14 million) and discount on issuance amounting to AED 5 million (31 December 2021: nil). These hybrid perpetual note instruments are listed on Euronext Dublin.

During the year, the Group paid coupon amounting to AED 214 million (2021: AED 195 million).

34. FINANCIAL INSTRUMENTS

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

34.1 Accounting policy

34.1.1 Non-derivative financial assets

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

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

A financial asset is measured at 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.

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

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

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

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

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

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

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

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

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

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

Financial assets 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.

Financial assets 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.

De-recognition

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

34.1.2 Non-derivative financial liabilities

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

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

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

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

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

34.1.3 Derivative financial instruments and hedge accounting

Classification

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

Initial and subsequent measurement

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

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

Gains and losses on subsequent measurement

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

Hedging instruments

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

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

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

Hedge documentation

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

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

Hedge effectiveness testing

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

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

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

Fair value hedges

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

Cash flow hedges

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

Discontinuance of hedge accounting

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

Hedges that do not qualify for hedge accounting

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

34.2 Financial risk management objectives and policies

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

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

34.3 Credit risk

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

The operating subsidiaries have a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. Majority of the Group's income is by way of cash and advance receipts and are supported by a deposit equivalent to three month's advance rental. Credit evaluations are performed on all customers requiring credit over a certain amount. The Group has a broad base of customers with no significant concentration of credit risk within trade receivables at 31 December 2022 and 31 December 2021. Cash is placed with a diversified portfolio of reputable banks and the risk of default is considered remote. Management has assessed the recoverability of its trade receivables as at the reporting date and considers them to be recoverable. Amounts due from related parties are considered by management to be recoverable. All non-current receivables are due within five years of the reporting date and the fair values of trade and other receivables approximate to the carrying value.

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

(AED in millions)	2022	2021
Long term loan, advances and receivables	568	391
Trade receivables (note 22)	668	708
Other current receivables	1,788	965
Due from related parties	139	191
Cash at bank	3,982	2,594
	7,145	4,849

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

(AED in millions)	2022	2021
Current balance	300	301
Past due 1 - 30 days	14	12
Past due 31 - 90 days	118	108
Past due 91 - 180 days	60	88
Past due over 180 days	176	199
	668	**708**
Less: provision for doubtful debts (note 22)	(110)	(120)
	558	**588**

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

(AED in millions)	2022	2021
Impairment loss on trade receivables (excluding credit card receivables)	(17)	(34)
Impairment loss on credit card receivables classified as held for sale	-	(10)
Impairment loss on other financial assets classified as held for sale	-	(7)
	(17)	(51)

Trade receivables

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

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

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.
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.

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

(AED in millions)	2022	2021
At 1 January	(120)	(214)
Impairment charge for the year	(17)	(34)
Amounts written off/reversals	27	128
	(110)	(120)

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.

Cash and deposits with banks and financial institutions

The Group's cash and deposit balances with banks and financial institutions amounted to AED 3,982 million at 31 December 2022 (2021: AED 2,954 million), including cash held in escrow of AED 2,572 million (2021: 1,342 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.

Impairment on other financial assets carried at amortized cost, have been assessed on 12-month expected loss basis and is considered to be immaterial.

34.4 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.

At 31 December 2022, the Group has net current liabilities of AED 2,624 million (2021: AED 5,219 million) which includes debt maturing in the short-term of AED 247 million (2021: AED 298 million) and current maturity of lease liabilities of AED 638 million (2021: AED 621 million). Further, at 31 December 2022 debt maturing in the long term is AED 15,542 million (2021: AED 13,189 million).
At 31 December 2022, the Group has undrawn committed facilities of AED 8,505 million (2021: AED 10,576 million) and cash in hand and at bank of AED 1,728 million (2021: AED 1,601 million) to cover its liquidity needs for at least the next 18 months. Additionally, cash held in escrow accounts amount to AED 2,572 million (2021: AED 1,342 million) to cover the development cost of associated projects.

The Group has a strong asset base of AED 66,102 million (2021: AED 60,588 million) and equity of AED 27,119 million (2021: AED 25,339 million) and manages liquidity to ensure that the Group is able to meet its obligations when they become due without incurring losses or risking damage to the Group's reputation. The Group's assessment of funding and liquidity shows sufficient liquidity for the foreseeable future through its cash and available committed lines.
The Group's liquidity cover and a BBB credit rating reiterates its credit strength, resilience of business model, quality of assets, strong corporate governance and prudent financial management.

(AED in millions)	Carrying amount	Contractual cash flows: Less than one year	Between one to two years	Between two to five years	More than five years
As at 31 December 2022					
Bank loans	15,600	381	3,274	4,072	9,336
Lease liabilities	4,030	834	498	1,493	2,507
Loans from related parties	66	67	-	-	-
Bank overdraft	123	373	-	-	-
Trade and other payables	9,887	9,620	122	116	-
Due to related parties	434	434	-	-	-
Derivative liability for risk management					
- Interest rate derivatives designated as cashflow hedge	2	25	2	4	1
- Derivative instruments accounted as FVTPL	332	12	111	125	68
	30,474	11,746	4,007	5,810	11,912
As at 31 December 2021					
Bank loans	13,244	543	573	8,840	5,605
Lease liabilities	4,145	819	612	1,836	2,274
Loan from related parties	18	18	-	-	-
Bank overdraft	225	554	-	-	-
Trade and other payables	9,279	9,072	43	79	36
Due to related parties	378	378	-	-	-
Derivative liability for risk management					
- Interest rate derivatives designated as cashflow hedge	50	29	12	8	-
- Derivative instruments accounted as FVTPL	12	4	4	4	4
	27,351	11,417	1,244	10,767	7,919

The outflows disclosed in the above table represent the contractual undiscounted cash flows relating to derivative financial liabilities held for risk management purposes which are not usually closed out before contractual maturity. The disclosure shows net cash flow amounts for derivatives that are net cash-settled.

The interest payments on variable interest rate loans in the table above reflect the market forward interest rates at the reporting date and these amounts may change as market interest rates change. The future cash flows and derivative instruments may be different from the amount in the above table as interest rates and exchange rates change. Except for these financial liabilities, it is not expected that the cash flows included in the maturity analysis could occur significantly earlier, or at significantly different amounts.

34.5 Market risk

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

Managing interest rate benchmark reform

A fundamental reform of major interest rate benchmarks is being undertaken globally, including the replacement of some interbank offered rates (IBORs) with alternative nearly risk-free rates (referred to as 'IBOR reform'). The Group has exposures to IBORs on its financial instruments that will be replaced or reformed as part of these market-wide initiatives. As at 31 December 2022, the Group's remaining IBOR exposure is indexed to US dollar LIBOR. The alternative reference rate for USD LIBOR is the Secured Overnight Financing Rate (SOFR). The Group is in the process of implementing appropriate fallback clauses for all the US dollar LIBOR indexed exposures, this clause automatically switches the instrument from US dollar LIBOR to SOFR as and when USD LIBOR ceases. As announced by the Financial Conduct Authority (FCA) in early 2022, the panel bank submissions for US dollar LIBOR will cease in mid-2023.

The Group monitors the progress of the transition from IBOR to SOFR by reviewing the total amount of contracts that have yet to transition to SOFR and the amount of such contracts with a fallback clause, the Group considers that a contract is not yet transitioned to an alternative benchmark rate when interest under the contract is indexed to a benchmark rate that is still subject to IBOR reform, even if it includes a fallback clause that deals with the cessation of the existing IBOR.

34.5.1 Foreign currency risk

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

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

Aside from the foreign currency risk arising from Group's operations in Egypt and Lebanon (note 32.6), a significant portion of the Group's foreign currency borrowings and balances are denominated in US Dollar (USD) and other currencies linked to US Dollar. As the Group's functional currency is currently pegged to USD any fluctuation in exchange rate is not likely to have a significant impact on Group's equity and profit or loss.

Net investment hedges

The Group hedges certain foreign currency exposures due to Group's net investment in foreign subsidiaries by borrowing in foreign currencies and derivative products including forward currency contracts. To assess hedge effectiveness, the Group determines the economic relationship between the hedging instrument and the hedged item by comparing changes in the carrying amount of the hedging instrument to a change in the exchange rate with changes in the investment in the foreign operations due to movement in the spot rate (the offset method). At 31 December 2022, the Group had foreign exchange forward contracts of AED 358 million (2021: AED 465 million).

34.5.2 Interest rate risk

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

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

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

(AED in millions)	2022	2021
Fixed rate instruments		
Financial liabilities	(13,395)	(13,972)
	(13,395)	**(13,972)**
Floating rate instruments		
Financial assets	326	130
Financial liabilities*	(6,635)	(3,754)
	(6,309)	**(3,624)**

* Floating rate financial liabilities include loans of AED 6,301 million (2021: AED 3,461 million) for which interest rate risk is hedged by way of interest rate derivatives.

Sensitivity analysis for variable rate instruments

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

	Increase / (decrease) basis	Effect on profit or loss increase / (decrease)		Effect on other comprehensive income	
		2022	2021	2022	2021
Floating rate instrument	+ 100	(61)	(37)	-	-
Interest rate swaps designated as cash flow hedges	+ 100	115	25	(115)	(25)
Interest rate swaps designated as FVTPL	+ 100	(137)	(189)	-	-
Cash flow sensitivity (net)		**(83)**	**(201)**	**(115)**	**(25)**

	Increase / (decrease) basis	Effect on profit or loss increase / (decrease)		Effect on other comprehensive income	
		2022	2021	2022	2021
Floating rate instrument	- 100	61	37	-	-
Interest rate swaps designated as cash flow hedges	- 100	(121)	(26)	121	26
Interest rate swaps designated as FVTPL	- 100	146	203	-	-
Cash flow sensitivity (net)		**86**	**214**	**121**	**26**

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

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

34.6 Capital management

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

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

(AED in millions)	2022	2021
Interest bearing loans and borrowings (excluding lease liabilities)	15,891	13,578
Less: cash and bank balances (note 23.2)	(1,728)	(1,601)
Net debt	**14,163**	**11,977**
Total equity (excluding goodwill)	**29,582**	**27,825**
Net debt to equity ratio	**48%**	**43%**

34.7 Fair value measurement of financial assets and liabilities

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

(AED in millions)	Carrying amount	Fair value Level 1	Level 2	Level 3
At 31 December 2022				
Financial assets				
Derivative instruments for risk management	149	-	149	-
Financial liabilities				
Derivative instruments for risk management	334	-	334	-
Sukuk and Note liabilities*	9,183	-	8,928	-
	9,517	**-**	**9,262**	**-**

(AED in millions)	Carrying amount	Fair value Level 1	Level 2	Level 3
At 31 December 2021				
Financial assets				
Derivative instruments for risk management	130	-	130	-
Financial liabilities				
Derivative instruments for risk management	62	-	62	-
Sukuk and Note liabilities	9,183	-	9,908	-
	9,245	-	**9,970**	-

* USD 100 million Sukuk certificates issued through a private placement in 2020 (note 29.3.1) under the Sukuk Program are not listed on any stock exchanges. Accordingly, the carrying amount of these certificates approximates the fair value.

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

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

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

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

The interest rates used to discount estimated cash flows, where applicable, are based on the spot rates derived from the interpolated per annum yield curve in respect of borrowings/derivatives which is 3.875% - 4.687% (2021: 0.16% - 0.91%) at the reporting date.

35. CONTINGENT LIABILITIES, GUARANTEES AND COMMITMENTS

(AED in millions)	2022	2021
Capital commitments	2,576	2,392
Group's share of capital commitments in relation to its equity accounted investees	320	279
Letter of credits outstanding	79	109
Bank guarantees outstanding	929	605

Capital commitments represent the probable value of contracts signed for the development and construction of assets as at 31 December 2022, net of costs incurred and advances made up to that date.

Included within letter of credits and bank guarantees are performance guarantees amounting to AED 870 million (2021: AED 573 million) in favour of government authorities in the UAE for a real estate development project.

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

35.2 In 2021, amendments to the executive regulations of White Land Tax (WLT) Law was approved by the Council of Ministers in KSA as a result of which land held for development projects may be subjected to WLT. Management believes that the tax liability, even if probable, is not reliably determinable at this stage due to uncertainty in the eligibility and application of the WLT. Accordingly, no provision has been recorded.

36. SUBSEQUENT EVENTS

There has been no significant events subsequent to the reporting date and up to the date of authorization on 2 March 2023, which would have a material effect on the consolidated financial statements.

37. COMPARATIVES

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

ماجد الفطيم
MAJID AL FUTTAIM