Emaar Malls PJSC and its subsidiaries

CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2019

Emaar Malls PJSC and its subsidiaries

Consolidated Financial Statements
For the year ended 31 December 2019

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DIRECTORS' REPORT

The Board of Directors of Emaar Malls PJSC (the "Company") and its Subsidiaries (together the "Group") has pleasure in submitting the consolidated statement of financial position of the Group as at 31 December 2019 and the related consolidated income statement, consolidated statement of other comprehensive income, consolidated statement of cash flows and consolidated statement of changes in equity for the year ended 31 December 2019.

Principal activities & business overview

The principal activities of the Group during the year ended 31 December 2019 were the development and management of shopping malls & retail centers and online general trading through its wholly owned subsidiary Namshi Holding Limited ("Namshi").

The Group is the leading owner and operator of shopping malls in Dubai, UAE. The Group's portfolio of properties comprises four shopping malls and 32 community centers and other retail properties, which together had a total Gross Leasable Area (GLA) of approximately 6.7 million sq. ft. as at 31 December 2019 and an average GLA occupancy rate of 92% during the year 2019.

The Group manages and operates business principally through five segments: Super-Regional Malls, Regional Malls, Community Retail, Specialty Retail and Online Retail. Online retail segment represents Namshi, a leading online fashion portal in GCC region.

Financial results

The Group has recorded a net profit attributable to the equity holders of the Company amounting to AED 2,286 million for the year ended 31 December 2019 (2018: AED 2,230 million).

In accordance with UAE Federal Commercial Company Law No. (2) of 2015 and Article number 57 of the Company's Article of Association, an appropriation of AED 229 million each is made to both legal reserve and statutory reserve from the distributable profit (note 20).

In view of the current circumstances, the Board of Directors of the Company has not recommended any dividend to the shareholders for the year 2019, which is subject to the approval of the shareholders at the forthcoming Annual General Meeting of the Company.

The balance of the distributable profit after considering appropriation to legal reserve, statutory reserve will be transferred to retained earnings. Total shareholders' fund as at 31 December 2019 amount to AED 18,361 million (2018: AED 17,261 million).

Outlook for 2020

Emaar Malls consistently explore opportunities to deliver an enhanced shopping experience by taking a customer-centric view of the entire consumer journey, which helps us achieve sustained growth. We expect to see this success continue through 2020, as we focus not only on current customer base but also welcoming inbound tourism driven by Expo 2020. Emaar Malls will keep strengthening its retail infrastructure and focus on its digitally-driven strategy to leverage the growing e-commerce market in the region.

DIRECTORS' REPORT (continued)

Transactions with related parties

The consolidated financial statements disclose related party transactions and balances in note 17. All transactions are carried out as part of our normal course of business and in compliance with applicable laws and regulations.

Directors

Mr. Mohamed Hadi Ahmed Al Hussaini	(Chairman)
Mr. Mohamed Ali Rashed Alabbar	(Director)
Mr. Ahmad Thani Rashed Al Matrooshi	(Director)
Mr. Abdullah Saeed Bin Majed Belyoahah	(Director)
Mr. Abdul Rahman Hareb Rashed Al Hareb	(Director)
Mr. Helal Saeed Al Marri	(Director)
Mr. Ali Ibrahim Mohamed Ismail	(Director)

Auditors

KPMG were appointed as external auditors of the Group for the year ended 31 December 2019. The Board of Directors has recommended KPMG as the auditors for 2020 for approval of shareholders at the forthcoming Annual General Meeting.

On behalf of the Board

Mr. Mohamed Hadi Ahmed Al Hussaini
Chairman
Dubai, United Arab Emirates

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

Independent Auditors' Report

To the Shareholders of Emaar Malls PJSC

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Emaar Malls PJSC ("the Company") and its subsidiaries ("the Group"), which comprise the consolidated statement of financial position as at 31 December 2019, the consolidated income statement, the statements of other comprehensive income, cash flows and changes in equity 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 2019, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

Basis for Opinion

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

Key Audit Matters

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

Key Audit Matters (continued)

(i) Revenue recognition for rental income from leased properties

As at 31 December 2019, the Group has recognized rental income from leased properties amounting to AED 3,645 million in the consolidated income statement (refer note 4).

Rental income from leased properties is recognised in accordance with the lease term on a straight line basis from the lease commencement date over the lease term, in addition, the lease agreements may include specific nonstandard arrangements related to (i) lease rent income computed based on lessee turnover; and (ii) tenant incentives. The Group is also highly depended on a complex IT system in the calculation and recognition of rental income considering the volume of lease agreements.

Considering the inherent risk around the existence and accuracy of revenue recognition, given the complex IT system used by the Group in recognizing rental income and the specific nonstandard arrangement in the lease agreement, if any, rental income from leased properties is a matter that warrants additional audit focus.

How our audit addressed the key audit matter

Our audit procedures included assessing the appropriateness of the revenue recognition accounting policies adopted by the Group and its compliance with International Financial Reporting Standards ("IFRS").

Obtaining an understanding of the revenue process, including the design and implementation of relevant manual and automated controls adopted by the Group in relation to rental income from leased properties.

Tested controls, assisted by our IT specialists, over the rental income recognition process to ensure existence and accuracy of the lease rental income recorded over the lease term and in accordance with IFRS 16 *Leases*.

Checked a sample of lease contracts entered with customers to assess whether the rental income was recognised as per the contract terms including non-standard lease clauses, if any, and in accordance with the International Financial Reporting Standards.

Assessed the adequacy of the Group's disclosure in relation to the requirements of IFRS 16 *Leases*.

(ii) Valuation of investment properties

As at 31 December 2019, the Group owns a portfolio of investment properties comprising shopping malls located in the United Arab Emirates. Investment properties represent the single largest category of assets on the consolidated statement of financial position with a carrying value of AED 22,214 million representing 92% of the Group's total assets (refer note 11).

Investment properties are measured at cost less accumulated depreciation and impairment if any; in addition, the Group discloses the fair value of investment properties in the notes to the consolidated financial statements.

Key Audit Matters (continued)

(ii) Valuation of investment properties (continued)

The Group engages professionally qualified external valuers to assess the fair value of its investment properties, the valuation process involves significant judgement in determining the appropriate valuation methodology to be used, and in estimating the underlying assumptions to be applied. The valuations are highly sensitive to key assumptions applied in deriving at the capitalisation, future growth rates, discount and terminal yield rates.

The existence of significant estimation uncertainty warrants specific audit focus in this area as any error in determining the fair value, could have a material impact on the carrying value of the Group's investment properties and the fair value disclosures in the Group's consolidated financial statements.

How our audit addressed the key audit matter

Assessed the Group's processes for the selection of the external valuers and the determination of the scope of work of the valuers.

Evaluated the qualifications and competence of the external valuers and read the terms of engagement of the valuers with the Group to determine whether there were any matters that might have affected their objectivity or limited the scope of their work.

Assisted by our valuation specialists, considered the valuation methodologies used in the valuation process and challenged the estimates of future rental income, operating costs, occupancy rate, discount and terminal yield rates used in the valuation by comparing them against historical rates and available industry data, taking into consideration comparability and market factors. Where the rates were outside the expected range, we undertook further procedures to understand the effect of additional factors and, when necessary, held further discussions with the valuers.

Tested the integrity of inputs of the projected cash flows used in the valuation to supporting leases and other documents.

Performed sensitivity analysis on a sample basis on the significant assumptions to evaluate the extent of the impact on the fair value and assessed the impact of changes in the key assumptions to the conclusions reached by management and whether there were any indicators of management bias.

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

(iii) Valuation of goodwill and intangible assets

As set out in note 12 of the consolidated financial statement. The Group carries goodwill and intangible assets mainly brands with indefinite useful live amounting to AED 365 million and AED 164 million respectively. Management performs an annual impairment test on the recoverability of the goodwill and brands as required by International Financial Reporting Standards.

The Group's assessment of impairment of goodwill and intangible assets involves considerable judgement which requires estimates concerning the forecast future cash flows associated with the goodwill and brand held, the discount rates and the growth rate of revenue and terminal growth rate in determining the value in use.

Key Audit Matters (continued)

(iii) Valuation of goodwill and intangible assets (continued)

How our audit addressed the key audit matter

Obtained the Group's value in use model for impairment assessment including key inputs to the model, budgeted revenue growth rate, budgeted gross margin, terminal growth rate and discount rate and challenged these key inputs by comparing the forecasts to historical revenue achieved, historical costs incurred and published industry reports.

Assessed the management's approach in the identification of Cash Generating Units ("CGUs"), the allocation of assets to each CGU and the methodology adopted by management in its impairment assessments of goodwill with reference to the requirements of the prevailing accounting standards.

Involved our valuation specialists in assessing the valuation methodology, including the terminal growth rate and the net present value calculation. Our valuation specialists were also involved to evaluate the appropriateness of the discount rate used by management based on the Group and its industry.

Performed sensitivity analysis for the budgeted revenue growth rate, budgeted gross margin, terminal growth rate and discount rate assumptions.

Assessed the adequacy and appropriateness of the disclosures made in the consolidated financial statements.

Other Matter

The consolidated financial statements of the Group as at and for the year ended December 31, 2018, were audited by another auditor who expressed an unmodified opinion on those consolidated financial statements on 20 March 2019.

Other Information

Management is responsible for the other information. The other information comprises the Directors' Report.

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

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

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

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

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

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an 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 judgement and maintain professional skepticism throughout the audit. We also:

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

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

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

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

- 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 and business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion

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

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

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

Report on Other Legal and Regulatory Requirements

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

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

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

iii) the Group has maintained proper books of account;

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

v) as the disclosed in note 1 to the consolidated financial statement, the Group has purchased shares during the year ended 31 December 2019;

vi) note 17 to the consolidated financial statements discloses material related party transactions and the terms under which they were conducted; and

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 2019 any of the applicable provisions of the UAE Federal Law No. (2) of 2015 or in respect of the Company, its Articles of Association, which would materially affect its activities or its consolidated financial position as at 31 December 2019.

KPMG Lower Gulf Limited

Emilio Pera
Registration No.: 1146
Dubai, United Arab Emirates

Date: 30 MAR 2020

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2019

	Notes	*2019* AED'000	2018 AED'000
		(US $1.00 = AED 3.673)	
Revenue	4	**4,673,002**	4,445,894
Cost of revenue	5	**(1,241,497)**	(1,081,570)
GROSS PROFIT		**3,431,505**	3,364,324
Sales and marketing expenses		**(289,455)**	(295,856)
General and administrative expenses		**(236,883)**	(226,343)
Depreciation and amortisation		**(443,029)**	(455,103)
OPERATING PROFIT FOR THE YEAR		**2,462,138**	2,387,022
Finance income		**3,439**	89,916
Finance costs	8	**(210,015)**	(324,426)
Gain on disposal of investment properties	6	**8,490**	-
Gain on disposal of assets held for sale	7	-	47,577
Gain on settlement of put option over non controlling interests	26	**15,689**	-
PROFIT FOR THE YEAR	9	**2,279,741**	2,200,089
ATTRIBUTABLE TO:			
Equity holders of the parent		**2,285,611**	2,229,943
Non-controlling interests		**(5,870)**	(29,854)
		2,279,741	2,200,089
Earnings per share (AED): Equity holders of the parent basic and diluted	22	**0.18**	0.17

The attached notes 1 to 30 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2019

	Notes	***2019 AED'000***	*2018 AED'000*
		(US $1.00 = AED 3.673)	
PROFIT FOR THE YEAR		**2,279,741**	2,200,089
Other comprehensive income:			
Other comprehensive income to be reclassified to the consolidated income statement:			
Movement on cash flow hedges	20	**-**	2,589
Reclassification of hedging reserve to consolidated income statement	20	**-**	(14,593)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**2,279,741**	2,188,085
ATTRIBUTABLE TO:			
Equity holders of the parent		**2,285,611**	2,217,939
Non-controlling interests		**(5,870)**	(29,854)
		2,279,741	2,188,085

The attached notes 1 to 30 form part of these consolidated financial statements.

Emaar Malls PJSC and its subsidiaries

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2019

	Notes	2019 AED'000	2018 AED'000
		(US $1.00 = AED 3.673)	
ASSETS			
Non-current assets			
Property, plant and equipment	10	**154,550**	161,053
Investment properties	11	**22,214,172**	22,228,694
Goodwill and intangible assets	12	**557,605**	569,249
Right-of-use assets	13	**9,012**	-
		22,935,339	22,958,996
Current assets			
Inventories	14	**229,281**	126,350
Trade and unbilled receivables	15	**498,515**	404,180
Advances, prepayments and other receivables	16	**232,072**	217,662
Due from related parties	17	**149,355**	158,768
Bank balances and cash	18	**195,202**	265,564
		1,304,425	1,172,524
TOTAL ASSETS		**24,239,764**	24,131,520
EQUITY AND LIABILITIES			
Equity			
Share capital	19	**13,014,300**	13,014,300
Reserves	20	**2,202,832**	1,277,052
Retained earnings		**3,143,781**	2,969,732
Equity attributable to equity holders of the Parent		**18,360,913**	17,261,084
Non-controlling interests		**-**	147,040
TOTAL EQUITY		**18,360,913**	17,408,124
Non-current liabilities			
Provision for employees' benefits	23	**23,377**	24,120
Interest bearing loans and borrowings	24	**780,014**	1,182,370
Sukuk	25	**2,743,873**	2,741,736
Put option over non-controlling interests	26	**-**	488,452
Retentions payable after 12 months		**16,817**	17,404
Lease liabilities payable after 12 months	13	**4,591**	-
		3,568,672	4,454,082
Current liabilities			
Due to related parties	17	**152,439**	118,440
Accounts payable and accruals	27	**950,057**	937,461
Advances and security deposits		**1,106,834**	1,002,035
Retentions payable within 12 months		**14,794**	13,375
Lease liabilities payable within 12 months	13	**5,638**	-
Deferred income		**80,417**	198,003
		2,310,179	2,269,314
TOTAL LIABILITIES		**5,878,851**	6,723,396
TOTAL EQUITY AND LIABILITIES		**24,239,764**	24,131,520

To the best of our knowledge, the consolidated financial statements fairly presents, in all material respects, the consolidated financial position, results of operations and consolidated cash flows of the Group as of, and for, the year ended 31 December 2019. The consolidated financial statements were authorised for issue by Board of Directors and signed on their behalf by:

Chairman

Director

The attached notes 1 to 30 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2019

		(US $1.00 = AED 3.673)	
	Notes	***2019 AED'000***	*2018 AED'000*
OPERATING ACTIVITIES			
Profit for the year		**2,279,741**	2,200,089
Adjustments for:			
Depreciation of property, plant and equipment	10	**24,466**	32,912
Depreciation of investment properties	11	**396,506**	410,547
Amortisation of intangible assets with definite useful life	12	**11,644**	11,644
Depreciation of right-of-use assets	13	**10,413**	-
Provision for slow moving inventories	14	**6,737**	11,271
Provision for doubtful debts	15	**26,298**	15,693
Provision for employees' end of service benefits	23	**8,914**	5,961
Provision for employees' equity option plan	23	**(314)**	2,963
Finance costs	8	**210,015**	324,426
(Gain)/ loss on disposal of property, plant and equipment and investment properties	6	**(8,490)**	9
Gain on settlement of put option	26	**(15,689)**	-
Gain on disposal of assets held for sale	7	**-**	(47,577)
Finance income		**(3,439)**	(89,916)
		2,946,802	2,878,022
Working capital changes:			
Inventories		**(109,668)**	27,400
Trade and unbilled receivables		**(120,633)**	(150,706)
Due from related parties		**9,413**	(102,141)
Advances, prepayments and other receivables		**(18,688)**	22,807
Due to related parties		**30,663**	56,368
Accounts payable and accruals		**(5,568)**	(124,529)
Advances and security deposits		**104,799**	(114,111)
Retentions payable		**832**	3,973
Deferred income		**(117,586)**	(11,042)
Net cash flows from operations		**2,720,366**	2,486,041
Employees' end of service benefits paid	23	**(6,007)**	(3,373)
Net cash flows from operating activities		**2,714,359**	2,482,668
INVESTING ACTIVITIES			
Purchases of property, plant and equipment	10	**(17,963)**	(13,253)
Amounts incurred on investment properties	11	**(363,682)**	(530,211)
Interest received		**3,445**	96,382
Proceeds from disposal of property, plant and equipment and investment properties		**9,000**	6
Deposits under lien or maturing after three months		**-**	3,066,957
Net proceeds from disposal of assets held for sale		**-**	14,563
Net cash flows (used in)/ from investing activities		**(369,200)**	2,634,444
FINANCING ACTIVITIES			
Acquisition of non-controlling interests	1	**(496,872)**	-
Repayment of interest bearing loans and borrowings	24	**(1,513,276)**	(4,591,250)
Proceeds from interest bearing loans and borrowings	24	**1,109,246**	1,193,725
Dividends paid	21	**(1,301,430)**	(1,301,430)
Finance cost paid		**(203,226)**	(290,319)
Payment of lease liabilities	13	**(5,413)**	-
Bonus paid to Board of Directors	17	**(4,550)**	(4,900)
Net cash flows used in financing activities		**(2,415,521)**	(4,994,174)
NET (DECREASE) / INCREASE IN CASH AND CASH EQUIVALENTS		**(70,362)**	122,938
Cash and cash equivalents at 1 January		**265,564**	142,626
CASH AND CASH EQUIVALENTS AT 31 DECEMBER	18	**195,202**	265,564
SUPPLEMENTAL NON-CASH INFORMATION			
Investment properties' project cost accrual		**18,812**	368,754

The attached notes 1 to 30 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2019

	Equity attributable to equity holders of the Parent					
	Share capital AED'000	***Reserves AED'000***	***Retained earnings AED'000***	***Total AED'000***	***Non-controlling interests AED'000***	***Total equity AED'000***
As at 1 January 2018	13,014,300	843,068	2,492,107	16,349,475	176,894	16,526,369
Profit/ (loss) for the year	-	-	2,229,943	2,229,943	(29,854)	2,200,089
Other comprehensive income for the year	-	2,589	-	2,589	-	2,589
Reclassification of hedging reserve to consolidated income statement	-	(14,593)	-	(14,593)	-	(14,593)
Total comprehensive income / (loss) for the year	-	(12,004)	2,229,943	2,217,939	(29,854)	2,188,085
Dividends paid (note 21)	-	-	(1,301,430)	(1,301,430)	-	(1,301,430)
Directors' bonus [note 17(c)]	-	-	(4,900)	(4,900)	-	(4,900)
Transferred to reserves (note 20)	-	445,988	(445,988)	-	-	-
As at 31 December 2018	13,014,300	1,277,052	2,969,732	17,261,084	147,040	17,408,124
As at 1 January 2019	13,014,300	1,277,052	2,969,732	17,261,084	147,040	17,408,124
Profit/ (loss) for the year	-	-	2,285,611	2,285,611	(5,870)	2,279,741
Other comprehensive income for the year	-	-	-	-	-	-
Total comprehensive income / (loss) for the year	-	-	2,285,611	2,285,611	(5,870)	2,279,741
Dividends paid (note 21)	-	-	(1,301,430)	(1,301,430)	-	(1,301,430)
Directors' bonus [note 17(c)]	-	-	(4,550)	(4,550)	-	(4,550)
Transferred to reserves (note 20)	-	457,122	(457,122)	-	-	-
Acquisition of non-controlling interests (note 1)	-	468,658	(348,460)	120,198	(141,170)	(20,972)
As at 31 December 2019	**13,014,300**	**2,202,832**	**3,143,781**	**18,360,913**	-	**18,360,913**

The attached notes 1 to 30 form part of these consolidated financial statements.

1 CORPORATE INFORMATION

Emaar Malls Public Joint Stock Company (the "Company") and its subsidiaries (together the "Group") was established as a public joint stock company by Ministerial Decree number 922 of the year 2014 dated 30 September 2014.

The Company is a subsidiary of Emaar Properties PJSC (the "Parent Company"); a Company incorporated in the United Arab Emirates and listed on the Dubai Financial Market. During the year ended 31 December 2014, the Parent Company has converted the legal status of the Company from limited liability company to public joint stock company and sold 15.37% of their shareholding in the Company through an Initial Public Offering ("IPO"). The Company is listed on the Dubai Financial Market and its shares were traded with effect from 2 October 2014.

The principal activities of the Group are development and management of shopping malls and retail centers and general trading. The address of the registered office of the Group is P.O. Box 191741, Dubai, United Arab Emirates. The Group has not invested in shares or stocks during the year ended 31 December 2019 and the year ended 31 December 2018.

During the current year, on 25 February 2019, the Company acquired the remaining 49% equity stake in its subsidiary, Namshi Holding Limited ("Namshi") for a consideration of AED 496,872 thousands. Total consideration includes the amount paid to Global Fashion Group ("GFG") amounting to AED 475,900 thousands (note 26) and other shareholders of Namshi amounting to AED 20,972 thousands. The difference in the amount of consideration paid and the non-controlling interests amounting to AED 348,460 thousands has been directly recognised in the consolidated statement of changes in equity as required under IFRS 10.

The consolidated financial statements were authorised for issue on 30 March 2020.

2.1 BASIS OF PREPARATION

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board (IASB), UAE Fedral Law No. (2) of 2015 and applicable requirements United Arab Emirates laws. The consolidated financial statements have been prepared in United Arab Emirates Dirhams (AED), which is the Group's functional and presentation currency and all values are rounded to the nearest thousands except where otherwise indicated.

The consolidated financial statements have been prepared on a historical cost basis except for derivative financial instruments that have been measured at fair value. Historical cost is generally based on the fair value of the consideration given in exchange for assets.

Basis of consolidation
The consolidated financial statements comprise the financial statements of the Company and entities controlled by the Company ("its subsidiaries") as at 31 December 2019. Control is achieved where all the following criteria are met:

(a) the Company has power over an entity;
(b) the Company has exposure, or rights, to variable returns from its involvement with the entity; and
(c) the Company has the ability to affect those returns through its power over the entity.

When the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee
- Rights arising from other contractual arrangements
- The Group's voting rights and potential voting rights

The Group re-assesses whether or not it controls an investee, if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the statement of comprehensive income from the date the Group gains control until the date the Group ceases to control the subsidiary.

Subsidiaries
Subsidiaries are fully consolidated from the date of acquisition or incorporation, being the date on which the Group obtains control, and continue to be consolidated until the date when such control ceases. The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. All intra-group balances, transactions, unrealised gains and losses resulting from intra-group transactions and dividends are eliminated in full.

2.1 BASIS OF PREPARATION (continued)

Basis of consolidation (continued)
Subsidiaries (continued)
Share of comprehensive income/ (loss) within a subsidiary is attributed to the non-controlling interests even if that results in a deficit balance.

Loss of control
A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

- Derecognises the assets (including goodwill) and liabilities of the subsidiary;
- Derecognises the carrying amount of any non-controlling interest;
- Derecognises the cumulative translation differences recorded in equity;
- Recognises the fair value of the consideration received, if any;
- Recognises the fair value of any investment retained;
- Recognises any surplus or deficit in profit and loss;
- Reclassifies the parent's share of components previously recognised in other comprehensive income to profit and loss or retained earnings, as appropriate, as would be required if the Group had directly disposed of the related assets or liabilities.

The details of the Company's subsidiaries as at 31 December 2019 and 31 December 2018 are as follows:

Name of the subsidiary	*Country of incorporation*	*Principal activity*	*Legal Ownership*	
			2019	*2018*
The Dubai Mall LLC	UAE	Self owned property leasing, buying and selling of real estate and management services	**99%**	99%
Emaar Dubai Malls LLC	UAE	Self owned property leasing, buying and selling of real estate and management services	**99%**	99%
Emaar International Malls LLC	UAE	Self owned property leasing, buying and selling of real estate and management services	**99%**	99%
Namshi Holding Limited	UAE	General trading	**100%**	51%

These entities are 100% beneficially owned by the Company.

Special purpose entities
Special purpose entities are entities that are created to accomplish a narrow and well-defined objective. The financial information of special purpose entities is included in the Group's consolidated financial statements where the substance of the relationship is that the Group controls the special purpose entity and hence, they are accounted for as subsidiaries.

2.2 CHANGES IN THE ACCOUNTING POLICIES AND DISCLOSURES

The accounting policies adopted by the Group are consistent with those of the previous financial year, except for the following new and amended IFRS and IFRIC interpretations issued by IASB and effective for annual periods beginning on or after 1 January 2019:

(a) New and amended standards and interpretations
The Group applied for the first time certain standards and amendments, which are effective for annual periods beginning on or after 1 January 2019. The Group has not early adopted other standard, interpretation or amendment that has been issued but is not yet effective.

2.2 CHANGES IN THE ACCOUNTING POLICIES AND DISCLOSURES (continued)

(a) New and amended standards and interpretations (continued)

The nature and the effect of these changes are disclosed below. Although these new standards and amendments applied for the first time in 2019, they did not have a material impact on the consolidated financial statements of the Group. The nature and the impact of each new standard or amendment is described below:

IFRS 16 Leases

The Group has applied IFRS 16 using the modified retrospective approach and therefore the comparative information has not been restated and continues to be reported under IAS 17 and IFRIC 4. The details of accounting policies under IAS 17 and IFRIC 4 are disclosed separately.

Policy applicable from 1 January 2019

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.

i. As a lessee

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 prices. 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 recognises 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, 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 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.

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
– the exercise price under a purchase option that the Group is reasonably certain to exercise, 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.

2.2 CHANGES IN THE ACCOUNTING POLICIES AND DISCLOSURES (continued)

(a) New and amended standards and interpretations (continued)

IFRS 16 Leases (continued)

Policy applicable before 1 January 2019 (continued)

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at inception date, whether fulfillment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset, even if that right is not explicitly specified in an arrangement.

Group as a lessee
Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Operating lease payments are recognised as an expense in the consolidated income statement on a straight line basis over the period of the lease. Lease incentives, typically rent free period, is recognised in the same manner as operating lease rentals.

Group as a lessor
The Group has entered into leases on its investment property portfolio. The Group has determined, based on an evaluation of the terms and conditions of the arrangements, that it retains all the significant risks and rewards of ownership of these properties and accounts for the contracts as operating leases. Lease income is recognised in the consolidated income statement in accordance with the terms of the lease contracts over the lease term on a straight line basis. Contingent rents are recognised as revenue in the period in which they are earned.

Certain leases provide for contingent rents, which are determined as a percentage of gross sales in excess of a specified level. The Group records such rent on an accrual basis, when specified levels have been achieved or when management determine that achieving the specified levels is probable during the year.

Standards issued but not yet effective
A number of new standards are effective for annual periods beginning after 1 January 2019 and earlier application 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.

- Amendments to References to Conceptual Framework in IFRS Standards
- Definition of a Business (Amendments to IFRS 3)
- Definition of Material (Amendments to IAS 1 and IAS 8)
- IFRS 17 Insurance Contracts

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Revenue recognition
Revenue is measured at the fair value of the consideration received or receivable, taking into account 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 since it is the primary obligor in all the revenue arrangements has pricing latitude and is also exposed to credit risks.

Revenue is recognised in the consolidated 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, regardless of when the payment is being made. The specific criteria described below must also be met before revenue is recognised:

Rental income from lease of investment property
Rental income arising from operating leases on investment properties is recognised, net of discount, in accordance with the terms of lease contracts over the lease term on a straight line basis, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased asset.

2.2 CHANGES IN THE ACCOUNTING POLICIES AND DISCLOSURES (continued)

(a) New and amended standards and interpretations (continued)

IFRS 16 Leases (continued)

Policy applicable from 1 January 2019 (continued)

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at inception date, whether fulfillment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset, even if that right is not explicitly specified in an arrangement.

Group as a lessee
Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Operating lease payments are recognised as an expense in the consolidated income statement on a straight line basis over the period of the lease. Lease incentives, typically rent free period, is recognised in the same manner as operating lease rentals.

Group as a lessor
The Group has entered into leases on its investment property portfolio. The Group has determined, based on an evaluation of the terms and conditions of the arrangements, that it retains all the significant risks and rewards of ownership of these properties and accounts for the contracts as operating leases. Lease income is recognised in the consolidated income statement in accordance with the terms of the lease contracts over the lease term on a straight line basis. Contingent rents are recognised as revenue in the period in which they are earned.

Certain leases provide for contingent rents, which are determined as a percentage of gross sales in excess of a specified level. The Group records such rent on an accrual basis, when specified levels have been achieved or when management determine that achieving the specified levels is probable during the year.

Standards issued but not yet effective
A number of new standards are effective for annual periods beginning after 1 January 2019 and earlier application 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.

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Revenue is recognised in the consolidated 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, regardless of when the payment is being made. The specific criteria described below must also be met before revenue is recognised:

Rental income from lease of investment property
Rental income arising from operating leases on investment properties is recognised, net of discount, in accordance with the terms of lease contracts over the lease term on a straight line basis, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased asset.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition (continued)

Revenue recognition for turnover rent
Income from turnover rent is recognised based on the audited turnover reports submitted by the tenants. In the absence of audited reports, management makes its own assessment about the tenants achieving or exceeding the stipulated turnover in the lease contracts based on their historical performance.

Income from late opening penalties
Income from late opening penalties is recognised on receipt basis.

Revenue from sale of goods and services
The Group recognises revenue from contracts with customers based on a five step model as set out in IFRS 15:

Step 1. Identify the 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 the 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 to which the Group expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties.
Step 4. Allocate the transaction price to the performance obligations in the contract: For a contract that has more than one performance obligation, the Group will allocate the transaction price to each performance obligation in an amount that depicts the amount of consideration to which the Group expects to be entitled in exchange for satisfying each performance obligation.
Step 5. Recognise revenue when (or as) the entity satisfies a performance obligation.

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

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

For performance obligations where one of the above conditions are not met, revenue is recognised at the point in time at which the 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 recognised this gives rise to a contract liability.

Interest income
Interest income is recognised as the interest accrues using the effective interest rate method, under which the rate used exactly discounts, estimated future cash receipts through the expected life of the financial asset to the gross carrying amount of the financial asset.

Finance costs
Finance cost is recognised using effective interest rate method, under which the rate used exactly discounts, estimated future cash payments through the expected life of the financial liability to the amortised cost of the financial liability. Finance costs includes interest on loans and borrowings, interest on sukuk and finance cost of put options.

Borrowing costs
Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. All other borrowing costs are recognised in the consolidated income statement in the period in which they are incurred.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Current versus non-current classification
The Group presents assets and liabilities in consolidated statement of financial position based on current/non-current classification. An asset is current when it is:

- Expected to be realised or intended to be sold or consumed in normal operating cycle
- Held primarily for the purpose of trading
- Expected to be realised within twelve months after the reporting period, or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current.

A liability is current when:

- It is expected to be settled in normal operating cycle
- It is held primarily for the purpose of trading
- It is due to be settled within twelve months after the reporting period, or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period

The Group classifies all other liabilities as non-current.

Property, plant and equipment
Property, plant and equipment other than capital work-in-progress are stated at cost less accumulated depreciation and any impairment in value. Capital work-in-progress is not depreciated, and is stated at cost less any impairment value. Depreciation is calculated on a straight-line basis over the estimated useful lives as follows:

Buildings	10 - 45 years
Leasehold improvements	2 - 15 years
Computers and office equipment	3 - 20 years
Furniture and fixtures	2 - 10 years
Motor vehicles	3 - 5 years

No depreciation is charged on land and capital work-in-progress. The useful lives, residual value and depreciation method are reviewed annually to ensure that the method and period of depreciation are consistent with the expected pattern of economic benefits from these assets. Expenditure incurred to replace a component of an item of property, plant and equipment that is accounted for separately is capitalised and the carrying amount of the component that is replaced is written off. Other subsequent expenditure is capitalised only when it increases future economic benefits of the related item of property, plant and equipment. All other expenditure is recognised in the consolidated income statement as the expense is incurred.

An item of property, plant and equipment and any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the consolidated income statement when the asset is derecognised.

Property, plant and equipment are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of property, plant and equipment may not be recoverable. Whenever the carrying amount of property, plant and equipment exceeds their recoverable amount, an impairment loss is recognised in the consolidated income statement. The recoverable amount is the higher of fair value less costs to sell of property, plant and equipment and the value in use. Reversal of impairment losses recognised in the prior years are recorded when there is an indication that the impairment losses recognised for the property, plant and equipment no longer exist or have reduced.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investment properties
Properties held for rental or capital appreciation purposes are classified as investment properties. Investment properties are measured at cost less any accumulated depreciation and any accumulated impairment losses. Investment properties under construction (included within capital work in progress) are measured at cost less any impairment in value. Depreciation is charged on a straight-line basis over the estimated useful lives as follows:

Buildings	10 - 45 years
Plant and machinery	3 - 10 years
Furniture, fixtures and others	2 - 15 years

No depreciation is charged on land and capital work in progress.

The useful lives, residual value and depreciation method are reviewed annually to ensure that the method and period of depreciation are consistent with the expected pattern of economic benefits from these assets. Other subsequent expenditure is capitalised only when it increases future economic benefits of the related item of investment properties. All other expenditure is recognised in the consolidated income statement as the expense is incurred.

Transfers are made to (or from) investment property only when there is a change in use. For a transfer from investment property to owner-occupied property, the deemed cost for subsequent accounting is the current carrying value at the date of change in use. If owner-occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use. The Group determines at each reporting date whether there is any objective evidence that the investment properties are impaired. Whenever the carrying amount of an investment property exceeds their recoverable amount, an impairment loss is recognised in the consolidated income statement. The recoverable amount is the higher of investment property's fair value less costs of disposal and the value in use. Fair value less costs of disposal is price that would be received to sell an asset in an orderly transaction between market participants at the measurement date less related costs while value in use is the present value of estimated future cash flows expected to arise from the continuing use of the investment property and from its disposal at the end of its useful life.

Reversal of impairment losses recognised in the prior years is recorded when there is an indication that the impairment losses recognised for the investment property no longer exist or have reduced.

Goodwill and Intangible assets
Goodwill and intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses. The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets with finite lives are amortised over the useful life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the consolidated income statement.

Intangible assets with indefinite useful lives are not amortised, but are tested for impairment annually, either individually or at the cash-generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

Amortisation is charged on a straight-line basis over the estimated useful lives as follows:

Goodwill	indefinite
Brand	indefinite
Customers relationship	5 years
Software	3 years

Goodwill and brand are not amoritised.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the consolidated income statement when the asset is derecognised.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Inventories held on behalf of third parties are not recognised as part of the Company's inventories.

Derivative financial instruments
The Group uses derivative financial instruments to manage its exposure to interest rate risk. Derivatives are initially recognised at fair value at the date the derivative contract is entered into and are subsequently remeasured to their fair value at the end of each reporting date. The resulting gain or loss is recognised in the consolidated income statement immediately, unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in the consolidated income statement depends on the nature of the hedge relationship. A derivative with a positive fair value is recognised as a financial asset; a derivative with a negative fair value is recognised as a financial liability.

Hedge accounting
The Group designates certain hedging instruments as either fair value hedges or cash flow hedges. Hedges of interest rate risk and foreign exchange risk on firm commitments are accounted for as cash flow hedges. At the inception of the hedge relationship, the Group documents the relationship between the hedging instrument and the hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. Furthermore, at the inception of the hedge and on an ongoing basis, the Group documents whether the hedging instrument is highly effective in offsetting changes in fair values or cash flows of the hedged item. The Group had cash flow hedges which was discontinued during the year ended 31 December 2018.

Cash flow hedges
The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges are recognised in the consolidated other comprehensive income. The gain or loss relating to the ineffective portion is recognised immediately in the consolidated income statement. Amounts previously recognised in consolidated other comprehensive income and accumulated in equity are reclassified to the consolidated income statement in the periods when the hedged item is recognised in the consolidated income statement, in the same line of the consolidated income statement as the recognised hedged item. However, when the forecast transaction that is hedged results in the recognition of a non-financial asset or a non-financial liability, the gains and losses previously accumulated in equity are transferred from equity and included in the initial measurement of the cost of the non-financial asset or non-financial liability.

Hedge accounting is discontinued when the Group revokes the hedging relationship, when the hedging instrument expires or is sold, terminated, or exercised, or it no longer qualifies for hedge accounting. Any gain or loss accumulated in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in the consolidated income statement. When a forecast transaction is no longer expected to occur, the gain or loss accumulated in equity is recognised immediately in the consolidated income statement.

Financial assets
Initial recognition and measurement
Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income (OCI), and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under IFRS 15.

In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial assets (continued)

Initial recognition and measurement (continued)
The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the Group commits to purchase or sell the asset.

Subsequent measurement
For purposes of subsequent measurement, financial assets are classified in four categories:

- Financial assets at fair value through profit or loss
- Financial assets at amortised cost (debt instruments)
- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments)
- Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments)

Financial assets at amortised cost (debt instruments)
This category is the most relevant to the Group. The Group measures financial assets at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortised cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

The Group's financial assets at amortised cost includes trade and unbilled receivable, and due from related parties.

Financial assets at fair value through profit and loss
Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortised cost or at fair value through OCI, as described above, debt instruments may be designated at fair value through profit or loss on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

Financial assets at fair value through profit or loss are carried in the consolidated statement of financial position at fair value with net changes in fair value recognised in the consolidated income statement. This category includes derivative instruments which the Group had not irrevocably elected to classify at fair value through OCI.

A derivative embedded in a hybrid contract, with a financial liability or non-financial host, is separated from the host and accounted for as a separate derivative if: the economic characteristics and risks are not closely related to the host; a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and the hybrid contract is not measured at fair value through profit or loss. Embedded derivatives are measured at fair value with changes in fair value recognised in profit or loss. Reassessment only occurs if there is either a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required or a reclassification of a financial asset out of the fair value through profit or loss category.

A derivative embedded within a hybrid contract containing a financial asset host is not accounted for separately. The financial asset host together with the embedded derivative is required to be classified in its entirety as a financial asset at fair value through profit or loss.

The Group does not have any financial asset designated at fair value through profit and loss as at the year end.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial assets (continued)

Financial assets designated at fair value through OCI (equity instruments)
Upon initial recognition, the Group can elect to classify irrevocably its equity investments as equity instruments designated at fair value through OCI when they meet the definition of equity under *IAS 32 Financial Instruments: Presentation* and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognised as other income in the consolidated income statement when the right of payment has been established, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at fair value through OCI are not subject to impairment assessment.

The Group does not have any financial assets designated at fair value through OCI (equity instruments) as at year end.

Financial assets at fair value through OCI (debt instruments)
The Group measures financial assets at amortised cost if both of the following conditions are met:
- The financial asset is held within a business model with the objective of both holding to collect contractual cash flows and selling; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

For debt instruments at fair value through OCI, interest income, foreign exchange revaluation and impairment losses or reversals are recognised in the consolidated income statement and computed in the same manner as for financial assets measured at amortised cost. The remaining fair value changes are recognised in OCI. Upon derecognition, the cumulative fair value change recognised in OCI is recycled to profit or loss.

The Group does not have any financial assets designated at fair value through OCI (debt instruments) as at year end.

Derecognition
A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is primarily derecognised when:

- The contractual rights to receive cash flows from the asset have expired; or
- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a ‘pass-through’ arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group’s continuing involvement in the asset. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset, is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Cash and cash equivalents
For the purpose of the consolidated statement of cash flows, cash and cash equivalents consist of cash in hand, bank balances and short-term deposits with an original maturity of three months or less, net of outstanding bank overdrafts.

Trade and unbilled receivables
Trade receivables are stated at original invoice amount less expected credit losses. When a trade receivable is uncollectible, it is written off against provision for doubtful debts. Subsequent recoveries of amounts previously written off are credited to the consolidated income statement.

Services rendered but not billed at the reporting date are accrued as per the terms of the lease agreements as unbilled receivables.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial assets (continued)

Foreign exchange gains and losses
The fair value of financial assets denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the end of the reporting period. The foreign exchange component forms part of its fair value gain or loss. For financial assets classified as at fair value through profit or loss, the foreign exchange component is recognised in the consolidated income statement. For financial assets designated at fair value through consolidated other comprehensive income any foreign exchange component is recognised in consolidated other comprehensive income. For foreign currency denominated debt instruments classified at amortised cost, the foreign exchange gains and losses are determined based on the amortised cost of the asset and are recognised in the ‘other gains and losses’ line item in the consolidated income statement.

Impairment of financial assets
The Group recognises an allowance for expected credit losses ("ECL") for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive. The shortfall is then discounted at an approximation to the asset’s original effective interest rate.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For trade and unbilled receivables and other receivables, the Group applies a simplified approach in calculating ECLs based on lifetime expected credit losses. The Group has established a provision matrix that is based on the Group’s historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment. The expected credit losses are recognised in the consolidated income statement.

For other debt financial assets (i.e., loans and investment in debt securities), the ECL is based on the 12-month ECL. The 12-month ECL is the portion of lifetime ECLs that results from default events on a financial instrument that are possible within 12 months after the reporting date. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECL.

The Group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Credit-impaired financial assets
At each reporting date, the Group assesses whether financial assets carried at amortised 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.

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

Financial liabilities and equity instruments issued by the Group

Initial recognition and measurement
Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss or amortised cost. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognised in profit or loss. Other financial liabilities are subsequently measured at amortized cost using the effective interest method. The Group’s financial liabilities include trade and other payables, loans and borrowings and sukuk.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial liabilities and equity instruments issued by the Group (continued)

Classification as debt or equity
Debt and equity instruments are classified as either financial liabilities or as equity instruments in accordance with the substance of the contractual agreements. The Group determines the classification of its financial liabilities at the initial recognition.

Equity instruments
An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Group are recorded at the proceeds received, net of direct issue costs.

Loans and borrowings
Term loans are initially recognised at the fair value of the consideration received less directly attributable transaction costs.

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest rate method. Gains and losses are recognised in the consolidated income statement when the liabilities are derecognised as well as through the amortisation process.

Sukuk
Sukuk is stated at amortised cost using the effective interest rate method. Profit attributable to the sukuk is calculated by applying the prevailing market profit rate, at the time of issue, for similar sukuk instruments and any difference with the profit distributed is added to the carrying amount of the sukuk.

Trade and other payables
Liabilities are recognised for amounts to be paid in the future for goods or services received, whether billed by the supplier or not.

Other financial liabilities
Other financial liabilities are initially measured at fair value, net of transaction costs and are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

Derecognition of financial liabilities
The Group derecognises financial liabilities when, and only when, the Group’s obligations are discharged, cancelled or they expire. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, then the difference in the respective carrying amounts is recognised in the consolidated income statement.

Cash dividend and non-cash distribution to equity holders of the Company
The Company recognises a liability to make cash or non-cash distributions to equity holders of the parent when the distribution is authorised and the distribution is no longer at the discretion of the Company. A distribution is authorised when it is approved by the shareholders. A corresponding amount is recognised directly in equity. Non-cash distributions are measured at the fair value of the assets to be distributed with fair value remeasurement recognised directly in equity.

Upon distribution of non-cash assets, any difference between the carrying amount of the liability and the carrying amount of the assets distributed is recognised in the consolidated income statement.

Impairment of non-financial assets
The Group assesses at each reporting date whether there is an indication that a non-financial asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing 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 the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of non-financial assets (continued)
For the purposes of assessing impairment, a cash-generating unit ("CGU") is the smallest identifiable group of assets that are largely independent of the cash inflows from other assets or group of assets. Impairment losses are recognised in the consolidated income statement. They are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the other assets in the CGU on a pro rata basis.

Impairment losses are recognised in the consolidated income statement in those expense categories consistent with the function of the impaired asset, except for properties previously revalued with the revaluation taken to consolidated statement of comprehensive income. For such properties, the impairment is recognised in consolidated statement of comprehensive income up to the amount of any previous revaluation.

For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Group estimates the asset's or cash-generating unit's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the consolidated income statement. An impairment loss in respect of goodwill is not reversed.

Business combinations and goodwill
Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value. For each business combination, the acquirer measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition costs incurred are expensed, except if related to issue of debt or equity.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions at fair value on the date of acquisition. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value as at the acquisition date through the consolidated income statement. Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability will be recognised in accordance with IFRS 9 *Financial Instruments* in the consolidated statement of comprehensive income. If the contingent consideration is classified as equity, it shall not be remeasured until it is finally settled within equity.

Goodwill is initially measured at cost (being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interest over the fair value of net identifiable tangible and intangible assets acquired and liabilities assumed). If the consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognised in the consolidated income statement. After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill forms part of a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

Goodwill arising on acquisition is tested for impairment annually as at the reporting date and when circumstances indicate that the carrying value may be impaired.

Impairment is determined for goodwill by assessing the recoverable amount of each cash-generating unit to which the goodwill relates. When the recoverable amount of the cash-generating unit is less than the carrying amount, an impairment loss is recognised in the consolidated income statement. Impairment losses relating to goodwill cannot be reversed in future periods.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

End-of-service benefits
The Group provides end-of-service benefits to its employees. The entitlement to these benefits is usually based upon the employees' final salary and length of service, subject to the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment.

With respect to its UAE and GCC national employees, the Group makes contributions to a pension fund established by the UAE General Pension and Social Security Authority calculated as a percentage of the employees' salaries. The Group's obligations are limited to these contributions, which are expensed when due.

Share-based payment transactions
Eligible employees enrolled in the Namshi employee stock option program whereby employees render services over a period of time and are granted share option rights which are accounted as cash-settled transactions.

Cash-settled transaction
A liability is recognised for the fair value of cash-settled transactions. The fair value is measured at each reporting date up to and including the settlement date, with changes in fair value recognized in employee benefits expense. The fair value is expensed over the period in accordance with the individual vesting schedules and until the end of the plan with recognition of a corresponding liability. The fair value of the share options is estimated at the grant date based on valuation of the company over the duration of the plan contract, taking into account the terms and conditions on which the share options were granted. The valuation is determined using market comparables and future growth factors.

Service conditions are not taken into account with determining the grant date fair value of awards, but the likelihood of the condition being met in the future is assessed as part of the company's best estimate on the number and value of the share based payments that will ultimately vest and therefore impacting the calculation of the liability to be recognised in cash settled transaction.

No expense is recognised for awards that do not ultimately vest because of service conditions that have not been met. Similarly, any modification of the eligibility of enrollment, or cancelation of the award is adjusted from the liability recognised during the year.

Put option over non-controlling interests
Written put option on the shares of a subsidiary held by non-controlling interests give rise to a financial liability. The liability that may become payable under the arrangement is initially recognised at present value of the redemption amount with a corresponding entry directly in equity. Subsequent changes to the value of the liability are recognised in the consolidated income statement.

Provisions
Provisions are recognised when the Group has a legal or constructive obligation as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and the amount can be reliably estimated. When the Group expects some or all of a provision to be reimbursed, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the consolidated income statement net of any reimbursement.

Provisions are measured at the present value of the cashflows expected to be required to settle the obligation at the end of the reporting period, using a rate that reflects current market assessments of the time value of money and the risks specific to the obligation.

Provisions are reviewed at each consolidated statement of financial position date and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of resources embodying economic benefits will be required to settle the obligation, the provision is reversed.

Contingencies
Contingent liabilities are not recognised in the consolidated financial statements. They are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. A contingent asset is not recognised in the consolidated financial statements but disclosed when an inflow of economic benefits is probable.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign currencies
The Group's consolidated financial statements are presented in UAE Dirhams, which is also the currency in which significant transactions are carried out by the Group.

Transactions in foreign currencies are initially recorded by the Group at the rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency spot rate of exchange ruling at the reporting date. All differences are taken to the consolidated income statement.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The gain or loss arising on retranslation of non-monetary items is treated in line with the recognition of gain or loss on change in fair value of the item (i.e., translation differences on items whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

Share capital
Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares are recognised as a deduction from equity, net of any tax effects.

Fair value measurement
The Group measures financial instruments, such as, derivatives at fair value at each reporting date.

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. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible to by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the consolidated financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the consolidated financial statements on a recurring basis, the Group determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

2.4 SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the Group’s consolidated financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

Judgments
In the process of applying the Group's accounting policies, management has made the following judgments, apart from those involving estimations, which have a significant impact on the amounts recognised in the consolidated financial statements.

Revenue recognition for leases
Rental income arising from operating leases on investment properties is recognised, net of discount, in accordance with the terms of lease contracts over the lease term on a straight line basis, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased asset.

Revenue recognition for turnover rent
The Group recognises income from turnover rent on the basis of audited turnover reports submitted by the tenants. In the absence of audited reports, management makes its own assessment about the tenants achieving or exceeding the stipulated turnover in the lease contracts based on their historical performance.

Investment properties
The Group has elected to adopt the cost model for investment properties. Accordingly, investment properties are carried at cost less accumulated depreciation and any accumulated impairment losses.

Classification of investment properties
The Group determines whether a property qualifies as investment property in accordance with IAS 40 Investment Property. In making its judgment, the Group considers whether the property generates cash flows largely independently of the other assets held by the Group.

Consolidation of subsidiaries
The Group has evaluated to determine whether it controls the investee as per the criteria laid out by IFRS 10 Consolidated Financial Statements. The Group has evaluated, amongst other things, its ownership interest, the contractual arrangements in place and its ability and the extent of its involvement with the relevant activities of the investee entities to determine whether it controls the investee.

Estimates and assumptions
The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below. The Group based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising that are beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

Impairment of trade receivables
The Group reviews its receivables to assess for impairment at least on an annual basis. The Group’s credit risk is primarily attributable to its trade receivables. The Group uses a provision matrix to calculate ECLs for trade receivables. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns.

The provision matrix is initially based on the Group’s historical observed default rates. The Group calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions (i.e., gross domestic product) are expected to deteriorate over the next year which can lead to an increased number of defaults in the shipbuilding and ship-repair industry, the historical default rates are adjusted. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

2.4 SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS (continued)

Estimates and assumptions (continued)

Impairment of trade receivables (continued)
The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future.

At 31 December 2019 gross trade receivables were AED 614,358 thousands (2018: AED 493,761 thousands) and provision for doubtful debts is AED 115,843 thousands (2018: AED 89,581 thousands). Any difference in the amounts actually collected in future periods and the amounts expected will be recognised in the consolidated income statement.

Fair value measurement of financial instruments
When the fair value of financial assets and financial liabilities recorded in the consolidated statement of financial position cannot be derived from active markets, their fair value is determined using valuation techniques including the discounted cash flow model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgment is required in establishing fair values. The judgments include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

Useful lives of property, plant and equipment, investment properties and intangible assets
The Group's management determines the estimated useful lives of its property, plant and equipment, investment properties and intangible assets for calculating depreciation and amortisation. This estimate is determined after considering the expected usage of the asset or physical wear and tear. Management reviews the residual value and useful lives annually and future depreciation and amortisation charge would be adjusted where the management is of the opinion that the useful lives differ from previous estimates.

Allocation of cost of investment properties
The total costs incurred on the construction of investment properties have been allocated to various components such as structure, plant and machinery and furniture and fixtures based on certain percentages of the total costs as estimated by the cost consultants at the time of completion of the assets. Management is of the opinion that this method is appropriate pending determination of the final costs of the assets and settlement of contractors' claims. On conclusion of the final determination of costs on any outstanding projects, management would reassess the allocation and adjust the allocation prospectively, if necessary.

Valuation of investment properties
The Group hires the services of third party professionally qualified valuers to obtain estimates of the market value of investment properties using recognised valuation techniques for the purposes of their impairment review and disclosures in the consolidated financial statements.

The key assumptions used to determine the fair value of the investment properties and sensitivity analysis are disclosed in note 11.

Impairment of non-financial assets
The Group assesses whether there are any indicators of impairment for all non-financial assets at each reporting date. The non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. When value in use calculations are undertaken, management estimates the expected future cash flows from the asset or cash-generating unit and chooses a suitable discount rate in order to calculate the present value of those cash flows.

Share-based payments
Estimating fair value for share-based payment transactions requires determination of the most appropriate valuation model, which depends on the terms and conditions of the grant. This estimate also requires determination of the most appropriate inputs to the valuation model including the expected life of the share option or appreciation right, volatility and dividend yield and making assumptions about them. The Group initially measures the cost of cash-settled transactions with employees using a model to determine the fair value of the liability incurred. For cash-settled share-based payment transactions, the liability needs to be remeasured at the end of each reporting period up to the date of settlement, with any changes in fair value recognised in the consolidated income statement. This requires a reassessment of the estimates used at the end of each reporting period.

3 SEGMENT INFORMATION

Management monitors the operating results of its business segments separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on profit or loss and is measured consistently with the net profit or loss in the consolidated financial statements.

Business segments
For management purposes, the Group is organised into six segments, namely:

Super Regional Malls:
Super regional malls include shopping centres which individually hold gross leasable area of more than 800 thousands sq. ft.

Regional Malls:
Regional malls include shopping centres individually holds gross leasable area of more than 400 thousands sq. ft. but less than 800 thousands sq. ft.

Community Retail:
Community Retail includes shopping centres or retail outlets individually hold gross leasable area of less than 400 thousands sq. ft.

Specialty Retail:
Specialty retail includes shopping centres mainly offering specialty stores for fine and casual dining, commercial offices or retail outlets of manufacturers.

Online Retail:
Namshi, a regional online fashion portal in GCC, constitutes the online retail business segment of the Group.

Others:
Other segments include businesses that individually do not meet the criteria for a reportable segment as per IFRS 8 *Operating Segments* and head office balances.

3 SEGMENT INFORMATION (continued)

Business segments (continued)

The following tables include revenue, results and other segment information for the year ended 31 December 2019 and 31 December 2018. Assets and liabilities information regarding business segments are presented as at 31 December 2019 and 31 December 2018.

Year ended 31 December 2019	*Super Regional Malls AED'000*	*Regional Malls AED'000*	*Community Retail AED'000*	*Specialty Retail AED'000*	*Online* Retail AED'000*	*Others AED'000*	*Total AED'000*
Revenue:							
Rental income from leased properties	**3,089,259**	**185,788**	**248,201**	**117,917**	**-**	**4,186**	**3,645,351**
Online retail	**-**	**-**	**-**	**-**	**1,027,651**	**-**	**1,027,651**
Total Revenue	**3,089,259**	**185,788**	**248,201**	**117,917**	**1,027,651**	**4,186**	**4,673,002**
Results:							
Profit / (loss) for the year	**2,247,717**	**108,764**	**143,176**	**63,326**	**(62,819)**	**(220,423)**	**2,279,741**
Other segment information							
Capital expenditure (Property, plant and equipment and investment properties)	**326,791**	**21,622**	**35,363**	**7,904**	**3,634**	**5,143**	**400,457**
Depreciation & amortisation (Property, plant and equipment, investment properties and intangible assets with definite useful life)	**319,336**	**30,833**	**43,891**	**21,237**	**25,374**	**2,358**	**443,029**
Finance costs	-	-	-	-	**1,371**	**208,644**	**210,015**
Assets and liabilities:							
Segment assets	**20,026,752**	**1,278,180**	**970,836**	**1,396,084**	**479,886**	**88,026**	**24,239,764**
Segment liabilities	**1,585,936**	**90,592**	**215,240**	**83,772**	**934,012**	**2,969,299**	**5,878,851**

* The Group initially applied IFRS 16 at 1 January 2019, which requires the recognition of right-of-use assets and lease liabilities for lease contracts that were previously classified as operating leases. As a result, the Group recognized right-of-use assets of AED 9,012 thousands and AED 10,229 thousand of liabilities from those lease contracts.

3 SEGMENT INFORMATION (continued)

Business segments (continued)

	Super Regional Malls AED'000	*Regional Malls AED'000*	*Community Retail AED'000*	*Specialty Retail AED'000*	*Online Retail AED'000*	*Others AED'000*	*Total AED'000*
Year ended 31 December 2018:							
Revenue:							
Rental income from leased properties	3,039,840	181,877	241,911	133,556	-	-	3,597,184
Online retail	-	-	-	-	848,710	-	848,710
Total Revenue	3,039,840	181,877	241,911	133,556	848,710	-	4,445,894
Results:							
Profit / (loss) for the year	2,143,737	98,755	189,360	71,513	(58,267)	(245,009)	2,200,089
Other segment information							
Capital expenditure (Property, plant and equipment and investment properties)	791,779	7,398	102,667	4,214	4,706	1,454	912,218
Depreciation & amortisation (Property, plant and equipment, investment properties and intangible assets with definite useful life)	333,939	38,055	42,350	22,488	15,009	3,262	455,103
Finance costs	-	-	-	-	1,209	323,217	324,426
Assets and liabilities:							
Segment assets	19,949,368	1,259,025	961,113	1,361,629	479,659	120,726	24,131,520
Segment liabilities	1,605,967	84,367	206,987	78,428	389,741	4,357,906	6,723,396

4 REVENUE

	2019	*2018*
Rental income from leased properties	***AED'000***	*AED'000*
Base rent	**2,746,980**	2,684,071
Turnover rent	**104,139**	136,497
Service charges	**364,828**	356,155
Promotion and marketing contribution	**61,310**	59,773
Specialty leasing	**194,595**	189,760
Multimedia	**62,676**	70,638
Others	**110,823**	100,290
	3,645,351	3,597,184
Online retail	**1,027,651**	848,710
	4,673,002	4,445,894

Disaggregation of revenue from contracts with customers

Timing of revenue recognition		
Over a period of time	**3,541,212**	3,460,687
At a point of time	**1,131,790**	985,207
	4,673,002	4,445,894

5 COST OF REVENUE

	2019	*2018*
	AED'000	*AED'000*
Operating cost of leasing activities		
Housekeeping and facility management	**179,214**	175,866
Direct staff costs	**73,996**	90,476
Utilities - net	**55,977**	65,979
Security	**39,491**	37,849
Others	**73,239**	69,284
	421,917	439,454
Cost of online retail revenue	**819,580**	642,116
	1,241,497	1,081,570

6 GAIN ON DISPOSAL OF INVESTMENT PROPERTIES

During the current year, the Group entered into a sale and purchase agreement for the sale of certain retail units in Community Retail having a net book value of AED 510 thousands at a value of AED 9,000 thousands and consequently a gain of AED 8,490 thousands, net of selling expenses, was recognised in the consolidated income statement.

7 GAIN ON DISPOSAL OF ASSETS HELD FOR SALE

During the previous year, the Group entered into a sale and purchase agreement for the sale of investment properties having a book value of AED 14,623 thousands at a value of AED 63,500 thousands and consequently a gain of AED 47,577 thousands, net of selling expenses, was recognised in the consolidated income statement.

8 FINANCE COSTS

	2019	*2018*
	AED'000	*AED'000*
Interest on loans	**75,551**	149,480
Interest on sukuk	**127,496**	127,774
Finance cost of put option	**3,138**	19,793
Unamortised loan arrangement fee written off	-	17,840
Others	**3,830**	9,539
	210,015	324,426

9 PROFIT FOR THE YEAR

The profit for the year is stated after charging:

	2019	*2018*
	AED'000	*AED'000*
Indirect staff costs	**112,199**	89,845

The Group has not made any social contributions during the year ended 31 December 2019 and 31 December 2018.

10 PROPERTY, PLANT AND EQUIPMENT

2019	*Buildings AED'000*	*Leasehold improvements AED'000*	*Computers and office equipment AED'000*	*Motor vehicles AED'000*	*Furniture and fixtures AED'000*	*Capital work-in-progress AED'000*	*Total AED'000*
Cost:							
At 1 January 2019	178,298	1,853	53,064	2,069	273,485	3,169	511,938
Additions	-	-	9,906	57	2,016	5,984	17,963
Transfer from capital work-in-progress	-	-	23	-	-	(23)	-
At 31 December 2019	**178,298**	**1,853**	**62,993**	**2,126**	**275,501**	**9,130**	**529,901**
Accumulated depreciation:							
At 1 January 2019	47,722	1,044	42,196	1,895	258,028	-	350,885
Depreciation charge for the year	7,997	373	10,079	121	5,896	-	24,466
At 31 December 2019	**55,719**	**1,417**	**52,275**	**2,016**	**263,924**	-	**375,351**
Net carrying amount:							
At 31 December 2019	**122,579**	**436**	**10,718**	**110**	**11,577**	**9,130**	**154,550**

10 PROPERTY, PLANT AND EQUIPMENT (continued)

2018	*Buildings AED'000*	*Leasehold improvements AED'000*	*Computers and office equipment AED'000*	*Motor vehicles AED'000*	*Furniture and fixtures AED'000*	*Capital work-in-progress AED'000*	*Total AED'000*
Cost:							
At 1 January 2018	178,298	1,853	43,634	2,069	274,072	3,713	503,639
Additions	-	-	8,340	-	4,365	548	13,253
Transfer from capital work-in-progress	-	-	1,091	-	1	(1,092)	-
Disposals	-	-	(1)	-	(4,953)	-	(4,954)
At 31 December 2018	178,298	1,853	53,064	2,069	273,485	3,169	511,938
Accumulated depreciation:							
At 1 January 2018	39,725	671	30,050	1,696	250,784	-	322,926
Depreciation charge for the year	7,997	373	12,146	199	12,197	-	32,912
Disposals	-	-	-	-	(4,953)	-	(4,953)
At 31 December 2018	47,722	1,044	42,196	1,895	258,028	-	350,885
Net carrying amount:							
At 31 December 2018	130,576	809	10,868	174	15,457	3,169	161,053

11 INVESTMENT PROPERTIES

2019	*Land AED'000*	*Buildings AED'000*	*Plant and machinery AED'000*	*Furniture, fixtures and others AED'000*	*Capital work-in-progress AED'000*	*Total AED'000*
Cost						
At 1 January 2019	13,045,926	10,573,579	438,811	791,185	474,475	25,323,976
Additions	-	16,304	-	78,984	287,206	382,494
Transfer from capital work-in-progress	-	10,896	-	20,491	(31,387)	-
Disposals	-	(840)	(477)	-	-	(1,317)
At 31 December 2019	**13,045,926**	**10,599,939**	**438,334**	**890,660**	**730,294**	**25,705,153**
Accumulated depreciation:						
At 1 January 2019	-	2,126,632	437,234	531,416	-	3,095,282
Depreciation charge for the year	-	284,239	63	112,204	-	396,506
Disposals	-	(330)	(477)	-	-	(807)
At 31 December 2019	**-**	**2,410,541**	**436,820**	**643,620**	**-**	**3,490,981**
Net carrying amount:						
At 31 December 2019	**13,045,926**	**8,189,398**	**1,514**	**247,040**	**730,294**	**22,214,172**

Capital work-in-progress mainly represents the cost incurred towards the developments related to The Dubai Mall's extensions and redevelopment of Community retail assets.

11 INVESTMENT PROPERTIES (continued)

2018	*Land AED'000*	*Buildings AED'000*	*Plant and machinery AED'000*	*Furniture, fixtures and others AED'000*	*Capital work-in-progress AED'000*	*Total AED'000*
Cost						
At 1 January 2018	13,045,926	8,306,349	440,088	585,645	2,047,931	24,425,939
Additions	-	439,266	-	205,201	254,498	898,965
Transfer from capital work-in-progress	-	1,826,131	-	1,823	(1,827,954)	-
Adjustments	-	1,855	(1,277)	(727)	-	(149)
Disposals	-	(22)	-	(757)	-	(779)
At 31 December 2018	13,045,926	10,573,579	438,811	791,185	474,475	25,323,976
Accumulated depreciation:						
At 1 January 2018	-	1,856,004	400,720	429,093	-	2,685,817
Depreciation charge for the year	-	270,339	36,950	103,258	-	410,547
Adjustments	-	297	(436)	(178)	-	(317)
Disposals	-	(8)	-	(757)	-	(765)
At 31 December 2018	-	2,126,632	437,234	531,416	-	3,095,282
Net carrying amount:						
At 31 December 2018	13,045,926	8,446,947	1,577	259,769	474,475	22,228,694

11 INVESTMENT PROPERTIES (continued)

At 31 December 2019, the fair value of investment properties is AED 52,314,988 thousands (31 December 2018: AED 53,284,977 thousands) compared with a carrying value of AED 22,214,172 thousands (2018: AED 22,228,694 thousands).

Investment properties represent the Group's interest in land and buildings situated in the UAE. The Group has no restriction on the realisability of its investment properties and no contractual obligation to purchase, construct or develop investment properties or for repairs, maintenance and enhancements.

The fair value of the freehold interest in Group's investment properties at 31 December 2019 was determined by management based on valuations performed by independent valuer. The valuation was performed in accordance with the RICS Valuation – Professional Standards, adopting IFRS 13 basis for fair value and using established valuation techniques. The value of the investment properties has been determined through analysis of the income cash flow achievable for the buildings, assuming they would be sold subject to any existing leases and takes into account the projected annual expenditure. Both the contracted rent and estimated rental values have been considered in the valuation with allowances for void periods, running costs, vacancy rates and other costs. Based on the type and location of the property, the value of each of the properties has been determined by capitalising the estimated net income at an equivalent yield in the range of 7.75% to 10.34% (2018: 8.98% to 10.48%) (income capitalisation method); or assuming rental growth rates of 3% (2018: 3%), discount rates of 7.65% to 11.52% (2018: 9.25% to 11.62%) and exit cap rates of 5.75% to 11.50% (2018: 5.75% to 8.75%) (discounted cash flow method). Where there are outstanding construction costs to complete the property these have been reflected in the valuation (residual method).

Fair value hierarchy
The Group uses the following hierarchy for determining and disclosing the fair value of its investment properties by valuation technique:

	Total AED'000	***Level 1 AED'000***	***Level 2 AED'000***	***Level 3 AED'000***
31 December 2019	**52,314,988**	-	-	**52,314,988**
31 December 2018	53,284,977	-	-	53,284,977

Any significant movement in the assumptions used for the fair valuation of investment properties such as discount rates, yield, rental growth, vacancy rate etc. would result in significantly lower/ higher fair value of those assets.

12 GOODWILL & INTANGIBLE ASSETS

	Goodwill AED'000	*Brand AED'000*	*Customers relationship AED'000*	*Software AED'000*	*Total AED'000*
2019					
Cost:					
At 1 January 2019	365,012	164,300	51,700	4,300	585,312
At 31 December 2019	**365,012**	**164,300**	**51,700**	**4,300**	**585,312**
Amortisation:					
At 1 January 2019	-	-	14,108	1,955	16,063
Charge for the year	-	-	10,227	1,417	11,644
At 31 December 2019	**-**	-	**24,335**	**3,372**	**27,707**
Net carrying amount:					
At 31 December 2019	**365,012**	**164,300**	**27,365**	**928**	**557,605**

12 GOODWILL & INTANGIBLE ASSETS (continued)

	Goodwill AED'000	*Brand AED'000*	*Customers relationship AED'000*	*Software AED'000*	*Total AED'000*
2018					
At 1 January 2018	365,012	164,300	51,700	4,300	585,312
At 31 December 2018	365,012	164,300	51,700	4,300	585,312
Amortisation:					
At 1 January 2018	-	-	3,881	538	4,419
Charge for the year	-	-	10,227	1,417	11,644
At 31 December 2018	-	-	14,108	1,955	16,063
Net carrying amount:					
At 31 December 2018	365,012	164,300	37,592	2,345	569,249

Goodwill primarily comprises sales growth from future product offerings, new customers, expected synergies arising from the acquisition as well as certain other intangible assets that do not qualify for separate recognition under IAS 38 'Intangible Assets' which includes workforce and exclusive arrangements with suppliers. Goodwill is allocated entirely to the online retail segment, Namshi, which is considered as a CGU.

Brand name has been determined to have an indefinite useful life as it relates to the ongoing use of the Namshi brand, and are assessed for impairment annually based on their value-in-use. Brand name has been allocated for impairment testing to online retail business segment.

The Group performed its annual impairment test on the goodwill and brand. The calculation of value in use was sensitive to the following assumptions:

Gross margins - Gross margins were based on the expectations of management based on past experience, new initiatives and expectation of future market conditions.

*Discount rate*s - Discount rates reflected management's estimate of the specific risks. The discount rate was based on the risk free rate of the investment's country, market risk premium related to the industry and individual unit related risk premium/ discount. This was the benchmark used by management to assess performance and to evaluate future investment proposals. Management estimated that such discount rate to be used for evaluation of the investment should be approximately 12.6% (2018: 13.4%)

Sensitivity to changes in assumptions
With regard to the assessment of value in use of the Goodwill and Brand, management believes that no reasonably possible change in a key assumption would cause the carrying value of the goodwill to materially exceed its recoverable amount.

13 RIGHT-OF-USE ASSETS AND LEASE LIABILITIES

The carrying amounts of the Group's right-of-use assets and lease liabilities and the movements during the period:

	Right-of-use assets AED'000	***Lease liabilities AED'000***
As at 1 January 2019	**29,739**	**25,468**
Adjustments during the period	**(10,314)**	**(10,314)**
Depreciation expense	**(10,413)**	-
Interest expense	**-**	**488**
Payments	**-**	**(5,413)**
As at 31 December 2019	**9,012**	**10,229**

Lease liabilities are payable as below:

Lease liabilities payable after 12 months	**4,591**
Lease liabilities payable within 12 months	**5,638**
Balance as at period end	**10,229**

Set out below, are the amounts recognised in consolidated income statement:

	1 January 2019 to 31 December 2019 AED'000
Depreciation expense of right-of-use assets	**10,413**
Interest expense on lease liabilities	**489**
Total amounts recognised in consolidated income statement	**10,902**

14 INVENTORIES

	2019 AED'000	*2018 AED'000*
Merchandise held for resale	**216,347**	113,634
Spares and consumables	**12,934**	12,716
	229,281	126,350

The above inventories are net of allowance for slow moving inventories of AED 24,826 thousands (2018: AED 18,089 thousands).

Movement in the allowance for slow-moving inventories is as follows:

	2019 AED'000	*2018 AED'000*
At 1 January	**18,089**	6,818
Charge for the year	**6,737**	11,271
At 31 December	**24,826**	18,089

15 TRADE AND UNBILLED RECEIVABLES

	2019 *AED'000*	*2018* *AED'000*
Trade receivables - net	**372,397**	312,179
Unbilled receivables	**126,118**	92,001
	498,515	404,180

Trade receivables include amounts due from related parties amounting to AED 45,364 thousands (2018: AED 7,791 thousands) [note 17(b)].

The above trade receivables are net of allowance for doubtful debts of AED 115,843 thousands (2018: AED 89,581 thousands).

Movement in the allowance for doubtful debts is as follows:

	2019 *AED'000*	*2018* *AED'000*
At 1 January	**89,581**	85,356
Charge for the year	**26,298**	15,693
Write off / adjustments during the year - net	**(36)**	(11,468)
At 31 December	**115,843**	89,581

At 31 December, ageing analysis of trade and unbilled receivables is as follows:

			Past due but not impaired			
	Total *AED'000*	*Neither past due nor impaired* *AED'000*	*Upto 30 days* *AED'000*	*31-60 days* *AED'000*	*61-90 days* *AED'000*	*>90 days* *AED'000*
2019						
Estimated total gross carrying amount at default	**614,358**	**126,118**	**60,459**	**58,692**	**22,389**	**346,700**
Expected credit loss	**115,843**	**1,892**	**285**	**569**	**4,838**	**108,259**
2018						
Estimated total gross carrying amount at default	493,761	105,576	73,718	50,175	13,980	250,312
Expected credit loss	89,581	1,584	219	438	3,720	83,620

Management believes that, apart from the above, no impartment allowance is necessary in respect of the remaining trade receivables.

The Group recognises lifetime expected credit loss (ECL) for trade and other receivables using the simplified approach. To determine the expected credit losses all debtors were classified into categories and the ECL rate for each category was determined using a provision matrix.

These were adjusted for factors that are specific to the debtors and general economic conditions and an assessment both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

16 ADVANCES, PREPAYMENTS AND OTHER RECEIVABLES

	2019 AED'000	2018 AED'000
Advances to contractors and suppliers	**149,485**	138,900
Prepayments	**12,381**	11,058
Interest receivable	**2**	8
Other receivables	**70,204**	67,696
	232,072	217,662

17 RELATED PARTY DISCLOSURES

(a) During the year, the following were the significant related party transactions, which were carried out in the normal course of business on terms agreed between the parties:

	2019 AED'000	2018 AED'000
Revenue		
Rental income from leased properties		
Parent Company	**34,145**	604
Affiliated entities	**91,330**	108,219
Entities owned or controlled by Directors and other related parties	**97,897**	82,112
Cost of revenue		
Operating cost of leasing activities – net		
Parent Company	**39,770**	43,716
Affiliated entities	**263,217**	250,522
Entities owned or controlled by Directors and other related parties	**(1,486)**	(2,982)
Cost of online retail revenue		
Entities owned or controlled by Directors and other related parties	**56,135**	-
Sales and marketing expenses		
Parent Company	**5,360**	5,877
Affiliated entities	**749**	1,861
Entities owned or controlled by Directors and other related parties	**38,623**	12,088
General and administrative expenses		
Parent Company	**59,935**	105,004
Affiliated entities	**2,548**	1,921
Entities owned or controlled by Directors and other related parties	**2,148**	1,518
Finance income		
Entities owned or controlled by Directors and other related parties	**338**	22,641
Finance costs		
Entities owned or controlled by Directors and other related parties	**11,052**	5,110
Capital expenditures		
Affiliated entities	-	4,359

17 RELATED PARTY DISCLOSURES (continued)

(b) Balances with related parties included in the consolidated statement of financial position are as follows:

31 December 2019	***Bank balances and cash AED '000***	***Due from related parties AED '000***	***Trade and unbilled receivables AED '000***	***Due to related parties AED '000***	***Deferred income AED '000***	***Trade payables AED '000***
Current						
Parent Company	-	-	-	93,530	1,810	-
- Affiliated entities	-	149,355	-	58,909	30,106	-
Entities owned or controlled by Directors and other related parties	2,383	-	45,364	-	29,529	135
	2,383	**149,355**	**45,364**	**152,439**	**61,445**	**135**
31 December 2018						
Current						
Parent Company	-	-	-	64,934	-	-
Affiliated entities	-	158,768	-	53,506	40,995	-
Entities owned or controlled by Directors and other related parties	134,682	-	7,791	-	28,117	163
	134,682	158,768	7,791	118,440	69,112	163

Outstanding balances at year end are secured and interest-bearing. For the years ended 31 December 2019 and 2018, the Group has not recorded any impairment of receivables relating to amounts owed by related parties.

17 RELATED PARTY DISCLOSURES (continued)

(c) Compensation of key management personnel

The remuneration of key management personnel during the year were as follows:

	2019 AED'000	*2018 AED'000*
Short term benefits	**27,738**	21,284
End of service benefits	**1,336**	2,934

As at 31 December 2019, the number of key management personnel was 19 (2018: 17).

During the year, the Company has paid bonus to the members of the Board of Directors amounting to AED 650 thousands for each board member (including the Chairman and Vice Chairman of the Board of Directors) for the year 2018 as approved by the shareholders at the Annual General Meeting of the Company held on 23 April 2019.

18 BANK BALANCES AND CASH

	2019 AED'000	*2018 AED'000*
Cash in hand	**270**	233
Current and call accounts	**194,932**	126,361
Deposits maturing within three months	**-**	138,970
Balance at 31 December	**195,202**	265,564

Included in the bank balances and cash is an amount of AED 2,383 thousands (2018: AED 134,682 thousand) as balance held with related party [note 17(b)].

Cash at banks earn interest at fixed rates based on prevailing bank deposit rates. Short-term fixed deposits are made for varying periods between one day and six months, depending on the immediate cash requirements of the Group, and earn interest at the respective short-term deposit rates. Fixed deposits earn interest at rates between 2.70% and 2.84% per annum (2018: 2.20% and 3.20% per annum).

19 SHARE CAPITAL

	2019 AED'000	*2018 AED'000*
Authorised capital – 13,014,300,000 shares of AED 1 each (2018: 13,014,300,000 shares of AED 1 each)	**13,014,300**	13,014,300
Issued and fully paid – 13,014,300,000 shares of AED 1 each (2018: 13,014,300,000 shares of AED 1 each)	**13,014,300**	13,014,300

20 RESERVES

Movement in reserves is as follows:

	Statutory reserve AED'000	*Legal reserve AED'000*	*Hedging reserve AED'000*	*Put option over non-controlling interests AED'000*	*Total AED'000*
As at 1 January 2018	696,854	602,868	12,004	(468,658)	843,068
Other comprehensive income for the year	-	-	2,589	-	2,589
Other comprehensive income reclassified to the consolidated income statement	-	-	(14,593)	-	(14,593)
Total comprehensive income for the year	-	-	(12,004)	-	(12,004)
Transferred to statutory reserve	222,994	-	-	-	222,994
Transferred to legal reserve	-	222,994	-	-	222,994
As at 31 December 2018	919,848	825,862	-	(468,658)	1,277,052
As at 1 January 2019	**919,848**	**825,862**	**-**	**(468,658)**	**1,277,052**
Other comprehensive income for the year	-	-	-	-	-
Other comprehensive income reclassified to the consolidated income statement	-	-	-	-	-
Total comprehensive income for the year	-	-	-	-	-
Acquisition of non-controlling interests	-	-	-	**468,658**	**468,658**
Transferred to statutory reserve	**228,561**	-	-	-	**228,561**
Transferred to legal reserve	-	**228,561**	-	-	**228,561**
As at 31 December 2019	**1,148,409**	**1,054,423**	-	-	**2,202,832**

As required by the UAE Federal Commercial Companies Law No. (2) of 2015 and the Article number 57 of the Company's Article of Association, 10% of the net profit for the year shall be transferred to legal reserve until it reaches 50% of the share capital. Further, 10% of the net profit for the year shall be transferred to statutory reserve until it reaches 50% of the paid-up share capital. During the year, the Group has transferred AED 228,561 thousands to legal reserve from net profit for the year ended 31 December 2019. In addition, the Group has also transferred AED 228,561 thousands to statutory reserves from net profit for the year ended 31 December 2019. These reserves are not available for distribution except in the circumstances stipulated by the law.

21 DIVIDENDS

A cash dividend of AED 0.10 per share for the year 2018 was approved by the shareholders of the Company at the Annual General Meeting of the Company held on 23 April 2019 and was paid during the year ended 31 December 2019.

The Board of Directors of the Company has proposed not to pay dividend for the year ended 2019.

22 EARNINGS PER SHARE

Basic earnings per share amounts are calculated by dividing net profit or loss for the year by the weighted average number of ordinary shares outstanding during the year.

Diluted earnings per share are calculated by adjusting the weighted average number of ordinary shares outstanding assuming conversion of all dilutive potential ordinary shares.

The information necessary to calculate basic and diluted earnings per share is as follows:

	2019	*2018*
	AED'000	*AED'000*
Earnings:		
Profit attributable to the equity holders of the Company	**2,285,611**	2,229,943
Weighted average number of ordinary shares for basic & diluted earnings per share	**13,014,300,000**	13,014,300,000
Earnings per share (AED):		
- basic and diluted	**0.18**	0.17

23 PROVISION FOR EMPLOYEES' BENEFITS

End-of-Service Benefits
The movement in the provision for employees' end of service benefits is as follows:

	2019	*2018*
	AED'000	*AED'000*
Balance as at 1 January	**21,157**	20,601
Provision during the year	**8,914**	5,961
Transferred to parent company/ related parties	**(3,336)**	(2,032)
Paid during the year	**(6,007)**	(3,373)
Balance as at 31 December	**20,728**	21,157
Employees' equity option plan	**2,649**	2,963
	23,377	24,120

The provision for employees' end of service benefits is based on the liability that would arise if the employment of all staff were terminated at the reporting date and is calculated in accordance with the provisions of UAE Federal Labour Law.

Employees' Equity Option Plan
The Company has an Employees' Equity Option Plan ("the Plan") to recognise and retain high performing staff. The Plan awards eligible employees notional shares which vest over a period of time. Upon a liquidity event, the shareholders may at their sole discretion, choose to settle the employee options vested to date, in cash or equity. The notional shares awarded do not carry any existing or future right, actual or conditional, or legal or beneficial interest in the share capital of the company or any other Namshi entity from time to time. At 31 December 2019, liability of AED 2,649 thousands (2018: AED 2,963 thousands) has been recognised in the consolidated statement of financial position.

24 INTEREST BEARING LOANS AND BORROWINGS

	2019 *AED'000*	*2018* *AED'000*
Interest bearing loans and borrowings	**789,695**	1,193,725
Less: unamortised portion of loan arrangement fee	**(9,681)**	(11,355)
Net interest bearing loans and borrowings	**780,014**	1,182,370

(a) Movement for the year:

Balance as at 1 January	**1,193,725**	4,591,250
Less: Repaid during the year	**(1,513,276)**	(4,591,250)
Add: Borrowed during the year	**1,109,246**	1,193,725
Balance as at 31 December	**789,695**	1,193,725

In 2018, the Group had fully repaid a Syndicated Murhabha Islamic finance facility for USD 1.25 billion (AED 4,591,250 thousands) availed from the commercial banks in the UAE. The previous facility is replaced with Revolving Islamic Finance facility of USD 2 billion (AED 7,346,000 thousands) availed from the commercial banks in the UAE. The facility is unsecured and carries profit rate at 3 months LIBOR + 1.25% pa.

25 SUKUK

EMG Sukuk Limited (the "Issuer"), a limited liability company registered in the Cayman Islands and a wholly-owned subsidiary of the Group, has issued trust certificates (the "Sukuk") amounting to USD 750,000 thousands (AED 2,754,750 thousands) on 18 June 2014. The Sukuk is listed on NASDAQ Dubai and is due for repayment in 2024. The Sukuk carries a profit distribution rate of 4.564% per annum to be paid semi-annually. The carrying value of the Sukuk is as follows:

	2019 *AED'000*	*2018* *AED'000*
Proceeds from the issuance of the Sukuk	**2,754,750**	2,754,750
Less: Sukuk issuance cost	**(21,587)**	(21,587)
Sukuk liability on initial recognition	**2,733,163**	2,733,163
Amortisation of issuance cost	**10,710**	8,573
Sukuk liability as at year end	**2,743,873**	2,741,736

26 PUT OPTION OVER NON-CONTROLLING INTERESTS

Pursuant to the Shareholders' Agreement which was executed between the Company and GFG on 16 August 2018 in relation to the acquisition of Namshi, the Company granted a put option to GFG in respect of GFG's shareholding in Namshi. GFG had the right to require the Company to acquire GFG's entire shareholding in Namshi.

The Company had recognised a non-current financial liability of AED 488,452 thousands in the consolidated statement of financial position as at 31 December 2018. This represents the present value of the estimated redemption amount payable by the Company in the event of exercise of the right by GFG.

On 25 February 2019, the Company acquired the remaining GFG's shareholding in Namshi for a consideration of AED 475,900 thousands (note 1).

Upon acquisition of remaining GFG's shareholding in Namshi, the non-current financial liability previously recognised in the consolidated statement of financial position has been derecognised in the current period. The Group has recognised a gain on settlement of put option over non-controlling interests amounting to AED 15,689 thousands in the consolidated income statement.

27 ACCOUNTS PAYABLE AND ACCRUALS

	2019 AED'000	*2018 AED'000*
Trade payables	**193,844**	99,126
Accrued expenses	**729,245**	779,445
Interest payable	**6,968**	7,616
Other payables	**20,000**	51,274
	950,057	937,461

Included in the trade payables is an amount of AED 135 thousands (2018: AED 163 thousands) due to related parties [note 17(b)].

28 COMMITMENTS AND CONTINGENCIES

Commitments
At 31 December 2019, the Group had commitments of AED 757,497 thousands (2018: AED 878,729 thousands) which includes project commitments of AED 554,514 thousands (2018: AED 500,478 thousands). This represents the value of contracts issued as at 31 December net of invoices received and accruals made as at that date.

The Group leases out its property under operating leases as a lessor. The future minimum lease payments receivable (base rent) under non-cancellable operating leases contracted for at the reporting date but not recognised as receivables, are as follows:

	2019 AED'000	*2018 AED'000*
Within one year	**2,586,149**	2,533,472
After one year but not more than five years	**4,861,278**	4,922,800
More than five years	**881,938**	677,204
	8,329,365	8,133,476

In addition to the base rent, the Group also charges annual service charges to its tenants. The total amount of service charges for the year ended 31 December 2019 was AED 364,828 thousands (2018: AED 356,155 thousands).

Contingencies
As at 31 December 2019, legal proceedings are in progress against certain tenants to recover outstanding rents amounting to AED 17,470 thousands (2018: AED 2,265 thousands). Based on the advice of legal advisors, outcome of these claims will have no adverse impact on the consolidated financial statements of the Group.

Subsequent events
Subsequent to the reporting date, the outbreak of Covid-19 has caused disruptions to the Group's certain line of businesses. As the situation is fast evolving, the effect of the outbreak of Covid-19 is subject to significant levels of uncertainty, with the full range of possible effects unknown on the date of the approval of the consolidated financial statements.

29 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group has exposure to the following risks from its use of financial instruments:

a) Credit risk,
b) Market risk, and
c) Liquidity risk.

This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risk, and the Group's management of capital.

The Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework. The Group's senior management are responsible for developing and monitoring the risk management policies and report regularly to the Board of Directors on their activities.

The Group’s current financial risk management framework is a combination of formally documented risk management policies in certain areas and informal risk management policies in others. The Group’s risk management policies (both formal and informal) are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group’s activities.

The Company’s Audit Committee oversees how management monitors compliance with the Company’s risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risk faced by the Company. The Company’s Audit Committee is assisted in its oversight role by Internal Audit. Internal Audit undertakes both regular and adhoc reviews of risk management controls and procedures, the results of which are reported to the Audit Committee.

The Group’s principal financial liabilities, other than derivative, comprise loans and borrowings, sukuk, put option over non-controlling interests, retentions payable and trade and other payables. The main purpose of these financial instruments is to raise finance for the Group’s operations. The Group has various financial assets such as bank balances and cash, trade and unbilled receivables, due from related parties and advances, prepayments and other receivables, which arises directly from its operations.

The Group also enters into derivative transactions, primarily interest rate swap contracts. The purpose is to manage the interest rate risk arising from the Group’s sources of finance.

The Board of Directors reviews and agrees policies for managing each of these risks which are summarised below:

Credit risk
Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Group is exposed to credit risk on the following:

	2019 ***AED’000***	*2018* *AED’000*
Bank balances	**194,932**	265,331
Trade and unbilled receivables	**507,775**	404,180
Due from related parties	**140,095**	158,768
Interest receivable	**2**	8
Other receivables	**70,204**	67,696
	913,008	895,983

Credit risk from balances with banks and financial institutions is managed by Group’s treasury in accordance with the Group’s policy. The Group limits its exposure to credit risk by only placing balances with international banks and local banks of good repute. Given the profile of its bankers, management does not expect any counterparty to fail to meet its obligations.

Credit risk from trade and unbilled receivables is managed by setting credit limits for individual tenants, monitoring outstanding receivables and obtaining security deposits under the lease arrangements. The Group establishes an allowance for impairment at each reporting date that represents its estimate of expected credit losses in respect of trade and unbilled receivables.

Due from related parties relates to transactions arising in the normal course of business with minimal credit risk.

29 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Market risk
Market risk is the risk that changes in market prices, such as interest rate risk and currency risk, will affect the Group's income or the value of its holdings of financial instruments. Financial instruments affected by interest rate risk include interest bearing loans and borrowings. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

Interest rate risk
Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group is exposed to interest rate risk on its interest-bearing assets and liabilities (interest bearing loans and borrowings).

At the reporting date, the interest rate profile of the Group’s interest-bearing financial instruments is as under:

	2019 AED’000	*2018 AED’000*
Fixed rate instruments		
Financial assets		
Fixed deposits	**-**	138,970
Variable rate instruments		
Financial liabilities		
Interest bearing loans and borrowing	**780,014**	1,182,370

The following table demonstrates the sensitivity of the consolidated income statement to reasonably possible changes in interest rates, with all other variables held constant and net of hedged instruments. The sensitivity of the consolidated income statement is the effect of the assumed changes in interest rates on the Group's profit for one year, based on the floating rate financial assets and liabilities held at reporting date.

	Changes in basis points	***Sensitivity of interest income/expense AED’000***
2019		
Bank deposits	**±100**	**-**
Interest bearing loans and borrowings	**±100**	**±7,897**
2018		
Bank deposits	±100	±1,390
Interest bearing loans and borrowings	±100	±11,937

Foreign currency risk
Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Group's significant monetary assets and liabilities denominated in foreign currencies are either in USD or in currencies pegged to USD. As the AED is currently pegged to the USD, balances in USD and other currencies pegged to USD are not considered to represent significant currency risk.

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 monitors its risk to a shortage of funds using a recurring liquidity planning tool. This tool considers the maturity of both its financial investments and financial assets (e.g. trade and unbilled receivables, other financial assets) and projected cash flows from operations.

29 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Liquidity risk (continued)
The cash flows, funding requirements and liquidity of the Group are monitored on a centralised basis, under the control of Group Treasury. The objective of Group's Treasury is to optimise the efficiency and effectiveness of the management of the capital resources. The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank borrowings. The Group manages liquidity risk by maintaining adequate reserves and borrowing facilities, by continuously monitoring forecasted and actual cash flows and matching the maturity profiles of financial assets and liabilities.

The Group currently has sufficient cash and financing on demand to meet expected operational expenses, including the servicing of financial obligations.

The table below summarises the maturities of the Group's undiscounted financial liabilities at 31 December, based on contractual payment dates and current market interest rates.

At 31 December 2019

		Contractual cash flows				
	Carrying amount AED'000	***Less than 3 months AED'000***	***3 to 12 months AED'000***	***1 to 5 years AED'000***	***More than 5 years AED'000***	***Total AED'000***
Due to related parties	**152,439**	**38,110**	**114,329**	**-**	**-**	**152,439**
Interest bearing loans and borrowings	**780,014**	**7,996**	**23,987**	**127,930**	**789,695**	**949,608**
Sukuk	**2,743,873**	**-**	**125,727**	**440,044**	**2,754,750**	**3,320,521**
Trade payables	**193,844**	**186,665**	**7,179**	**-**	**-**	**193,844**
Accrued expenses	**729,245**	**182,311**	**546,934**	**-**	**-**	**729,245**
Retentions payable	**31,611**	**3,698**	**11,095**	**16,818**	**-**	**31,611**
Other payables	**20,000**	**5,000**	**15,000**	**-**	**-**	**20,000**
Lease Liabilities	**10,229**	**48**	**5,980**	**4,686**	**-**	**10,714**
Total	**4,661,255**	**423,828**	**850,231**	**589,478**	**3,544,445**	**5,407,982**

At 31 December 2018

		Contractual cash flows				
	Carrying amount AED'000	*Less than 3 months AED'000*	*3 to 12 months AED'000*	*1 to 5 years AED'000*	*More than 5 years AED'000*	*Total AED'000*
Due to related parties	118,440	29,610	88,830	-	-	118,440
Interest bearing loans and borrowings	1,182,370	12,086	36,259	193,383	1,242,071	1,483,799
Sukuk	2,741,736	-	125,727	502,907	2,817,613	3,446,247
Put option over non-controlling interests	475,906	475,906	-	-	-	475,906
Trade payables	99,126	92,921	6,205	-	-	99,126
Accrued expenses	779,445	194,861	584,584	-	-	779,445
Retentions payable	30,779	3,344	10,031	17,404	-	30,779
Other payables	51,274	12,819	38,455	-	-	51,274
Total	5,479,076	821,547	890,091	713,694	4,059,684	6,485,016

Capital management
Capital includes equity attributable to the equity holders of the Group. The Group's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The primary objective of the Group's capital management strategy is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximise shareholder's value.

29 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Capital management (continued)
The Group monitors capital using gearing ratio, which is net debt divided by equity plus net debt. The Group's policy is to keep the gearing ratio below 50%. The Group includes within net debt, interest bearing loans and borrowings and sukuk, less bank balances and cash (excluding lien with banks). Equity includes equity attributable to the equity holders of the Group. At 31 December 2019, the Groups' gearing ratio is 16% (31 December 2018: 18%). The Board of Directors seeks to maintain a balance between the higher returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position.

The Board of Directors also monitors the return on capital, which the Group defines as net operating income divided by total shareholders' equity. The Board of Directors also monitors the level of dividends to shareholders, the return of capital to shareholders or issuance of new shares to maintain or adjust the capital structure.

The Group manages its capital structure and makes adjustments to it, in light of changes in business conditions. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2019 and 31 December 2018.

30 FAIR VALUES OF FINANCIAL INSTRUMENTS

Financial instruments comprise financial assets, financial liabilities and derivatives.

Financial assets of the Group include bank balances and cash, trade and unbilled receivables, advances, other receivables and due from related parties. Financial liabilities of the Group include security deposits, interest bearing loans and borrowings, sukuk, trade payables, put option over non-controlling interests, retention payables, accrued expenses and due to related parties. Derivatives include interest rate swaps.

The fair values of the financial instruments are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The fair values of the financial instruments are not materially different from their carrying value unless stated otherwise.