Emaar Malls PJSC and its subsidiaries

CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2018

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 2018 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 2018.

Principal activities & business overview

The principal activities of the Group during the year ended 31 December 2018 were the development and management of shopping malls & retail centers and online retail sales.

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 2018 and an average GLA occupancy rate of 93% during the year 2018.

The Group manages and operates business principally through five segments: Super-Regional Malls, Regional Malls, Community Retail, Specialty Retail and Online Retail. Online retail segments represents Namshi, a leading online fashion portal in GCC region. Subsequent to the year end, the Company has acquired remaining stake in Namshi and now holds Namshi as fully owned subsidiary.

Financial results

The Group has recorded a net profit attributable to the equity holders of the Company amounting to AED 2,230 million for the year ended 31 December 2018 (2017: AED 2,086 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 223 million each is made to both legal reserve and statutory reserve from the distributable profit (note 20).

The Board of Directors of the Company has proposed a cash dividend of 10%, 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 and proposed dividend (subject to approval of shareholders at the Annual General Meeting) will be transferred to retained earnings.

Total shareholders' fund as at 31 December 2018 amount to AED 17,261 million (2017: AED 16,349 million) prior to proposed dividend.

Outlook for 2019

The malls and retail sector continues to be highly competitive and the successful performance is driven by the strong economic fundamentals of Dubai. Our focus remains delivering outstanding experiences to customers and on executing our strategic expansion plans – not only by creating new and world-class retail assets – but also by transforming our proposition through digital and omnichannel strategies that will help create long-term value for all our stakeholders.

DIRECTORS' REPORT (continued)

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

Ernst and Young were appointed as external auditors of the Group for the year ended 31 December 2018. The Board of Directors has recommended Ernst and Young as the auditors for 2019 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

20 March 2019

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INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF EMAAR MALLS PJSC AND ITS SUBSIDIARIES

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 2018, and the consolidated income statement, consolidated statement of other comprehensive income, consolidated statement of cash flows and consolidated statement of changes in equity for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Group as at 31 December 2018, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs").

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 *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* (the "IESBA Code") together with the ethical requirements that are relevant to our audit of the consolidated financial statements in the United Arab Emirates, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current year. 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. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the consolidated financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF EMAAR MALLS PJSC AND ITS SUBSIDIARIES (continued)

Key audit matters (continued)

(i) Accounting for lease rental income

Lease rental income amounted to AED 3,597 million for the year. Generally, lease revenue is recognised net of discount, in accordance with the terms of lease contracts over the lease term on a straight line basis, using a standard IT system. Also, there are few lease arrangements where revenue recognition is not subject to straight line basis depending on the nature of the lease arrangements and performance of the lessee. There is an inherent risk around the accuracy of the revenue recorded given the complexity of the IT system and impact of the lease agreements terms to the revenue recognition.

Within lease rental income, there are also specific arrangements related to (i) rent income computed by reference to lessee turnover and (ii) tenant incentives and guaranteed rent increases which warrant additional audit focus as they involve high level of management estimates and judgments and hence have an increased inherent risk of error due to the non-standard nature of such transactions.

Our audit procedures included considering the appropriateness of the Group's revenue recognition accounting policies and assessing compliance with the policies in terms of international financial reporting standards.

We performed tests of controls, assisted by our IT specialists, over revenue recognition with specific focus on whether lease income is recorded over the lease term on a straight-line basis or other applicable basis as per the terms of the lease contract. We performed tests of details, on a sample basis, to review the lease contracts entered into with the customers to assess whether lease income recorded is as per the contract terms, to identify any non-standard lease clauses, and to assess the appropriateness of the rental income accounting. We assessed the completeness of lease rental income recorded during the year through matching the data used in the revenue recognition to the approved lease agreements with the customers. We also performed detailed substantive analytical procedures of lease rental income and the timing of its recognition.

With regards to rent income calculated from lessee turnover, we performed test of controls and matched the working to the reports received from lessees, and where no reports were available, we tested management estimates. For tenant incentives and guaranteed rent increases, we matched them to the lease agreements on a sample basis and tested management estimates.

Note 2.3 to the consolidated financial statements includes the accounting policy followed by the Group for recognising lease rental income and Note 5 discloses the different categories of revenue recognised.

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF EMAAR MALLS PJSC AND ITS SUBSIDIARIES (continued)

Key audit matters (continued)

(ii) Valuation and impairment analysis of investment properties

The investment properties of AED 22,229 million represent a significant part of the total assets (92%) of the Group and are accounted for at cost while their fair value is disclosed in the notes to the consolidated financial statements amounting to AED 53,285 million as of 31 December 2018 (note 11). Valuation of investment properties is significant to our audit due to its magnitude, complexity and high dependency on a range of estimates (amongst others, rental values, rental growth rates, vacancy rates, discount rates, operating costs, exit yield) made by an independent valuer engaged by the management. The existence of significant estimation uncertainty, coupled with the fact that a small percentage difference in individual property valuations, when aggregated, could result in a material misstatement, warrants specific audit focus in this area.

The valuations were carried out by independent external appraiser engaged by the Group. We have evaluated the objectivity, independence and expertise of the external appraisal firm. We tested the accuracy of the input data provided by management to the external appraiser. We involved our internal real estate valuation specialists to review the valuation reports for selected properties to assess whether the valuation approach and methods used were in accordance with the established standards for valuation of properties, and suitable for determining the fair value for the purposes of impairment assessment and disclosure of the fair value in the consolidated financial statements. Our internal specialists also assessed the assumptions used by management and external appraiser in the valuation process.

Our work was focused on the largest properties in the portfolio and those where there may have been an indicator of impairment. We also assessed the appropriateness of the disclosures relating to the assumptions and sensitivity of such assumptions.

Notes 2.4 and 11 to the consolidated financial statements includes the disclosure of valuation methods and key assumptions used in the valuation of the investment properties.

(iii) Transactions with Emaar Properties PJSC

The Company has undertaken a number of transactions with the Parent Company (Emaar Properties PJSC) and its subsidiaries in the normal course of business, mainly project costs for projects developed by the Parent Company and its subsidiaries, selling, general and administrative expense recharges, lake and fountain recharges and other operational recharges. There is a risk that such transactions could be used to manipulate results.

We evaluated the appropriateness of management's process for identifying and recording related party transactions. We read the agreement between the Company and the Parent Company to understand the contractual arrangement for such items. The agreement provides the basis of the allocation and respective percentages of allocation for each type of corporate services offered to the Company. Throughout the performance of our audit procedures, we remained alert for any related party transactions outside the normal course of business. We utilised data analysis tools to interrogate the entire data sets for potential related party transactions. We tested the debit notes received from the Parent Company to understand the nature of the expenses and its relevance to the Company as per the agreement. We also assessed the appropriateness of the disclosures regarding related parties.

Note 17 to the consolidated financial statements discloses the related parties transactions and balances.

Key audit matters (continued)

(iv) Assessment of impairment of goodwill

As at 31 December 2018, the goodwill in the consolidated statement of financial position amounts to AED 365 million. The goodwill arises from the acquisition of Namshi Holding Limited made by the Company in the year 2017.

Management performs an annual impairment test on the recoverability of the goodwill as required by International Financial Reporting Standards. A variety of internal and external factors such as market developments, profitability, economic conditions and management's expectations of future performance are used in the impairment analyses of the company, and they represent significant estimates that require the use of valuation models and a significant level of management judgement, particularly the assumptions related to future growth rate and discount rates applied to the projected cash flows.

We have evaluated the impairment models and involved valuation specialists to assess the discount rates used. Our audit procedures included challenging management's key assumptions used in the cash flow forecasts included within the impairment models with reference to historical performance and market expectations, as well as historic trend analysis to determine management's ability to reliably estimate such assumptions. We have also assessed the reasonableness of the future growth rate estimates in light of management's business plans and independent data. Our valuation specialists assisted us in assessing the discount rates by benchmarking against independent data.

We also evaluated the management's assessment of the sensitivity of the Group's impairment model to possible changes in the key assumptions and assessed the adequacy of the disclosures provided by the Group in relation to its impairment reviews.

Other information

Management is responsible for the other information. Other information consists of the Directors' Report, other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon. In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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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 IFRSs and in compliance with the applicable provisions of the Company's Articles of Association and 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.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

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

- 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.

Auditor's 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 auditor's 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 auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

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

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

We communicate with those charged with governance, 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 auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF EMAAR MALLS PJSC AND ITS SUBSIDIARIES (Continued)

Report on other legal and regulatory requirements

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

i) the Group has maintained proper books of account;

ii) we have obtained all the information we considered necessary for the purposes of our audit;

iii) 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 and the Articles of Association of the Company;

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

v) there is no investment in shares or stocks made during the year ended 31 December 2018;

vi) note 17 reflects material related party transactions and the terms under which they were conducted;

vii) based on the information that has been made available to us nothing has come to our attention which causes us to believe that the Company has contravened during the financial year ended 31 December 2018 any of the applicable provisions of the UAE Federal Law No. (2) of 2015 or of its Articles of Association which would materially affect its activities or its financial position as at 31 December 2018; and

viii) note 9 reflects the social contributions made during the year.

Ernst & Young

Signed by:
Anthony O'Sullivan
Partner
Registration Number 687

20 March 2019

Dubai, United Arab Emirates

CONSOLIDATED INCOME STATEMENT
For the year ended 31 December 2018

		(US $1.00 = AED 3.673)	
	Notes	***2018*** ***AED'000***	*2017* *AED'000*
Revenue	5	**4,445,894**	3,628,767
Cost of revenue	6	**(1,081,570)**	(625,485)
GROSS PROFIT		**3,364,324**	3,003,282
Sales and marketing expenses		**(295,856)**	(124,489)
General and administrative expenses		**(226,343)**	(208,987)
Depreciation and amortisation		**(455,103)**	(379,817)
OPERATING PROFIT FOR THE YEAR		**2,387,022**	2,289,989
Gain on disposal of assets held for sale	7	**47,577**	-
Finance income		**89,916**	75,860
Finance costs	8	**(324,426)**	(286,033)
PROFIT FOR THE YEAR	9	**2,200,089**	2,079,816
ATTRIBUTABLE TO:			
Equity holders of the parent		**2,229,943**	2,085,828
Non-controlling interests		**(29,854)**	(6,012)
		2,200,089	2,079,816
Earnings per share (AED):			
Equity holders of the parent basic and diluted	22	**0.17**	0.16

The attached notes 1 to 32 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2018

	(US $1.00 = AED 3.673)	
	2018 ***AED'000***	*2017* *AED'000*
PROFIT FOR THE YEAR	**2,200,089**	2,079,816
Other comprehensive income to be reclassified to the consolidated income statement:		
Other comprehensive income:		
Movement on cash flow hedges	**2,589**	20,202
Reclassification of hedging reserve to consolidated income statement	**(14,593)**	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**2,188,085**	2,100,018
ATTRIBUTABLE TO:		
Equity holders of the parent	**2,217,939**	2,106,030
Non-controlling interests	**(29,854)**	(6,012)
	2,188,085	2,100,018

The attached notes 1 to 32 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 31 December 2018

	Notes	2018 AED'000	2017 AED'000
		(US $1.00 = AED 3.673)	
ASSETS			
Non-current assets			
Property, plant and equipment	10	**161,053**	180,713
Investment properties	11	**22,228,694**	21,740,122
Goodwill and intangible assets	12	**569,249**	580,893
		22,958,996	22,501,728
Current assets			
Inventories	14	**126,350**	165,021
Trade and unbilled receivables	15	**404,180**	269,167
Advances, prepayments and other receivables	16	**217,662**	211,350
Due from related parties	17	**158,768**	56,627
Bank balances and cash	18	**265,564**	3,209,583
		1,172,524	3,911,748
Investment properties classified as held for sale	13	**-**	14,623
		1,172,524	3,926,371
TOTAL ASSETS		**24,131,520**	26,428,099
EQUITY AND LIABILITIES			
Equity			
Share capital	19	**13,014,300**	13,014,300
Reserves	20	**1,277,052**	843,068
Retained earnings		**2,969,732**	2,492,107
Equity attributable to equity holders of the Parent		**17,261,084**	16,349,475
Non-controlling interests		**147,040**	176,894
TOTAL EQUITY		**17,408,124**	16,526,369
Non-current liabilities			
Provision for employees' benefits	23	**24,120**	20,601
Interest bearing loans and borrowings	24	**1,182,370**	4,565,943
Sukuk	25	**2,741,736**	2,739,689
Put option over non-controlling interests	26	**488,452**	468,658
Retentions payable after 12 months		**17,404**	15,299
		4,454,082	7,810,190
Current liabilities			
Due to related parties	17	**118,440**	60,040
Accounts payable and accruals	27	**937,461**	694,802
Advances and security deposits		**1,002,035**	1,116,146
Retentions payable within 12 months		**13,375**	11,507
Deferred income		**198,003**	209,045
		2,269,314	2,091,540
TOTAL LIABILITIES		**6,723,396**	9,901,730
TOTAL EQUITY AND LIABILITIES		**24,131,520**	26,428,099

The consolidated financial statements were authorised for issue on 20 March 2019 by Board of Directors and signed on their behalf by:

Chairman

Director

The attached notes 1 to 32 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2018

	Notes	2018 AED'000	2017 AED'000
		(US $1.00 = AED 3.673)	
OPERATING ACTIVITIES			
Profit for the year		**2,200,089**	2,079,816
Adjustments for:			
Depreciation of property, plant and equipment	10	**32,912**	36,912
Depreciation of investment properties	11	**410,547**	338,486
Amortisation of intangible assets with definite useful life	12	**11,644**	4,419
Provision for doubtful debts	15	**15,693**	23,906
Provision for employees' end of service benefits	23	**5,961**	5,286
Provision for employees' equity option plan	23	**2,963**	-
Finance costs	8	**324,426**	286,033
Loss/ (gain) on disposal of property, plant and equipment and investment properties		**9**	(30)
Gain on disposal of assets held for sale	7	**(47,577)**	-
Finance income		**(89,916)**	(75,860)
		2,866,751	2,698,968
Working capital changes:			
Inventories		**38,671**	(46,705)
Trade and unbilled receivables		**(150,706)**	(68,301)
Due from related parties		**(102,141)**	(799)
Advances, prepayments and other receivables		**22,807**	(24,489)
Due to related parties		**56,368**	(26,395)
Accounts payable and accruals		**(124,529)**	(74,937)
Advances and security deposits		**(114,111)**	204,553
Retentions payable		**3,973**	(29,288)
Deferred income		**(11,042)**	(165,694)
Net cash flows from operations		**2,486,041**	2,466,913
Employees' end of service benefits paid	23	**(3,373)**	(3,328)
Net cash flows from operating activities		**2,482,668**	2,463,585
INVESTING ACTIVITIES			
Acquisition of subsidiary – net of cash acquired	4	**-**	(423,230)
Purchases of property, plant and equipment	10	**(13,253)**	(8,513)
Amounts incurred on investment properties	11	**(530,211)**	(874,348)
Interest received		**96,382**	84,151
Proceeds from disposal of property, plant and equipment		**6**	69
Deposits under lien or maturing after three months		**3,066,957**	458,473
Net proceeds from disposal of assets held for sale		**14,563**	-
Net cash flows from/ (used in) investing activities		**2,634,444**	(763,398)
FINANCING ACTIVITIES			
Repayment of interest bearing loans and borrowings		**(4,591,250)**	-
Proceeds from interest bearing loans and borrowings		**1,193,725**	-
Dividends paid	21	**(1,301,430)**	(1,301,430)
Finance cost paid		**(290,319)**	(275,745)
Bonus paid to Board of Directors	17	**(4,900)**	(5,550)
Net cash flows used in financing activities		**(4,994,174)**	(1,582,725)
NET INCREASE IN CASH AND CASH EQUIVALENTS		**122,938**	117,462
Cash and cash equivalents at 1 January		**142,626**	25,164
CASH AND CASH EQUIVALENTS AT 31 DECEMBER	18	**265,564**	142,626
SUPPLEMENTAL NON-CASH INFORMATION			
Investment properties' project cost accrual		**368,754**	-

The attached notes 1 to 32 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2018

	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 2017	13,014,300	874,358	2,130,425	16,019,083	-	16,019,083
Profit/ (loss) for the year	-	-	2,085,828	2,085,828	(6,012)	2,079,816
Other comprehensive income for the year	-	20,202	-	20,202	-	20,202
Total comprehensive income/ (loss) for the year	-	20,202	2,085,828	2,106,030	(6,012)	2,100,018
Acquisition of a subsidiary (note 4)	-	-	-	-	182,906	182,906
Initial recognition of put option over non-controlling interests	-	(468,658)	-	(468,658)	-	(468,658)
Dividends paid (note 21)	-	-	(1,301,430)	(1,301,430)	-	(1,301,430)
Directors' bonus [note 17(c)]	-	-	(5,550)	(5,550)	-	(5,550)
Transferred to reserves (note 20)	-	417,166	(417,166)	-	-	-
As at 31 December 2017	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**

The attached notes 1 to 32 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.

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) and applicable requirements of 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 2018. 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 use its power over the entity to affect the amount of the Company's returns.

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.

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

2.1 BASIS OF PREPARATION (continued)

Basis of consolidation (continued)
Subsidiaries (continued)
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;
- 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 2018 and 31 December 2017 are as follows:

Name of the subsidiary	*Country of incorporation*	*Principal activity*	***Beneficial Ownership*** ***2018***	*2017*
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	**51%**	51%

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 2018:

(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 2018. 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 2018, 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 9 Financial Instruments
IFRS 9 Financial Instruments replaces IAS 39 Financial Instruments: Recognition and Measurement for annual periods beginning on or after 1 January 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement; impairment; and hedge accounting.

The Group early adopted IFRS 9- Phase 1 *Classification and Measurement of Financial Instruments* in the prior years, and adopted the other two aspects of IFRS 9 namely, *Impairment* and *Hedge accounting* from 1 January 2018 with the initial application date of 1 January 2018. With the exception of hedge accounting, which the Group applied prospectively, the Group has applied IFRS 9 - Impairment retrospectively. The effect of adopting IFRS 9 is, as follows:

Impairment
The adoption of IFRS 9 requires the Group to account for impairment losses for financial assets by replacing IAS 39's incurred loss approach with a forward-looking Expected Credit Loss (ECL) approach.

IFRS 9 requires the Group to record an allowance for ECLs for all loans and other debt financial assets not held at FVPL. 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.

For Trade and unbilled receivables and other receivables, the Group has applied the standard's simplified approach and has calculated 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.

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 payment 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.

Management assessed the expected credit losses as prescribed by the requirements of IFRS 9 against trade and unbilled receivables and investment in debt securities and concluded that there was no material impact on the consolidated financial statements.

Hedge accounting
The Group applied hedge accounting prospectively. At the date of the initial application, all of the Group's existing hedging relationships were eligible to be treated as continuing hedging relationships. Consistent with prior periods, the Group has continued to designate the change in fair value of the entire interest rate swap contract in the Group's cash flow hedge relationships and, as such, the adoption of the hedge accounting requirements of IFRS 9 had no significant impact on the Group's financial statements.

Under IAS 39, all gains and losses arising from the Group's cash flow hedging relationships were eligible to be subsequently reclassified to profit or loss. However, under IFRS 9, gains and losses arising on cash flow hedges of forecast purchases of non-financial assets need to be incorporated into the initial carrying amounts of the non-financial assets. This change only applies prospectively from the date of initial application of IFRS 9 and has no impact on the presentation of comparative figures.

2.2 CHANGES IN THE ACCOUNTING POLICIES AND DISCLOSURES (continued)

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

IFRS 9 Financial Instruments (continued)

Other adjustments
In addition to the adjustments described above, upon adoption of IFRS 9, other items of the primary financial statements such as deferred taxes, assets held for sale and liabilities associated with them, investments in the associate and joint venture (arising from the financial instruments held by these entities), income tax expense, retained earnings and exchange differences on translation of foreign operations were adjusted as necessary. No other adjustments were required to be made to the financial statements line items on adoption of IFRS 9.

IFRIC Interpretation 22 Foreign Currency Transactions and Advance Considerations
The Interpretation clarifies that, in determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which an entity initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, then the entity must determine a date of the transactions for each payment or receipt of advance consideration. This Interpretation does not have any impact on the Group’s consolidated financial statements.

Amendments to IAS 40 Transfers of Investment Property
The amendments clarify when an entity should transfer property, including property under construction or development into, or out of investment property. The amendments state that a change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. A mere change in management’s intentions for the use of a property does not provide evidence of a change in use. These amendments do not have any impact on the Group’s consolidated financial statements.

Amendments to IFRS 2 Classification and Measurement of Share-based Payment Transactions
The IASB issued amendments to IFRS 2 Share-based Payment that address three main areas: the effects of vesting conditions on the measurement of a cash-settled share-based payment transaction; the classification of a share-based payment transaction with net settlement features for withholding tax obligations; and accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash settled to equity settled. On adoption, entities are required to apply the amendments without restating prior periods, but retrospective application is permitted if elected for all three amendments and other criteria are met. The Group has no share-based payment transactions therefore; these amendments do not have any impact on the Group’s consolidated financial statements.

Amendments to IFRS 4 Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts
The amendments address concerns arising from implementing the new financial instruments standard, IFRS 9, before implementing IFRS 17 Insurance Contracts, which replaces IFRS 4. The amendments introduce two options for entities issuing insurance contracts: a temporary exemption from applying IFRS 9 and an overlay approach. These amendments do not have any impact on the Group’s consolidated financial statements.

Amendments to IAS 28 Investments in Associates and Joint Ventures - Clarification that measuring investees at fair value through profit or loss is an investment-by-investment choice
The amendments clarify that an entity that is a venture capital organisation, or other qualifying entity, may elect, at initial recognition on an investment-by-investment basis, to measure its investments in associates and joint ventures at fair value through profit or loss. If an entity, that is not itself an investment entity, has an interest in an associate or joint venture that is an investment entity, the entity may, when applying the equity method, elect to retain the fair value measurement applied by that investment entity associate or joint venture to the investment entity associate’s or joint venture’s interests in subsidiaries. This election is made separately for each investment entity associate or joint venture, at the later of the date on which: (a) the investment entity associate or joint venture is initially recognised; (b) the associate or joint venture becomes an investment entity; and (c) the investment entity associate or joint venture first becomes a parent. These amendments do not have any impact on the Group’s consolidated financial statements.

Amendments to IFRS 1 First-time Adoption of International Financial Reporting Standards - Deletion of short-term exemptions for first-time adopters
Short-term exemptions in paragraphs E3–E7 of IFRS 1 were deleted because they have now served their intended purpose. These amendments do not have any impact on the Group’s consolidated financial statements.

2.2 CHANGES IN THE ACCOUNTING POLICIES AND DISCLOSURES (continued)

Standards issued but not yet effective
The new and amended standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Group's consolidated financial statements are disclosed below. The Group intends to adopt these new and amended standards, if applicable, when they become effective.

IFRS 10 and IAS 28	Sale or Contribution of Assets between an investor and its Associate or Joint Venture (the effective date has been deferred indefinitely, but an entity that early adopts the amendments must apply them prospectively);
IFRS 16	Leases: Lessees required to recognise a lease liability for the obligation to make lease payments and a right-of-use asset for the right to use the underlying asset for the lease term (effective for annual periods beginning on or after 1 January 2019). Refer in detail below;
IFRS 17	Insurance Contracts (effective for reporting periods beginning on or after 1 January 2021);
IFRS 9	Prepayment Features with Negative Compensation (amendments should be applied retrospectively and are effective from 1 January 2019, with earlier application permitted);
IAS 19	Plan Amendment, Curtailment or Settlement (amendments are effective from 1 January 2019, with earlier application permitted);
IAS 28	Long-term interests in associates and joint ventures (amendments are effective from 1 January 2019, with earlier application permitted);

Annual Improvements 2014-2016 Cycle: (issued in December 2016)
- IFRIC Interpretation 23 Uncertainty over Income Tax Treatment

Annual Improvements 2015-2017 Cycle: (issued in December 2017)
- IFRS 3 Business Combinations
- IFRS 11 Joint Arrangements
- IAS 12 Income Taxes
- IAS 23 Borrowing Costs

IFRS 16 Leases
IFRS 16 was issued in January 2016 and it replaces IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases-Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under IAS 17. The standard includes two recognition exemptions for lessees – leases of 'low-value' assets (e.g., personal computers) and short-term leases (i.e., leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

Lessees will be also required to remeasure the lease liability upon the occurrence of certain events (e.g., a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset.

Lessor accounting under IFRS 16 is substantially unchanged from today's accounting under IAS 17. Lessors will continue to classify all leases using the same classification principle as in IAS 17 and distinguish between two types of leases: operating and finance leases.

IFRS 16, which is effective for annual periods beginning on or after 1 January 2019, requires lessees and lessors to make more extensive disclosures than under IAS 17.

Impact assessment of IFRS 16 Leases
Management is in the process of assessing the impact of IFRS 16 to the Group's consolidated financial statements. The application of the IFRS 16 may have significant impact on amounts reported and disclosures made in the Group's financial statements. However, it is not practical to provide a reasonable estimate of effects of the application of the standards until the Group performs a detailed review.

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.

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.

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.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition (continued)
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 net carrying amount of the financial asset.

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.

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 and depreciation method are reviewed periodically 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.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant and equipment (continued)
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.

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 and depreciation method are reviewed periodically 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.

Intangible assets
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 economic 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.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Intangible assets (continued)
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

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.

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.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial assets (continued)

Financial assets at fair value through profit and loss (continued)
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.

As at 31 December 2018, the Group has an interest rate swap contract which is classified as derivative financial assets at fair value through profit and loss.

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 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.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial assets (continued)

Derecognition (continued)
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.

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.

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.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs. The Group's financial liabilities include trade and other payables, loans and borrowings, sukuk, financial guarantee contracts and derivative financial instruments.

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.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded entities or other available fair value indicators.

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 unless the asset is carried at a revalued amount, in which case, the reversal is treated as a revaluation increase.

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.

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.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Business combinations and goodwill (continued)
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 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.

Non-current assets classified as held for sale
Investment property is transferred to non-current assets held for sale when it is expected that the carrying amount will be recovered principally through sale rather than from continuing use and the property is available for immediate sale in its present condition, subject only to terms that are usual and customary for sales of such property and its sale must be highly probable.

For the sale to be highly probable:
- The management is committed to a plan to sell the property and an active programme to locate a buyer and complete the plan must have been initiated
- The property must be actively marketed for sale at a price that is reasonable in relation to its current fair value, and
- The sale should be expected to qualify for recognition as a completed sale within one year from the date of classification

Investment properties, other than those measured at fair value, which are classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell. Assets and liabilities classified as held for sale are presented separately as current items in the consolidated statement of financial position.

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.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 expenditures 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.

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).

Leases
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.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

2.4 SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

Judgments (continued)

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.

Operating lease commitments - Group as lessor
The Group has entered into commercial property leases on its investment property portfolio. The Group has determined, based on an evaluation of the terms and conditions of the arrangements, such as the lease term not constituting a major part of the economic life on the commercial property and the fair value of the asset, that it retains all the significant risks and rewards of ownership of these properties and accounts for the contracts as operating leases.

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 will 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.

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 2018 gross trade receivables were AED 493,761 thousands (2017: AED 306,255 thousands) and provision for doubtful debts is AED 89,581 thousands (2017: AED 85,356 thousands). Any difference in the amounts actually collected in future periods and the amounts expected will be recognised in the consolidated income statement.

2.4 SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS (continued)

Estimates and assumptions (continued)

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 profit or loss. 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 2018 and 31 December 2017. Assets and liabilities information regarding business segments are presented as at 31 December 2018 and 31 December 2017.

	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**	**4,357,906**	**389,741**	**6,723,396**

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 2017:							
Revenue:							
Rental income from leased properties	2,724,738	188,629	254,909	154,177	-	-	3,322,453
Online retail	-	-	-	-	306,314	-	306,314
Total Revenue	2,724,738	188,629	254,909	154,177	306,314	-	3,628,767
Results:							
Profit / (loss) for the year	1,978,325	104,027	149,276	93,362	(11,747)	(233,427)	2,079,816
Other segment information							
Capital expenditure (Property, plant and equipment and investment properties)	689,798	15,886	167,195	7,190	1,055	1,737	882,861
Depreciation & amortisation (Property, plant and equipment, investment properties and intangible assets with definite useful life)	271,121	37,844	34,040	27,276	5,815	3,721	379,817
Finance costs	-	-	-	-	-	286,033	286,033
Assets and liabilities:							
Segment assets	19,395,965	1,263,733	878,858	1,333,006	476,933	3,079,604	26,428,099
Segment liabilities	1,460,666	87,665	173,605	79,809	115,924	7,984,061	9,901,730

4 BUSINESS COMBINATION

On 26 May 2017, the Group signed a share purchase agreement with Global Fashion Group SA ("GFG") for the acquisition of a 51% equity stake in Namshi. This acquisition is part of the Group's strategic plan to further enhance Emaar's online presence and to allow it to undertake future expansion strategies. On 16 August 2017, the conditions precedent under the Shareholder Agreement were met, resulting in the Group gaining control of Namshi.

The transaction represents a business combination under IFRS 3 'Business Combination' and has been accounted for using the acquisition method of accounting, and accordingly, the consideration paid has been allocated based on the fair values of the assets acquired and liabilities assumed. The Group elected to measure the non-controlling interest in the acquiree at the proportionate share of its interest in the acquiree's identifiable net assets.

Assets acquired and liabilities assumed
The fair values of the identified assets and liabilities of Namshi as at the date of acquisition were:

	Fair value recognised on acquisition AED'000
Assets	
Property, plant and equipment	**5,574**
Intangible assets	**220,300**
Inventories	**105,849**
Trade receivables	**37,600**
Advances, prepayments & other receivables	**15,776**
Bank balances & cash	**132,154**
Total assets	**517,253**
Liabilities	
Accounts payable and accruals	**140,630**
Employee's end of service benefits	**3,345**
Total liabilities	**143,975**
Total identifiable net assets at fair value	**373,278**
Non-controlling interests measured at fair value (49% of net assets at fair value)	**(182,906)**
Group's share of net assets acquired	**190,372**
Less: Purchase consideration transferred	**555,384**
Goodwill arising on acquisition	**365,012**

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 (note 12).

The fair value of the trade receivables amounted to AED 37,600 thousands. However, none of the trade receivables have been impaired and it was expected that the full contractual amounts can be collected.

Analysis of cashflow on acquisition (AED in '000):

Cash paid for the acquisition of equity stake in subsidiary	**(555,384)**
Net cash acquired with the subsidiary	**132,154**
Acquisition of subsidiary - net of cash acquired *(included in cash flows from investing activities)*	**(423,230)**
Transaction costs of the acquisition *(included in cash flows from operating activities)*	**(5,278)**
Net cash outflow on acquisition	**(428,508)**

5 REVENUE

Rental income from leased properties	*2018* *AED'000*	*2017* *AED'000*
Base rent	**2,684,071**	2,339,037
Turnover rent	**136,497**	187,389
Service charges	**356,155**	349,115
Promotion and marketing contribution	**59,773**	51,302
Specialty leasing	**189,760**	200,166
Multimedia	**70,638**	67,554
Others	**100,290**	127,890
	3,597,184	3,322,453
Online retail	**848,710**	306,314
	4,445,894	3,628,767

6 COST OF REVENUE

	2018 *AED'000*	*2017* *AED'000*
Operating cost of leasing activities		
Housekeeping and facility management	**175,866**	166,371
Direct staff costs	**90,476**	88,910
Utilities - net	**65,979**	67,817
Security	**37,849**	27,992
Others	**69,284**	54,481
	439,454	405,571
Cost of online retail revenue	**642,116**	219,914
	1,081,570	625,485

7 GAIN ON DISPOSAL OF ASSETS HELD FOR SALE

At 31 December 2017, investment properties having a net book value of AED 14,623 thousands were classified as assets held for sale (note 13). During the year ended 31 December 2018, the Group entered into a sale and purchase agreement for the sale of these properties at a value of AED 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

	2018 *AED'000*	*2017* *AED'000*
Interest on loans and borrowings	**277,254**	277,609
Unamortised loan arrangement fee written off	**17,840**	-
Others	**29,332**	8,424
	324,426	286,033

9 PROFIT FOR THE YEAR

The profit for the year is stated after charging:

	2018 ***AED'000***	*2017* *AED'000*
Indirect staff costs	**89,845**	45,492
Operating leases	**7,156**	4,032

The Group has not made any social contributions during the year ended 31 December 2018 and 31 December 2017.

10 PROPERTY, PLANT AND EQUIPMENT

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**

10 PROPERTY, PLANT AND EQUIPMENT (continued)

2017	*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 2017	178,298	1,823	36,825	1,996	268,604	2,705	490,251
Acquisition of a subsidiary	-	-	1,484	87	4,003	-	5,574
Additions	-	30	5,341	81	2,047	1,014	8,513
Transfer from capital work-in-progress	-	-	6	-	-	(6)	-
Classified as held for sale	-	-	-	-	(73)	-	(73)
Disposals	-	-	(22)	(95)	(509)	-	(626)
At 31 December 2017	178,298	1,853	43,634	2,069	274,072	3,713	503,639
Accumulated depreciation:							
At 1 January 2017	31,728	301	20,949	1,614	232,104	-	286,696
Depreciation charge for the year	7,997	370	9,113	170	19,262	-	36,912
Classified as held for sale	-	-	-	-	(73)	-	(73)
Disposals	-	-	(12)	(88)	(509)	-	(609)
At 31 December 2017	39,725	671	30,050	1,696	250,784	-	322,926
Net carrying amount:							
At 31 December 2017	138,573	1,182	13,584	373	23,288	3,713	180,713

11 INVESTMENT PROPERTIES

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**

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)

2017	*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 2017	13,045,926	8,306,994	440,088	513,859	1,264,734	23,571,601
Additions	-	6,513	-	58,749	809,086	874,348
Transfer from capital work-in-progress	-	12,059	-	13,830	(25,889)	-
Classified as held for sale	-	(19,188)	-	(295)	-	(19,483)
Disposals	-	(29)	-	(498)	-	(527)
At 31 December 2017	13,045,926	8,306,349	440,088	585,645	2,047,931	24,425,939
Accumulated depreciation:						
At 1 January 2017	-	1,642,010	356,949	353,737	-	2,352,696
Depreciation charge for the year	-	218,643	43,771	76,072	-	338,486
Classified as held for sale	-	(4,642)	-	(218)	-	(4,860)
Disposals	-	(7)	-	(498)	-	(505)
At 31 December 2017	-	1,856,004	400,720	429,093	-	2,685,817
Net carrying amount:						
At 31 December 2017	13,045,926	6,450,345	39,368	156,552	2,047,931	21,740,122

11 INVESTMENT PROPERTIES (continued)

At 31 December 2018, the market value of investment properties is AED 53,284,977 thousands (31 December 2017: AED 53,958,750 thousands) compared with a carrying value of AED 22,228,694 thousands (2017: AED 21,740,122 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 2018 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 8.98 % to 10.48% (2017: 8.99% to 10.79%) (income capitalisation method); or assuming rental growth rates of 3% (2017: 3%), discount rates of 9.25% to 11.62% (2017: 9.32% to 11.62%) and exit cap rates of 5.75% to 8.75% (2017: 5.75% to 8.50%) (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 2018	**53,284,977**	**-**	**-**	**53,284,977**
31 December 2017	53,958,750	-	-	53,958,750

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*
2018					
Cost:					
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**

12 GOODWILL & INTANGIBLE ASSETS (continued)

2017	*Goodwill AED'000*	*Brand AED'000*	*Customers relationship AED'000*	*Software AED'000*	*Total AED'000*
Cost:					
Acquisition of a subsidiary	365,012	164,300	51,700	4,300	585,312
At 31 December 2017	365,012	164,300	51,700	4,300	585,312
Amortisation:					
Charge for the year	-	-	3,881	538	4,419
At 31 December 2017	-	-	3,881	538	4,419
Net carrying amount:					
At 31 December 2017	365,012	164,300	47,819	3,762	580,893

Goodwill
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. The Group performed its annual impairment test on the goodwill. 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 13.4% (2017: between 14.1% and 15.1%.)

Growth rate estimates - Management prepared a five-year budget based on their expectations of future results, thereafter a growth rate of 11% to 16% (2017: 10% to 12%) was assumed.

Brand
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. Brand was valued under the Relief from Royalty Method considering an indefinite useful life in line with comparable data on licensing arrangements in similar industries. The calculation of value in use was sensitive to the following assumptions:

Brand maintenance costs - Brand maintenance costs has been included as actual selling / marketing expenses incurred to develop and promote the brand, cost of business development personnel has been assumed at 60% to 80% of total marketing spend based on benchmarks of companies in similar industries.

Remaining useful life ('RUL') and Estimation of royalty rate - In order to derive an appropriate royalty rate, arrangements in comparable industries with royalty rates averaging 2.0% were used. Indefinite RUL is based on benchmarking data of comparables in similar industries.

Discount rate – The discount rate on brand has been estimated as WACC for business segment plus 5%. The discount rate used has accordingly been set between 19.1% and 20.1%.

The assumptions for Gross margin and Growth rates were the same as those used for the Goodwill.

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 INVESTMENT PROPERTIES CLASSIFIED AS HELD FOR SALE

At 31 December 2017, certain retail units in Dubai Marina having a net book value of AED 14,623 thousands were identified to be divested and were classified as assets held for sale. During the year ended 31 December 2018, the Group entered into a sale and purchase agreement for the sale of these properties 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.

14 INVENTORIES

	2018 AED'000	*2017 AED'000*
Merchandise held for resale	**113,634**	154,024
Spares and consumables	**12,716**	10,997
	126,350	165,021

The above inventories are net of allowance for slow moving inventories of AED 18,089 thousands (2017: AED 6,818 thousands).

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

	2018 AED'000	*2017 AED'000*
At 1 January	**6,818**	-
Charge for the year	**11,271**	6,818
At 31 December	**18,089**	6,818

During the year ended 31 December 2017, inventories amounting to AED 105,849 thousand were acquired as a result of a business combination.

15 TRADE AND UNBILLED RECEIVABLES

	2018 AED'000	*2017 AED'000*
Trade receivables - net	**312,179**	220,899
Unbilled receivables	**92,001**	48,268
	404,180	269,167

Trade receivables include amounts due from related parties amounting to AED 7,791 thousands (2017: AED 227 thousands) [note 17(b)].

The above trade receivables are net of allowance for doubtful debts of AED 89,581 thousands (2017: AED 85,356 thousands) representing management's best estimate of doubtful trade receivables which are past due and impaired.

15 TRADE AND UNBILLED RECEIVABLES (continued)

Movement in the allowance for doubtful debts is as follows:

	2018 ***AED'000***	*2017* *AED'000*
At 1 January	**85,356**	68,712
Charge for the year	**15,693**	23,906
Write off / adjustments during the year - net	**(11,468)**	(7,262)
At 31 December	**89,581**	85,356

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*
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**	**-**	**219**	**438**	**3,720**	**85,204**
2017						
Estimated total gross carrying amount at default	354,523	48,268	116,359	31,667	32,722	125,507
Expected credit loss	85,356	-	211	864	3,982	80,299

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

	2018 ***AED'000***	*2017* *AED'000*
Advances to contractors and suppliers	**138,900**	182,113
Prepayments	**11,058**	7,592
Interest receivable	**8**	6,474
Other receivables	**67,696**	15,171
	217,662	211,350

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:

	2018	*2017*
	AED'000	*AED'000*
Revenue		
Rental income from leased properties		
Parent Company	**604**	20,953
Affiliated entities	**108,219**	67,205
Entities owned or controlled by Directors and other related parties	**82,112**	76,534
	190,935	164,692
Cost of revenue		
Operating cost of leasing activities – net		
Parent Company	**43,716**	42,701
Affiliated entities	**250,522**	86,417
Entities owned or controlled by Directors and other related parties	**(2,982)**	(4,353)
Sales and marketing expenses		
Parent Company	**5,877**	5,255
Affiliated entities	**1,861**	672
Entities owned or controlled by Directors and other related parties	**12,088**	22
General and administrative expenses		
Parent Company	**105,004**	97,191
Affiliated entities	**1,921**	5,076
Entities owned or controlled by Directors and other related parties	**1,518**	567
Finance income		
Entities owned or controlled by Directors and other related parties	**22,641**	22,202
Finance costs		
Entities owned or controlled by Directors and other related parties	**5,110**	-
Capital expenditures		
Parent Company	**-**	5,060
Affiliated entities	**4,359**	18,388

17 RELATED PARTY DISCLOSURES (continued)

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

31 December 2018	***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	-	-	-	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**
31 December 2017						
Current						
Parent Company	-	-	-	59,774	2,612	-
Affiliated entities	-	56,627	227	266	11,594	-
Entities owned or controlled by Directors and other related parties	574,505	-	-	-	47,895	38
	574,505	56,627	227	60,040	62,101	38

Outstanding balances at year end are secured and interest-bearing. For the years ended 31 December 2018 and 2017, 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:

	2018 AED'000	*2017 AED'000*
Short term benefits	**21,284**	21,355
End of service benefits	**2,934**	1,175

As at 31 December 2018, the number of key management personnel was 17 (2017: 20).

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 and a bonus amounting to AED 1 million to the Chairman of the Board for the year 2017 as approved by the shareholders at the Annual General Meeting of the Company held on 23 April 2018.

18 BANK BALANCES AND CASH

	2018 AED'000	*2017 AED'000*
Cash in hand	**233**	202
Current and call accounts	**126,361**	142,424
Deposits maturing within three months	**138,970**	-
Cash and cash equivalents	**265,564**	142,626
Deposits under lien (note 24)	-	35,992
Deposits maturing after three months	-	3,030,965
Balance at 31 December	**265,564**	3,209,583

Included in the bank balances and cash is an amount of AED 134,682 thousands (2017: AED 574,505 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 2.20% and 3.20% per annum (2017: 2.20% and 3.20% per annum).

19 SHARE CAPITAL

	2018 AED'000	*2017 AED'000*
Authorised capital – 13,014,300,000 shares of AED 1 each (2017: 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 (2017: 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 2017	488,271	394,285	(8,198)	-	874,358
Other comprehensive income for the year	-	-	20,202	-	20,202
Total comprehensive income for the year	-	-	20,202	-	20,202
Initial recognition of put option over non-controlling interests	-	-	-	(468,658)	(468,658)
Transferred to statutory reserve	208,583	-	-	-	208,583
Transferred to legal reserve	-	208,583	-	-	208,583
As at 31 December 2017	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 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 222,994 thousands to legal reserve from net profit for the year ended 31 December 2018. In addition, the Group has also transferred AED 222,994 thousands to statutory reserves from net profit for the year ended 31 December 2018. 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 2018 is proposed by the Board of Directors of the Company subject to the approval of the shareholders in the forthcoming Annual General Meeting.

A cash dividend of AED 0.10 per share for the year 2017 was approved by the shareholders of the Company at the Annual General Meeting of the Company held on 23 April 2018 and was paid during the year ended 31 December 2018.

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:

	2018 AED'000	*2017 AED'000*
Earnings:		
Profit attributable to the equity holders of the Company	**2,229,943**	2,085,828
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	**0.17**	0.16

23 PROVISION FOR EMPLOYEES' BENEFITS

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

	2018 AED'000	*2017 AED'000*
Balance as at 1 January	**20,601**	14,850
Acquisition of subsidiary	**-**	3,345
Provision during the year	**5,961**	5,286
Transferred to parent company/ related parties	**(2,032)**	448
Paid during the year	**(3,373)**	(3,328)
Balance as at 31 December	**21,157**	20,601

Provision for employees' end of service benefits is made for the full amount due to employees for their periods of service up to the reporting date in accordance with the UAE Labour Law. An actuarial valuation of the employees' end of service benefits has not been performed as in management's opinion the net impact of discount rates and future increases in benefits are not likely to be material. The benefits are un-funded.

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 2018, liability of AED 2,963 thousands has been recognised in the consolidated statement of financial position.

24 INTEREST BEARING LOANS AND BORROWINGS

	2018	*2017*
	AED'000	*AED'000*
Interest bearing loans and borrowings	**1,193,725**	4,591,250
Less: unamortised portion of loan arrangement fee	**(11,355)**	(25,307)
Net interest bearing loans and borrowings	**1,182,370**	4,565,943

(a) Movement for the year:

Balance as at 1 January	**4,591,250**	4,591,250
Less: Repaid during the year	**(4,591,250)**	-
Add: Borrowed during the year	**1,193,725**	-
Balance as at 31 December	**1,193,725**	4,591,250

During the year, the Group has fully repaid Syndicated Murhabha Islamic finance facility for USD 1.25 billion (AED 4,591,250 thousands) availed from the commercial banks of UAE. The previous facility is replaced with Revolving Islamic Finance facility for USD 2 billion (AED 7,346,000 thousands) availed from the commercial banks of UAE, out of which the Group has drawn down USD 325 million (AED 1,193,725 thousands) as at 31 December 2018. The new facility is unsecured and carries interest rate at 3 months LIBOR + 1.25% pa.

As at 31 December 2018, the bank has no lien on cash collateral (2017: AED 35,992 thousands) against interest payable (note 18).

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:

	2018	*2017*
	AED'000	*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
Profit accrued up to year end	**8,573**	6,526
Sukuk liability as at year end	**2,741,736**	2,739,689

26 PUT OPTION OVER NON-CONTROLLING INTERESTS

Pursuant to the Shareholders' Agreement which was executed between the Company and GFG on 16 August 2018, the Company granted a put option to GFG in respect of GFG's shareholding in Namshi. GFG has the right to require the Company to acquire GFG's entire shareholding in Namshi at the same price per share at which the Company acquired 51% equity stake in Namshi from GFG.

The Company has 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.

Subsequent to the year end, Company acquired GFG's stake in Namshi for amount of AED 475,906 thousands (note 32).

27 ACCOUNTS PAYABLE AND ACCRUALS

	2018	*2017*
	AED'000	*AED'000*
Trade payables	**99,126**	89,146
Accrued expenses	**779,445**	592,336
Interest payable	**7,616**	9,301
Other payables	**51,274**	4,019
	937,461	694,802

Included in the trade payables is an amount of AED 163 thousands (2017: AED 38 thousands) due to related parties [note 17(b)].

28 COMMITMENTS AND CONTINGENCIES

Commitments
At 31 December 2018, the Group had commitments of AED 878,729 thousands (2017: AED 1,135,084 thousands) which includes project commitments of AED 500,478 thousands (2017: AED 925,082 thousands). This represents the value of contracts issued as at 31 December net of invoices received and accruals made as at that date.

Operating lease commitments - Group as lessor
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:

	2018	*2017*
	AED'000	*AED'000*
Within one year	**2,533,472**	3,038,897
After one year but not more than five years	**4,922,800**	5,381,390
More than five years	**677,204**	521,103
	8,133,476	8,941,390

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 2018 was AED 356,155 thousands (2017: AED 349,115 thousands).

Operating lease commitments - Group as lessee
The Group has entered into agreement with related party to lease its office space. Future minimum rental payable under non-cancellable operating lease is as follows:

	2018	*2017*
	AED'000	*AED'000*
Within one year	**14,536**	5,508
After one year but not more than five years	**20,990**	6,761
	35,526	12,269

Legal claims
As at 31 December 2018, legal proceedings are in progress against certain tenants to recover outstanding rents amounting to AED 2,265 thousands (2017: AED 22,922 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.

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:

	2018	*2017*
	AED’000	*AED’000*
Bank balances	**265,331**	3,209,381
Trade and unbilled receivables	**404,180**	269,167
Due from related parties	**158,768**	56,627
Interest receivable	**8**	6,474
Other receivables	**67,696**	15,171
	895,983	3,556,820

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).

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.

There is no impact on the Group’s equity other than the profit impact stated below.

	Changes in basis points	*Sensitivity of interest income/expense AED’000*
2018		
Bank deposits	**±100**	**±1,390**
Interest bearing loans and borrowings	**±100**	**±11,937**
2017		
Bank deposits	±100	±30,311
Unhedged portion of interest bearing loans and borrowings	±100	±19,283

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.

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.

29 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Liquidity risk (continued)
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 2018

	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	**29,610**	**88,830**	**-**	**-**	**118,440**
Interest bearing loans and borrowings	**12,086**	**36,259**	**193,383**	**1,242,071**	**1,483,799**
Sukuk	**-**	**125,727**	**502,907**	**2,817,613**	**3,446,247**
Put option over non-controlling interests	**475,906**	**-**	**-**	**-**	**475,906**
Trade payables	**92,921**	**6,205**	**-**	**-**	**99,126**
Accrued expenses	**194,861**	**584,584**	**-**	**-**	**779,445**
Retentions payable	**3,344**	**10,031**	**17,404**	**-**	**30,779**
Other payables	**12,819**	**38,455**	**-**	**-**	**51,274**
Total	**821,547**	**890,091**	**713,694**	**4,059,684**	**6,485,016**

At 31 December 2017

	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	45,030	15,010	-	-	60,040
Interest bearing loans and borrowings	39,559	122,029	5,009,120	-	5,170,708
Sukuk	-	125,727	502,907	2,943,340	3,571,974
Put option over non-controlling interests	-	-	511,038	-	511,038
Trade payables	74,539	14,607	-	-	89,146
Accrued expenses	289,425	302,911	-	-	592,336
Retentions payable	-	11,507	15,299	-	26,806
Other payables	4,019	-	-	-	4,019
Total	452,572	591,791	6,038,364	2,943,340	10,026,067

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.

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 2018, the Groups' gearing ratio is 18% (31 December 2017: 20%). 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 2018 and 31 December 2017.

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.

31 HEDGING ACTIVITIES

Cash flow hedges
At 31 December 2017, the Group held certain interest rate swap contract designated as a hedge of expected future payments under the borrowing contracts entered by the Group for which it has firm commitments. The interest rate swap contract is being used to hedge the interest rate risk of the firm commitments. The nominal amount of these contracts was USD 725,000 thousands (AED 2,662,925 thousands). During 2018, the hedge relationship ceased to exist and accordingly the interest rate swap contract has been designated as a fair value derivative through profit or loss as at 31 December 2018. The fair value of these contract as at 31 December 2018 amounted to AED 14,593 thousands.

	2018		*2017*	
	Assets AED'000	***Liabilities AED'000***	*Assets AED'000*	*Liabilities AED'000*
Interest rate swap contracts				
Fair value	**-**	**-**	12,004	-

The fair values of the interest rate swaps are estimated using quotes from external sources or from the counterparty to the instruments.

Fair value hierarchy
The Group uses the following hierarchy for determining and disclosing the fair value of cash flow hedges by valuation technique:

	Total AED'000	***Level 1 AED'000***	***Level 2 AED'000***	***Level 3 AED'000***
2018				
Interest rate swap contracts	-	-	-	-
2017				
Interest rate swap contracts	12,004	-	12,004	-

31 HEDGING ACTIVITIES (continued)

Fair value hierarchy (continued)

Level 1: Fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: Fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3: Fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Valuation technique
The present value of interest rate swaps is computed by determining the present value of the fixed leg and the floating leg interest flows. The value of the fixed leg is given by the present value of the fixed coupon payments. The value of the floating leg is given by the present value of the floating coupon payments determined at the agreed dates of each payment. The forward rate for each floating payment date is calculated using the forward curves.

32 SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD

Subsequent to the year end, the Company acquired entire shareholding held in Namshi by GFG (note 26) and other shareholders and consequently Namshi became a fully owned subsidiary of the Company.