



Majid Al Futtain Group LLC

Consolidated Financial Statements for the year ended 31 December 2009

Consolidated Accounts

For the year ended 31 December 2009

- ▶ **Consolidated statement of comprehensive income**
- ▶ **Consolidated statement of financial position**
- ▶ **Consolidated statement of cash flows**
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Majid Al Futtaim Group LLC

Consolidated Financial Statements for the year ended 31 December 2009

Directors' report

The Directors' report and the audited consolidated financial statements of Majid Al Futtaim Group LLC, the Group, are presented for the year ended 31st December 2009. The consolidated financial statements were prepared by the management. The Board of Directors took responsibility for fairly presenting them in accordance with the applicable financial reporting framework and gave clearance for issuance of the financial statements on 17 April 2010.

Activities

The principal activities of the Group are establishing, investing in and managing commercial projects. The activities of its subsidiaries are establishment and management of malls, hotels, hypermarkets, supermarkets and retail stores, leisure activities and investment activities.

Financial Results

Consolidated revenue for the year was AED 15,971.8 million (2008: AED 14,745.9 million). The Group made a net profit of AED 479.3 million (2008: AED 108.2 million).

Directors

The following directors served during the year:

Waldemar Schmidt

Dr Fahad Al Mubarak

Tariq Al Futtaim (appointed to the Board on 1 July 2009)

Sir Michael Rake (appointed to the Board on 1 July 2009)

Iyad Malas (appointed to the Board on 1 July 2009)

Ahmed Bin Brek (appointed to the Board on 1 July 2009)

Pehr Gyllenhammar (resigned as Chairman of the Board on 11 March 2009)

Richard North (resigned from the Board on 1 July 2009)

Khalid Al Khazraji (resigned from the Board on 1 July 2009)

Tarek Ben Halim (resigned from the Board on 1 April 2009)

Michael Wemms (resigned from the Board on 25 February 2009)

Stefan Kirsten (resigned from the Board on 26 March 2009)

Auditors

A resolution to re-appoint KPMG as auditors of Majid Al Futtaim Group LLC shall be proposed at the forthcoming general meeting.

By the order of the Board

Company Secretary



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Independent Auditors' Report

The Shareholders

Majid Al Futtaim Group LLC

We have audited the accompanying consolidated financial statements of Majid Al Futtaim Group LLC ("the Company") and its subsidiaries (collectively referred to as "the Group"), which comprise the consolidated statement of financial position as at 31 December 2009, and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's responsibility for the consolidated financial statements

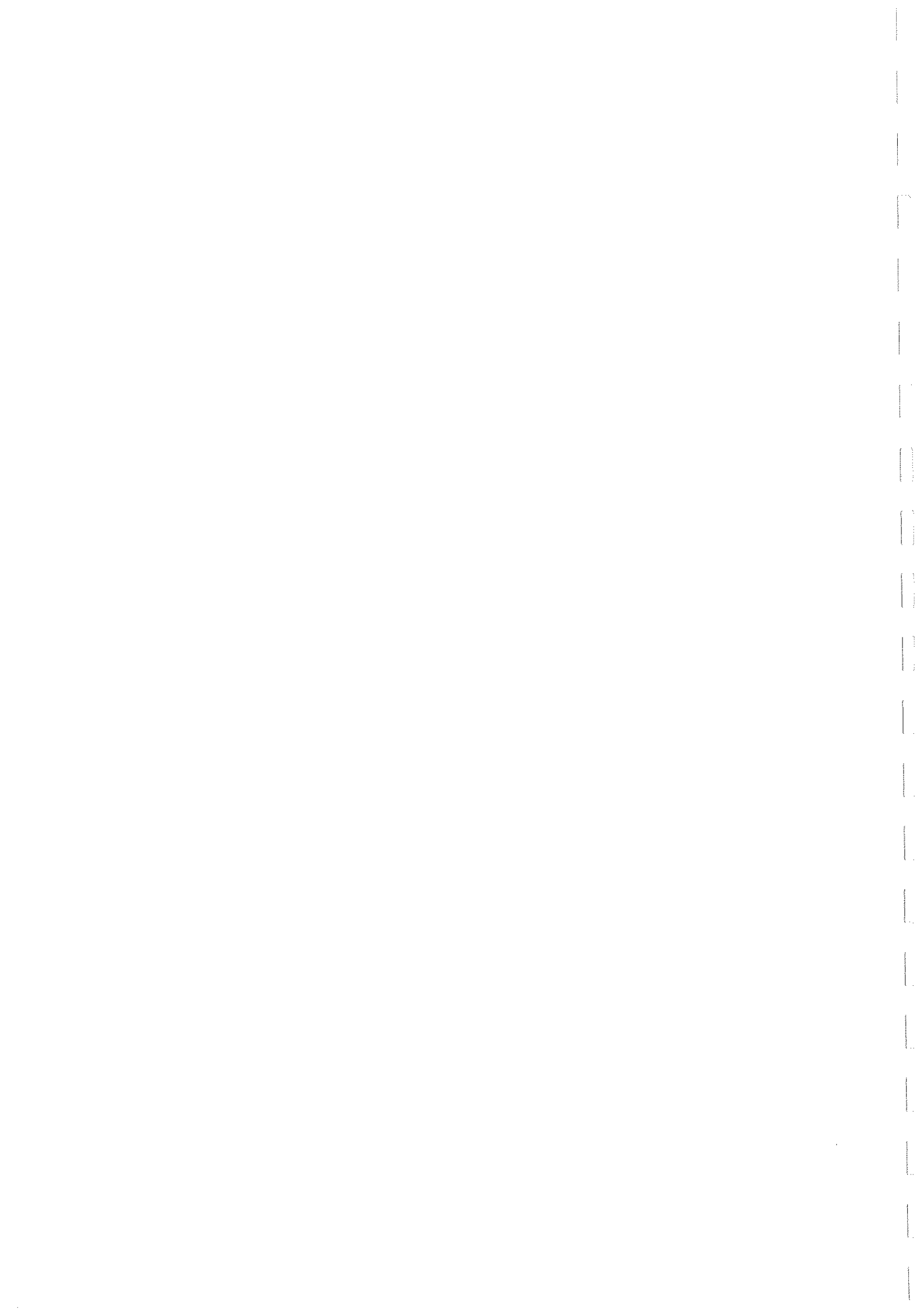
Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with relevant ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal controls relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting principles used and reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.





Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2009, and its consolidated financial performance, and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards and comply with the relevant articles of the Company and the UAE Federal Law no.8 of 1984 (as amended).

Report on other legal and regulatory requirements

As required by the UAE Federal law No. 8 of 1984 (as amended), we further confirm that we have obtained all information and explanations necessary for our audit, that proper financial records have been kept by the Company and the contents of the Directors' report which relates to these consolidated financial statements are in agreement with the Company's financial records. We are not aware of any violation of the above-mentioned Law and the Articles of Association having occurred during the year ended 31 December 2009 which may have had a material adverse effect on the business of the Company or its financial position.

17 APR 2010

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Consolidated statement of financial position

At 31 December

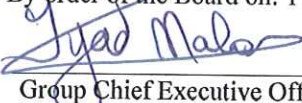
In thousands of AED

	Notes	2009	2008
Non-current assets			
Property, plant and equipment	10	17,886,610	21,651,560
Investment property	11	9,812,245	5,752,201
		27,698,855	27,403,761
Investments	12	1,648,694	1,464,890
Net investment in finance leases - long term portion	13	109,581	238,460
Long term prepaid lease premium	14	17,650	19,607
Long term receivables / advances	15	22,637	26,324
Capital advance	16	-	55,312
Intangible assets	17	192,118	-
		1,990,680	1,804,593
Current assets			
Assets classified as held for sale	19	-	33,702
Inventories	20	720,300	684,553
Trade and other receivables	21	1,175,256	1,140,459
Due from related parties	30	146,796	181,567
Net investment in finance leases - current portion	13	207,358	237,007
Cash at bank and in hand	22	2,422,641	2,215,472
		4,672,351	4,492,760
Current liabilities			
Short term loans	23	-	83,264
Trade and other payables	24	4,704,263	4,413,361
Negative Fair value of the derivatives	31.6	212,636	374,393
Due to related parties	30	44,511	51,696
Other employment benefits payable - current portion	25	161,999	145,268
Dividend payable to non-controlling interest		32,000	151,250
Bank overdraft	26	58,943	40,011
Current maturity of long term loans	27	2,069,608	966,385
		7,283,960	6,225,628
Net current liabilities		(2,611,609)	(1,732,868)
Non-current liabilities			
Long term loans- non-current portion	27	8,302,141	7,054,261
Deferred tax liabilities	29	195,978	184,292
Other deferred liabilities	17	127,319	-
Other employment benefits payable - non current portion	25	38,151	105,000
Provision for staff termination benefits	25.1	160,045	138,774
Net assets		18,254,292	19,993,159
Equity			
Share capital	28	2,486,729	2,486,729
Revaluation reserve		11,497,078	13,771,852
Other reserves		3,963,462	3,604,949
Total equity attributable to the shareholders of the Company		17,947,269	19,863,530
Non-controlling interest		307,023	129,629
Total equity		18,254,292	19,993,159

The notes on pages 11 to 48 form part of these consolidated financial statements.

The report of the independent auditors is set out on pages 3 and 4

By order of the Board on: 17 April 2010


Group Chief Executive Officer

**Consolidated statement of comprehensive income**

For the year ended 31 December

In thousands of AED

	Notes	2009	2008
Revenue	5	15,971,772	14,745,899
Cost of sales		(11,583,144)	(10,673,424)
Operating expenses	6	(3,538,466)	(3,450,624)
Net valuation loss on land and buildings	10 (x)	(12,704)	(248,693)
Finance costs	7	(321,697)	(307,093)
Finance income	7	55,499	105,140
Other (expenses) / income - net	8	(817)	189,111
Impairment (provision) / reversal - net	9	(89,065)	(178,752)
Share of gain / (loss) in joint ventures & associate	12(b&c)	22,101	(74,688)
Profit before tax		503,479	106,876
Income tax (charge) / credit -net	29	(24,211)	1,353
Profit for the year		479,268	108,229
Profit / (loss) attributable to:			
Owners of the Company		308,241	(32,051)
Non-controlling interest		171,027	140,280
Profit for the year		479,268	108,229
Other comprehensive income			
Currency translation differences in foreign operations		8,605	21,636
Net change in fair value of cash flow hedges transferred to statement of comprehensive income	7	107,570	(318,415)
Effective portion of changes in fair value of cash flow hedges		29,977	30,431
Net (loss) / gain on valuation of land and buildings	10 (ii)	(2,322,843)	2,787,202
Deferred tax liability (arising) / reversal on revaluation of land and buildings	28	(16,928)	118,982
Share of gain in joint ventures	12 (c)	64,997	-
Total other comprehensive income for the year		(2,128,622)	2,639,836
Total comprehensive income for the year		(1,649,354)	2,748,065
Total Comprehensive income for the year attributable to:			
Owners of the Company		(1,820,171)	2,606,275
Non-controlling interest		170,817	141,790
Total comprehensive income for the year		(1,649,354)	2,748,065

The notes on pages 11 to 48 form part of these consolidated financial statements.

The report of the independent auditors is set out on pages 3 and 4



Majid Al Futtaim Group LLC
Consolidated Financial Statements for the year ended 31 December 2009

Consolidated statement of changes in equity
For the year ended 31 December 2008
In thousands of AED

	Other Reserves										Total
	Share capital	Revaluation reserve	Statutory reserve	Profit and loss account	Hedging reserve	Currency translation	Total other reserves	Attributable to equity holders of the parent	Non-controlling interest		
At 1 January 2008	4,973,729	10,865,668	1,025,739	6,157,420	(69,962)	(9,496)	7,103,701	22,943,098	154,204	23,097,302	
Total comprehensive income for the year											
Net (loss) for the year	-	-	-	(32,051)	-	-	(32,051)	(32,051)	140,280	108,229	
Other comprehensive income											
Net gain on valuation of land and buildings (refer note 10 (ii))	-	2,787,202	-	-	-	-	-	2,787,202	-	2,787,202	
Reversal of deferred tax liability on revaluation loss on properties (refer note 29)	-	118,982	-	-	-	-	-	118,982	-	118,982	
Net change in fair value of cash flow hedges transferred to statement of comprehensive income	-	-	-	-	30,431	-	30,431	30,431	-	30,431	
Effective portion of changes in fair value of cash flow hedges	-	-	-	-	(318,451)	-	(318,451)	(318,451)	-	(318,451)	
Currency translation differences in foreign operations	-	-	-	-	-	20,126	20,126	20,126	1,510	21,636	
Total comprehensive income for the year	-	2,906,184	-	(32,051)	(288,020)	20,126	(299,945)	2,606,239	141,790	2,748,029	
Transactions with owners recorded directly in equity											
<i>Contribution by and distributions to owners and other movements in equity</i>											
Capital reduction (refer note 28)	(2,487,000)	-	-	-	-	-	-	(2,487,000)	-	(2,487,000)	
Dividends declared and paid	-	-	-	(3,198,807)	-	-	(3,198,807)	(3,198,807)	(190,374)	(3,389,181)	
Increase in non controlling interest	-	-	-	-	-	-	-	-	24,009	24,009	
Transfer to statutory reserve (refer note 33)	-	-	79,962	(79,962)	-	-	-	-	-	-	
Total Contribution by and distribution to owners	(2,487,000)	-	79,962	(3,278,769)	-	-	(3,198,807)	(5,685,807)	(166,365)	(5,852,172)	
At 31 December 2008	2,486,729	13,771,852	1,105,701	2,846,600	(357,982)	10,630	3,604,949	19,863,530	129,629	19,993,159	



Majid Al Futtaim Group LLC
Consolidated Financial Statements for the year ended 31 December 2009

Consolidated statement of changes in equity (continued)

For the year ended 31 December 2009

In thousands of AED

	Other Reserves							Total		
	Share capital	Revaluation reserve	Statutory reserve	Profit and loss account	Hedging reserve	Currency translation	Total other reserves		Attributable to equity holders of the parent	Non-controlling interest
At 1 January 2009	2,486,729	13,771,852	1,105,701	2,846,600	(357,982)	10,630	3,604,949	19,863,530	129,629	19,993,159
Total comprehensive income for the year										
Net profit for the year	-	-	-	308,241	-	-	308,241	308,241	171,027	479,268
Other comprehensive income										
Net loss on valuation of land and buildings (refer note 10 (ii))	-	(2,322,843)	-	-	-	-	-	(2,322,843)	-	(2,322,843)
Deferred tax liability on revaluation on properties (refer note 29)	-	(16,928)	-	-	-	-	-	(16,928)	-	(16,928)
Share of gain in Joint Ventures	-	64,997	-	-	-	-	-	64,997	-	64,997
Net change in fair value of cash flow hedges transferred to statement of comprehensive income	-	-	-	-	107,570	-	107,570	107,570	-	107,570
Effective portion of changes in fair value of cash flow hedges	-	-	-	-	29,977	-	29,977	29,977	-	29,977
Currency translation differences in foreign operations	-	-	-	-	-	8,815	8,815	8,815	(210)	8,605
Total comprehensive income for the year	-	(2,274,774)	-	308,241	137,547	8,815	454,603	(1,820,171)	170,817	(1,649,354)
Transactions with owners recorded directly in equity										
<i>Contribution by and distributions to owners and other movement in equity</i>										
Dividends declared and paid	-	-	-	-	-	-	-	-	(66,693)	(66,693)
Losses absorbed by non-controlling interest	-	-	-	-	-	-	-	-	74,701	74,701
Acquisition of non-controlling interest (refer note 32)	-	-	-	(96,090)	-	-	(96,090)	(96,090)	(3,237)	(99,327)
Increase in non controlling interest (refer note 33)	-	-	-	-	-	-	-	-	1,806	1,806
Transfer to statutory reserve (refer note 33)	-	-	40,607	(40,607)	-	-	-	-	-	-
Total Contribution by and distribution to owners	-	-	40,607	(136,697)	-	-	(96,090)	(96,090)	6,577	(89,513)
At 31 December 2009	2,486,729	11,497,078	1,146,308	3,018,144	(220,435)	19,445	3,963,462	17,947,269	307,023	18,254,292

The notes on pages 11 to 48 form part of these consolidated financial statements.

**Majid Al Futtain Group LLC**

Consolidated Financial Statements for the year ended 31 December 2009

Consolidated statement of cash flows**For the year ended 31 December**

In thousands of AED

	Note	2009	2008
Profit for the period after tax		479,268	108,229
Non-cash adjustments:			
Interest income	7	(55,499)	(105,140)
Net valuation loss on land and building	10 & 11	12,704	248,693
Interest charges	7	321,697	307,093
Depreciation	10	794,876	637,881
Deferred tax credit	29	(5,242)	(19,939)
Amortisation of intangible assets	6	8,582	2,227
Project cost written off	8	29,972	51,941
Movement in long term prepaid rentals - net		4,634	(16,268)
Movement in accrued lease rental charges - net		5,780	16,360
Share of (gain) / loss in joint ventures and associate	12 (b & c)	(22,101)	74,688
Provision for potential lease losses	13	6,799	10,542
Income from FVPL investments - net		-	2,678
Impairment provision / (reversals) - net	9	89,065	178,752
(Profit) / loss on disposal of non-current assets	8	1,886	(239,688)
Provision for receivable from joint ventures	8	25,860	6,223
Provision for staff termination benefits - net	25.1	21,271	36,970
Others		8,134	6,364
Cash generated from operations		1,727,686	1,307,606
Changes to working capital			
Inventories		(35,747)	(200,160)
Receivables and prepayments		60,076	(180,223)
Payables and accruals		174,488	1,343,426
Due from/to related parties		26,075	(216,360)
		224,892	746,683
Cash inflow from operating activities		1,952,578	2,054,289

**Majid Al Futtaim Group LLC**

Consolidated Financial Statements for the year ended 31 December 2009

Consolidated statement of cash flows (continued)

For the year ended 31 December

In thousands of AED

		2009	2008
Cash inflow from operating activities		1,952,578	2,054,289
Cashflow from Investing activities			
Acquisition of property, plant and equipment (including investment property and capital-work in progress)	10 & 11	(3,460,922)	(3,671,356)
Proceeds from sale of property, plant and equipment		12,163	748,224
Capital advance	16	1,468	(55,312)
Investment in joint ventures and associate		(28,187)	(366,295)
Investment in finance lease		151,729	(102,136)
Investment in a subsidiary	32	(58,812)	-
Payments against intangibles assets	17	(54,000)	
Movement in short term fixed deposits - net		-	150,000
Interest received		86,531	93,050
Cash used in investing activities		(3,350,030)	(3,203,825)
Cashflow from financing activities			
Short term loans received		-	156,700
Short term loans repaid	23	(83,264)	(227,246)
Long term loans received	27	3,063,958	5,246,434
Long term loan repaid	27	(713,185)	(3,027,523)
Interest paid		(497,683)	(360,319)
Non controlling interest equity injection		1,806	24,009
Dividend paid to minority shareholders		(185,943)	(255,124)
Cashflow from financing activities		1,585,689	1,556,931
Increase in cash and cash equivalents		188,237	407,395
Cash and cash equivalents at the beginning of the year		2,175,461	1,768,066
Cash and cash equivalents at the end of the year		2,363,698	2,175,461
Cash and cash equivalents comprise:			
Cash in hand and at bank		2,422,641	2,215,472
Bank overdraft		(58,943)	(40,011)
		2,363,698	2,175,461

The notes on pages 11 to 48 form part of these consolidated financial statements.

The report of the independent auditors is set out on pages 3 and 4



Notes to the consolidated financial statements

1) Legal status and principal activities

Majid Al Futtain Group LLC ("the Company"), is registered as a limited liability company in the Emirate of Dubai under the UAE Federal Law No. 8 of 1984 (as amended) as applicable to commercial companies.

The principal activities of the Company are establishing, investing in and managing commercial projects. The activities of its subsidiaries are establishment and management of malls, hotels, hypermarkets, supermarkets and retail stores, leisure activities and investment activities. The status of these subsidiaries is set out in note 36. The Company and its subsidiaries are collectively referred to as "the Group". The registered address of the Company is P.O Box 91100, Dubai, United Arab Emirates.

Majid Al Futtain Group LLC is fully owned by Majid Al Futtain Capital LLC ("the Parent Company"). The registered address of the Parent Company is P.O Box 91100, Dubai, United Arab Emirates.

2) Basis of preparation

(a) Statement of compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") adopted by the International Accounting Standards Board and the requirements of the UAE Federal Law No. 8 of 1984 (as amended).

(b) Basis of measurement

These consolidated financial statements have been prepared under the historical cost convention except for investment properties, certain classes of property, plant and equipment, financial instruments at fair value through profit or loss and derivative financial instruments which are measured at fair value. The methods used to measure fair values are discussed further in note 31.

(c) Functional and presentation currency

These consolidated financial statements are presented in United Arab Emirates Dirhams ("AED"), which is the Company's functional currency, and are rounded to the nearest thousand.

(d) Changes in accounting policies

Effective 1 January 2009, the Group has changed its accounting policies in the following areas:

(i) Classification of investment properties

The Group adopted IAS 40 (revised 2008) from its effective date of 1 January 2009. As per the revision to IAS 40, property that is being constructed for future use as investment property is classified as investment property and accounted for at fair value. Previously, such properties were classified as property, plant and equipment and accounted for at cost less impairment losses, if any. If the accounting policy had not changed, the profit for the current year would have been lower by AED 1,067.4 million.

(ii) Presentation of financial statements

The Group applies revised IAS 1 Presentation of Financial Statements (revised 2007), which became effective as of 1 January 2009. As a result, all changes in equity, other than those resulting from transactions with owners, are presented in a consolidated statement of comprehensive income. Since the change in accounting policy only impacts presentation and disclosure aspects, there is no impact on earnings.

(iii) Disclosure pertaining to fair values and liquidity risk for financial instruments

The Group has applied Improving Disclosures about Financial Instruments (amendments to IFRS 7), issued in March 2009, that require enhanced disclosures about fair value measurements and liquidity risk in respect of financial instruments.

The amendments require that the fair value measurements disclosures use a three-level fair value hierarchy that reflects the significance of the inputs used in measuring fair values of the financial instruments. Specific disclosures are required when the fair value measurements are categorized as Level 3 (significant unobservable inputs) in the fair value hierarchy. The amendments require that any significant transfers between Level 1 and Level 2 to the fair value hierarchy be disclosed separately, distinguishing between transfers into and out of each level. Furthermore, changes in valuation techniques from one period to another, including the reasons thereof, are required to be disclosed for each class of financial instruments.



2) Basis of preparation (continued)

(iii) Disclosure pertaining to fair values and liquidity risk for financial instruments (continued)

Revised disclosures in respect of fair values of financial instruments have been disclosed in note 4 to the consolidated financial statements.

Further the definition of liquidity risk has been amended and it is now defined as the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

The amendments require disclosure of a maturity analysis for non-derivative financial liabilities, but contractual maturities are required to be disclosed for derivative financial liabilities only when contractual maturities are essential for an understanding of the timing of cash flows. For issued financial guarantee contracts, the amendments require the maximum amount of the guarantee to be disclosed in the earliest period in which the guarantee could be called.

Revised disclosures in respect of liquidity risk are included in note 31.

(e) Use of estimates and judgements

The preparation of consolidated financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the year in which the estimate is revised and in any future years affected. In particular, information about significant area of estimation, uncertainty and critical judgment in applying accounting policies that have significant effect on amounts recognized in the consolidated financial statements are described in note 4.

3) Significant accounting policies

The principal accounting policies adopted in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all years presented except as stated in note 2 (d).

(a) Basis of consolidation

These consolidated financial statements present the results of operations and financial position of the Group for the year ended 31 December 2009.

i) Subsidiaries

Subsidiaries are those entities controlled by the Group. Control exists when the Group has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable are taken into account. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. The accounting policies of the subsidiaries have been changed where necessary to align them with the policies adopted by the Group.

ii) Associates

Associates are those entities in which the Group has significant influence, but not control, over the financial and operating policies. The consolidated financial statements include the Group's share of the total recognized gains and losses of associates using the equity method of accounting, from the date that significant influence commences until the date that significant influence ceases. When the Group's share of losses exceeds its interest in an associate, the Group's carrying amount is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of an associate.

iii) Joint ventures

A joint venture is a contractual arrangement whereby the Group and other parties undertake an economic activity that is subject to joint control. Joint control is the contractually agreed sharing of control over an economic activity and exists when the strategic financial and operating decisions relating to the activity require the unanimous consent of the parties sharing control.

The Group has contractual arrangements with other parties representing joint ventures; which take the form of a jointly controlled entity. A jointly controlled entity involves the establishment of a separate entity in which each venturer has an interest, under contractual arrangement that establishes joint control over the entity.

The Group reports its interest in jointly controlled entities using the equity method whereby the interest in the joint venture is initially recorded at cost and adjusted thereafter for the post acquisition change in the Group's share of net assets of the jointly controlled entity.



3) Significant accounting policies (continued)

iii) *Joint ventures (continued)*

The profit or loss of the Group includes its share of the profit and loss of jointly controlled entities.

The financial statements of the Group's jointly controlled entities are prepared using consistent accounting policies. Wherever necessary, adjustments are made to bring accounting policies in line with those of the Group.

iv) *Business combinations involving entities under common control*

A business combination involving entities or businesses under common control is a business combination in which all of the combining entities or businesses are ultimately controlled by the same party or parties both before and after the business combination, and that control is not transitory. The Group has applied the book value measurement method to all transactions involving entities under common control.

v) *Transactions eliminated on consolidation*

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

(b) *Foreign currency*

Foreign currency transactions

Transactions denominated in foreign currencies are translated into functional currency and recorded at the rates of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated into functional currency at the exchange rates ruling at that date. Foreign exchange differences arising on translation are recognised in the profit or loss.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are translated to functional currency at the exchange rates ruling at the dates when the fair value was determined. Non-monetary assets and liabilities denominated in foreign currencies, which are measured in terms of historical cost, are translated into functional currency at the exchange rates ruling at the date of the transaction. Foreign exchange differences arising on the translation of non-monetary assets and liabilities carried at fair value are recognised in the other comprehensive income for the year except for foreign exchange differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in other comprehensive income. For such non-monetary assets and liabilities, any exchange component of that gain or loss is also recognised directly in other comprehensive income.

Foreign operations

The assets and liabilities of foreign operations are translated into functional currency at the foreign exchange rates at the reporting date. Share capital is translated at historical rate. The income and expenses of foreign operations are translated into functional currency at average rates of exchange for the year. Foreign exchange differences arising on retranslation are recognised directly in other comprehensive income. On the disposal of a foreign operation, accumulated exchange differences are recognised in the profit or loss as a component of gain or loss on disposal.

(c) *Leases*

i) *Operating leases*

The Group enters into operating leases. Rental income received from properties as lessor under operating leases is recognised in the profit or loss on a straight-line basis over the lease term.

Lease incentives granted are recognised as an integral part of the total rental income, over the term of the lease. Lease payments as lessee under operating leases are recognised as an expense in the profit or loss on a straight-line basis over the lease term. Lease incentives received are recognised in the profit or loss as an integral part of the total lease expense, over the term of the lease.

ii) *Net investment in finance leases*

Gross amounts due under originated finance leases include the total of future lease payments on finance leases (lease contracts receivable) plus the estimated residual value of leased assets. The difference between the gross amount due under originated finance leases and the cost of the leased assets is recorded as unearned finance income. The Group takes security deposits on leases with the right to set off. For the purposes of presentation, the unearned finance income and the security deposits are shown as deductions from the gross amounts due under finance lease.



3) Significant accounting policies (continued)

(c) Leases (continued)

ii) Net investment in finance leases (continued)

Impaired finance leases

Impaired finance leases are those for which the Group determines that it is probable that it will be unable to collect all principal and finance income due according to the contractual terms of the lease finance agreements. As per the internal evaluation system, finance leases are considered impaired when they are past due by 91 days or more.

Past due but not impaired finance leases

Past due but not impaired finance leases are those where contractual finance income or principal payments are past due but the Group believes that impairment is not appropriate on the basis of the level of security and/or the stage of collection of amounts owed to the Group. As per the internal evaluation system, finance leases which are past due but not considered impaired are those which are past due over by 30 days but less than 90 days.

Finance leases with restructured terms

Finance leases with restructured terms are those which have been restructured due to deterioration in the customer's financial position and where the Group has made concessions that it would not otherwise consider. Once the finance lease is restructured it remains in this category till the satisfactory performance after restructuring.

Provision for potential lease losses

The provision for leases losses is shown as a deduction from the gross amounts due under finance lease. Specific provisions are made against the carrying amount of lease contract receivables that are identified as being doubtful based on regular reviews of outstanding leases to reduce the lease contract receivables to their recoverable amounts. Collective allowances are maintained to reduce the carrying amount of portfolios of similar lease contract receivables to their estimated recoverable amounts at the reporting date. In evaluating the adequacy of the collective allowances, management considers many factors such as current economic conditions, credit concentrations, historical loss experience etc.

Write off policy for finance leases

The Group writes off a finance lease receivable (and any related provision for potential lease losses) when a lease contract receivable is known to be uncollectible, all necessary means of collection have been exhausted, and the final loss has been determined.

(d) Finance income and expenses

Finance income comprises interest income on funds invested. Interest income is recognized as it accrues in the profit or loss, using the effective interest method. Finance expense comprises interest expense on loans from banks at normal commercial rates.

(e) Borrowing costs

Borrowing costs are recognised as expenses in the period in which they are incurred. However, borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised as part of the cost of that asset. Capitalisation of borrowing costs commences when the activities to prepare the asset are in progress and expenditures and borrowing costs are being incurred. Capitalisation of borrowing costs continues until the assets are substantially ready for the intended use. If the resulting carrying amount of the asset exceeds its recoverable amount, an impairment loss is recognised. The capitalisation rate is arrived at by reference to the actual rate payable on borrowings for development purposes or, with regard to that part of the development cost financed out of general funds.

(f) Capital work in progress

Work-in-progress in respect of capital expenditure including land is classified as capital work-in-progress. Interest and other overheads directly attributable to the projects are included in capital work-in-progress until completion thereof.

Capital work-in-progress for properties that are being constructed with an intention of building an investment property is carried at its fair value.

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



3) Significant accounting policies (continued)

(g) Development expenditure

Development expenses are charged to the profit or loss as incurred except for development expenditure which complies with the following conditions:

- the concept for the new project has been defined;
- preliminary market, technical and financial feasibility studies demonstrate a viable project;
- the Board has agreed to proceed with developing the project, and believe that it is more probable than not that the project will go ahead;
- there is adequate technical, financial and other resources available to complete the development; and
- the expenditure can be measured reliably.

These development costs are shown as assets under capital work in progress.

Development expenses initially charged to the profit or loss are not recognised as an asset in a subsequent period even if it is found that the project to which they relate satisfies the criteria for capitalisation.

Development costs carried forward are reviewed in subsequent periods to ensure that circumstances have not changed such that the criteria for capitalisation are no longer met. In these circumstances, the costs are written-off or provided for to the extent they are believed to be irrecoverable. Such provisions are reversed if the circumstances change again and there is persuasive evidence that the new circumstances and events will persist for the foreseeable future.

(h) Intangible assets

Goodwill

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

Acquisition of non controlling interests are accounted for as transactions with the equity holders in their capacity as equity holders and therefore, goodwill is not recognised as a result of such transactions.

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

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

Other intangible assets

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

Where the payment term is deferred the cost of the intangible asset is the cash price equivalent. This is the discounted amount.

Amortisation

Amortisation is calculated over the cost of the asset, or other amount substituted for cost, less its residual value.

Amortisation is recognised in the profit or loss on a straight-line basis over the estimated useful lives of intangible assets, other than goodwill, from the date that they are available for use, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset. The estimated useful lives for the current and comparative periods are as follows:

Metro naming rights

10 years

i) Property, plant and equipment

Following initial recognition at cost, developed properties (land and building), mainly comprising hotels, shopping malls and offices, are stated at their revalued amounts, being the fair value at the date of revaluation, less any accumulated depreciation and any impairment losses. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount. The revaluation surplus is recognised as a separate component of other comprehensive income.



3) Significant accounting policies (continued)

All other items of property, plant and equipment, mainly comprising administrative and head office assets, are stated at cost less accumulated depreciation and any impairment losses. The depreciation methods, remaining useful life and residual values of assets, if not insignificant, are reassessed at each reporting date. When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (components) of property, plant and equipment.

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

Depreciation is charged to the profit or loss so as to write off the cost / revalued amounts of property, plant and equipment by equal instalments over their estimated useful lives. Land is not depreciated. The estimated useful lives are as follows:

Buildings	4-35 years
Motor vehicles	4 years
Leisure rides and games	3 -10 years
Furniture, fixtures and equipment	3 -15 years

Valuation surplus relating to buildings is allocated to the building structure and is depreciated over the remaining useful life of the respective building structure which ranges from 23 to 35 years. The portion allocated to land is not depreciated.

Cost includes expenditures that are directly attributable to the acquisition of the assets. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the asset to a working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located.

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

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

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

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

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

(j) Investment Property

Investment properties are properties held either to earn rental income, for capital appreciation or for both, but not for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes.

Following initial recognition at cost, investment property, principally comprising land with undetermined use, certain shopping malls and properties being constructed for future use as investment property is stated at fair value at the reporting date.

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

An investment property is derecognised when either it has been disposed of or when it is permanently withdrawn from use and no future economic benefits are expected from its use or disposal. Any gain or loss on the retirement or disposal of an investment property is included in the profit or loss in the period the property is derecognised.

Rental income from investment property is accounted for as described in the accounting policy for revenue recognition.

Following the adoption of IAS 40 (revised 2008), investment properties under construction have been transferred from property, plant and equipment to investment properties at 1 January 2009 at their carrying amounts. These have subsequently been fair valued at the reporting date. All fair value gains and losses on such properties have been recognised in the profit or loss in the current year.



3) Significant accounting policies (continued)

j) *Investment Property (continued)*

When the use of a property changes from owner-occupied to investment property, the property is re-measured to fair value and reclassified as an investment property. Any gain arising on re-measurement is recognised in other comprehensive income. Any loss is recognised immediately in the profit or loss except to the extent that it reverses a previously recognised revaluation gain on the property in which case it is debited to other comprehensive income.

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

k) *Property valuation*

The fair value of properties is determined at the reporting date by an independent valuer holding a recognised professional qualification and is the market value of the properties. Market value is the highest possible price for which the property could be exchanged on the date of valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion. If there is no market-based evidence of fair value of a property, fair value is determined using the present value of the estimated future net cash flows for each property. A yield that reflects the specific risks inherent in the net cash flows is then applied to the net annual cash flows to arrive at the property valuation.

Where the valuation of a property comprises the aggregate value of land and building, the valuation is apportioned between land and building based on the depreciated replacement cost of the building, unless another appropriate basis is available for allocation.

Change in fair value apportioned to buildings is then allocated to the building structure as it is impracticable to determine the fair value of each component of the building or to use any other reasonable method of approximation to estimate such component values.

l) *Impairment*

Financial assets

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate. Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics. All impairment losses are recognized in the profit or loss.

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognized. For financial assets measured at amortized cost the reversal is recognized in the profit or loss.

Non-financial assets

The carrying amounts of the Group's non-financial assets, other than property, plant and equipment and investment properties that are fair valued, and inventories, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

For goodwill and intangible assets that have indefinite useful lives or that are not yet available for use, the recoverable amount is estimated each year at the same time.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. 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. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or group of assets (the "cash generating unit or CGU").

An impairment loss is recognised if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognised in the profit or loss.



3) Significant accounting policies (continued)

(l) Impairment (continued)

Non-financial assets (continued)

In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised. An impairment loss in respect of goodwill is not reversed.

(m) Financial instruments

Non-derivative financial instruments

Non-derivative financial instruments comprise trade and other receivables, cash and cash equivalents, trade and other payables, long-term loans, income tax payable, bank borrowings and related party balances.

Non-derivative financial instruments are recognised initially at fair value plus transaction cost. Subsequent to initial recognition non-derivative financial instruments are measured at amortised cost less impairment losses.

A financial instrument is recognised if the Group becomes a party to the contractual provisions of the instrument. Financial assets are derecognised if the Group's contractual rights to the cash flows from the financial assets expire or if the Group transfers the financial asset to party without retaining control or substantially all risks and rewards of the asset. Financial liabilities are derecognised if the Group's obligations specified in the contract expire or are discharged or cancelled.

Cash and cash equivalents comprise cash in hand, cash at bank and bank overdrafts. For the purpose of the statement of cash flows, bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents.

Financial assets at fair value through profit or loss ("FVPL")

A financial asset is classified at fair value through profit or loss if it is classified as held for trading or is designated as such upon initial recognition. Financial assets are designated at fair value through profit or loss if the Group manages such investments and makes purchase and sale decisions based on their fair value in accordance with the Group's documented risk management or investment strategy. All investments are initially recognised at cost, being the fair value of the consideration given including acquisition charges associated with the investment.

After initial recognition, investments are measured at fair value. For investments traded in organised financial markets, fair value is determined by reference to stock exchange quoted market prices at the close of business on the reporting date. For investments where there is no quoted market price, a reasonable estimate of the fair value is determined by reference to the current market value of another instrument which is substantially the same, or is based on the expected cash flows or the underlying net asset base of the investment.

Any gain or loss arising from a change in fair value of investments is included in the profit or loss in the period in which it arises.

Derivative financial instruments

Derivative financial instruments are contracts, the value of which is derived from one or more underlying financial instruments and include interest rate swaps and collars.

The Group uses derivative instruments for risk management purposes to hedge its exposure to interest rate risks arising from operational, financing and investment activities. Derivative financial instruments are initially recognised at fair value on the date on which the derivative contract is entered into; attributable transaction costs are recognised in the profit or loss when incurred. Derivative financial instruments with positive fair values are included in assets and derivative financial instruments with negative fair values are included in liabilities.

Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are accounted for as described below.

In respect of changes in the fair values of derivative financial instruments that are designated as a hedge of variability in cash flows attributable to a particular risk associated with a recognised asset or liability or a highly effective forecast transaction that could affect the profit or loss, the effective portion of changes in the fair value of the derivative is recognised directly in the profit or loss. The amount recognised in other comprehensive income is removed and included in the profit or loss in the same period as the hedged cash flows affect. Any ineffective portion of changes in the fair value of the derivative is recognised immediately in the profit or loss.



3) Significant accounting policies (continued)

(m) Financial instruments (continued)

Derivative financial instruments (continued)

If the derivative expires or is sold, terminated, or exercised, or no longer meets the criteria for cash flow hedge accounting, or the designation is revoked, then hedge accounting is discontinued and the amount recognised in other comprehensive income remains in other comprehensive income until the forecast transaction occurs. If the forecast transaction is no longer expected to occur, then hedge accounting is discontinued and the balance in equity is recognised immediately in the profit or loss.

Any gains or losses arising from changes in fair value of derivative instruments that do not qualify for hedge accounting are taken directly to the profit or loss.

(n) Inventories

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

(o) Staff terminal and retirement benefits

The provision for staff termination benefits is calculated in accordance with the labour laws in the respective countries and is based on the liability that could arise if the employment of all the group staff were terminated on the reporting date.

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

(p) Long term employee benefits

The Group earlier offered performance based incentives to certain senior management staff under a special incentive scheme. A provision for the Group's obligation under the scheme was accrued by estimating the present obligation and present value of the estimated future payments as at the reporting date in respect of all applicable employees for their services rendered during the current year. The scheme was discontinued during the year. However, management is still carrying certain provision with respect to the old scheme which would be paid to the employees who were eligible as per the previous scheme. Also refer note-25.

(q) Operating segments

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

The Group has five reportable segments, as described below, which are the Group's strategic business units. The strategic business units offer different services and are managed separately because they require different strategic requirements. The following summary describes the operations in each of the Group's reportable segments:

Properties: includes shopping malls, hotels and residence.

Retail: includes hypermarkets, supermarket and retail stores.

Ventures: includes retail stores, leisure activities, leasing activities and providing facility and energy management services.

Asset Management: includes management of assets, investments, deals with financial products and arrangement of credit.

Head office: includes managing the Group's commercial enterprises.

Inter-segment pricing is determined on an arm's length basis.

(r) Revenue recognition

Revenue includes amounts derived from the provision of goods and services falling within the Group's ordinary activities and includes hypermarkets' revenue, rental income, hospitality services, facility management services, entertainment services, sale of fashion goods, income from net investment in finance lease and income from credit card operations. Revenue from the sale of goods is recognized in the profit or loss when the significant risks and rewards of ownership have passed to the buyer.



3) Significant accounting policies (continued)

(r) Revenue recognition (continued)

Hypermarket revenue comprises amounts derived from sale of goods falling within the ordinary activities of the Group and are recognised at the time of check-out sales when there is no continuing management involvement with the goods. Listing fees and gondola fees are recognised as income on an accrual basis, when the obligations to display inventories are met. Opening fees, based on agreements with suppliers, are recognised at the time of opening of the store. When the Group acts in the capacity of an agent rather than as the principal in a transaction, the revenue recognised is the net amount of commission earned by the Group. Income from rebates and other supplier benefits is recognised on an accrual basis, monthly, according to the agreements with suppliers. For the purpose of presentation, cost of sales is shown net of income from rebates.

Lease rental income is recognised on a straight-line basis on the base rent over the term of the lease. Contingent rents are recorded as income in the period in which they are earned. Revenue from hospitality and facility management services is recognised on rendering the services.

Revenue from sale of fashion goods is recognised net of discounts and provisions for estimated returns and allowances when the significant risks and rewards of ownership have been transferred to the buyer, recovery of consideration is probable, the associated costs and possible return of goods can be estimated reliably, and there is no continuing management involvement of the goods.

Management and performance fee is recognised in income on a monthly basis in accordance with the terms set out in the investment management agreement, taking account of the assets under management at the month end date.

Interest income on short term deposits is recognised on an accrual basis.

Unearned income on finance lease is amortised to the profit or loss over the term of the lease applying the annuity method so as to produce a systematic return on the net investment in finance lease.

(s) Alcohol

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

(t) Provisions

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

(u) Income tax expense

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

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the corresponding tax bases used for taxation purposes. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity or on different taxable entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised only to the extent it is probable that future tax profits will be available against which the temporary difference can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

(v) New standards and interpretations issued but not yet effective

A number of new standards, amendments to standards and interpretations are not yet effective for the year ended 31 December 2009 and therefore have not been applied in preparing these consolidated financial statements. None of these will have an effect on the consolidated financial statements of the Group, except for:



3) Significant accounting policies (continued)

v) New standards and interpretations issued but not yet effective (continued)

IFRS 9 Financial Instruments, published on 12 November 2009, as part of phase I of IASB's comprehensive project to replace IAS 39, deals with the classification and measurement of financial assets. The Standard contains two primary measurement categories for financial assets: amortised cost or fair value.

4) Critical judgments in applying the Group's accounting policies

In the process of applying the Group's accounting policies, which are described in the notes, management has made certain judgments as mentioned below.

Investment property - accounting for dual-use properties

Investment property is property held to either earn rental income or capital appreciation or for both. Certain properties of the Group include a portion that is held to generate rental income or capital appreciation and another portion that is held for own use by the Group in the supply of services or for administrative purposes. Such properties are split between property, plant and equipment and investment properties based on leasable value, subject to the conditions described below.

Properties where the let-out portions can be sold or finance leased separately

In the UAE, Law No. 27 of 2007 Regulating the Ownership of Jointly Owned Properties in the Emirate of Dubai ("the Strata Law") came into effect from 1 April 2008. Based on the terms of the Strata Law and clarification obtained by the Group from independent legal advisors, management is of the view that:

- it is possible to divide developed property, such as a shopping mall, into separate units;
- that conceptually, strata title can validly be created within the shopping malls and individual units or parts may be sold or subject to long leases; and
- the Dubai Land Department and the Strata Law both support the above concept.
- In countries other than UAE, wherever similar laws exist, the Company splits dual use properties on a similar basis.

Properties where the let-out portions cannot be sold or finance leased separately

Due to legal restrictions in Oman, and in the UAE in respect of properties which are built on land gifted by the Ruler, these properties cannot currently be sold or finance leased separately (in case of UAE, without the prior consent of the Ruler). Consequently, the entire property is classified as investment property only if an insignificant portion is held for own use.

In management's judgment, the level of own use is assessed based on the level of ancillary income earned by the Group from the property as a whole. If the ancillary income exceeds 5% of the total income from the property, then the entire property is classified as property, plant and equipment, at the date when the level of ancillary income exceeds 5%.

Fair value of properties

Fair value of undeveloped land and other developed properties at the reporting date is determined by independent external valuers once every year. Internal valuations are carried out quarterly, based on the methods and assumptions used by the external valuer, to ensure that the fair value of a revalued asset does not differ materially from its carrying amount.

In management's judgment, the fair values as determined by the external valuers of the properties developed on gifted land, are realisable subject to the consent of the Ruler's court. These properties are stated at their fair values, as determined by the external valuers, in the financial statements.

Key sources of estimation uncertainty

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.

Impairment losses on receivables

The specific counterparty component of the total allowances for impairment applies to financial assets evaluated individually for impairment and is based upon management's best estimate of the present value of the cash flows that are expected to be received. In estimating these cash flows, management makes judgements about a counterparty's financial situation and the net realisable value of any underlying collateral.

Collectively assessed impairment allowances cover credit losses inherent in portfolios of finance lease receivables with similar credit risk characteristics when there is objective evidence to suggest that they contain impaired lease receivables but the individual impaired items cannot yet be identified. In assessing the need for collective loss allowances, management considers factors such as credit quality, portfolio size, concentrations and economic factors.



4) Critical judgments in applying the Group's accounting policies (continued)

Key sources of estimation uncertainty (continued)

Provision for obsolete inventory

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

Property, plant and equipment

Management has not highlighted any requirement for an adjustment to the residual values and remaining useful life of the assets for the current or future periods.

Valuation of financial instruments

The Group's accounting policy on fair value measurements is discussed in accounting policy 3(n).

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

Level 1: Quoted market price (unadjusted) in an active market for an identical instrument.

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

Level 3: Valuation techniques using significant unobservable inputs. This category includes all instruments where the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuations. This category includes instruments that are valued based on quoted prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

Valuation techniques include net present value and discounted cash flow models, comparison to similar instruments for which market observable prices exist, and other valuation models. Assumptions and inputs used in valuation techniques include risk-free and benchmark profit rates, credit spreads and other premia use in estimating discount rates, bond and equity prices, foreign currency exchange rates, equity and equity index prices and expected price volatilities and correlations. The objective of valuation techniques is to arrive at a fair value determination that reflects the price of financial instruments at the reporting date that would have been determined by market participants acting at arm's length.

The Group uses widely recognized valuation models for determining the fair value of common and more simple financial instruments, that use only observable market data and require little management judgment and estimation. Observable prices and model inputs are usually available in the market for listed debt and equity securities, exchange traded derivatives and simple over the counter derivatives like interest rate swaps and collars. Availability of observable market prices and model inputs reduces the need for management judgment and estimation and also reduces the uncertainty associated with determination of fair values. Availability of observable market prices and inputs varies depending on products and markets and is prone to changes based on specific events and general conditions in the financial markets.

The table below analyses financial instruments measured at fair value at the end of the reporting period, by the level in the fair value hierarchy into which the fair value measurement is categorized:

	Carrying amount AED '000	Level 1 AED '000	Level 2 AED '000	Level 3 AED '000
31 December 2009				
Financial assets				
Equities held at fair value through profit and loss	7,600	-	7,600	-
	7,600		7,600	
Financial liabilities				
Derivative held for interest rate risk management	(212,636)	-	(212,636)	-
	(212,636)		(212,636)	

During 2009, there was no movement between the fair value hierarchies of the derivative financial instruments held by the Group. Furthermore, there has been no change in the valuation techniques in relation to valuation of derivative financial instruments during the year.



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5) (i) Segment reporting

Segment information is presented in respect of (i) the Group's principal business activities; (ii) revenue by product; (iii) its geographical location and services.

Principal activities are as follow:

- Properties
- Retail
- Asset Management
- Ventures

The segment information provided to the Board of Directors for the reportable segments for the year ended 31 December 2009 are as follows

Business segments:	Properties		Retail		Asset Management		Ventures		Head Office		Total		Eliminations/ Adjustments		Group (after eliminations)		
	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008	
	AED '000	AED '000	AED '000	AED '000	AED '000	AED '000	AED '000	AED '000	AED '000	AED '000	AED '000	AED '000	AED '000	AED '000	AED '000	AED '000	
Revenue	213,042	148,565	-	-	-	-	86,698	61,656	38,931	71,262	338,671	281,483	338,671	281,483	-	-	
Inter-segment	1,645,782	1,606,580	13,489,773	12,344,486	70,848	-	765,370	794,833	-	-	15,971,772	14,745,899	15,971,772	14,745,899	15,971,772	14,745,899	
Others	(330,327)	(279,176)	(8,116)	(5,392)	-	-	(15,810)	(17,088)	(84,443)	(51,524)	(438,696)	(353,190)	(438,696)	(353,190)	(321,697)	(307,093)	
Finance costs	30,013	52,075	61,618	60,759	-	-	3,735	3,351	72,365	36,564	167,731	152,749	116,999	(47,609)	55,499	105,140	
Finance income	(489,844)	(408,323)	(194,342)	(146,699)	(331)	-	(77,731)	(63,863)	(6,695)	(2,886)	(768,943)	(621,771)	(25,933)	(16,017)	(794,876)	(637,881)	
Depreciation	2,893,430	2,859,585	352,913	636,402	638	-	460,301	291,752	3,025	63,588	3,710,307	3,851,327	(249,385)	(44,129)	3,460,922	3,807,198	
Capital expenditure	(8,430)	13,689	(29,434)	(13,172)	-	-	-	(735)	-	-	(57,864)	(218)	13,633	1,571	(24,211)	1,353	
Income tax (charge) / Credit	18,850	(74,688)	-	-	-	-	3,251	-	-	-	22,101	(74,688)	-	-	22,101	(74,688)	
Share of income / (loss) in joint ventures & associate	167,172	223,410	471,024	416,641	23,177	-	2,292	(133,148)	198,363	159,054	862,028	665,957	162,478	(559,081)	503,479	106,876	
Profit/(loss) before tax	33,015,900	30,070,262	3,226,162	3,280,828	-	-	1,377,378	1,325,148	9,547,659	5,965,674	47,167,099	40,641,912	(6,280,026)	(6,940,798)	34,561,886	33,701,114	
Total assets	13,427,639	10,705,145	2,718,376	2,830,850	-	-	1,271,380	1,186,743	6,246,340	2,862,718	23,663,735	17,583,456	(7,556,141)	(3,877,501)	16,107,594	13,707,955	
Total liabilities																	

**Majid Al Futtain Group LLC**

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5) (ii) Revenue	2009	2008
	AED'000	AED'000
Sales	12,691,220	11,705,065
Listing fees, gondola fees and commissions	798,553	639,421
Rental income	1,377,477	1,196,809
Leisure and entertainment	384,297	385,041
Hospitality revenue	294,281	357,134
Fashion goods	237,972	282,235
Other	187,972	180,194
	15,971,772	14,745,899

Commission on sales relates to the sale of products in which the Group acts as an agent in the transaction rather than as the principal. Management considers the following factors for identifying and accounting for agency relationship:

- i. The Group does not take title of the goods and has no responsibility in respect of the goods sold; and
- ii. The Group cannot vary the selling price set by the supplier.

5) (iii) Revenue by geographical market	2009	2008
	AED'000	AED'000
UAE	8,633,885	9,199,146
Saudi Arabia	1,596,120	1,342,740
Egypt	1,838,696	1,392,091
Qatar	1,527,609	1,367,474
Oman	813,076	660,352
Jordan	387,484	331,766
Bahrain	450,840	124,913
Iran	196,205	-
Syria	94,857	-
Pakistan	92,104	-
Kuwait	340,896	327,417
	15,971,772	14,745,899

5) (iv) Total assets by geographical region	2009	2008
	AED'000	AED'000
UAE	25,898,252	23,135,796
Qatar	188,059	187,447
Bahrain	3,204,132	3,757,022
Kuwait	77,120	90,544
Egypt	2,736,927	2,457,157
Lebanon	284,236	1,335,963
Oman	1,108,804	1,589,394
Syria	32,537	347,185
Iran	270,224	159,416
Saudi Arabia	401,690	451,576
Pakistan	88,358	83,455
Others *	71,547	106,159
	34,361,886	33,701,114

* Other include Norafco, Tunisia, Libya and Jordan



6) Operating expenses	2009	2008
	AED'000	AED'000
Staff costs (refer note (i) below)	(1,440,088)	(1,473,860)
Rent	(237,059)	(225,129)
Depreciation	(794,876)	(637,881)
Amortisation	(8,582)	(2,227)
Consultancy costs	(56,788)	(157,700)
Legal and professional fees	(28,518)	(28,376)
Selling and marketing expenses	(168,926)	(186,847)
Utilities	(194,251)	(158,334)
Repair and maintenance	(62,331)	(62,911)
Insurance charges	(17,083)	(12,843)
Franchise and management fees	(65,107)	(81,438)
Other general and administrative expenses	(464,857)	(423,078)
	(3,538,466)	(3,450,624)

(i) Staff cost includes the following:

	2009	2008
	AED'000	AED'000
Gratuity cost	(59,702)	(64,210)
Pension cost	(3,078)	(3,623)

Staff costs are net of staff costs capitalised to various projects under construction amounting to AED 54.1 million (2008: AED 53.4 million).

The number of employees at 31 December 2009 was 17,629 (2008: 16,386).

7) Net finance cost	2009	2008
	AED'000	AED'000
Arrangement and participation fee	(34,741)	(12,497)
Interest charges	(274,885)	(316,287)
Less: capitalised interest	100,094	68,865
Finance cost	(209,532)	(259,919)
Net changes in fair value of financial assets at fair value through profit and loss	(639)	(14,816)
Ineffective portion of changes in fair value of cash flow hedges	(3,956)	(1,927)
Net changes in fair value of cash flow hedges transferred from equity	(107,570)	(30,431)
Finance expense	(321,697)	(307,093)
Interest income from related parties	-	-
Interest income from bank	38,773	95,916
Ineffective portion of changes in fair value of cash flow hedges	16,726	9,224
Finance income	55,499	105,140
Net Finance cost	(266,198)	(201,953)

Capitalised interest arises on borrowings for development expenditure.

The capitalisation rate used to determine the amount of borrowing cost eligible for capitalization varies from 3.5% to 5.1% (2008: 2.1% to 4.7%) depending on the interest rates prevalent on the date of drawdown.



8) Other (expenses) / income - net		2009	2008
		AED'000	AED'000
(Loss) / gain on disposal of non-current assets		(1,886)	239,684
Project costs written off		(29,972)	(51,941)
Foreign exchange loss		(4,775)	(20,650)
Provision for joint venture receivables		(25,860)	(6,223)
Other income		61,676	28,241
		(817)	189,111

9) Impairment (provision) / reversal - net		2009	2008
	Note	AED'000	AED'000
Provision for the investment in joint ventures (refer note(i))	12 (c)	(147,955)	-
Reversal of impairment on investment in a joint venture (refer note(ii))	12 (c)	110,283	-
Impairment of goodwill and other assets (refer note (iii))		(86,389)	(178,752)
Reversal of impairment of property, plant and equipment (refer note (iii))		34,996	
		(89,065)	(178,752)

(i) A non-refundable advance of AED 31.3 million was paid for a joint venture under incorporation in 2008. As at 31 December 2009, management is in the process of renegotiating the terms of the potential joint venture and due to the likelihood of the joint venture partner not agreeing to the proposed terms, an impairment provision has been recognised for the entire advance.

In previous years, the Group had advanced an amount of AED 389 million as a deposition to a prospective joint venture partner for purchase of land. In 2009, During the year, , management has reassessed the future prospects of the joint venture and an impairment provision of AED 116.7 million has been recognised on the advance.

(ii) During the year, the Group reversed an impairment loss of AED 110.3 million on its investment in Waterfront City SARL, a joint venture in Lebanon. The impairment provision, which was created in 2006, was reversed due to an improvement in the economic conditions and underlying property values.

(iii) In 2009, Management assessed the recoverability of the carrying amount of a hotel under construction in UAE and an impairment of AED 37.1 million was recognised in profit or loss.

During the year, the Group has recognised an impairment loss of AED 14.6 million in respect of an aircraft owned by it. The amount of impairment has been determined by comparing the carrying value of the asset and recoverable amount based on the estimate of net selling price.

During the current year, the Group has decided to book an impairment loss for the assets of certain operating units of Majid Al Futtain Retail LLC because of unfavourable future projections due to adverse external circumstances. Appropriate action in respect of future operations of these operating units will be taken in 2010. This loss is booked because the recoverable amount of the cash generating units (hypermarkets and supermarkets), which was estimated based on the value in use of the cash generating unit, was lower than the carrying amount of the assets by AED 34.7 million (2008: AED 22.8 million). Accordingly, an impairment loss has been recognised for this amount.

In 2008 Majid Al Futtain Fashion LLC, a subsidiary, had determined the recoverable amount of the assets based on value in calculation. Based on this calculation, management had concluded that the value of its assets is fully impaired and therefore, goodwill and other intangibles amounting to AED 95 million were fully written off (also refer note 17).

Based on projections made by management of the cash flows of the concerned fixed assets and capital work-in-progress, the Group has reversed impairment losses on fixed assets and capital work-in-progress recorded in Majid Al Futtain Fashion LLC amounting to AED 33.2 million (2008: impairment of AED 57.7 million) and AED 1.8 million, respectively.

The recoverable amounts of the fixed assets have been determined based on a value in use calculation using cash flow projections based on financial budgets approved by senior management covering a five-year period. The discount rate applied to cash flow projections is 10%, and cash flows beyond the 5-year period are extrapolated using a zero percent growth rate.



10) Property, plant and equipment	Land and buildings AED'000	Motor vehicles AED'000	Furniture fixtures and equipment AED'000	Capital work in progress AED'000	Total AED'000
Cost / valuation					
At 1 January 2008	15,310,190	10,380	1,626,938	2,973,998	19,921,506
Transferred to investment property (refer notes ii & v)	(3,123,549)	-	-	-	(3,123,549)
Additions	449,892	2,522	251,965	2,951,755	3,656,134
Disposals / write offs	(23,473)	(2,373)	(49,421)	(22,031)	(97,298)
Reclassification	257,253	-	146,943	(404,196)	-
Transfer from related party	-	94	1,818	-	1,912
Assets placed in service	2,390,573	-	166,728	(2,557,301)	-
Net gain on valuation of land and buildings (refer note (i))	2,688,530	-	-	-	2,688,530
Accumulated depreciation eliminated on valuation	(400,358)	-	-	-	(400,358)
Effect of foreign exchange movements	31,930	(102)	2,780	(17,232)	17,376
At 31 December 2008	17,580,988	10,521	2,147,751	2,924,993	22,664,253
At 1 January 2009	17,580,988	10,521	2,147,751	2,924,993	22,664,253
Transferred to investment property (refer note (iii))	(442,693)	-	-	(1,531,899)	(1,974,592)
Additions	203,137	722	300,090	1,156,156	1,660,105
Disposals / write offs	(516)	(2,342)	(99,852)	(26,286)	(128,996)
Reclassification	-	(249)	249	-	-
Transfer to Capital work-in-progress (refer note (iv))	(282,872)	-	-	282,872	-
Assets placed in service	351,168	1,055	657,592	(955,971)	53,844
Loss on valuation of properties (refer note (i))	(2,613,744)	-	-	-	(2,613,744)
Accumulated depreciation eliminated on valuation	(473,607)	-	-	-	(473,607)
Effect of foreign exchange movements	4,588	(45)	(5,640)	(3,878)	(4,975)
At 31 December 2009	14,326,449	9,662	3,000,190	1,845,987	19,182,288
Depreciation					
At 1 January 2008	-	(2,099)	(738,046)	-	(740,145)
Charged during the year	(402,228)	(1,546)	(234,107)	-	(637,881)
Transfer	-	-	(12)	-	(12)
Impairment	-	(136)	(78,609)	-	(78,745)
Accumulated depreciation eliminated on valuation	400,358	631	-	-	400,989
Disposals / write offs	-	61	43,764	-	43,825
Effect of foreign exchange movements	-	33	(757)	-	(724)
At 31 December 2008	(1,870)	(3,056)	(1,007,767)	-	(1,012,693)
At 1 January 2009	(1,870)	(3,056)	(1,007,767)	-	(1,012,693)
Charged during the year	(481,533)	(1,709)	(311,634)	-	(794,876)
Reclassification	1,957	(114)	(1,843)	-	-
Impairment (refer note 9 (iii))	-	-	(49,291)	(37,098)	(86,389)
Reversal of Impairment (refer note 9 (iii))	-	-	33,211	1,785	34,996
Accumulated depreciation eliminated on valuation	473,607	-	-	-	473,607
Disposals / write offs	-	2,179	86,965	-	89,144
Effect of foreign exchange movements	7	16	510	-	533
At 31 December 2009	(7,832)	(2,684)	(1,249,849)	(35,313)	(1,295,678)
Carrying amounts					
At 1 January 2008	15,310,190	8,281	888,892	2,973,998	19,181,361
At 31 December 2008	17,579,118	7,465	1,139,984	2,924,993	21,651,560
At 31 December 2009	14,318,617	6,978	1,750,341	1,810,674	17,886,610

**10) Property, plant and equipment (continued)**

- i) During 2009, the total revaluation loss of AED 2,613.7 million (2008: gain of AED 2,688.5 million) has been recognised. This comprises a valuation loss of AED 2,322.8 million (2008: gain of AED 2,788.2 million) which has been debited to revaluation reserve directly in equity and a loss of AED 290.9 million (2008: 98.7 million) has been charged to profit and loss. The valuation loss charged to profit and loss pertains to a decrease in the revalued amounts of certain properties in excess of any valuation gain previously recorded in the revaluation reserve for these properties.
- ii) In the previous year, the Group has transferred some of the shopping malls from property, plant and equipment to investment property at the fair value of AED 621 million.
- iii) The Group adopted IAS 40 (revised 2008) from its effective date of 1 January 2009. As per the revision to IAS 40, property that is being constructed for future use as investment property is classified as investment property and accounted for at fair value. Accordingly, the Group transferred certain malls and a commercial office tower under construction with a carrying value of AED 1,949.5 million at 1 January 2009 from property, plant and equipment to investment property. Furthermore, another property with a carrying value of AED 25 million was transferred due to a change in classification from property, plant and equipment to investment property.
- iv) In 2009, two plots of land were transferred to capital work-in-progress with the carrying value of AED 282.9 million as management has commenced the development of the projects.
- v) In the previous year, the Group completed the construction of a shopping mall, which was partially reclassified from property, plant and equipment to investment property at fair value of AED 2,340 million.
- vi) Certain properties of the Group are mortgaged against bank borrowings (refer note 27).
- viii) Certain lands are owned by a related party for the beneficial interest of the group.
- viii) Accrued income relating to the accounting for lease rentals on a straight line basis as per IAS 17 have been eliminated from the valuation of developed properties, in order to avoid double counting of assets, as mentioned below:

	2009 AED'000	2008 AED'000
Fair value of land and buildings	14,398,884	17,653,766
Less: adjustment for accrued operating lease income	(80,267)	(60,526)
Less: adjustment for capital commitments	-	(14,122)
Net adjusted fair value	14,318,617	17,579,118

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

	2009		2008	
	Land AED'000	Buildings AED'000	Land AED'000	Buildings AED'000
Cost	758,900	5,253,434	1,305,118	4,891,173
Accumulated depreciation	-	(1,364,285)	-	(1,109,069)
Net carrying amount	758,900	3,889,149	1,305,118	3,782,104

- x) The following fair value gains/ (losses) were recognised during the year in the profit or loss:

	Note	2009 AED'000	2008 AED'000
Loss of valuation of property, plant and equipment	10	(290,900)	(98,672)
Gain/(loss) of valuation of investment property	11	278,196	(150,021)
Total valuation gain / (loss)		(12,704)	(248,693)

- xi) The aircraft owned by the Group with a carrying value of AED 36 million (2008: AED nil) is included under furniture fixture and equipment



11) Investment property	Land-undeveloped AED'000	Land and buildings AED'000	Capital work in progress AED'000	Total AED'000
Cost / valuation				
At 1 January 2008	2,611,537	504,689	-	3,116,226
Transferred from property, plant and equipment (refer note 10 (ii & v))	-	3,123,549	-	3,123,549
Additions	-	47,922	103,142	151,064
Net valuation loss on investment property (refer note (ii) below)	(348,810)	266,794	(68,006)	(150,022)
Reclassification	(203,006)	-	203,006	-
Disposals (refer note (v) below)	(480,000)	(9,105)	-	(489,105)
Effect of foreign exchange movements	88	401	-	489
At 31 December 2008	1,579,809	3,934,250	238,142	5,752,201
At 1 January 2009	1,579,809	3,934,250	238,142	5,752,201
Transferred from property, plant and equipment (refer note 10 (iii))	25,000	19,474	1,930,118	1,974,592
Additions	129,143	14,399	1,657,275	1,800,817
Net valuation gain on investment property (refer note (ii) below)	(231,991)	(557,237)	1,067,424	278,196
Assets placed in service (refer note (iii) below)	-	384,777	(384,777)	-
Effect of foreign exchange movements	-	6,439	-	6,439
At 31 December 2009	1,501,961	3,802,102	4,508,182	9,812,245
Carrying amounts				
At 1 January 2008	2,611,537	504,689	-	3,116,226
At 31 December 2008	1,579,809	3,934,250	238,142	5,752,201
At 31 December 2009	1,501,961	3,802,102	4,508,182	9,812,245

- i) Investment properties are stated at fair value based on the valuation carried out at each reporting date. The fair value of properties is determined annually by an independent valuer.
- ii) For the year ended 31 December 2009 a net valuation gain of AED 278.2 million (2008: net valuation loss of AED 150.0 million) is included in the consolidated statement of comprehensive income.
- iii) In 2009, the Group transferred AED 266.3 million on completion of the extension of a shopping mall in Egypt from capital work in progress to land and buildings. An additional expenditure of AED 118.5 million was capitalised on a mall in Bahrain.
- iv) Certain properties of the Group are mortgaged against bank borrowings (refer note-27).
- v) During previous year, the Group disposed an undeveloped land at a profit of AED 240 million (refer note-8).
- vi) Certain lands are owned by a related party for the beneficial interest of the Group
- vii) Accrued income relating to the accounting for lease rentals on a straight line basis as per IAS 17 has been eliminated from the valuation of developed properties, in order to avoid double counting of assets, as mentioned below:

	2009 AED'000	2008 AED'000
Fair value of land and buildings	3,811,193	3,970,928
Less: adjustment for accrued operating lease income	(9,091)	(27,215)
Less: adjustment for capital commitments	-	(9,462)
Net adjusted fair value	3,802,102	3,934,251

**11) Investment property (continued)**

viii) Rental income derived from investment properties during the current year is AED 375 million (2008: AED 216 million). The direct operating expenses arising from investment property that generated rental income during the current year amounted to AED 200 million (2008: AED 87 million).

	2009 AED'000	2008 AED'000
12) Investments		
Unlisted equities held as fair value through profit and loss (FVPL) (refer note 12(a))	7,600	7,600
Investment in associate (refer note 12(b))	231,879	245,818
Investment in joint ventures (refer note 12(c))	1,409,215	1,211,472
Total investments	1,648,694	1,464,890

12) (a) Unlisted equities held as fair value through profit and loss (FVPL)

This is an investment in Orix Leasing Egypt SAE, an unlisted company incorporated in Egypt. At 31 December 2009, the investment is carried at its estimated fair value. The fair value is calculated as the simple average of PE and PB multiples of a peer group of listed companies operating in the same industry in the region, after incorporating a liquidity discount to reflect the fact that the investment is not listed. Based on the valuation, the fair value of investment is AED 7.6 million (2008: AED 7.6 million).

	2009 AED'000	2008 AED'000
12)(b) Investment in associate		
At 1 January	245,818	251,096
Adjustment for the Group's share of loss of associate	(13,939)	(5,278)
At 31 December	231,879	245,818

Summarised financial information in respect of the Group's interest in the associate is set out below:

	2009 AED'000	2008 AED'000
Total assets	1,904,047	1,354,978
Total liabilities	(1,088,720)	(490,638)
Net assets	815,327	864,340
Group's share of joint ventures' net asset (net of minority interest)	231,879	245,818
(Loss) for the year	(101,511)	(39,835)
Group's share of associate's (loss) for the year	(13,939)	(5,278)

	2009 AED'000	2008 AED'000
12) (c) Investment in joint ventures		
At 1 January	1,211,472	855,883
Additions during the year	98,992	424,999
Reclassified from assets held for sale (refer note 19)	33,702	
Reversal of impairment provision (refer note 9)	110,283	-
Provision for impairment (refer note 9)	(147,955)	-
Share of post acquisition gain / (loss) accounted through profit or loss	36,040	(69,410)
Share of post acquisition gain accounted through the statement of comprehensive income (refer note (i))	64,997	-
Foreign currency translation differences from foreign operations	1,684	-
At 31 December	1,409,215	1,211,472

i) This comprises the Group's share of revaluation gains, net of the impact of deferred tax of land and building recorded directly in the statement of comprehensive income by the joint ventures.

**12) Investments (continued)****12) (c) Investment in joint ventures (continued)**

Investment amounts in various entities include capital contributions made by the Group in its capacity as a shareholder. These balances are unsecured and interest free in nature and will not be called for repayment, except at the sole discretion of the joint venture entities.

Summarised financial information in respect of the Group's interest in joint ventures is set out below:

	2009	2008
	AED'000	AED'000
Total assets (at cost)	4,077,090	3,354,160
Total liabilities	(2,207,765)	(1,441,410)
Net assets	1,869,325	1,912,750
Group's share of joint ventures' net assets (net of impairment)	806,082	731,965
Loss for the year	73,279	(118,779)
Group's share of joint ventures' profit / (loss) for the year, including losses on investments exited.	36,040	(69,410)

13) Net investment in finance leases	2009	2008
	AED'000	AED'000
Lease contracts receivable	382,287	563,383
Residual value of leased assets	213,656	218,219
Gross amount due under finance leases	595,943	781,602
Non-refundable security deposits	(213,656)	(218,219)
Unearned lease finance income	(39,811)	(69,178)
Provision for potential lease losses (refer note 13.1)	(25,537)	(18,738)
	316,939	475,467
Less: lease contracts maturing within one year	(207,358)	(237,007)
Lease contracts maturing after one year	109,581	238,460

The maturity of lease contracts receivable outstanding at 31 December 2009 is as follows:

	Less than one year AED'000	One to five years AED'000	Total AED'000
Lease contracts receivable	234,242	148,045	382,287
Residual value of leased assets	84,517	129,139	213,656
Gross amount due under finance leases	318,759	277,184	595,943
Non-refundable security deposits	(84,517)	(129,139)	(213,656)
Unearned lease finance income	(26,884)	(12,927)	(39,811)
Provision for potential lease losses (refer note 13.1)	-	(25,537)	(25,537)
Less contracts maturing after one year	207,358	109,581	316,939

The maturity of lease contracts receivable outstanding at 31 December 2008 is as follows:

	Less than one year AED'000	One to five years AED'000	Total AED'000
Lease contracts receivable	280,173	283,210	563,383
Residual value of leased assets	60,159	158,060	218,219
Gross amount due under finance leases	340,332	441,270	781,602
Non-refundable security deposits	(60,159)	(158,060)	(218,219)
Unearned lease finance income	(43,166)	(26,012)	(69,178)
Provision for potential lease losses (refer note 13.1)	-	(18,738)	(18,738)
Less contracts maturing after one year	237,007	238,460	475,467

There are no lease contracts receivable over five years. The Group's mark-up rate on leases ranges between 7% and 15% per annum (2008: 7% and 15%). Lease contracts receivable with a maturity of less than one year are shown in current assets.

**13) Net investment in finance leases (continued)****13.1) Provision for potential lease losses**

	2009	2008
	AED'000	AED'000
At 1 January	18,738	8,196
Provision during the year	8,401	11,161
Write-off	(1,602)	(619)
	25,537	18,738

14) Long term prepaid lease premium

	2009	2008
	AED'000	AED'000
At 1 January	19,607	21,564
Amortisation	(1,957)	(1,957)
At 31 December	17,650	19,607

This mainly represents payments made by Group to the landlord of Al Saqr hypermarket of AED 29.4 million towards the cost of construction of the building in which the hypermarket is situated and to the landlord of Ras Al Khaimah hypermarket of AED 1.6 million in respect of the right to enter as a lessee. These payments are in the nature of lease premiums and are amortised over the period of the respective leases.

15) Long term receivable / advances

	2009	2008
	AED'000	AED'000
Advances	22,637	26,324
	22,637	26,324

Advances mainly represent the unamortised portion of advance rentals paid to landlords' for staff accommodation.

16) Capital advance

	2009	2008
	AED'000	AED'000
At 1 January	55,312	-
Advance	-	55,312
Cash rebate	(1,468)	-
Transferred to property, plant and equipment	(53,844)	-
At 31 December	-	55,312

17) Intangible assets

	2009	2008
	AED'000	AED'000
At 1 January	-	95,049
Intangible asset recorded during the year	198,743	-
Amortisation charge for the year	(6,625)	-
Impairment of other intangible assets	-	(95,049)
At 31 December	192,118	-

At the end of the previous year, management had determined the recoverable amount of the fashion business based on value in use calculation. Management had concluded that the value of assets was fully impaired. Therefore, goodwill amounting to AED 95 million was fully written off.

In the previous year, the Group entered into an agreement with a government entity in the UAE to acquire naming rights for two Metro stations for a 10 year period. As per the agreement, a payment schedule is agreed over the life of the contract. In 2009, upon the Metro becoming operational, management recorded the present value of the total future payments to be made as an intangible asset. The asset is being amortised over the contract period of 10 years.

The cash flows have been discounted using the incremental borrowing cost of the Group at 4.5%. The corresponding deferred liability for the Metro naming rights had been booked as follow:

	2009	2008
	AED'000	AED'000
Intangible asset recorded during the year	198,743	-
Less: payment made during the year	(54,000)	-
Deferred liability recorded	144,743	-
Interest accrued during the year	2,016	-
Current maturity of deferred liability (refer note 24)	(19,440)	-
At 31 December	127,319	-



18) Short term loans to related parties	2009	2008
	AED'000	AED'000
At 1 January	-	5,736,984
Adjusted against dividend payable to Parent Company (refer note (i))	-	(3,198,806)
Adjusted against share capital (refer note (ii) below & 28)	-	(2,487,020)
Loan balance transferred to related party	-	(74,803)
Intercompany balance transferred as loan to related party	-	23,645

At 31 December

i) At 31 December 2007, the Company had a short term loan due from the Parent Company of AED 3,273.6 million against which AED 3,198.8 million was adjusted in respect of dividend declared in 2008. The balance of AED 74.8 million was transferred to the Parent Company's current account.

ii) The Company had a short term loan of AED 2,487.0 million receivable from Majid Al Futtain Trust LLC, which was assigned to the Parent Company in 2008.

19) Assets classified as held for sale	2009	2008
	AED'000	AED'000
Land held as contribution towards joint venture	-	33,702
	-	33,702

This represented land held as contribution towards a joint venture company incorporated in the Kingdom of Bahrain. The Group currently holds the legal title to the piece of land. In 2009, the Group has initiated proceedings to transfer the land to the joint venture and accordingly the amount has been transferred to investment in joint venture (refer note 12 (c)).

20) Inventories	2009	2008
	AED'000	AED'000
Inventory held for sale	706,702	669,322
Spares and consumables	13,598	15,231
	720,300	684,553

21) Trade and other receivables	2009	2008
	AED'000	AED'000
Trade receivables	409,929	302,918
Advances, prepayments and deposits	526,790	677,807
Other receivables	236,769	154,835
Accrued interest	1,768	4,899
	1,175,256	1,140,459

22) Cash at bank and in hand

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

Cash at bank represents amount held in current and call accounts and short term deposits with banks at prevailing market interest rates.

23) Short term loans	2009	2008
	AED'000	AED'000
At 1 January	83,264	153,810
Borrowed during the year	-	156,700
Repaid during the year	(83,264)	(227,246)
At 31 December	-	83,264

During the previous year, the Group had obtained a short term loan facility of AED 156.7 million from a bank at SIBOR plus 1.5%. This loan is fully paid off in the current year.



24) Trade and other payables	2009 AED'000	2008 AED'000
Trade payables	2,333,040	2,423,030
Accruals	1,567,485	1,325,844
Current portion of deferred liability (refer note 17)	19,440	-
Retentions	189,485	186,687
Advance receipts	413,837	280,864
Tax payable	41,275	24,492
Provisions	52,415	33,133
Other payables	87,286	139,311
	4,704,263	4,413,361

25) Other employment benefits payable	January 2009 AED'000	Additions AED'000	transferred AED'000	2009 AED'000
Provision for bonus	250,268	145,948	(196,066)	200,150
Less: Non-current portion	(105,000)	12,499	54,350	(38,151)
Current portion	145,268	158,447	(141,716)	161,999

	At 1 January 2008 AED'000	Additions AED'000	Payment/ transferred AED'000	At 31 December 2008 AED'000
Provision for bonus	126,021	251,745	(127,498)	250,268
Less: Non-current portion	(36,213)	(68,787)	-	(105,000)
Current portion	89,808	182,958	(127,498)	145,268

The bonus provision of AED 200.2 million (2008: AED 250.3 million) includes AED 38 million which is part of the deferred bonus plan for the senior management staff, and is expected to be paid after one year from the balance sheet date.

25.1 Provision for staff termination benefits	2009 AED'000	2008 AED'000
At 1 January	138,774	101,820
Additions during the period	59,702	64,210
Payments / transferred	(38,431)	(27,256)
At 31 December	160,045	138,774

26) Bank overdraft

In the ordinary course of business, companies within the Group use overdraft facilities from banks and pay interest at market rates. The Group has bank overdraft facilities of AED 160 million (2008: AED 80 million). The facilities carry interest at 2% - 2.5% above one month EIBOR and amounts drawn are repayable on demand. The amounts borrowed against these facilities were AED 59 million at 31 December 2009 (2008: AED 40 million).

27) Long term loans

	2009 AED'000	2008 AED'000
At 1 January	8,020,646	5,801,735
Borrowed during the year	3,063,958	5,246,434
Repaid during the year	(713,185)	(3,027,523)
Currency translation adjustment	330	-
At 31 December	10,371,749	8,020,646
Less: Current maturity of long term loan	(2,069,608)	(966,385)
Non-current portion	8,302,141	7,054,261



27) Long term loans (continued)

The details of long term loans are mentioned below:

Loan facility '000	Loan amount at 31 December AED '000	Repayment Interval	Repayment Commencement	Maturity date
US\$ 62,500 (AED 229,500)	22,950	Quarterly	30-Sep-05	30-Jun-10
US\$ 54,466 (AED 200,081)	79,769	Quarterly	7-Mar-07	17-Dec-11
AED 300,000	274,981	Half-yearly	6-Sep-09	6-Mar-15
OMR 9,500 (AED 90,750)	18,168	Quarterly (refer note (a))	31-Mar-02	31-Dec-11
AED 500,000	83,334	Quarterly	31-Dec-07	28-Jun-10
US\$ 125,000 (AED 459,000)	458,998	Bullet	20-Oct-12	20-Oct-12
US\$ 75,000 (AED 275,475)	275,475	Revolving	29-Nov-12	29-Nov-12
US\$ 285,000 (AED 1,046,625)	1,046,625	Revolving (refer note (e))	27-Aug-10	27-Aug-10
US\$ 50,000 (AED 183,600)	182,445	Bullet (refer note (c))	8-Apr-10	8-Apr-10
US\$ 50,000 (AED 183,600)	183,745	Bullet (refer note (c))	25-Jan-13	25-Jan-13
OMR 22,000 (AED 210,100)	188,475	Half-yearly (refer note(a))	25-Oct-08	30-Apr-18
USD 33,000 (AED 121,240)	121,240	Bullet (refer note (c))	8-Sep-13	08-Sep-13 (Under Negotiation)
USD 600,000 (AED 2,203,200)	1,968,306	Half-yearly (refer note (d))	31-Mar-10	26-Apr-18
USD 300,000 (AED 1,101,900)	1,037,134	Half-yearly (refer note (b))	31-May-09	30-Nov-16
AED 765,000	765,000	Revolving	23-Nov-11	23-Nov-11
AED 100,000	18,750	Quarterly	1-Dec-06	1-Sep-10
AED 40,000	22,500	Quarterly	31-Mar-08	31-Dec-11
AED 100,000	68,750	Quarterly	31-Dec-08	30-Sep-12
AED 50,000	25,000	Quarterly	31-Mar-08	31-Dec-11
AED 679,505	679,505	Bullet (refer note (f))	7-Jul-12	7-Jul-12
USD 315,000 AED 1,156,680	1,156,680	Bullet (refer note (f))	7-Jul-12	7-Jul-12
AED 541,770	327,412	Bullet (refer note (f))	7-Jul-12	7-Jul-12
USD 352,500 AED 1,294,380	781,126	Bullet (refer note (f))	7-Jul-12	7-Jul-12
USD 67,500 (AED 247,860)	82,589	Quarterly	31-Jan-08	31-Oct-10
USD 95,000 (AED 348,840)	326,802	Quarterly	31-Oct-09	31-Jul-13
USD 60,049 (AED 220,500)	96,491	Quarterly	31-Dec-07	30-Sep-11
AED 106,000	79,500	Quarterly	26-Jan-09	26-Oct-12
Total	10,371,749			

The above loans are obtained at margins ranging from 0.5% to 3.5% over the base lending rate, whilst two loans are fixed at 6.5%. For loans obtained in the UAE, the base lending rate used is generally EIBOR / LIBOR.

**27) Long term loans (continued)**

The amount of AED 2,069.6 million (2008: AED 966.4 million) is payable within the next 12 months for the above loans and is shown under current maturity of long term loans.

- a) The loans in Omani Riyal are secured against:
- i A registered first charge on all assets of Muscat City Centre including land, buildings and equipment but excluding fit-outs and equipment owned by tenants (refer note 10); and
 - ii Assignment of all insurance policies related to the fixed assets of Muscat City Centre.
- b) The USD 300 million loan obtained on behalf of a subsidiary in Bahrain is secured against:
- i A first ranking mortgage over the property, a first ranking fixed and floating charge over the subsidiary's assets and accounts, pledge of the subsidiary's shares, assignment of insurances, and assignment of the subsidiary's rights under the project documents (refer note 10); and
 - ii A corporate guarantee was provided against the outstanding loan during the period for the construction and stabilization of the project.
- c) The USD 133 million loans of a subsidiary in Egypt are secured by way of bank guarantees.
- d) The loan facility is secured by a mortgage on the land and assignment of insurance policies of the property and future lease rentals of the shopping mall operations of Mirdiff City Centre, which is currently under construction.
- e) A revolving loan facility of AED 1,046.6 million is due for repayment in August 2010 and accordingly, has been shown under current maturity of long term loan. Management is in the process of refinancing this facility.
- f) This loan is guaranteed by Majid Al Futtain Properties LLC.
- h) Other than the securities referred to above, the remaining loans are unsecured.

Certain properties with an aggregate carrying value of AED 4,061.9 million are mortgaged to various loans.

28) Share capital	2009	2008
	AED'000	AED'000
Issued and fully paid 2,486,729 shares of AED 1000/- each	2,486,729	4,973,729
Reduction in share capital	-	(2,487,000)
	2,486,729	2,486,729

At the end of previous year, the Directors had resolved to reduce the share capital by AED 2.487 billion and had made an application to the Department of Economic Development, Dubai ("DED"). The share capital reduction had been effected in financial statements by offsetting an equivalent amount of a loan receivable from Majid Al Futtain Capital LLC, the Parent Company, with the amount payable to the Parent Company in respect of such capital reduction. Subsequent to 31 December 2008, the Group had received a formal approval of the DED for this reduction of share capital. Accordingly, the reduction of share capital had been recognised in the Consolidated financial statements for the year ended 31 December 2008. Also refer note 18.

A dividend of AED nil per share (2008: AED 643 per share) was declared / paid during the year.

29) Taxation

Deferred tax liability	2009	2008
	AED'000	AED'000
At 1 January	184,292	323,213
(Write back) to income statement	(5,242)	(19,939)
Charge / (write back) to equity	16,928	(118,982)
At 31 December	195,978	184,292

**29) Taxation (continued)****Deferred tax liability (continued)**

Deferred tax liability has been computed on the taxable temporary differences arising as a result of valuation gain on properties in Egypt, Syria and Lebanon. The tax rates in these countries are 20%, 28% and 15% respectively. During 2007, the Group recognised deferred tax liabilities in respect of taxable temporary differences in respect of revaluation gain recognised in the consolidated income statement and consolidated statement of changes in equity. Accordingly, the resulting deferred tax expense was charged to the consolidated income statement and consolidated statement of changes in equity respectively.

For the year ended 31 December 2009, a deferred tax credit of AED 5.2 million (2008: AED 19.9 million) is included in the consolidated income statement in respect of the taxable temporary difference of AED 6.7 million (2008: tax credit of AED 93 million) in respect of investment property. A deferred tax expense of AED 16.9 million (2008: tax credit of AED 119 million) has been debited (2008: credited) to equity for the origination (2008: reversal) of taxable temporary differences of AED 84.6 million (2008: AED 410 million) in respect of property, plant and equipment.

Current tax expenses			2009	2008
			AED'000	AED'000
Current period			29,233	15,238
Adjustment for prior periods			220	3,348
			29,453	18,586
Deferred Tax Expenses				
Origination and reversal of temporary differences			(5,242)	(19,939)
			(5,242)	(19,939)
Net tax charge / (credit)			24,211	(1,353)
Reconciliation of effective tax rate				
	2009	2009	2008	2008
	%	AED '000	%	AED '000
Profit/(loss) for the period		479,268		108,229
Income tax (credit) / charge - net		24,211		(1,353)
Profit before income tax		503,479		106,876
Income tax using the Group's domestic tax rate	0.00%		0.00%	-
Effect of tax rates in foreign jurisdictions	6.59%	33,173	22.28%	23,813
Non-deductible expenses	0.07%	372	0.46%	489
Deferred tax on revaluation losses/(gains)	-1.04%	(5,242)	-18.66%	(19,939)
Reversal of deferred tax asset on losses	0.00%	-	-9.06%	(9,682)
Deferred tax for other temporary differences	-0.43%	(2,151)	0.58%	618
Recognition of previously unrecognised losses	-0.43%	(2,161)	0.00%	-
Under (over) provided in prior periods	0.04%	220	3.13%	3,348
Total	4.81%	24,211	-1.27%	(1,353)
Income Tax Recognised Directly in Equity				
			2009	2008
			AED'000	AED'000
Deferred tax (credit) / charge on revaluation (loss) / gain on property, plant and equipment			16,928	(118,982)
Total income tax recognised directly in equity			16,928	(118,982)

**29) Taxation (continued)**

The subsidiaries' tax assessments for the previous years have not been finalised but the tax authorities. The management consider that additional taxes, if any, that may become payable on the finalisation of the assessments of the open tax years would not be significant to the subsidiaries' financial position at 31 December 2009

30) Related party transactions

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

Related party balances	2009 AED'000	2008 AED'000
Due from related parties:		
The Egypt Emirates Mall Group SAE	55,468	122,274
Majid Al Futtain Trust LLC	18,506	18,216
Majid Al Futtain Capital LLC	36,264	-
Aya Real Estate Investment BSC	3,000	-
Yenkit Tourism Development	28,213	20,424
City Centre Essa Town Co. WLL	10,938	-
Sharjah Real Estate Development Holding (Brajeel) PSC	10,643	18,047
Al Mamzar Island Development LLC	2,412	2,606
Arzanah Mall LLC	3,140	-
Others	4,072	-
Provision for doubtful receivables from related parties	(25,860)	-
	146,796	181,567
Related party balances		
	2009 AED'000	2008 AED'000
Due to related parties:		
Majid Al Futtain Capital LLC	-	26,937
Others	44,511	24,759
	44,511	51,696

Compensation of key management personnel

The aggregate compensation of key management personnel including non-executive directors is disclosed as follows:

	2009 AED'000	2008 AED'000
Directors' fees and expenses	15,871	17,881
Employee benefits (salaries and allowances including provision for bonus)	36,963	104,611
Post employment benefits (provision for end of service benefits)	7,588	1,504
	60,422	123,996

31) Financial instruments

Financial assets of the Group include investment in equity, cash at bank and in hand, trade and other receivables, amounts due from related parties, short term loans, and long term receivables. Financial liabilities of the Group include amounts due to related parties, short term loans, bank overdraft, long term loans and other payables. Accounting policies for financial assets and liabilities are set out in note 3.



31) Financial instruments (continued)

31.1 Financial risk management objectives and policies

The Board of Directors of Majid Al Futtain Group LLC have the overall responsibility for the management of risk throughout its Group companies. The Board establishes and regularly reviews the Company's risk management strategy, policies and procedures to ensure that they are inline with The Group strategies and objectives. The Group has adopted a standard methodology consistent with the Combined Code on Risk Management and ISO Guide 73 (Risk Management). It has constituted Audit Committees within the board of directors of Majid Al Futtain Group's main operating subsidiaries who are required to review and assess the risk management process. It ensures that the internal risk management framework is effective, that a sound system of risk management is in place, and is maintained to safeguard shareholders' interests. All Group companies are required to report on risk management on a regular basis including self certification indicating that they have reviewed the risks identified within their area, and they are satisfied that the controls are operating effectively.

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

31.2 Credit risk

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

Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. Most of the Group's income is by way of cash receipts and advance receipts and is supported by a deposit equivalent to one month's advance rental. Credit evaluations are performed on all customers requiring credit over a certain amount and there is no concentration of credit risk. Cash is placed with a diversified portfolio of reputable banks and the risk of default is considered remote. Under the current economic conditions, management has assessed the recoverability of its trade receivables as at the reporting date and considers them to be recoverable. Tenor of the deposits are relatively short and the Group investment policy promotes principal protection over yields. Amounts due from related parties are considered by management to be fully recoverable.

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

	Carrying amount 2009 AED'000	Carrying amount 2008 AED'000
FVPL financial assets	7,600	7,600
Net investment in finance leases	316,939	475,467
Trade receivables	409,929	302,918
Other receivables	276,649	108,627
Due from related parties	146,796	181,567
Cash at bank	2,338,641	2,145,079
	3,496,554	3,221,258



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31.3 Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure that it will always have sufficient liquidity to meet its liabilities when they become due without incurring unacceptable losses or risking damage to the Group's reputation. The Group manages liquidity risk through the use of bank overdrafts, bank loans and credit facilities.

As at 31 December 2009

<i>AED'000</i>	Carrying amount	Contractual cash flows	6 months or less	6-12 months	1-2 years	2-5 years	More than 5 years
Secured bank loans*	7,690,861	9,432,409	503,271	1,240,669	497,935	4,630,076	2,560,458
Other loans and borrowings	2,680,888	2,896,951	323,301	258,871	1,146,920	1,142,617	25,242
Trade and other payables	4,238,011	4,238,011	-	4,238,011	-	-	-
Due to related parties	44,511	44,511	-	44,511	-	-	-
Bank overdraft	58,943	60,264	60,264	-	-	-	-
Derivative financial liabilities							
-Forward exchange contracts	4,121	4,121	4,121	-	-	-	-
-Interest rate swaps	66,473	70,993	17,524	15,552	19,818	17,630	469
-Interest rate collars	146,163	167,550	53,987	47,851	54,177	20,145	(8,610)
Total	14,929,971	16,914,810	962,468	5,845,465	1,718,850	5,810,468	2,577,559

As at 31 December 2008

<i>AED'000</i>	Carrying amount	Contractual cash flows	6 months or less	6-12 months	1-2 years	2-5 years	More than 5 years
Secured bank loans*	4,361,048	6,530,749	375,854	100,588	278,715	3,092,406	2,683,186
Other loans and borrowings	3,659,597	3,910,175	282,654	367,826	1,543,340	1,637,375	78,980
Trade and other payables	4,099,364	4,099,364	-	4,099,364	-	-	-
Due to related parties	51,696	51,696	-	51,696	-	-	-
Short term loans	83,263	87,426	2,080	85,346	-	-	-
Bank overdraft	40,011	40,011	40,011	-	-	-	-
Derivative financial liabilities							
-Forward exchange contracts	-	23,125	23,125	-	-	-	-
-Interest rate swaps	105,941	116,260	9,928	14,871	24,256	45,300	21,905
-Interest rate collars	268,452	265,233	34,945	47,128	80,570	75,620	26,970
Total	12,669,372	15,124,039	768,597	4,766,819	1,926,881	4,850,701	2,811,041

*The Group has included in its contractual cash flows amounts that have not been borrowed as at the year end.

The Group is committed towards these borrowings over a period of seven years.

Funding and Liquidity

At 31 December 2009, the Group has net current liabilities of AED 2,611.6 million (2008: AED 1,732.9 million) which includes debt maturing in the short-term of AED 2,069.6 million (2008: AED 966.4 million). Furthermore, at 31 December 2009 debt maturing in the long term is AED 8,302.1 million (2008: AED 7,054.3 million). Also, during 2010, the Group expects to incur interest cost of AED 540 million and committed capital expenditure of AED 2,711.0 million.

To meet the above commitments the Group has existing undrawn facilities of AED 1,268.9 million, cash in hand at 31 December 2009 of AED 2,422.6 million and it expects to generate cash from operations of AED 2,338.0 million in 2010. At 31 December 2009, the Group is in compliance with all covenants under its credit facilities.



31.4 Market risk

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

31.4.1 Foreign currency risk

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

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

Foreign currency sensitivity analysis

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

31.4.2 Interest rate risk

The Group adopts a policy of ensuring that between 40% and 60% of its exposure on borrowings is on a fixed rate basis. This is achieved through managing the duration of interest-bearing portfolio and by using derivative financial instruments such as interest rate swaps and collars as part of the Groups interest rate risk management. These are entered into pursuant to master agreements that provide for a single net payment to be made by one counter party at each due date. The fair value of swap agreements is estimated based on proprietary pricing models or market quotes provided by the bank. Net interest paid or received related to these agreements is recorded using the accrual method and is recorded as an adjustment to interest expense. Interest on borrowed funds is charged at EIBOR/ LIBOR plus a fixed margin negotiated prior to executing the loan. At 31 December 2009, after taking into account the effect of interest rate swaps and caps, approximately 44% (December 2008: 55%) of the Group's term borrowings are at a fixed or capped rate of interest.

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

	2009	2008
	AED'000	AED'000
Fixed rate instruments		
Financial assets	316,939	475,467
Financial liabilities	(206,643)	-
	110,296	475,467
Variable rate instruments		
Financial assets	-	-
Financial liabilities	(10,224,049)	(8,143,921)
	(10,224,049)	(8,143,921)



Interest rate sensitivity analysis

Sensitivity analysis for variable rate instruments

The following table demonstrates the sensitivity of the Group's profit before tax and the Group's other comprehensive income to a reasonably possible change in interest rates, assuming all other variables in particular foreign currency rates remain constant.

	Increase / (decrease) in basis points	Effect on pre-tax profit or loss		Effect on other comprehensive income	
		December 2009	December 2008	December 2009	December 2008
Variable rate instrument	+ 100	(102,240)	(81,439)	-	-
Interest rate swap	+ 100	-	-	29,761	27,117
Interest rate collar	+ 100	13,407	(4,971)	55,898	104,019
Interest rate floor	+ 100	-	(1,844)	-	-
Cash flow sensitivity (net)		(88,833)	(88,254)	85,659	131,136
Variable rate instrument	- 100	102,240	81,439	-	-
Interest rate swap	- 100	-	-	-	(45,700)
Interest rate collar	- 100	-	881	-	(104,368)
Interest rate floor	- 100	-	2,633	-	-
Cash flow sensitivity (net)		102,240	84,953	-	(150,068)

31.5 Fair value

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

Basis for determining fair values

Following significant methods and assumptions were used in estimating the fair values of above financial instruments:

Derivatives:

The fair values are obtained from quoted market prices available from the counterparty bank, discounted cash flow models and valuation models as appropriate. The Group uses widely recognised valuation models for determining the fair value of common and simpler financial instruments like options and interest rate swaps. For these financial instruments, inputs into models are market observable.

Long term receivables:

The fair value is estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting date.

Non-derivative financial liabilities:

Fair value is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date.

Related party balances:

Amounts due from and due to related parties are generally repayable on demand and are carried at cost under current assets and liabilities.

Net investment in finance lease

The fair value of net investment in finance leases has been estimated to approximate the carrying amount as the average duration of the leases is less than three years.

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Basis for determining fair values (continued)*Interest rates used for determining fair value:*

The interest rates used to discount estimated cash flows, where applicable, are based on the spot rates derived from the interpolated yield curve at the reporting date and were in the in the following range:

	2009	2008
Derivatives	0.25% to 3.50%	1.40 % to 2.27%
Borrowings	0.25% to 3.50%	1.40 % to 2.27%

31.6 Derivative instruments designated as cash flow hedges

At the end of the reporting year, the Group held the following derivative instruments, designated as cash flow hedges in relation to floating rate interest-bearing loans and borrowings:

Instrument	Period to maturity	Commencement date	Fair value of (liabilities)	
			2009 AED'000	2008 AED'000
Interest rate swap	30/11/2016	30/11/2006	(66,473)	(105,941)
Interest rate collar	31/3/2010	30/3/2007	-	(42,706)
	9/7/2012	9/7/2007	(42,316)	(55,778)
	25/7/2011	25/7/2007	(20,632)	(27,896)
	8/8/2010	8/8/2007	(9,149)	(19,121)
	28/8/2011	28/8/2007	(19,825)	(26,844)
	31/03/2018	30/09/2008	(54,241)	(96,107)
			(146,163)	(268,452)
Total			(212,636)	(374,393)

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31.6 Derivative instruments designated as cash flow hedges (continued)

The following table indicates the periods in which the cash flows associated with derivatives that are designated as cash flow hedges are expected to occur:

As at 31 December 2009

<i>AED'000</i>	Carrying amount	Expected cash flows	6 months or less	6 to 12 months	1 to 2 years	2 to 5 years	More than 5 years
Interest rate swaps:							
Liabilities	(66,473)	(70,993)	(17,524)	(15,552)	(19,818)	(17,630)	(469)
Interest rate collars:							
Liabilities	(146,163)	(167,550)	(53,987)	(47,851)	(54,177)	(20,145)	8,610
	(212,636)	(238,543)	(71,511)	(63,403)	(73,995)	(37,775)	8,141

As at 31 December 2008

<i>AED'000</i>	Carrying amount	Expected cash flows	6 months or less	6 to 12 months	1 to 2 years	2 to 5 years	More than 5 years
Interest rate swaps:							
Liabilities	(105,941)	(116,260)	(9,928)	(14,871)	(24,256)	(45,300)	(21,905)
Interest rate collars:							
Liabilities	(268,452)	(265,233)	(34,945)	(47,128)	(80,570)	(75,620)	(26,970)
	(374,393)	(381,493)	(44,873)	(61,999)	(104,826)	(120,920)	(48,875)

31.7 Capital management

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

The Group also uses gearing ratio to monitor its capital, which is calculated as debt divided by total capital. The Group includes within debt, long term interest bearing loans and borrowings. Capital includes equity attributable to the equity holders including retained earnings, revaluation and other reserves.

	2009 AED '000	2008 AED '000
Interest bearing loans and borrowings	10,430,692	8,143,921
Share capital	2,486,729	2,486,729
Other reserves	3,963,462	3,604,949
Revaluation reserve	11,497,078	13,771,852
Non-controlling interest	307,023	129,629
Total capital	18,254,292	19,993,159
Gearing ratio	57%	41%

The Group has various borrowing arrangements which require maintaining certain net worth, interest coverage and debt equity ratio. Apart from these requirements neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

**Regulatory capital**

In respect of a subsidiary of the Group involved in leasing of moveable assets, the subsidiary's regulator, UAE Central Bank sets and monitors capital requirements for the subsidiary. In implementing current capital requirements, UAE Central Bank requires the subsidiary to maintain capital at a minimum of 15% of the total available funds.

The capital ratios of the subsidiary as at 31 December were as follows:

	2009	2008
	AED '000	AED '000
Paid-up capital	150,000	150,000
Reserves	54,857	43,336
Total equity	204,857	193,336
Total borrowing	135,000	276,885
Total funds available	339,857	470,221
Capital ratio	60%	41%

32) Acquisition of non-controlling interest

In January 2009, the Group acquired an additional 25 percent interest in Saudi Hypermarkets LLC at a consideration of AED 99.3 million, thereby increasing its ownership from 75 to 100 percent. The total consideration of AED 99.3 million was settled through a cash payment of AED 58.8 million and the remaining balance of AED 40.5 million was adjusted against an equivalent amount receivable by the subsidiary from the non-controlling interest shareholder. The carrying amount of Saudi Hypermarkets LLC's net assets in the consolidated financial statements on the date of acquisition was AED 12.9 million. Accordingly, the group recognised a decrease in non-controlling interest of AED 3.2 million and a decrease in retained earnings of AED 96.1 million.

Furthermore, the contribution by the non-controlling interest shareholder to the losses of the subsidiary in prior years amounting to AED 74.7 million was classified as a liability up to 31 December 2008. During the current year, following the acquisition of the share of non-controlling interest shareholder, this amount has been adjusted in equity.

The following summarises the effect of changes in the Group's ownership interest in Saudi Hypermarkets LLC:

	2009	2008
	AED '000	AED '000
Parent's ownership interest at the beginning of the year	9,711	-
Effect of increase in parent's ownership interest	3,237	-
Share of comprehensive income	705	-
Parent's ownership interest at the end of the year	13,653	-

33) Statutory reserve

In accordance with the Articles of Association of entities in the Group and relevant local laws, 10% of the net profit for the year of the individual entities, to which the law is applicable, is transferred to a statutory reserve. Such transfers may be discontinued when the reserve equals the limit prescribed by the relevant laws applicable to individual entities. This reserve can be utilised only in the manner specified under the relevant laws and is not available for distribution. During the current year Group had transferred AED 40.6 million to reserves (2008: AED 79.9 million).

34) Contingent liabilities, guarantees and commitments

Capital commitments of the Group at 31 December 2009 amounted to AED 6,215 million (December 2008: 8,350 million).

A subsidiary of the Group has leasing contracts committed but not executed as at 31 December 2009 amounting to AED nil (2008: 1.4 million).

Letters of credit contracts outstanding at 31 December 2009 amounted to AED nil (2008: AED 83.2 million) and forward contracts amounted to AED 4.1 million (2008: AED 23.1 million).

At 31 December 2009, guarantees of AED 4,694 million (2008: AED 598 million) remained outstanding.



34) Contingent liabilities, guarantees and commitments (continued)

A legal case has been brought against the Group for termination of a lease agreement. Currently, the evaluation is being made by the court whether the case should be taken to arbitration to comply with the lease contract or to commercial court.

Management is of the view that currently there is no significant financial implication arising from this legal case.

35) Operating lease commitments

Operating leases

a) Leases as lessor

The Group leases out its property under operating leases as lessor. Non-cancellable operating lease rentals are receivable as follows:

	2009	2008
	AED'000	AED'000
Less than one year	1,239,580	862,077
Between one and five years	3,469,005	2,336,857
More than five years	624,208	479,069
Total	5,332,793	3,678,003

b) Leases as lessee

The Group leases some properties under operating leases as lessee. Non-cancellable operating lease rentals are payable as follows

	2009	2008
	AED'000	AED'000
Less than one year	211,751	182,073
Between one and five years	859,771	739,738
More than five years	2,410,835	1,937,832
Total	3,482,357	2,859,643

36) Subsequent events

There have been no significant events up to the date of authorisation, which would have material effect on these consolidated financial statements.

**37) Subsidiaries, associate and joint ventures**

The consolidated financial statements include the results of the following subsidiaries:

Subsidiaries	Country of incorporation	Effective ownership%
Majid Al Futtaim Commercial Development LLC	U.A.E.	100%
Majid Al Futtaim Properties LLC	U.A.E.	100%
Majid Al Futtaim Leisure and Entertainment LLC	U.A.E.	100%
MAF Technological Systems LLC (dormant)	U.A.E.	100%
Majid Al Futtaim Retail LLC	U.A.E.	100%
Majid Al Futtaim Ventures LLC	U.A.E.	100%
Majid Al Futtaim Hospitality LLC	U.A.E.	100%
Majid Al Futtaim Fashions LLC	U.A.E.	100%
Majid Al Futtaim Syria for Investment and Development LLC	U.A.E.	100%
Beirut Marina Property Investments LLC	U.A.E.	100%
Majid Al Futtaim Syria for Investment and Development LLC	U.A.E.	100%
Majid Al Futtaim Shopping Malls LLC	U.A.E.	100%
Majid Al Futtaim Developments LLC	U.A.E.	100%
Majid Al Futtaim Investments Mirdiff LLC	U.A.E.	100%
MAM Investments LLC	U.A.E.	100%
Majid Al Futtaim Malls International LLC (dormant)	U.A.E.	100%
Majid Al Futtaim Asset Management Holdings LLC	U.A.E.	100%
Fujairah City Centre Investment LLC (under incorporation)	U.A.E.	62.50%
Majid Al Futtaim Hypermarkets LLC	U.A.E.	75%
Al Saqr Hypermarket LLC	U.A.E.	75%
MAF Orix Finance Co. PJSC	U.A.E.	60%
Majid Al Futtaim Greater Union LLC	U.A.E.	51%
Majid Al Futtaim Dalkia Middle East LLC	U.A.E.	51%
Majid Al Futtaim JCB Finance LLC	U.A.E.	60%
Majid Al Futtaim Shopping Malls KSA	Saudi Arabia	100%
Saudi Hypermarkets Company LLC*	Saudi Arabia	100%
MAF Fashion KSA LLC	Saudi Arabia	75%
International Property Services LLC	Oman	100%
Arabian Entertainment Services LLC	Oman	100%
Majid Al Futtaim Hypermarkets LLC, Oman	Oman	75.25%
MAF Fashion Qatar LLC	Qatar	100%
Majid Al Futtaim Hypermarkets Qatar WLL	Qatar	75%
MAF Lebanon for Commercial and Real Estate Investments SARL	Lebanon	100%
Suburban Development Company SAL	Lebanon	92.7%
MAF Lebanon Holding SAL	Lebanon	100%
MAF Misr for Commercial and Real Estate Investment Company	Egypt	100%
MAF for Installation and Management of Hypermarkets SAE	Egypt	75%
MAF for Real Estate Investment SAE (dormant)	Egypt	100%
MAF Investments Bahrain BSC	Bahrain	100%
MAF Fashion Bahrain SPC	Bahrain	100%
MAF Hypermarkets Bahrain SPC	Bahrain	75%
MAF Fashion Ready Wear W.L.L.	Kuwait	100%
MAF Retail Kuwait for Central Markets WLL	Kuwait	99.9%
MAF Fashion Cyprus	Cyprus	100%
Societe Tunisia WIFEK (dormant)	Tunisia	100%
Majid Al Futtaim North Africa SARL (dormant)	Tunisia	100%
Bab Al Madina Company Property Investment Limited	Yemen	51%
Majid Al Futtaim Hypermarkets Jordan LLC	Jordan	75%
Majid Al Futtaim Lil Aswak Al Tijariah LLC	Syria	75%
MAF Hypermarkets Pakistan (Private) Limited	Pakistan	75%
MAF Pars Hypermarket PJSC	Iran	75%

Shares in certain subsidiary companies are held by the subsidiaries of the Group companies for the beneficial interest of the Group.

* During the year the Group has acquired additional 25% stake in the subsidiary.



Associate	Country of incorporation	Effective ownership%
Enshaa PSC	U.A.E.	28.44%

Joint ventures	Country of incorporation	Effective ownership%
Sharjah Real Estate	U.A.E	50%
Arzanah Mall LLC	U.A.E	50%
Al Mamzar Islands	U.A.E	50%
Hydra Properties PJSC	U.A.E	50%
Yenkit Tourism Development	Oman	60%
The Wave Muscat S.A.O.C	Oman	50%
Qatar Entertainment City Co.	Qatar	50%
Waterfront City SARL	Lebanon	50%
The Egypt Emirates Malls	Egypt	50%
Aya Real estate Investment BSC	Bahrain	50%
City Centre Essa Town Co. WLL	Bahrain	50%
Al Shaya	Kuwait	50%
Bab Al Madina	Libya	50%
*MAFI-NLC Developments	Pakistan	55%

*This joint venture was in the process of liquidation at 31 December 2009.