

**Consolidated Financial Statements
For the year ended 31 December 2011**

Majid Al Futtaim Holding LLC

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Consolidated Financial Statements for the year ended 31 December 2011
Majid Al Futtaim Holding LLC (formerly Majid Al Futtaim Group LLC)

Directors' report

The Directors' report and the audited consolidated financial statements of Majid Al Futtaim Holding LLC (formerly Majid Al Futtaim Group LLC) and its subsidiaries (collectively referred to as "the Group"), are presented for the year ended 31 December 2011. 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 10 March 2012.

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 19,589.8 million (2010: AED 17,738.9 million). The Group made a net profit of AED 761.2 million (2010: Net loss of AED 144.2 million).

Directors

The following comprise the Board of Directors:

Sir Michael Rake (Chairman)

Khalifa Mohamed Sulaiman (Deputy Chairman)

Tariq Al Futtaim

Iyad Malas

Ahmed Bin Brek

V. Shankar (appointed 1 January 2012)

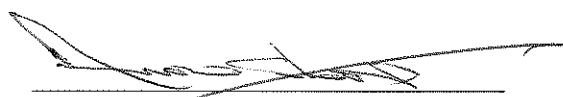
Dr. Fahad Al Mubarak (Resigned from the Board effective December 2011)

Waldemar Schmidt (Resigned from the Board effective July 2011)

Auditors

A resolution to re-appoint KPMG as auditors of Majid Al Futtaim Holding 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 Holding LLC (formerly Majid Al Futtaim Group LLC)

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Majid Al Futtaim Holding LLC (formerly 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 2011, the consolidated statements of comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

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, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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 ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit 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 2011, 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, a physical count of inventories was carried out by the management in accordance with established principles, and the contents of the Directors' report which relate 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 2011, which may have had a material adverse effect on the business of the Company or its financial position.

A handwritten signature in black ink, appearing to be 'JPM' or similar, written in a cursive style.

10 MAR 2012

Consolidated Financial Statements for the year ended 31 December 2011
Majid Al Futtaim Holding LLC (formerly Majid Al Futtaim Group LLC)

Consolidated statement of financial position

At 31 December

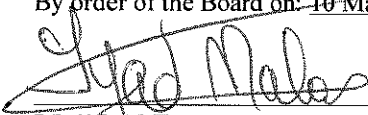
In thousands of AED

	Notes	2011	2010
Tangible fixed assets			
Property, plant and equipment	10	19,431,166	18,574,914
Investment property	11	10,557,425	10,327,828
		29,988,591	28,902,742
Other non-current assets			
Investments	12	1,182,599	1,168,838
Net investment in finance leases - long term portion	13	96,964	66,693
Long term prepaid lease premium	14	14,346	16,152
Long term advances	15	34,106	43,948
Intangible assets	16	152,544	172,901
Deferred tax asset	28	303	1,864
		1,480,862	1,470,396
Total non-current assets		31,469,453	30,373,138
Current assets			
Assets classified as held for sale	17	-	2,546
Short term loan to a related party	18	-	9,057
Inventories	19	884,137	717,435
Trade and other receivables	20	1,135,775	946,414
Due from related parties	29	87,341	72,493
Net investment in finance leases - current portion	13	157,965	179,404
Cash in hand and at bank	21	2,395,349	2,277,112
		4,660,567	4,204,461
Current liabilities			
Short term loan from a related party	22	303,000	-
Trade and other payables	23	5,176,604	4,666,901
Negative fair value of the derivatives	30.3	317,047	218,746
Due to related parties	29	72,344	62,867
Other employment benefits payable - current portion	24	150,912	128,232
Dividend payable to non-controlling interest		-	32,492
Bank overdraft	25	4,991	11,019
Current maturity of long term loans	26	2,074,485	2,038,016
		8,099,383	7,158,273
Net current liabilities		(3,438,816)	(2,953,812)
Non-current liabilities			
Long term loans	26	7,574,683	8,462,142
Deferred tax liabilities	28	111,039	193,056
Other deferred liabilities	16	95,681	112,647
Other employment benefits payable - non current portion	24	24,211	52,120
Provision for staff terminal benefits	24.1	237,124	188,930
		8,042,738	9,008,895
Total non-current liabilities		8,042,738	9,008,895
Net assets		19,987,899	18,410,431
Equity			
Share capital	27.1	2,486,729	2,486,729
Revaluation reserve		13,294,689	12,213,802
Other reserves		3,682,473	3,282,412
Total equity attributable to the owners of the Company		19,463,891	17,982,943
Non-controlling interest		524,008	427,488
Total equity		19,987,899	18,410,431

The notes on pages 11 to 58 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: 10 March 2012


Majid Al Futtaim Holding LLC
Chief Executive Officer

Consolidated Financial Statements for the year ended 31 December 2011
Majid Al Futtaim Holding LLC (formerly Majid Al Futtaim Group LLC)

Consolidated statement of comprehensive income

For the year ended 31 December

In thousands of AED

	Notes	2011	2010
Revenue	5 (ii)	19,589,821	17,738,865
Cost of sales		(13,605,102)	(12,501,776)
Operating expenses	6	(4,171,505)	(3,842,500)
Net valuation loss on land and buildings	10 (ix)	(328,828)	(217,099)
Finance costs	7	(613,627)	(454,318)
Finance income	7	60,386	69,949
Other expenses - net	8	(18,249)	(15,011)
Impairment loss - net	9	(71,055)	(881,929)
Share of (loss) / gain in joint ventures & associate - net	12	(80,259)	38,528
Profit / (loss) before tax		761,582	(65,291)
Income tax charge - net	28	(386)	(78,893)
Profit / (loss) for the year		761,196	(144,184)
Profit / (loss) for the year attributable to:			
Owners of the Company		572,159	(329,317)
Non-controlling interest		189,037	185,133
Profit / (loss) for the year		761,196	(144,184)
Other comprehensive income			
Foreign currency translation differences from foreign operations		(102,811)	(78,439)
Net change in fair value of cash flow hedges transferred to profit or loss	7	106,032	142,621
Effective portion of changes in fair value of cash flow hedges	7	(170,264)	(142,263)
Net gain on valuation of land and buildings	10 (i)	1,162,904	657,001
Deferred tax liability reversed on revaluation of land and buildings	28	11,344	19,333
Share of (loss) / gain in joint ventures	12 (c)	(93,361)	40,390
Total other comprehensive income for the year		913,844	638,643
Total comprehensive income for the year		1,675,040	494,459
Total comprehensive income for the year attributable to:			
Owners of the Company		1,489,907	311,857
Non-controlling interest		185,133	182,602
Total comprehensive income for the year		1,675,040	494,459

The notes on pages 11 to 58 form part of these consolidated financial statements.

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

Consolidated Financial Statements for the year ended 31 December 2011
Majid Al Futtaim Holding LLC (formerly Majid Al Futtaim Group LLC)

Consolidated statement of cash flows

For the year ended 31 December

In thousands of AED

	Note	2011	2010
Profit / (loss) for the period after tax		761,196	(144,184)
Adjustments:			
Finance income	7	(60,386)	(69,949)
Net valuation loss on land and building	10 (ix)	328,828	217,099
Finance costs	7	613,627	454,318
Depreciation	10	936,174	877,031
Movement in long term advances - net	15	9,842	(21,311)
Deferred tax (credit) / charge - net	28	(63,215)	19,247
Amortisation of lease premium and intangible assets	6	22,163	21,811
Project cost written off	8	3,762	17,365
Share of loss / (gain) in joint ventures and associates	12	80,259	(38,528)
Provision for potential lease losses	13	2,621	8,535
Impairment provision - net	9	71,055	881,929
Loss / (gain) loss on disposal of non-current assets	8	4,553	(24,378)
Gain on disposal of assets held for sale	8	(2,787)	-
Provision for receivable from joint ventures	8	-	9,788
Net movement in other employment benefits	24	22,680	(33,767)
Provision for staff terminal benefits	24.1	79,293	66,204
Others		4,625	5,497
Cash generated from operations		2,814,290	2,246,707
Changes to working capital			
Inventories		(166,702)	2,865
Receivables and prepayments		(188,756)	327,016
Payables and accruals		618,125	(37,662)
Due from/to related parties		(5,371)	140,306
Payment of staff terminal benefits	24.1	(31,099)	(37,174)
		226,197	395,351
Cash inflow from operating activities		3,040,487	2,642,058

The notes on pages 11 to 58 form part of these consolidated financial statements.

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

Consolidated Financial Statements for the year ended 31 December 2011
Majid Al Futtaim Holding LLC (formerly Majid Al Futtaim Group LLC)

Consolidated statement of cash flows (continued)

For the year ended 31 December

In thousands of AED

		2011	2010
Cash inflow from operating activities		3,040,487	2,642,058
Cash flow from Investing activities			
Acquisition of property, plant and equipment (including investment property and capital-work in progress)	10 & 11	(1,499,162)	(2,182,194)
Acquisition of intangible assets	16	-	(650)
Proceeds from sale of property, plant and equipment (including investment property)		37,117	110,507
Proceeds from the disposal of assets held for sale		5,333	-
Investment in joint ventures and associate	12 (c)	(145,000)	(41,672)
Investment in finance lease		(8,832)	70,842
Investments in bonds	12 (a)	(91,825)	-
Investment in fixed deposits		(235,000)	-
Cash surrendered on disposal of subsidiary	29.1	-	(49,022)
Cash ceded on loss of control over a subsidiary		-	(17,641)
Payments against intangibles assets	16	(20,995)	(19,440)
Lease premium paid during the year		-	(446)
Interest received		81,370	97,458
Cash used in investing activities		(1,876,994)	(2,032,258)
Cash flow from financing activities			
Short term loan granted to related party	18	-	(9,057)
Short term loans repaid by related party	18	9,057	-
Short term loans granted by related parties	22	354,000	-
Short term loans repaid to related parties	22	(51,000)	-
Long term loans received	26	3,305,708	3,985,258
Long term loan repaid	26	(4,155,503)	(3,844,954)
Interest paid		(606,426)	(480,003)
Share capital repaid during the year		-	(1,247)
Acquisition of share of non-controlling interest in existing subsidiaries		-	(295,000)
Non controlling interest equity injection		-	7,552
Payment of employees' share of dividend declared		(11,947)	(6,012)
Dividend paid to minority shareholders		(118,117)	(63,942)
Cash flow from financing activities		(1,274,228)	(707,405)
Increase in cash and cash equivalents		(110,735)	(97,605)
Cash and cash equivalents at the beginning of the year		2,266,093	2,363,698
Cash and cash equivalents at the end of the year		2,155,358	2,266,093
Cash and cash equivalents comprise:			
Cash in hand and at bank (excluding deposits of AED 235 million (2010: nil) with a maturity of more than 3 months)		2,160,349	2,277,112
Bank overdraft		(4,991)	(11,019)
		2,155,358	2,266,093

The notes on pages 11 to 58 form part of these consolidated financial statements.

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

Consolidated Financial Statements for the year ended 31 December 2011
Majid Al Futtaim Holding LLC (formerly Majid Al Futtaim Group LLC)

Consolidated statement of changes in equity
For the year ended 31 December 2010
 In thousands of AED

	Share capital	Revaluation reserve	Statutory reserve	Retained earnings	Hedging reserve	Currency translation	Total other reserves	Attributable to equity holders of the parent	Non-controlling interest	Total
At 1 January 2010	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
Total comprehensive income for the year										
Net loss for the year	-	-	-	(329,317)	-	-	(329,317)	(329,317)	185,133	(144,184)
Other comprehensive income										
Net gain on valuation of land and buildings (refer note 10 (i))	-	657,001	-	-	-	-	-	657,001	-	657,001
Deferred tax liability reversed on revaluation on properties (refer note 28)	-	19,333	-	-	-	-	-	19,333	-	19,333
Share of gain in Joint Ventures (refer note 12 (c))	-	40,390	-	-	-	-	-	40,390	-	40,390
Net change in fair value of cash flow hedges transferred to profit or loss (refer note 7)	-	-	-	-	142,621	-	142,621	142,621	-	142,621
Effective portion of changes in fair value of cash flow hedges (refer note 7)	-	-	-	-	(142,263)	-	(142,263)	(142,263)	-	(142,263)
Currency translation differences in foreign operations	-	-	-	-	-	(75,908)	(75,908)	(75,908)	(2,531)	(78,439)
Total comprehensive income for the year	-	716,724	-	(329,317)	358	(75,908)	(404,867)	311,857	182,602	494,459
Transactions with owners recorded directly in equity										
<i>Contribution by and distributions to owners and other movement in equity</i>										
Dividends declared and paid	-	-	-	-	-	-	-	-	(63,942)	(63,942)
Equity paid in by a non-controlling interest	-	-	-	-	-	-	-	-	7,552	7,552
Loss of control of a subsidiary	-	-	-	-	-	-	-	-	(9,141)	(9,141)
Acquisition of non-controlling interest without a change in control (refer note 31)	-	-	-	(248,497)	-	-	(248,497)	(248,497)	(46,645)	(295,142)
Loss on disposal on controlling interest (refer note 29.1)	-	-	-	(23,177)	-	-	(23,177)	(23,177)	-	(23,177)
Increase in non-controlling interest by way of land contribution	-	-	-	-	-	-	-	-	52,789	52,789
Decrease in non-controlling interest - net	-	-	-	-	-	-	-	-	(1,247)	(1,247)
Employees' share of dividend declared by a subsidiary	-	-	-	(4,509)	-	-	(4,509)	(4,509)	(1,503)	(6,012)
Transfer to statutory reserve (refer note 27.2)	-	-	54,414	(54,414)	-	-	-	-	-	-
Total Contribution by and distribution to owners	-	-	54,414	(330,597)	-	-	(276,183)	(276,183)	(62,137)	(338,320)
At 31 December 2010	2,486,729	12,213,802	1,200,722	2,358,230	(220,077)	(56,463)	3,282,412	17,982,943	427,488	18,410,431

The notes on pages 11 to 58 form part of these consolidated financial statements.

Consolidated Financial Statements for the year ended 31 December 2011
Majid Al Futtaim Holding LLC (formerly Majid Al Futtaim Group LLC)

Consolidated statement of changes in equity (continued)
For the year ended 31 December 2011
In thousands of AED

	-----Other Reserves-----							Non-controlling interest	Total	
	Share capital	Revaluation reserve	Statutory reserve	Retained earnings	Hedging reserve	Currency translation	Total other reserves			Attributable to equity holders of the parent
At 1 January 2011	2,486,729	12,213,802	1,200,722	2,358,230	(220,077)	(56,463)	3,282,412	17,982,943	427,488	18,410,431
Total comprehensive income for the year										
Net profit for the year	-	-	-	572,159	-	-	572,159	572,159	189,037	761,196
Other comprehensive income										
Net gain on valuation of land and buildings (refer note 10 (i))	-	1,162,904	-	-	-	-	-	1,162,904	-	1,162,904
Deferred tax liability reversed on revaluation on properties (refer note 28)	-	11,344	-	-	-	-	-	11,344	-	11,344
Share of loss in Joint Ventures (refer note 12 (c))	-	(93,361)	-	-	-	-	-	(93,361)	-	(93,361)
Net change in fair value of cash flow hedges transferred to profit or loss (refer note 7)	-	-	-	-	106,032	-	106,032	106,032	-	106,032
Effective portion of changes in fair value of cash flow hedges (refer note 7)	-	-	-	-	(170,264)	-	(170,264)	(170,264)	-	(170,264)
Currency translation differences in foreign operations	-	-	-	-	-	(98,907)	(98,907)	(98,907)	(3,904)	(102,811)
Total comprehensive income for the year	-	1,080,887	-	572,159	(64,232)	(98,907)	409,020	1,489,907	185,133	1,675,040
Transactions with owners recorded directly in equity										
<i>Contribution by and distributions to owners and other movement in equity</i>										
Dividends declared and paid	-	-	-	-	-	-	-	-	(85,625)	(85,625)
Employees' share of dividend declared by a subsidiary	-	-	-	(8,959)	-	-	(8,959)	(8,959)	(2,988)	(11,947)
Transfer to statutory reserve (refer note 27.2)	-	-	47,527	(47,527)	-	-	-	-	-	-
Total Contribution by and distribution to owners	-	-	47,527	(56,486)	-	-	(8,959)	(8,959)	(88,613)	(97,572)
At 31 December 2011	2,486,729	13,294,689	1,248,249	2,873,903	(284,309)	(155,370)	3,682,473	19,463,891	524,008	19,987,899

The notes on pages 11 to 58 form part of these consolidated financial statements.

Consolidated Financial Statements for the year ended 31 December 2011

Majid Al Futtaim Holding LLC (formerly Majid Al Futtaim Group LLC)

Notes to the consolidated financial statements

1) Legal status and principal activities

Majid Al Futtaim Holding LLC (formerly known as Majid Al Futtaim 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 20 May 2002.

The principal activity of the Company is to invest in subsidiaries that are involved in establishing, investing in and managing commercial projects. The activities of its subsidiaries are the establishment and management of shopping malls, hotels, mixed use projects, hypermarkets, supermarkets, retail stores, leisure activities and investment activities. The status of these subsidiaries is set out in note 37. 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. In the current year the name of the Company has changed to Majid Al Futtaim Holding LLC.

Majid Al Futtaim Holding LLC is fully owned by Majid Al Futtaim 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(s)") and the requirements of the UAE Federal Law No. 8 of 1984 (as amended), and the relevant laws applicable to the various entities comprising the Group.

The consolidated financial statements were authorized for issue by the Board of Directors on 10 March 2012.

(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, non-derivative 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 34.

(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, except wherever stated otherwise.

(d) Use of estimates and judgments

The preparation of consolidated financial statements, in conformity with IFRS(s), requires management to make judgments, 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 recognized in the year in which the estimate is revised and in any future years affected. In particular, information about significant areas of estimation, uncertainty and critical judgment in applying accounting policies that have the most significant effect on the amounts recognized in the consolidated financial statements are described in note 34.

Consolidated Financial Statements for the year ended 31 December 2011

Majid Al Futtaim Holding LLC (formerly Majid Al Futtaim Group LLC)

Notes to the consolidated financial statements (continued)

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.

(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 2011.

i) Subsidiaries

Subsidiaries are 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. Losses applicable to non-controlling interests in a subsidiary are allocated to non-controlling interests even if doing so causes the non-controlling interests to have a deficit balance.

The accounting year-end for all of the Group's subsidiaries is 31 December.

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 the 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. The consolidated statement of comprehensive income 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

Business combinations arising from transfers of interests in entities that are under the control of the shareholder that controls the Group are accounted for as if the acquisition had occurred at the beginning of the earliest comparative year presented or, if later, at the date that common control was established.

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

Consolidated Financial Statements for the year ended 31 December 2011
Majid Al Futtaim Holding LLC (formerly Majid Al Futtaim Group LLC)

Notes to the consolidated financial statements (continued)

3) Significant accounting policies (continued)

v) Loss of control

Upon the loss of control, the Group derecognizes the assets and liabilities of the subsidiary, any non-controlling interests and the other components of equity related to the subsidiary. Any surplus or deficit arising on the loss of control is recognized in profit or loss. If the Group retains any interest in the previous subsidiary, then such interest is remeasured at the date that control is lost. Subsequently it is accounted for as an equity-accounted investee or as an available-for-sale financial asset depending on the level of influence retained.

vi) Transactions eliminated on consolidation

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

(b) Foreign currency

Foreign currency transactions

Transactions denominated in foreign currencies are translated into the respective functional currencies of the Group entities 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 recognized in profit or loss.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are translated to functional currency at the exchange rates ruling at the dates when the fair value was determined. Non-monetary assets and liabilities denominated in foreign currencies, which are measured in terms of historical cost, are translated into functional currency at the exchange rates ruling at the date of the transaction.

Foreign exchange differences arising on the translation of non-monetary assets and liabilities carried at fair value are recognized in profit or loss. Foreign exchange differences arising on the translation of non-monetary items in respect of which gains and losses are recognized directly in other comprehensive income are recognized directly in 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 recognized directly in other comprehensive income, and are presented in currency translation reserve in equity. However, if the operation is a non-wholly-owned subsidiary, then the relevant proportionate share of the translation difference is allocated to the non-controlling interest.

When a foreign operation is disposed-off such that control, significant influence or joint control is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal. When the Group disposes off only part of its interest in a subsidiary that includes a foreign operation while retaining control, the relevant proportion of the cumulative amount is reattributed to non-controlling interests. When the Group disposes only a part of its investment in an associate or joint venture that includes a foreign operation while retaining significant influence or joint control, the relevant proportion of the cumulative amount is reclassified to profit or loss.

When the settlement of a monetary item receivable from or payable to a foreign operation is neither planned nor likely in the foreseeable future, foreign exchange gains and losses arising from such a monetary item are considered to form part of a net investment in a foreign operation and are recognized in other comprehensive income, and presented in the currency translation reserve in equity.

Consolidated Financial Statements for the year ended 31 December 2011
Majid Al Futtaim Holding LLC (formerly Majid Al Futtaim Group LLC)

Notes to the consolidated financial statements (continued)

3) Significant accounting policies (continued)

(c) Leases

i) Leased assets

Leases in terms of which the Group assumes substantially all the risks and rewards of ownership are classified as finance leases. On initial recognition the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Other leases are operating leases and are not recognised in the Group's statement of financial position.

ii) Operating lease payments

Leases in which the lessor retains substantially all the risks and rewards of ownership are classified as operating leases. Lease payments as lessee under operating leases are recognized as an expense in profit or loss on a straight-line basis over the lease term. Lease incentives received are recognized in profit or loss as an integral part of the total lease expense, over the term of the lease.

Increases in rentals which are considered to be due to inflation are regarded as contingent rent and are recognized in the year in which that they occur. Differences between rentals on the straight-line basis and contracted rentals are recognized as 'accrued lease rentals', as an asset or a liability, as the case may be. Lease rentals which are considered contingent at the inception of the lease but are confirmed at a subsequent date during the period of the lease are accounted for in the period in which they are incurred.

iii) Net investment in finance leases

Gross amounts due under originated finance leases include the total of future lease payments on finance leases (lease contract receivables) 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.

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 for more than 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.

Consolidated Financial Statements for the year ended 31 December 2011
Majid Al Futtaim Holding LLC (formerly Majid Al Futtaim Group LLC)

Notes to the consolidated financial statements (continued)

3) Significant accounting policies (continued)

(d) Finance income and finance costs

Finance income comprises interest income on funds invested and the principal amounts due under finance lease receivables. Interest income is recognized as it accrues in profit or loss, using the effective interest method.

Finance costs comprise interest expense, arrangement fees, processing fees and similar charges on borrowings and losses on hedging instruments that are recognized in profit or loss.

Finance income and costs also comprise the changes in fair value of cash flow hedges transferred from equity including any ineffective portion of such change.

Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognized in profit or loss using the effective interest rate method.

(e) Borrowing costs

Borrowing costs are recognized 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 capitalized as part of the cost of that asset. Qualifying asset is one that takes substantial period of time to get ready for its intended use or sale. Capitalization of borrowing costs commences when the activities to prepare the asset are in progress and expenditures and borrowing costs are being incurred. Capitalization of borrowing costs continues until the assets are ready for the intended use. The capitalization rate is arrived at by reference to 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. Where development work is carried out on land owned by the Group, the carrying value of the land is included under capital work in progress.

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

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

Development expenses are charged to 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; and
- The management have agreed to proceed with developing the project, and believe that it is more probable than not that the project will go ahead.

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

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

Development costs carried forward are reviewed in subsequent periods to ensure that circumstances have not changed such that the criteria for capitalization 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.

Consolidated Financial Statements for the year ended 31 December 2011

Majid Al Futtaim Holding LLC (formerly Majid Al Futtaim Group LLC)

Notes to the consolidated financial statements (continued)

3) Significant accounting policies (continued)

(g) 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 recognized in profit or loss.

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

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

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

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

Other intangible assets

Intangible assets that are acquired by the Group and have finite useful lives are measured at cost less accumulated amortization and accumulated impairment losses, if any. Where the payment term is deferred, the cost of the intangible asset is the cash price equivalent, which is the discounted amount of cash over the payment term.

Amortization

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

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

Metro naming rights	10 years
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(h) Property, plant and equipment

Recognition and measurement

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.

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.

All other items of property, plant and equipment, mainly comprising administrative assets, are stated at cost less accumulated depreciation and any impairment losses. 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 costs of dismantling and removing the items and restoring the site on which they are located and capitalized borrowing costs. When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (components) of property, plant and equipment.

Consolidated Financial Statements for the year ended 31 December 2011
Majid Al Futtaim Holding LLC (formerly Majid Al Futtaim Group LLC)

Notes to the consolidated financial statements (continued)

3) Significant accounting policies (continued)

(h) Property, plant and equipment (continued)

Subsequent costs

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

Depreciation

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

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

During the current year one of the subsidiaries carried out an exercise to review and align the useful lives of certain assets with their operational lives. The estimated useful lives of depreciable assets were revised as a result of this exercise.

Useful lives of assets for the current and comparative years are as follows:

Category of assets	Revised useful life in years	Previous useful life in years
Buildings	4-50 years	4-35 years
Motor vehicles	4 years	4 years
Leisure rides and game	3-10 years	3 -10 years
Furniture, fixtures and equipment	3 - 4 years	3 -15 years

The financial impact due to the change in estimate is explained in note 10(ii).

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

Revaluation reserve

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

De-recognition

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

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

Consolidated Financial Statements for the year ended 31 December 2011
Majid Al Futtaim Holding LLC (formerly Majid Al Futtaim Group LLC)

Notes to the consolidated financial statements (continued)

3) Significant accounting policies (continued)

(i) Investment Property

Recognition and measurement

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

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

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

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

Reclassification

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

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

De-recognition

An investment property is derecognized when 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 profit or loss in the period the property is derecognized.

(j) Assets classified as held for sale

Non-current assets or disposal groups comprising assets and liabilities that are expected to be recovered primarily through sale rather than through continuing use are classified as held for sale. Immediately before classification as held for sale, the assets or components of a disposal group are measured in accordance with the Group's accounting policies. Thereafter the assets are measured at the lower of their carrying amount and fair value less costs to sell.

Impairment losses on initial classification as held for sale and subsequent gains and losses on re-measurement are recognized in profit or loss. Gains are not recognized in excess of any cumulative impairment loss previously recognized in profit or loss.

(k) Financial instruments

Non-derivative financial instruments

Non-derivative financial instruments comprise trade and other receivables, investment in bonds, cash and cash equivalents, trade and other payables (excluding advances), long-term loans, income tax payable, bank borrowings and related party balances.

Non-derivative financial instruments excluding financial assets at fair value through profit or loss are recognized initially at fair value plus transaction cost. Subsequent to initial recognition non-derivative financial instruments are measured at amortized cost less impairment losses.

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

Consolidated Financial Statements for the year ended 31 December 2011
Majid Al Futtaim Holding LLC (formerly Majid Al Futtaim Group LLC)

Notes to the consolidated financial statements (continued)

3) Significant accounting policies (continued)

(k) Financial instruments (continued)

Non-derivative financial instruments (continued)

Cash and cash equivalents

Cash and cash equivalents comprise cash in hand and cash at bank in current accounts and deposits with original maturities of three months or less. For the purpose of the consolidated 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. Attributable transaction costs are recognized in profit or loss as incurred. Financial assets at fair value through profit or loss are measured at fair value, and changes therein are recognized in profit or loss.

After initial recognition, investments are measured at fair value. For investments traded in organized 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 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 options, interest rate collars and currency exchange contracts.

The Group uses derivative instruments for risk management purposes to hedge its exposure to interest rate risks arising from operational, financing and investment activities.

On initial designation of the derivative as the hedging instrument, the Group formally documents the relationship between the hedging instrument and hedged item, including the risk management objectives and strategy in undertaking the hedge transaction and hedged risk, together with the methods that will be used to assess the effectiveness of the hedging relationship. The Group makes an assessment, both at the inception of the hedge relationship as well as on an on-going basis, of whether the hedging instruments are expected to be highly effective in offsetting the changes in fair value or cash flows of the respective hedged items attributable to the hedged risk, and whether the actual results of each hedge are within a range of 80 to 125 percent.

Derivative financial instruments are initially recognized at fair value on the date on which the derivative contract is entered into; attributable transaction costs are recognized in 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 recognized asset or liability or a highly effective forecast transaction that could affect profit or loss, the effective portion of changes in the fair value of the derivative is recognized directly in other comprehensive income and presented in the hedging reserve in the statement of changes in equity. The amount recognized in other comprehensive income is removed and included in profit or loss in the same period that the hedged item affects profit or loss. Any ineffective portion of changes in the fair value of the derivative is recognized immediately in profit or loss.

Consolidated Financial Statements for the year ended 31 December 2011

Majid Al Futtaim Holding LLC (formerly Majid Al Futtaim Group LLC)

Notes to the consolidated financial statements (continued)

3) Significant accounting policies (continued)

(k) 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 recognized in equity remains in equity 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 recognized immediately in 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 profit or loss.

The fair value of forward exchange contracts is based on their quoted market price, if available. If a quoted market price is not available, then fair value is estimated by discounting the difference between the contractual forward price and the current forward price for the residual maturity of the contract using risk-free interest rates.

(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. In assessing collective impairment the Group uses historical trends of the probability of default, timing of recoveries and the amount of loss incurred, adjusted for management's judgment as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical trends. All impairment losses are recognized in 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 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 measured at fair value, 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 at each reporting date in order to assess impairment.

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

In respect of other assets, impairment losses recognized 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 amortization, if no impairment loss had been recognized.

Consolidated Financial Statements for the year ended 31 December 2011
Majid Al Futtaim Holding LLC (formerly Majid Al Futtaim Group LLC)

Notes to the consolidated financial statements (continued)

3) Significant accounting policies (continued)

(m) Inventories

Inventories are measured at the lower of cost and net realizable value. Cost is stated net of rebates according to the agreements with suppliers. The cost of inventories is based on the first-in first-out principle (FIFO) for certain inventory items and weighted average cost for others, and includes expenditure incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their existing location and condition. Net realizable value is the estimated selling price in the ordinary course of business less the estimated cost of completion and selling expenses.

(n) Staff terminal and retirement benefits

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

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

(o) Long term employee benefits

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

Rate used for discounting the future benefits	4.5%
Annual rate of employees expected to leave scheme	4.0%

(p) Short term employee benefits

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

(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 the board of directors to make decisions about resources to be allocated to the segments and assess their performance, and for which discrete financial information is available.

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

Properties: includes establishment and management of shopping malls, hotels and leisure and entertainment activities.

Retail: includes establishment and management of hypermarkets, supermarket and retail stores.

Consolidated Financial Statements for the year ended 31 December 2011
Majid Al Futtaim Holding LLC (formerly Majid Al Futtaim Group LLC)

Notes to the consolidated financial statements (continued)

3) Significant accounting policies (continued)

(q) Operating segments (continued)

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

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

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 revenue from the operations of hypermarkets and supermarkets, rental income, hospitality services, leisure and entertainment services, sale of fashion goods, income from net investment in finance lease and income from credit card operations.

Goods sold

Revenue from the sale of goods at hypermarket is measured at the fair value of the consideration received or receivable, net of returns and discounts. Revenue comprises amounts derived from sale of goods falling within the ordinary activities of the Group and are recognized at the time of check-out when persuasive evidence exists that the significant risks and rewards of ownership have been transferred to the customer, there is no continuing management involvement with the goods and the amount of revenue can be measured reliably. Discounts are recognized as a reduction of revenue as the sales are recognized.

Listing and gondola fees

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

Opening fees

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

Commission

When the Group acts in the capacity of an agent rather than as the principal in a transaction, the revenue recognized is the net amount of commission earned by the Group.

Loyalty programmes

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

Rental income

Rental income received as lessor from properties under operating leases is recognized on a straight-line basis over the term of the lease. Contingent rents are recorded as income in the period in which they are earned. Lease incentives granted are recognized as an integral part of the total rental income, over the term of the lease.

Services

Revenue from hospitality and leisure and entertainment activities is recognized on rendering the services. Revenue from services is recognized when customers have a right to use the facilities on payment for these services.

Consolidated Financial Statements for the year ended 31 December 2011
Majid Al Futtaim Holding LLC (formerly Majid Al Futtaim Group LLC)

Notes to the consolidated financial statements (continued)

3) Significant accounting policies (continued)

(r) Revenue recognition (continued)

Sale of fashion goods

Revenue from sale of fashion goods is recognized 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 with the goods.

Income from net investment in finance lease

Unearned income on finance lease is amortized to 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 recognized in the statement of financial position when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognized as finance cost.

(u) Income tax

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

Current tax is the expected tax payable or receivable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years. Current tax payable also includes any tax liability arising from the declaration of dividends.

Deferred tax is recognized in respect of 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 tax 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 realized simultaneously.

A deferred tax asset is recognized for future tax losses, tax credits and deductible temporary differences, to the extent it is probable that future tax profits will be available against which the temporary difference can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

Consolidated Financial Statements for the year ended 31 December 2011
Majid Al Futtaim Holding LLC (formerly Majid Al Futtaim Group LLC)

Notes to the consolidated financial statements (continued)

3) Significant accounting policies (continued)

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

A number of new standards, amendments to published standards and interpretations are issued but not yet effective for the year ended 31 December 2011, and have not been early adopted in preparing these consolidated financial statements.

The following are the new standards which will be applicable to the Group but not yet adopted:

- In October 2010, the IASB issued Disclosures- Transfer of Financial Assets (Amendments to IFRS 7) with an effective date of 1 July 2011.
- In October 2010, the IASB issued IFRS 9 Financial Instruments (IFRS 9 (2010)) with an effective date of 1 January 2015.
- In December 2010, the IASB issued Deferred Tax: Recovery of Underlying Assets – Amendments to IAS 12 with an effective date of 1 January 2012.
- In May 2011, the IASB issued IFRS 10 Consolidated Financial Statements, IFRS 11 Joint Arrangements, IFRS 12 Disclosure of Interests in Other Entities and IFRS 13 Fair Value Measurement, which all have an effective date of 1 January 2013.
- In June 2011, the IASB issued Presentation of Items of Other Comprehensive Income (Amendments to IAS 1 Presentation of Financial Statements) with an effective date of 1 July 2012.
- In June 2011, the IASB issued an amended IAS 19 Employee Benefits, with an effective date of 1 January 2013.
- IAS 27 Separate Financial Statements (2011) with an effective date of 1 January 2013.
- IAS 28 Investments in Associates and Joint Ventures with an effective date of 1 January 2013.

Management has assessed the impact of the new standards, amendments to published standards and interpretations, and concluded that they are either not relevant to the Group or their impact is limited to the disclosures and presentation requirement in the consolidated financial statements, except for IFRS 9. The Group is currently in the process of evaluating the potential effect of this standard. Given the nature of the Group's operations, this standard is not expected to have a pervasive impact on the Group's consolidated financial statements.

Consolidated Financial Statements for the year ended 31 December 2011
Majid Al Futtaim Holding LLC (formerly Majid Al Futtaim Group LLC)

Notes to the consolidated financial statements (continued)

4) (i) Segment reporting

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

Principal activities are as follow:

- Properties
- Retail
- Ventures

The segment information provided to the Board of Directors for the reportable segments for the year ended 31 December 2011 are as follows:

Business segments:	Properties		Retail		Ventures		Head Office		Total		Eliminations/ Adjustments		Group (after eliminations)	
	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010
	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	181,240	232,655	-	-	-	23,752	145,111	23,752	326,351	256,407	(256,407)	-	-	-
Inter-segment	2,576,614	2,077,873	16,289,599	14,868,154	723,608	-	-	-	19,589,821	17,738,865	-	-	19,589,821	17,738,865
Others	(449,229)	(366,507)	(22,095)	(14,456)	(23,924)	(143,211)	(228,099)	(143,211)	(723,347)	(551,789)	109,720	97,471	(613,627)	(454,318)
Finance costs	4,589	8,691	73,695	79,578	584	2,529	286,347	272,369	365,215	363,167	(304,829)	(293,218)	60,386	69,949
Depreciation	(600,710)	(491,725)	(236,977)	(226,246)	(62,376)	(3,634)	(1,314)	(3,634)	(901,377)	(837,778)	(34,797)	(39,253)	(936,174)	(877,031)
Income tax (charge) / credit	76,359	2,342	(63,135)	(59,558)	(424)	(164)	-	-	12,800	(57,380)	(13,186)	(21,513)	(386)	(78,893)
Share of (loss) / income in joint ventures & associates	(93,591)	28,569	-	-	13,332	9,959	-	-	(80,259)	38,528	-	-	(80,259)	38,528
Profit/(loss) before tax	39,959	(568,438)	748,409	606,511	56,287	93,905	137,478	93,905	982,133	97,687	(220,551)	(162,978)	761,582	(65,291)
EBITDA	1,740,292	1,459,283	957,422	787,840	155,796	(31,082)	80,764	(31,082)	2,934,274	2,339,258	(120,000)	29,966	2,814,274	2,369,224
Total assets	30,814,956	29,879,185	4,830,166	3,905,012	981,960	1,001,104	10,139,337	9,751,079	46,766,419	44,536,380	(10,636,399)	(9,958,781)	36,130,020	34,577,599
Total liabilities	10,023,917	10,106,472	3,370,715	2,900,559	861,460	6,366,494	6,693,626	6,366,494	20,949,718	20,332,751	(4,807,597)	(4,165,583)	16,142,121	16,167,168

Consolidated Financial Statements for the year ended 31 December 2011
Majid Al Futtaim Holding LLC (formerly Majid Al Futtaim Group LLC)

Notes to the consolidated financial statements (continued)

4) (ii) Revenue by geographical market

	2011	2010
	AED'000	AED'000
UAE	10,587,895	9,477,522
Saudi Arabia	1,710,671	1,495,499
Egypt	1,870,359	2,122,034
Qatar	1,608,007	1,508,510
Oman	1,042,408	853,075
Iran	859,028	634,571
Jordan	592,703	473,053
Bahrain	494,622	529,400
Kuwait	426,790	360,112
Pakistan	236,062	151,877
Syria	154,294	133,212
Lebanon	6,982	-
	19,589,821	17,738,865

4) (iii) Total assets by geographical region

	2011	2010
	AED'000	AED'000
UAE	26,898,439	25,172,014
Bahrain	3,079,588	3,105,800
Egypt	1,439,297	2,620,125
Oman	1,501,120	1,283,796
Others *	3,211,576	2,403,495
	36,130,020	34,585,230

* Others include Qatar, Kuwait, Lebanon, Syria, Iran, Iraq, Saudi Arabia, Pakistan, Libya and Jordan.

5) Revenue

	2011	2010
	AED'000	AED'000
Sale of goods	15,135,171	13,937,427
Listing fees, gondola fees and commissions	1,060,385	871,649
Rental income	1,975,799	1,742,236
Leisure and entertainment	555,937	485,928
Hospitality revenue	417,738	318,613
Fashion goods	252,068	258,683
Other	192,723	124,329
	19,589,821	17,738,865

Consolidated Financial Statements for the year ended 31 December 2011
Majid Al Futtaim Holding LLC (formerly Majid Al Futtaim Group LLC)

Notes to the consolidated financial statements (continued)

5) Revenue (continued)

Under a customer loyalty program to stimulate sales, the Group grants tickets when customers buy certain designated products. These tickets can be redeemed against the next purchase of the customers within a pre-determined period of time. At 31 December 2011, deferred revenue in respect of tickets granted but not yet redeemed amounted AED 2.25 million (2010: AED 1.14 million).

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:

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

6) Operating expenses

	2011	2010
	AED'000	AED'000
Staff costs (refer note (i) below)	(1,684,917)	(1,516,469)
Rent	(278,695)	(246,793)
Depreciation (refer note 10)	(936,174)	(877,031)
Amortisation (refer notes 14 & 16)	(22,163)	(21,811)
Consultancy costs	(43,301)	(38,494)
Legal and marketing expenses	(35,085)	(27,146)
Selling and marketing expenses	(217,484)	(197,435)
Utilities	(247,266)	(180,988)
Repair and maintenance	(182,885)	(157,444)
Insurance charges	(25,098)	(22,940)
Franchise and management fees	(82,308)	(63,839)
Other general and administrative expenses	(416,129)	(492,110)
	(4,171,505)	(3,842,500)

(i) Staff cost includes the following:

	2011	2010
	AED'000	AED'000
Gratuity cost	(78,490)	(60,136)
Pension cost	(5,590)	(5,459)

Staff costs are net of staff costs capitalized to various projects under construction amounting to AED 54.6 million (2010: AED 58.3 million).

The number of employees at 31 December 2011 was 22,369 (2010: 18,850).

Consolidated Financial Statements for the year ended 31 December 2011
Majid Al Futtaim Holding LLC (formerly Majid Al Futtaim Group LLC)

Notes to the consolidated financial statements (continued)

7) Net finance cost

Recognized in profit or loss

	2011	2010
	AED'000	AED'000
Arrangement and participation fee	(17,389)	(12,666)
Interest charges	(447,472)	(358,515)
Less: capitalized interest	20,353	64,787
	(444,508)	(306,394)
Loss on disposal / fair value of derivative financial instruments accounted as FVPL	(45,052)	-
Ineffective portion of changes in fair value of cash flow hedges	(4,691)	(5,303)
Net changes in fair value of cash flow hedges transferred from equity	(106,032)	(142,621)
Change in the fair value of investment in equity (refer note 12 (a) (i))	(2,600)	-
Change in the fair value of investment in bonds (refer note 12 (a) (ii))	(5,941)	-
Bond programme cost written off	(4,803)	-
Finance costs	(613,627)	(454,318)
Interest income	58,787	66,543
Ineffective portion of changes in fair value of cash flow hedges	1,599	3,406
Finance income	60,386	69,949
Net finance cost recognised in profit or loss	(553,241)	(384,369)

Recognized directly in other comprehensive income

	2011	2010
	AED'000	AED'000
Effective portion of changes in fair value of cash flow hedges	(170,264)	(142,263)
Net changes in fair value of cash flow hedges transferred to profit or loss	106,032	142,621
Finance (cost) / income recognised in other comprehensive income	(64,232)	358

Capitalized interest arises on borrowings for development expenditure.

The capitalization rate used to determine the amount of borrowing cost eligible for capitalization varies from 5.15% to 8.94% (2010: 3.5% to 8.0%) depending on the effective interest rate over the tenure of the borrowing.

8) Other expenses – net

	2011	2010
	AED'000	AED'000
(Loss) / gain on disposal of non-current assets	(4,553)	24,378
Gain on disposal of assets held for sale (refer note 17)	2,787	-
Fixed assets / project costs written off	(3,762)	(17,365)
Foreign exchange loss	(40,291)	(41,968)
Provision for joint venture receivables	-	(9,788)
Other income	27,570	29,732
	(18,249)	(15,011)

Consolidated Financial Statements for the year ended 31 December 2011
Majid Al Futtaim Holding LLC (formerly Majid Al Futtaim Group LLC)

Notes to the consolidated financial statements (continued)

9) Impairment loss – net

	Note	2011 AED'000	2010 AED'000
Impairment of investments and receivables (refer note(i))		(54,276)	(608,957)
Reversal of impairment on investment in a joint venture (refer note(ii))		31,455	-
Impairment of property, plant and equipment (refer notes (iii) & 10)		(51,868)	(286,245)
Reversal of impairment of property, plant and equipment (refer note (iv))	10	3,634	13,273
		(71,055)	(881,929)

- i) The Group has performed impairment tests and analysis of the carrying value of its receivables, advances and investments in various joint ventures and associates. Based on the results of this analysis, the management is of the view that the carrying values of these receivables and investments has been eroded due to adverse market and business conditions and has, therefore, recognized an impairment loss of AED 54.3 million (2010: 609.0 million) to reflect reduction in the value.
- ii) In 2008, Group had paid AED 31.5 million as an advance for a potential joint venture. In 2009 management had reassessed the future prospects of the joint venture and impairment was recognised against this advance. During the current year Group has received AED 31.5 million and accordingly the impairment has been reversed.
- iii) In the current year, certain leisure and entertainment assets had been tested for impairment based on the estimated cash flows expected to be generated from the future operations of these assets. Accordingly, an impairment loss of AED 14.5 million (2010: AED 265.5 million) has been recognized in the current year in respect of these assets.

During the year, the Group has decided to book an impairment loss for the assets of certain operating units because of unfavorable future projections due to adverse external circumstances. Appropriate action in respect of future operating units is taken going forward. This loss was 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 units, was lower than the carrying amount of the assets by 22.9 million (2010: AED 17.0 million). A discount rate of 9 % was used to derive the net present value of the future cash flows. Accordingly, an impairment loss has been recognized in profit or loss for this amount.

Furthermore, in the current year certain costs on a project under development were tested for impairment and an impairment loss of AED 8.1 million has been recognized.

In addition, an impairment loss of AED 6.4 million (2010: AED 3.7 million) was recognized in the current year on fixed assets of fashion stores.

- iv) Reversal of impairment loss on fixed assets in respect of certain stores amounted to AED 3.6 million (2010: AED 13.3 million). Also refer note 10.

Consolidated Financial Statements for the year ended 31 December 2011
Majid Al Futtaim Holding LLC (formerly Majid Al Futtaim Group LLC)

Notes to the consolidated financial statements (continued)

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
At 1 January 2010	14,326,449	9,662	3,000,190	1,845,987	19,182,288
Transferred to investment property (refer note (viii))	(65,113)	-	-	(73,312)	(138,425)
Additions	64,411	514	278,920	1,359,553	1,703,398
Disposals / write offs	(57,748)	(1,486)	(130,259)	(19,420)	(208,913)
Transfer to assets held for sale	(2,546)	-	-	-	(2,546)
Reclassification	38,415	-	-	(38,415)	-
Assets placed in service (refer note (iii))	1,547,286	52	365,527	(1,912,865)	-
Gain on valuation of properties (refer note (i))	425,707	-	-	-	425,707
Accumulated depreciation eliminated on valuation	(467,647)	-	-	(37,098)	(504,745)
Effect of foreign exchange movements	(3,203)	(36)	(17,637)	(668)	(21,544)
At 31 December 2010	15,806,011	8,706	3,496,741	1,123,762	20,435,220
At 1 January 2011	15,806,011	8,706	3,496,741	1,123,762	20,435,220
Additions	104,286	1,170	385,552	501,848	992,856
Disposals / write offs / adjustments	(19,812)	(789)	(143,999)	(2,700)	(167,300)
Assets placed in service (refer note (iii))	885,173	312	106,035	(991,520)	-
Gain on valuation of properties (refer note (i))	997,675	-	-	-	997,675
Accumulated depreciation eliminated on valuation	(562,283)	-	-	-	(562,283)
Effect of foreign exchange movements	(6,291)	(69)	(28,031)	(51,774)	(86,165)
At 31 December 2011	17,204,759	9,330	3,816,298	579,616	21,610,003
Depreciation					
At 1 January 2010	(7,832)	(2,684)	(1,249,849)	(35,313)	(1,295,678)
Charged during the year (refer note 6)	(476,867)	(1,288)	(398,876)	-	(877,031)
On reclassification	-	-	-	-	-
Impairment loss (refer note 9 (iii))	-	-	(286,245)	-	(286,245)
Reversal of impairment (refer note 9 (iv))	-	-	13,273	-	13,273
Accumulated depreciation eliminated on valuation	467,647	-	-	37,098	504,745
On disposals / write offs	-	649	73,424	-	74,073
Effect of foreign exchange movements	84	15	6,458	-	6,557
At 31 December 2010	(16,968)	(3,308)	(1,841,815)	1,785	(1,860,306)
At 1 January 2011	(16,968)	(3,308)	(1,841,815)	1,785	(1,860,306)
Charged during the year (refer note 6)	(571,231)	(1,237)	(363,706)	-	(936,174)
Impairment loss (refer note 9 (iii))	-	-	(43,745)	(8,123)	(51,868)
Reversal of impairment (refer note 9 (iv))	-	-	3,634	-	3,634
Accumulated depreciation eliminated on valuation	562,283	-	-	-	562,283
On disposals / write offs	-	279	92,701	-	92,980
Effect of foreign exchange movements	703	54	9,857	-	10,614
At 31 December 2011	(25,213)	(4,212)	(2,143,074)	(6,338)	(2,178,837)
Net book value					
At 1 January 2010	14,318,617	6,978	1,750,341	1,810,674	17,886,610
At 31 December 2010	15,789,043	5,398	1,654,926	1,125,547	18,574,914
At 31 December 2011	17,179,546	5,118	1,673,224	573,278	19,431,166

Consolidated Financial Statements for the year ended 31 December 2011
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Notes to the consolidated financial statements (continued)

10) Property, plant and equipment (continued)

i) During 2011, revaluation gain of AED 997.7 million (2010: AED 425.7 million) has been recognized in property, plant and equipment. This comprises a valuation gain of AED 1,162.9 million (2010: AED 657.0 million) which has been credited to revaluation reserve directly in equity and a loss of AED 165.2 million (2010: AED 231.3 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. Also refer (ix).

ii) During the year, estimated useful lives of certain assets were revised to align them with the expected operational lives of respective assets. The effect of these changes on depreciation expense is recognized prospectively and the impact on current and future years is as follows.

	2011 AED'000	2012 AED'000	2013 AED'000	2014 AED'000
(Increase) / decrease in depreciation expense	(29,848)	47,102	50,662	64,184

iii) During the current year, Group completed the construction of two hotel towers in Bahrain amounting to AED 935.6 million, which were reclassified from capital work in progress to the respective classes of assets under property, plant and equipment.

In 2010, the Group completed the construction of two hotels in the UAE amounting to AED 858.1 million, which were reclassified from capital work in progress to the respective class of assets under property, plant and equipment. During 2010, the Group also transferred AED 410.9 million on completion of extension of a shopping mall in the UAE from capital work in progress. The Group also completed the construction of a shopping mall, the own use portion of which, amounting to AED 307.5 million was reclassified from capital work in progress. Also refer note 11(ii).

iv) Certain properties of the Group are mortgaged against bank borrowings. Certain term loans are secured by way of assignment of lease rentals. Also refer note 26.

v) Certain lands are held in the personal name of the majority shareholder of the Parent Company for the beneficial interest of the Group.

vi) 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:

	2011 AED'000	2010 AED'000
Fair value of land and buildings	17,271,975	15,874,332
Less: adjustment for accrued operating lease income	(92,429)	(85,289)
Net adjusted fair value	17,179,546	15,789,043

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

	2011		2010	
	Land AED'000	Buildings AED'000	Land AED'000	Buildings AED'000
Cost	689,855	7,643,620	649,926	6,512,003
Accumulated depreciation	-	(2,119,520)	-	(1,674,688)
Net carrying amount	689,855	5,524,100	649,926	4,837,315

viii) During the previous year a portion of an office tower in the UAE amounting to AED 65 million, which is a dual use property, had been reclassified from property, plant and equipment to investment property at its fair value due to a change in use.

Consolidated Financial Statements for the year ended 31 December 2011
Majid Al Futtaim Holding LLC (formerly Majid Al Futtaim Group LLC)

Notes to the consolidated financial statements (continued)

10) Property, plant and equipment (continued)

ix) The following fair value (losses) / gains were recognized during the year in the profit or loss:

	Note	2011 AED'000	2010 AED'000
Loss in valuation of property, plant and equipment	10 (i)	(165,228)	(231,293)
(Loss) / gain of valuation of investment property	11 (i)	(163,600)	14,194
Total valuation loss		(328,828)	(217,099)

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 2010	1,501,961	3,802,102	4,508,182	9,812,245
Transferred from property, plant and equipment	-	135,567	2,858	138,425
Additions	1,835	22,829	454,132	478,796
Net valuation gain on investment property (refer note (i))	(110,706)	124,900	-	14,194
Assets placed in service (refer note (ii))	-	4,227,436	(4,227,436)	-
Reclassification of assets	71,217	-	(71,217)	-
Disposals	-	(7,792)	-	(7,792)
Effect of foreign exchange movements	(41,706)	(61,925)	(4,409)	(108,040)
At 31 December 2010	1,422,601	8,243,117	662,110	10,327,828
At 1 January 2011	1,422,601	8,243,117	662,110	10,327,828
Additions	-	34,358	471,948	506,306
Net valuation loss on investment property (refer note (i))	(220,672)	55,897	1,175	(163,600)
Disposals	-	(34,285)	-	(34,285)
Effect of foreign exchange movements	(18,000)	(46,030)	(14,794)	(78,824)
At 31 December 2011	1,183,929	8,253,057	1,120,439	10,557,425
Carrying amounts				
At 1 January 2010	1,501,961	3,802,102	4508182	9,812,245
At 31 December 2010	1,422,601	8,243,117	662110	10,327,828
At 31 December 2011	1,183,929	8,253,057	1,120,439	10,557,425

- i) For the year ended 31 December 2011 a net valuation loss of AED 163.6 million (2010: gain of AED 14.2 million) is included in profit or loss.
- ii) During 2010, the Group completed the construction of a mall and office tower in the UAE amounting to AED 4,394.1 million and AED 140.9 million respectively. Of this AED 307.5 million relates to a mall which is a dual use property and hence included under property, plant and equipment. Accordingly AED 4,227.4 million has been reclassified from capital work in progress to land and buildings (refer note 10 (iii)).
- iii) Rental income derived from investment properties during the current year is AED 855 million (2010: AED 755 million). The direct operating expenses arising from investment property that generated rental income during the current year amounted to AED 272 million (2010: AED 241 million).

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Majid Al Futtaim Holding LLC (formerly Majid Al Futtaim Group LLC)

Notes to the consolidated financial statements (continued)

11) Investment property (continued)

- iv) 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:

	2011	2010
	AED'000	AED'000
Fair value of land and buildings	8,323,802	8,288,211
Less: adjustment for accrued operating lease income	(70,745)	(45,094)
Net adjusted fair value	8,253,057	8,243,117

- v) Certain properties of the Group are mortgaged against bank borrowings. Certain term loans are secured by way of assignment of lease rentals. Also refer note 26.
- vi) Certain land is held in the personal name of the majority shareholder of the Parent Company for the beneficial interest of the Group.
- vii) Due to political disturbance in certain parts of the region, not all of the land portfolio could be valued by external valuers. Management has internally assessed the fair value of these assets as at the reporting date.

12) Investments

	2011	2010
	AED'000	AED'000
Unlisted equities and bonds held as fair value through profit and loss (FVPL) (refer note 12(a))	90,884	7,600
Investment in associate (refer note 12(b))	233,220	260,337
Investment in joint ventures (refer note 12(c))	858,495	900,901
Total investments	1,182,599	1,168,838
	2011	2010
	AED'000	AED'000
Share of (loss) / profit from joint ventures	(80,578)	21,199
Share of profit from associate	319	17,329
	(80,259)	38,528

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

	2011	2010
	AED'000	AED'000
Unlisted equities (refer note (i) below)	5,000	7,600
Unlisted bonds (refer note (ii) below)	85,884	-
At 31 December	90,884	7,600

- (i) This is an investment in Orix Leasing Egypt SAE, an unlisted company incorporated in Egypt. At 31 December 2011, 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 5.0 million (2010: AED 7.6 million) and AED 2.6 million (2010: nil) is charged to profit or loss as fair value adjustment (refer note 7).
- (ii) During the year the Group subscribed to bonds of USD 25.0 million (AED 91.8 million) "USD 6Y Capital Protected Note" issued by UBS AG, maturing in 2017. The bonds are redeemable on maturity at a value linked to the UBS Straus Index, and are traded in the secondary market. The instruments are classified as held for trading at 31 December 2011, and AED 5.9 million is charged to profit or loss as fair value adjustment (refer note 7).

Consolidated Financial Statements for the year ended 31 December 2011
Majid Al Futtaim Holding LLC (formerly Majid Al Futtaim Group LLC)

Notes to the consolidated financial statements (continued)

12) Investments (continued)

12) (b) Investment in associates

	2011	2010
	AED'000	AED'000
At 1 January	260,337	231,879
Additions during the year (refer note below)	-	9,509
Share of post acquisition gain accounted through profit or loss	319	17,329
Provision for impairment	(27,000)	-
Foreign currency translation differences from foreign operations	(436)	1,620
At 31 December	233,220	260,337

On 23 December 2009, the Group's Board of Directors approved the Second Amendment of the JV Agreement entered into between the Group and Dalkia International. As per the terms of the Second Amendment, Dalkia International agreed to transfer its multi-technical businesses (including the contracts, assets, and employees) in Kingdom of Saudi Arabia and Bahrain to Majid Al Futtaim Dalkia LLC. As a result, Majid Al Futtaim Dalkia LLC became the sole and exclusive provider of multi-technical services across a significantly expanded territory, including, UAE, Oman, Egypt, Qatar, Bahrain, Kuwait, Saudi Arabia, Yemen, Iran, Iraq, Jordan, Lebanon, Palestine, and Pakistan.

In return, the Group ceded to Dalkia International the right to consolidate fully Majid Al Futtaim Dalkia LLC as a result of amending the deadlock procedure which effectively gives Dalkia International control over Majid Al Futtaim Dalkia LLC. Consequently as of 1 January 2010, the Group had deconsolidated Majid Al Futtaim Dalkia LLC and accounted for the investment under the equity method.

Summarized financial information in respect of the Group's interest in the associates is set out below:

	2011	2010
	AED'000	AED'000
Total assets	3,643,695	2,324,457
Total liabilities	(2,795,516)	(1,434,397)
Net assets	848,179	890,060
Group's share of associates' net asset	245,428	260,337
Profit for the year	4,133	63,844
Group's share of associate's profit for the year	319	17,329

12) (c) Investment in joint ventures

	2011	2010
	AED'000	AED'000
At 1 January	900,901	1,419,886
Additions during the year	145,000	41,672
Reclassified to other receivables	-	(272,300)
Provision for impairment	-	(336,657)
Share of post acquisition (loss) / gain accounted through profit or loss	(80,578)	21,199
Dividend income received	(9,905)	(10,671)
Share of post acquisition (loss) / gain accounted through the statement of comprehensive income (refer note (i))	(93,361)	40,390
Foreign currency translation differences from foreign operations	(3,562)	(2,618)
At 31 December	858,495	900,901

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

During 2011, the Group entered into a joint venture agreement with IT' Sugar-MENA LLC for "IT' Sugar" operations. The Group owns 75% interest in this joint venture. At 31 December 2011, the interest in this joint venture is not material for the Group.

Consolidated Financial Statements for the year ended 31 December 2011
Majid Al Futtaim Holding LLC (formerly Majid Al Futtaim Group LLC)

Notes to the consolidated financial statements (continued)

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.

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

	2011	2010
	AED'000	AED'000
Total assets (at cost)	4,190,873	4,485,764
Total liabilities	(2,474,042)	(2,466,545)
Net assets	1,716,831	2,019,219
Group's share of joint ventures' net assets (net of impairment)	858,495	900,901
(Loss) / profit for the year earned by joint ventures	(161,157)	53,326
Group's share of joint ventures' (loss) / profit for the year, including losses on investments exited.	(80,578)	21,199

13) Net investment in finance leases

	2011	2010
	AED'000	AED'000
Lease contracts receivable	330,393	314,420
Residual value of leased assets	219,870	199,661
Gross amount due under finance leases	550,263	514,081
Non-refundable security deposits	(219,870)	(199,661)
Unearned finance lease income	(38,771)	(34,251)
Provision for potential lease losses (refer note 13.1)	(36,693)	(34,072)
	254,929	246,097
Less: lease contracts maturing within one year	(157,965)	(179,404)
Lease contracts maturing after one year	96,964	66,693

The maturity of lease contracts receivable outstanding at 31 December 2011 is as follows:

	Less than one year	One to five years	Total
	AED'000	AED'000	AED'000
Lease contracts receivable	184,435	145,958	330,393
Residual value of leased assets	62,926	156,944	219,870
Gross amount due under finance leases	247,361	302,902	550,263
Non-refundable security deposits	(62,926)	(156,944)	(219,870)
Unearned finance lease income	(26,470)	(12,301)	(38,771)
Provision for potential lease losses (refer note 13.1)	-	(36,693)	(36,693)
Contracts maturing after one year	157,965	96,964	254,929

Consolidated Financial Statements for the year ended 31 December 2011
Majid Al Futtaim Holding LLC (formerly Majid Al Futtaim Group LLC)

Notes to the consolidated financial statements (continued)

13) Net investment in finance leases (continued)

The maturity of lease contracts receivable outstanding at 31 December 2010 is as follows:

	Less than one year AED'000	One to five years AED'000	Total AED'000
Lease contracts receivable	203,568	110,852	314,420
Residual value of leased assets	80,561	119,100	199,661
Gross amount due under finance leases	284,129	229,952	514,081
Non-refundable security deposits	(80,561)	(119,100)	(199,661)
Unearned lease finance income	(24,164)	(10,087)	(34,251)
Provision for potential lease losses (refer note 13.1)	-	(34,072)	(34,072)
Contracts maturing after one year	179,404	66,693	246,097

There are no lease contracts receivables over five years. The Group's mark-up rate on leases ranges between 7% and 15% per annum (2010: 7% and 15%). Lease contracts receivable with a maturity of less than one year are shown in current assets.

13.1) Provision for potential lease losses

	2011 AED'000	2010 AED'000
At 1 January	34,072	25,537
Provision during the year	6,765	12,777
Write-off	(4,144)	(4,242)
	36,693	34,072

14) Long term prepaid lease premium

	2011 AED'000	2010 AED'000
At 1 January	16,152	17,650
Additions during the year	-	446
Amortisation during the year	(1,806)	(1,944)
At 31 December	14,346	16,152

This mainly represents the un-amortized value as at the reporting date of the original payments made 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 landlords of other hypermarkets and supermarkets in respect of the right to enter as a lessee. These payments are in the nature of lease premiums and are amortized on a straight line basis over the period of the respective leases which range from 2 to 20 years.

15) Long term advances

	2011 AED'000	2010 AED'000
Advances	34,106	43,948
	34,106	43,948

Advances mainly represent the unamortized portion of advance rentals paid to landlords' for staff accommodation and certain other landlords for stores.

16) Intangible assets

	2011 AED'000	2010 AED'000
Cost		
At 1 January	199,393	198,743
Intangible asset recorded during the year	-	650
At 31 December	199,393	199,393

Consolidated Financial Statements for the year ended 31 December 2011
Majid Al Futtaim Holding LLC (formerly Majid Al Futtaim Group LLC)

Notes to the consolidated financial statements (continued)

16) Intangible assets (continued)

	2011	2010
	AED'000	AED'000
Amortisation		
At 1 January	(26,492)	(6,625)
Charge for the year	(20,357)	(19,867)
At 31 December	(46,849)	(26,492)
Carrying amount	152,544	172,901

During 2008, the Group entered into an agreement with a Government entity in the UAE to acquire naming rights for two stations of Dubai Metro 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 amortized over the contract period of 10 years.

The intangible asset is measured by discounting the estimated cash flows using the incremental borrowing cost of Group at 4.5%.

The corresponding deferred liability to the Government entity for the Metro naming rights has been booked as follows:

	2011	2010
	AED'000	AED'000
At 1 January	133,642	146,759
Interest accrued during the year	5,709	6,323
Less: payment made during the year	(20,995)	(19,440)
At 31 December	118,356	133,642
Current maturity of deferred liability (refer note 23)	(22,675)	(20,995)
Long term portion of deferred liability	95,681	112,647

17) Assets classified as held for sale

During the current year, an asset with a carrying value of AED 2.5 million was disposed and a gain of AED 2.8 million has been recognized on disposal (refer note 8).

18) Short term loan to a related party

	2011	2010
	AED'000	AED'000
At 1 January	9,057	-
Granted during the year	-	9,057
Repaid during the year	(9,057)	-
At 31 December	-	9,057

During 2010, the Group provided a short term loan to Majid Al Futtaim Dalkia LLC, an associate, amounting to AED 9.1 million to fund the working capital requirements of the associated company which is repayable within one year. The loan was interest bearing and carried an interest rate EIBOR plus 3.75% per annum. The loan was repaid during the current year.

19) Inventories

	2011	2010
	AED'000	AED'000
Inventory held for sale (net of provisions)	881,330	715,326
Spares and consumables	2,807	2,109
	884,137	717,435

During the current year, one of the subsidiaries of the Group changed its principal basis of estimating provision for stock obsolescence from slow moving stock to a method based on ageing, rotation and profitability of the inventory items. Provision rates have been determined specific to the nature of ageing of the items. The financial impact of this change is not significant.

Consolidated Financial Statements for the year ended 31 December 2011
Majid Al Futtaim Holding LLC (formerly Majid Al Futtaim Group LLC)

Notes to the consolidated financial statements (continued)

20) Trade and other receivables

	2011	2010
	AED'000	AED'000
Trade receivables	322,238	261,909
Advances, prepayments and deposits	494,102	443,620
Positive fair value of derivatives (refer note 30.3)	1,689	-
Other receivables	313,859	236,471
Accrued interest	3,887	4,414
	1,135,775	946,414

21) Cash in hand and at bank

	2011	2010
	AED'000	AED'000
Cash in hand	142,507	138,167
Fixed deposits	474,470	138,450
Cash at bank	1,778,372	2,000,495
	2,395,349	2,277,112

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

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

22) Short term loan from a related party

	2011	2010
	AED'000	AED'000
At 1 January	-	-
Borrowed during the year	354,000	-
Repaid during the year	(51,000)	-
Currency translation adjustment	-	-
At 31 December	303,000	-

The above loan is obtained from the Parent Company at a margin of 1.5% per annum over EIBOR renewable every year with a final maturity of four years.

23) Trade and other payables

	2011	2010
	AED'000	AED'000
Trade payables	2,665,644	2,433,597
Accruals	1,139,219	1,005,542
Current portion of deferred liability (refer note 16)	22,675	20,995
Unearned rental income	482,229	415,065
Retentions	161,218	189,383
Advance receipts	457,821	399,738
Tax payable	71,936	57,176
Provisions	85,332	69,969
Other payables (refer note below)	90,530	75,436
	5,176,604	4,666,901

Other payables include derivative financial liability arising on the fair value of certain forward exchange contracts of AED 2.5 million (2010: AED 1.9 million).

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Majid Al Futtaim Holding LLC (formerly Majid Al Futtaim Group LLC)

Notes to the consolidated financial statements (continued)

24) Other employment benefits payable

	At 1 January 2011	Additions during the year	Payment/ transferred	At 31 December 2011
	AED'000	AED'000	AED'000	AED'000
Provision for bonus	180,352	133,709	(138,938)	175,123
Less: Non-current portion	(52,120)	(6,521)	34,430	(24,211)
Current portion	128,232	127,188	(104,508)	150,912

	At 1 January 2010	Additions during the year	Payment/ transferred	At 31 December 2010
	AED'000	AED'000	AED'000	AED'000
Provision for bonus	200,150	115,453	(135,251)	180,352
Less: Non-current portion	(38,151)	(16,878)	2,909	(52,120)
Current portion	161,999	98,575	(132,342)	128,232

The bonus provision of AED 175.1 million (2010: AED 180.3 million) includes AED 24.2 million (2010: 52.1 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 reporting date.

24.1) Provision for staff terminal benefits

	2011 AED'000	2010 AED'000
At 1 January	188,930	160,045
Additions during the period	79,293	66,204
Transferred on acquisition/(disposal)	-	(1,228)
Payments made during the year	(30,714)	(35,946)
Currency translation adjustment	(385)	(145)
At 31 December	237,124	188,930

25) 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 265.0 million (2010: AED 170.0 million). The facilities carry interest at 2% - 3% above one month EIBOR and amounts drawn are repayable on demand. The amounts borrowed against these facilities were AED 4.9 million at 31 December 2011 (2010: AED 11.0 million).

26) Long term loans

	2011 AED'000	2010 AED'000
At 1 January	10,500,158	10,364,118
Borrowed during the year	3,305,708	3,985,258
Repaid during the year	(4,155,503)	(3,844,954)
Currency translation adjustment	(1,195)	(4,264)
At 31 December	9,649,168	10,500,158
Less: Current maturity of long term loan	(2,074,485)	(2,038,016)
Non-current portion	7,574,683	8,462,142

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Notes to the consolidated financial statements (continued)

26) 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
AED 1,139,000	875,000	Quarterly (refer note (b))	27-Mar-11	29-Dec-13
AED 577,360	577,360	Half yearly	15-Jun-12	16-Dec-13
AED 225,000	120,000	Half yearly (refer note (g))	1-Oct-12	31-Mar-20
USD 200,000 (AED 734,600)	734,473	Half yearly	30-Apr-13	31-Oct-15
USD 75,000 (AED 275,475)	275,475	Half yearly	15-Jun-12	16-Dec-13
OMR 22,000 (AED 210,100)	146,581	Half yearly (refer note (a))	25-Oct-08	30-Apr-18
OMR 30,000 (AED 286,200)	286,118	Half yearly (refer note (a))	31-Jan-12	31-Jan-22
EGP 146,400 (AED 91,075)	63,520	Half yearly	26-Jun-11	26-Jun-14
USD 55,000 (AED 201,960)	165,671	Annual (refer note (f))	30-Jul-15	30-Jan-22
USD 600,000 (AED 2,203,200)	1,976,351	Half yearly (refer note (e))	31-Mar-10	26-Apr-18
USD 300,000 (AED 1,101,900)	887,208	Half yearly (refer note (c))	31-May-09	30-Nov-16
USD 50,000 (AED 183,914)	183,914	Bullet (refer note (d))	NA	25-Jan-13
USD 50,000 (AED 183,914)	183,914	Bullet (refer note (d))	NA	10-May-14
USD 33,000 (AED 121,240)	55,201	Half yearly (refer note (d))	8-Mar-10	8-Sep-13
LBP 180,000,000 (AED 441,000)	42,430	Annual (refer note (f))	30-Jul-15	30-Jan-22
AED 55,080	22,049	Quarterly	31-Mar-12	31-Dec-15
AED 100,000	18,750	Quarterly	31-Dec-08	30-Sep-12
AED 615,228	198,155	Semi Annual	21-Jul-14	21-Jul-16
USD 832,500 (AED 3,057,723)	963,921	Semi Annual	21-Jul-14	21-Jul-16
USD 95,000 (AED 348,840)	150,593	Quarterly	31-Oct-09	31-Jul-13
AED 106,000	26,500	Quarterly	26-Jan-09	26-Oct-12
AED 368,000	276,000	Annual	26-Aug-11	26-Aug-14
USD 125,000 (AED 459,108)	457,403	Bullet	NA	3-Aug-12
AED 300,000	175,000	Semi Annual	6-Sep-09	6-Mar-15
AED 275,000	206,083	Quarterly	24-Apr-11	25-Oct-14
USD 208,000 (AED 763,984)	581,498	Quarterly	15-Nov-11	15-Aug-14
Total	9,649,168			

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Notes to the consolidated financial statements (continued)

26) Long term loans (continued)

The above loans are obtained at margins ranging from 0.5% to 3.5% (2010: 1.0% to 3.3%) over the base lending rate, whilst two loans are fixed at 6.5% and one loan is fixed at 6% (2010: 6.5% for three loans and 6% for one loan). For loans obtained in the UAE, the base lending rate used is generally EIBOR / LIBOR. Certain loans obtained by overseas subsidiaries are based on CAIBOR and Treasury Bill rates.

The amount of AED 2,074.5 million (2010: AED 2,038.0 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 a shopping mall in Muscat including land, buildings and equipment but excluding fit-outs and equipment owned by tenants; and
 - ii) Assignment of all insurance policies related to the fixed assets of a shopping mall in Muscat.
- b) The loan facility of AED 1,139.0 million is secured by way of assignment of lease rentals of a shopping mall in UAE.
- c) The USD 300 million loan obtained by a subsidiary in Bahrain is secured against a first ranking mortgage over the property of a shopping mall in Bahrain, 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.
- d) The USD 133 million loans of a subsidiary in Egypt are secured by way of bank guarantees.
- e) The USD 600 million loan facility is secured by a mortgage on the land and assignment of insurance policies of the property and future lease rentals of a shopping mall in UAE.
- f) The loan facilities of AED 441.0 million and AED 202.0 million were obtained by a subsidiary in Lebanon during 2011 and are secured by way of a first ranking charge over the plot on which the shopping mall is under construction and assignment of future lease rentals of the shopping mall.
- g) The facility is secured by way of a first degree mortgage over land and building of a shopping mall in UAE, assignment of insurance of insurance policies of the property and future lease rentals of the shopping mall.
- h) Other than the securities referred to above, the remaining loans are unsecured.
- i) The carrying value of properties mortgaged against the above loans aggregates to AED 8,049.7 million (2010: AED 7,534.7 million).

27) Share capital and reserves

27.1) Share capital

	2011	2010
	AED'000	AED'000
Issued and fully paid 2,486,729 shares of AED 1000/- each	2,486,729	2,486,729
	2,486,729	2,486,729

27.2) Statutory reserve

In accordance with the respective Articles of Association of the 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 the individual entities. This reserve can be utilized only in the manner specified under the relevant laws and is not available for distribution. During the current year, the entities in the Group have transferred an aggregate amount of AED 47.5 million to statutory reserve (2010: AED 54.4 million). The balance at the year-end represents the aggregate amounts of the statutory reserves of the individual entities in the Group.

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Majid Al Futtaim Holding LLC (formerly Majid Al Futtaim Group LLC)

Notes to the consolidated financial statements (continued)

27) Share capital and reserves (continued)

27.3) Hedging reserve

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

27.4) Currency translation reserve

The currency translation reserve comprises all foreign currency differences arising from the translation of the financial statements of foreign operations.

28) Taxation

Current tax expenses

	2011	2010
	AED'000	AED'000
Current period	66,377	59,771
Adjustment for prior periods	-	1,739
Tax expense for the year	66,377	61,510
Deferred tax expenses		
Origination / (reversal) of temporary differences	(63,215)	17,383
Increase in tax rates	(2,776)	-
	(65,991)	17,383
Net tax charge	386	78,893

Reconciliation of effective tax rate	2011	2011	2010	2010
	%	AED '000	%	AED '000
Profit / (loss) for the year		761,196		(144,184)
Income tax charge - net		386		78,893
Profit / (loss) before income tax	-	761,582	-	(65,291)
Income tax using the Company's domestic tax rates	0.00%	-	0.00%	-
Effect of tax rates in foreign jurisdictions	8.92%	67,900	-88.72%	57,926
Non-deductible expenses	-0.19%	(1,452)	-2.83%	1,845
Deferred tax on revaluation (gains) / losses	-8.30%	(63,215)	-26.62%	17,383
Increase in tax rates	-0.36%	(2,776)	0.00%	-
Under provided in prior periods	-0.01%	(71)	-2.66%	1,739
Total	0.05%	386	-120.83%	78,893

Income tax recognised directly in equity	2011	2010
	AED'000	AED'000
Deferred tax credit on revaluation loss on property, plant and equipment	(11,344)	(19,333)
Total income tax recognised directly in equity	(11,344)	(19,333)

Deferred tax liability

	2011	2010
	AED'000	AED'000
At 1 January	193,056	195,978
(Credited) / charged to profit or loss	(64,706)	19,247
Writeback to equity	(11,344)	(19,333)
Foreign currency translation difference from foreign operations	(5,967)	(2,836)
At 31 December	111,039	193,056

Consolidated Financial Statements for the year ended 31 December 2011
Majid Al Futtaim Holding LLC (formerly Majid Al Futtaim Group LLC)

Notes to the consolidated financial statements (continued)

28) 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.

For the year ended 31 December 2011, a deferred tax reversal of AED 64.7 million (2010: a deferred tax charge of AED 19.2 million) is included in profit or loss in respect of the taxable temporary difference of AED 358.6 million (2010: AED 104.7 million) in respect of investment property. A deferred tax credit of AED 11.3 million (2010: AED 19.3 million) has been credited to equity for the reversal of taxable temporary differences of AED 56.7 million (2010: AED 96.6 million) in respect of property, plant and equipment.

The subsidiaries' tax assessments for the previous years have not been finalized by the tax authorities. The management consider that additional taxes, if any, that may become payable on the finalization of the assessments of the open tax years would not be significant to the subsidiaries' financial position at 31 December 2011.

	2011	2010
	AED'000	AED'000
At 1 January	1,864	-
Deferred tax charged to profit or loss	(1,491)	1,864
Foreign currency translation difference from foreign operations	(70)	-
	303	1,864

Deferred tax asset of AED nil (2010: AED 1.86 million) is recognized by a subsidiary of Group in Egypt at the enacted tax rate of 20%. AED 1.61 million is recognized in respect of reduction in corporate tax liability due to the deduction in 2009 and 2010 resulting from the new property tax law and AED 0.25 million is recognized in respect of carry forward of tax losses of AED 1.28 million.

29) 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 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.

Due from related parties:

	2011	2010
	AED'000	AED'000
The Egypt Emirates Mall Group SAE	37,039	52,405
Majid Al Futtaim Trust LLC	1,013	-
Aya Real Estate Investment BSC	2,983	2,983
Yenkit Tourism Development	28,900	28,900
City Centre Essa Town Co. WLL	10,938	10,938
Al Mamzar Island Development LLC	5,829	2,582
Arzanah Mall LLC	3,171	3,171
Waterfront City SARL	19,410	-
Majid Al Futtaim Capital LLC	5,804	1,813
Others	7,924	5,371
Provision for doubtful receivables from related parties	(35,670)	(35,670)
	87,341	72,493

Consolidated Financial Statements for the year ended 31 December 2011
Majid Al Futtaim Holding LLC (formerly Majid Al Futtaim Group LLC)

Notes to the consolidated financial statements (continued)

29) Related party transactions (continued)

Due to related parties:

	2011	2010
	AED'000	AED'000
Carrfour group companies	26,945	15,933
Others	45,399	46,934
	72,344	62,867

Compensation to key management personnel

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

	2011	2010
	AED'000	AED'000
Directors' fees and expenses	11,100	15,322
Employee benefits (salaries and allowances including provision for bonus)	62,057	69,066
Post employment benefits (provision for end of service benefits)	1,788	2,655
	74,945	87,043

29.1) Discontinued operations

On 21 July 2010, the Company had entered into an agreement with Majid Al Futtaim Trust LLC, a company under the common control of the Parent Company, to dispose-off the investment in a wholly owned subsidiary, Majid Al Futtaim Asset Management Holdings LLC, (MAFAM), at the agreed purchased consideration of AED 22 million.

The operating results for the year from discontinued operations are as follows:

	At the the date of disposal
	AED'000
Cash and cash equivalents	49,022
Receivables and prepayments	5,406
Due from related parties	-
Furniture, fixtures and equipment	2,916
Total assets	57,344
Due to related parties	-
Payables and accruals	(12,167)
Net assets	45,177
Less: consideration received	(22,000)
Loss on disposal	23,177

The above loss on disposal was recognized directly in equity as it was incurred on a transaction under the common control of the Parent Company.

Consolidated Financial Statements for the year ended 31 December 2011

Majid Al Futtaim Holding LLC (formerly Majid Al Futtaim Group LLC)

Notes to the consolidated financial statements (continued)

30) Financial instruments

Financial assets of the Group include investment in equity, investment in bonds, 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.

30.1) Financial risk management objectives and policies

The Board of Directors of Majid Al Futtaim Holding LLC has the overall responsibility for the management of risk throughout its Group companies. The Board establishes and regularly reviews the Company's risk management strategy, policies and procedures to ensure that they are in line 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). The Group has constituted Audit Committees within the board of directors of Majid Al Futtaim Holding'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.

30.2) 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 and net investment in finance leases.

Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. Majority of the Group's income is by way of cash and advance receipts and 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. Amounts due from related parties are considered by management to be fully recoverable.

The credit risk management framework of the Group in relation to finance leases includes:

- Adhering to credit policies which are formulated by a separate Credit Department and reviewed and approved by the Board's Executive Committee. The Credit Department is responsible for overseeing the Company's credit risk, with direct reporting to the Managing Director;
- Monitoring credit policies and guidelines on a regular basis to incorporate any changes in the regulatory requirements or to improve upon the existing practices;
- Establishing authorization structure and limits of credit approval and renewal of financing facilities;
- Reviewing and assessing credit exposures in accordance with authorization structure and limits, prior to financing facilities being committed to lessees. Renewing of financing facilities are subject to the same review process;
- Diversifying of lending activities to avoid undue concentration of risks with individuals, groups or specific industry segments;
- Limiting concentration of exposures to industry segments and type of assets; and
- Reviewing of compliance, on an ongoing basis, with established exposure limits relating to the industry segments and assets types and review of limits in accordance with management strategy and market trends.

Credit risk on gross amounts due in relation to investment in finance leases is further mitigated by the retention of title on leased assets, security deposits and maintaining an allowance for potential lease losses.

Consolidated Financial Statements for the year ended 31 December 2011
Majid Al Futtaim Holding LLC (formerly Majid Al Futtaim Group LLC)

Notes to the consolidated financial statements (continued)

30) Financial instruments (continued)

30.2) Credit risk (continued)

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 2011 AED'000	Carrying amount 2010 AED'000
FVPL financial assets	90,884	7,600
Short term loan to a related party	-	9,057
Net investment in finance leases	254,929	246,097
Trade receivables	322,238	261,909
Other receivables	317,746	296,456
Due from related parties	87,341	72,493
Cash at bank	2,252,842	2,138,945
Derivative financial assets	1,689	-
	3,327,669	3,032,557

30.3) 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 2011

<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	4,922,388	6,065,202	539,864	392,037	1,129,114	2,321,581	1,682,606
Other loans and borrowings	4,731,771	5,176,191	394,263	520,657	1,648,433	2,612,838	-
Short term loan from related party	303,000	309,363	-	309,363	-	-	-
Trade and other payables	4,323,848	4,323,848	-	4,299,637	24,211	-	-
Due to related parties	72,344	72,344	-	72,344	-	-	-
Derivative financial liability for risk management							
-Interest rate swaps options designated as cashflow hedges*	74,959	79,530	4,888	14,623	27,896	32,123	-
-Interest rate swaps accounted as FVPL	28,833	31,960	2,964	2,346	4,748	21,902	-
-Forward exchange contracts accounted as FVPL **	2,497	2,497	2,497	-	-	-	-
-Interest rate swaps designated as cashflow hedges	85,611	89,751	13,750	12,721	22,820	40,460	-
-Interest rate collars designated as cashflow hedges	125,955	143,636	28,517	20,505	28,150	55,800	10,664
Total	14,671,206	16,294,322	986,743	5,644,233	2,885,372	5,084,704	1,693,270

* The carrying value of interest rate swap option designated as cashflow hedges is stated net of AED 1.7 million being positive fair value of certain derivatives. Also refer note 20.

Consolidated Financial Statements for the year ended 31 December 2011
Majid Al Futtaim Holding LLC (formerly Majid Al Futtaim Group LLC)

Notes to the consolidated financial statements (continued)

30) Financial instruments (continued)

30.3) Liquidity risk (continued)

As at 31 December 2010

<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	5,126,183	6,325,629	543,977	365,209	781,319	2,403,825	2,231,299
Other loans and borrowings	5,384,994	5,849,931	255,000	1,167,477	3,081,512	1,346,302	-
Trade and other payables	3,994,807	3,994,807	-	3,942,687	52,120	-	-
Due to related parties	62,867	62,867	-	62,867	-	-	-
Derivative financial liabilities							
-Forward exchange contracts accounted as FVPL **	1,934	1,934	1,934	-	-	-	-
-Interest rate swaps designated as cashflow hedges	80,198	86,459	16,404	15,254	24,745	28,396	1,660
-Interest rate collars designated as cashflow hedges	138,548	166,206	46,452	38,063	46,493	34,706	492
Total	14,789,531	16,487,833	863,767	5,591,557	3,986,189	3,813,229	2,233,451

** Forward exchange contracts have been disclosed separately as part of contractual cashflows in the above disclosure. As at 31 December 2011, the liability for these derivatives has been included in other payables (refer note 23).

Funding and liquidity

At 31 December 2011, the Group has net current liabilities of AED 3,438.8 million (2010: AED 2,953.8 million) which includes debt maturing in the short-term of AED 2,074.5 million (2010: AED 2,038.0 million). Furthermore, at 31 December 2011 debt maturing in the long term is AED 7,574.7 million (2010: AED 8,462.1 million). Furthermore, during 2012, the Group expects to incur interest cost of AED 808.0 million and committed capital expenditure of AED 1,100 million.

To meet the above commitments the Group has existing undrawn facilities of AED 3,562.0 million, cash in hand at 31 December 2011 of AED 2,395.3 million and it expects to generate cash from operations of AED 3,400.0 million in 2012. At 31 December 2011, the Group is in compliance with all covenants under its credit facilities.

In addition to the existing undrawn facilities, the Group has issued Sukuk (Sharia compliant debt instrument) amounting to AED 1,469 million. These Sukuk, listed on London Stock Exchange, were issued subsequent to the year end and the proceeds were received before the signing of these consolidated financial statements. The total facility of these Sukuk is USD 1.0 billion.

During the year the Group has also setup a Global Medium Term Note Program for USD 2.0 billion. This program is listed at the London Stock Exchange.

30.4) 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 profit or loss in relation to its exposure to interest rate risk.

30.4.1) 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 reporting date. Where necessary, forward exchange contracts are rolled over at maturity.

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Majid Al Futtaim Holding LLC (formerly Majid Al Futtaim Group LLC)

Notes to the consolidated financial statements (continued)

30) Financial instruments (continued)

30.4) Market risk (continued)

Foreign currency risk (continued)

Foreign currency sensitivity analysis

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

30.4.2) Interest rate risk

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

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

	2011	2010
	AED'000	AED'000
Fixed rate instruments		
Financial assets	729,399	384,547
Financial liabilities	(638,782)	(737,883)
	90,617	(353,336)
Variable rate instruments		
Financial assets	-	-
Financial liabilities*	(9,313,386)	(9,773,294)
	(9,313,386)	(9,773,294)

* Variable rate financial liabilities include loans of AED 3,892.8 million (2010: AED 2,334.7 million) for which interest rate risk is hedged by way of interest rate swaps and options, and interest rate collars.

Sensitivity analysis for variable rate instruments

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

	Increase / (decrease) in basis points	Effect on pre-tax profit or loss		Effect on other comprehensive income	
		Increase / (decrease)		Increase / (decrease)	
		December 2011	December 2010	December 2011	December 2010
Variable rate instrument	+ 100	(90,271)	(83,515)	-	-
Interest rate swaps and options designated as cashflow hedges	+ 100	38,928	23,347	87,863	24,933
Interest rate swaps accounted as FVPL	+ 100	42,934	-	-	-
Interest rate collar	+ 100	7,863	5,575	32,344	53,832
Cash flow sensitivity (net)		(546)	(54,593)	120,207	78,765
Variable rate instrument	- 100	90,271	83,515	-	-
Interest rate swaps and options designated as cashflow hedges	- 100	(38,928)	(23,347)	(86,128)	(34,658)
Interest rate swaps accounted as FVPL	- 100	(35,176)	-	-	-
Interest rate collar	- 100	-	-	(45,029)	(45,714)
Cash flow sensitivity (net)		16,167	60,168	(131,157)	(80,372)

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Majid Al Futtaim Holding LLC (formerly Majid Al Futtaim Group LLC)

Notes to the consolidated financial statements (continued)

30) Financial instruments (continued)

30.5) Fair values

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 recognized valuation models for determining the fair value of common and simpler financial instruments such as 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.

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:

	2011	2010
Derivatives	0.25% to 5.00% p.a.	0.29% to 3.05% p.a.
Borrowings	0.25% to 7.00% p.a.	0.29% to 3.05% p.a.

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Majid Al Futtaim Holding LLC (formerly Majid Al Futtaim Group LLC)

Notes to the consolidated financial statements (continued)

30) Financial instruments (continued)

30.6) 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)	
			2011 AED'000	2010 AED'000
Interest rate swap	30-Nov-2016	30-Nov-2006	(85,611)	(80,198)
Interest rate swap options				
	2-Feb-2014	2-Feb-2012	(3,302)	-
	23-Apr-2015	23-Apr-2012	(6,859)	-
	5-Mar-2015	5-Mar-2012	(7,143)	-
	23-Apr-2015	23-Apr-2012	(6,290)	-
	23-Apr-2015	23-Apr-2012	(6,522)	-
	23-Apr-2015	23-Apr-2012	(5,635)	-
	23-Apr-2015	23-Apr-2012	(5,876)	-
	12-Mar-2016	12-Mar-2012	(17,012)	-
	12-Mar-2016	12-Mar-2012	(16,320)	-
			(74,959)	-
Interest rate collar	9-Jul-2012	9-Jul-2007	(13,135)	(34,519)
	25-Jul-2011	25-Jul-2007	-	(8,467)
	8-Aug-2010	8-Aug-2007	-	-
	28-Aug-2011	28-Aug-2007	-	(9,684)
	31-Mar-2018	30-Sep-2008	(112,820)	(85,878)
			(125,955)	(138,548)
Total			(286,525)	(218,746)

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 2011

AED'000	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 and options:							
Liabilities	(160,570)	(169,281)	(18,638)	(27,344)	(50,716)	(72,583)	-
Interest rate collars:							
Liabilities	(125,955)	(143,636)	(28,517)	(20,505)	(28,150)	(55,800)	(10,664)
	(286,525)	(312,917)	(47,155)	(47,849)	(78,866)	(128,383)	(10,664)

As at 31 December 2010

AED'000	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 and options:							
Liabilities	(80,198)	(86,459)	(16,404)	(15,254)	(24,745)	(28,396)	(1,660)
Interest rate collars:							
Liabilities	(138,548)	(166,206)	(46,452)	(38,063)	(46,493)	(34,706)	(492)
	(218,746)	(252,665)	(62,856)	(53,317)	(71,238)	(63,102)	(2,152)

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Majid Al Futtaim Holding LLC (formerly Majid Al Futtaim Group LLC)

Notes to the consolidated financial statements (continued)

30) Financial instruments (continued)

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

	2011	2010
	AED '000	AED '000
Interest bearing loans and borrowings	9,957,159	10,511,177
Share capital	2,486,729	2,486,729
Other reserves	3,682,473	3,282,412
Revaluation reserve	13,294,689	12,213,802
Non-controlling interest	524,008	427,488
Total equity	19,987,899	18,410,431
Gearing ratio	50%	57%

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:

	2011	2010
	AED '000	AED '000
Paid-up capital	150,000	150,000
Reserves	55,884	50,783
Total equity	205,884	200,783
Total borrowing	45,790	77,269
Total funds available	251,674	278,052
Capital ratio	82%	72%

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Notes to the consolidated financial statements (continued)

31) Acquisition of non-controlling interest

Majid Al Futtaim Finance LLC

On 18 March 2010, the Group entered into a Share Sale and Purchase Agreement with Orix Corporation and JCB International Co. Ltd (“the Sellers”) to purchase the remaining 40% share capital of Majid Al Futtaim Finance LLC (24,000 shares at AED 1,000 per share) from the Sellers. In return, the Group paid the Sellers a total consideration of AED 12.0 million (AED 9.0 million to Orix Corporation and AED 3.0 million to JCB International Co. Ltd.). Accordingly, the Group’s equity interest in Majid Al Futtaim Finance LLC increased from 60% to 100%.

The following summarizes the consideration transferred, and the recognized amounts of assets acquired and liabilities assumed at the acquisition date:

	2010
	AED’000
Consideration transferred	12,000
Less: Identifiable net assets acquired	1,623
Excess of consideration paid over the identifiable net assets acquired	10,377

The excess of consideration over the net assets acquired amounting to AED 10.2 million was recorded as debit to retained earnings.

Majid Al Futtaim Cinemas LLC

On 21 October 2010, the Group entered into a Share Purchase Agreement with Greater Union Holdings Limited to purchase the remaining 49% shareholding in Majid Al Futtaim Cinemas LLC (27,903 shares at AED 1,000 per share) from Amalgamated Holding Limited for a purchase price of AED 283.0 million. Accordingly, the Group’s equity interest in Majid Al Futtaim Cinemas LLC increased from 51% to 100%.

The following summarizes the consideration transferred, and the recognized amounts of assets acquired and liabilities assumed at the acquisition date:

	2010
	AED’000
Consideration transferred	283,000
Less: Identifiable net assets acquired	44,880
Excess of consideration paid over the identifiable net assets acquired	238,120

The excess of consideration over the net assets acquired amounting to AED 238.1 million was recorded as a debit to retained earnings.

32) Contingent liabilities, guarantees and commitments

Capital commitments of the Group at 31 December 2011 amounted to AED 4,465.3 million (December 2010: AED 4,333.5 million).

Letters of credit contracts outstanding at 31 December 2011 amounted to AED 0.95 million (2010: AED nil) and forward contracts amounted to AED 2.50 million (2010: AED 1.95 million).

At 31 December 2011, guarantees of AED 55.0 million (2010: AED 14.0 million) remained outstanding.

A legal case had been brought against one of the subsidiaries of the Group in prior years by the former lessor of a hypermarket operated by the subsidiary for termination of the lease agreement. The plaintiff had filed a legal suit against the subsidiary for the early closure of the store prior to completion of the lease agreement. This case has been dismissed by the court for lack of jurisdiction on the grounds that all disputes were to be resolved through arbitration as per the lease agreement. The subsidiary has filed a case against the landlord to force them to accept the arbitration and the matter is currently subjudice.

Management is of the view that currently there is no significant financial implication arising from these legal cases. Accordingly, no provision has been recorded for these legal cases in the books of accounts.

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Notes to the consolidated financial statements (continued)

33) 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:

	2011 AED'000	2010 AED'000
Less than one year	1,561,996	1,366,055
Between one and five years	5,120,257	4,580,178
More than five years	529,744	1,006,382
Total	7,211,997	6,952,615

b) Leases as lessee

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

	2011 AED'000	2010 AED'000
Less than one year	315,296	246,104
Between one and five years	1,376,176	1,138,737
More than five years	3,560,144	3,302,470
Total	5,251,616	4,687,311

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

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:

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.

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Majid Al Futtaim Holding LLC (formerly Majid Al Futtaim Group LLC)

Notes to the consolidated financial statements (continued)

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

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%.

Properties built on gifted land

Certain properties have been developed on land gifted to the majority shareholder of the Parent Company, personally, rather than Majid Al Futtaim Properties LLC, a subsidiary. These properties are held in the name of the majority shareholder for the beneficial interest of the Group.

Properties which are built on land gifted by the Ruler of Dubai, cannot currently be sold or finance leased, separately, without the prior consent of the ruler. On 15 March 2010, the Ruler of Dubai issued a decree which allows each UAE national, who has been granted industrial or commercial land, to apply to the Land and Properties Department ("the Department") to request for free ownership of the land (and obtain a title deed with freehold status for the plot), that is free from any restrictions over the use of the land by registering it in the real estate register for a fee of 30% of the market value of the land, which will be determined by the Department on the date of the transfer of ownership. Upon issuance of this decree, the Group can transfer the legal title and register the properties constructed on gifted land in its name. Management is of the view that until the decision to register the properties is formally taken by the Board of Directors of Majid Al Futtaim Properties LLC, the properties will continue to be classified as property, plant and equipment if a significant 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%.

Vacant lands in Egypt and Syria

External valuers were unable to value the vacant lands in Egypt (including three plots owned by a JV) and Syria in view of the current political and economic situation, civil unrest and the lack of comparable market transactions. Due to these reasons and considering the decline in fair value of other operating properties in Egypt, management has internally assessed the value of these lands and a reduction in value has been recognised in the current year.

Fair value of properties

Fair value of undeveloped land and other developed properties at the reporting date is determined every year at the reporting date by independent external RICS Chartered Surveyors and Valuers having sufficient current local and national knowledge of the respective property markets. The valuation has been prepared in accordance with the RICS Valuation Standards, Sixth Edition. 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.

Fair value 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.

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Notes to the consolidated financial statements (continued)

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

Fair value of properties (continued)

The fair valuation of properties constructed on gifted land reflects management's interpretation of the relevant decree and assumes that the titles are transferable to the Group within a reasonable time scale.

The current volatility in the global financial system has created a significant degree of turbulence in commercial real estate markets across the world. Furthermore, the lack of liquidity in the capital markets means that it may be very difficult to achieve the sale of property assets in the short term.

Apportionment of fair values between land and buildings

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

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

Staff terminal benefits

The Group's liability for staff terminal benefits qualifies as a defined benefit plan under IAS 19. The Group's net obligation in respect of staff terminal benefits is calculated by estimating the amount of future benefits that employees have earned in return for their services in the current and prior years, and is discounted to determine the present value of the obligation. The discount rate used is the yield at the reporting date on premium bonds that have maturity dates approximating the terms of the Group's obligations.

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

Discount rate	3.25 - 5.00%
Future salary increase	4.00 - 5.00 %

Impairment

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

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 judgments about counterparty's financial situation and the net realizable 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.

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 salability of the product and the net realizable value for such product. Accordingly, provision is made where the net realizable value of inventories is less than cost based on best estimates by the management. The provision for obsolescence of inventory is based on the ageing and past movement of the inventory.

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Notes to the consolidated financial statements (continued)

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

Valuation of financial instruments

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

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
Financial assets				
Derivative held for interest rate risk management	1,689	-	1,689	-
Investments held at fair value through profit and loss	90,884	-	90,884	-
	92,573	-	92,573	-
Financial liabilities				
Derivative held for interest rate risk management	319,544	-	319,544	-
	319,544	-	319,544	-

During the year, 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.

	Carrying amount AED '000	Level 1 AED '000	Level 2 AED '000	Level 3 AED '000
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	220,680	-	220,680	-
	220,680	-	220,680	-

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Notes to the consolidated financial statements (continued)

35) Syria sanctions and representation

The Group has adopted a policy of compliance with US sanctions in relation to its operations in Syria. Management has identified several areas to protect Group and its employees from this sanctions regime, including recusing employed US persons, which includes Senior Executives and Statutory Managers from representations in relation to the Group's activities in Syria and these consolidated financial statements.

36) Subsequent events

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

37) Subsidiaries, associate and joint ventures

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%
Majid Al Futtaim Retail LLC	U.A.E.	100%
Majid Al Futtaim Ventures LLC	U.A.E.	100%
Majid Al Futtaim Fashions LLC	U.A.E.	100%
Majid Al Futtaim Healthcare LLC	U.A.E.	100%
Majid Al Futtaim Properties Lebanon LLC (formerly 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 Investments Mirdiff LLC	U.A.E.	100%
MAM Investments LLC	U.A.E.	100%
Fujairah City Centre Investment LLC	U.A.E.	62.50%
Majid Al Futtaim Hypermarkets LLC	U.A.E.	75%
Al Saqr Hypemarket LLC	U.A.E.	75%
Majid Al Futtaim Orix Finance PJSC	U.A.E.	60%
Majid Al Futtaim Cinemas LLC	U.A.E.	100%
Majid Al Futtaim Finance LLC	U.A.E.	100%
Majid Al Futtaim Shopping Malls KSA	Saudi Arabia	100%
Saudi Hypermarkets LLC	Saudi Arabia	100%
Majid Al Futtaim Fashion KSA	Saudi Arabia	75%
International Property Services LLC	Oman	100%
Arabian Entertainment Services LLC	Oman	100%
Majid Al Futtaim Hypermarkets Oman LLC	Oman	75.25%
Majid Al Futtaim Fashion Qatar LLC	Qatar	100%
Majid Al Futtaim Hypermarkets Qatar WLL	Qatar	75%
Majid Al Futtaim Properties Lebanon Holding SAL	Lebanon	100%
Majid Al Futtaim Properties Management Services SARL	Lebanon	100%
MAF Lebanon for Commercial and Real Estate Investments SARL	Lebanon	100%
Suburban Development Company SAL	Lebanon	96.3%
MAF Lebanon Holding SAL	Lebanon	100%

Consolidated Financial Statements for the year ended 31 December 2011
Majid Al Futtaim Holding LLC (formerly Majid Al Futtaim Group LLC)

Notes to the consolidated financial statements (continued)

37) Subsidiaries, associate and joint ventures (continued)

Subsidiaries (continued)	Country of incorporation	Effective ownership%
MAF Misr for Commercial and Real Estate Investment Company SAE	Egypt	100%
MAF for Installation and Management of Hypermarkets SAE	Egypt	75%
MAF Investments Bahrain BSC	Bahrain	100%
Majid Al Futtaim Fashion Bahrain (SPC)	Bahrain	100%
MAF Hypermarkets Bahrain SPC	Bahrain	75%
Majid Al Futtaim Fashion Ready Wear W.L.L.	Kuwait	100%
MAF Retail Kuwait Central Markets WLL	Kuwait	99.9%
Majid Al Futtaim Fashion Cyprus	Cyprus	100%
Bab Al Madina Company Property Investment Limited	Yemen	51%
Majid Al Futtaim Hypermarkets Jordan LLC	Jordan	75%
MAF Investments Syria LLC	Syria	100%
Majid Al Futtaim Lil Aswak Al Tijariah LLC	Syria	75%
MAF Hypermarkets Pakistan (Private) Limited	Pakistan	75%
MAF Pars Hypermarket PJSC	Iran	75%
MAF Hypermarket for Hypermarkets Limited	Iraq	75%
MAF Technological Systems LLC	(dormant) U.A.E.	100%
Majid Al Futtaim Hospitality LLC	(dormant) U.A.E.	100%
Majid Al Futtaim Shopping Malls LLC	(dormant) U.A.E.	100%
Majid Al Futtaim Development LLC	(dormant) U.A.E.	100%
Majid Al Futtaim Malls International LLC	(dormant) U.A.E.	100%
MAF for Real Estate Investment SAE	(dormant) Egypt	100%
Societe Tunisia WIFEK	(dormant) Tunisia	100%
Majid Al Futtaim North Africa SARL	(dormant) Tunisia	100%
Associate		
Enshaa PSC	U.A.E.	28.44%
Majid Al Futtaim Dalkia Middle East LLC	U.A.E.	51%
Joint ventures		
Sharjah Holding Company JSC (formerly Sharjah Real Estate Development Holding (Brajeel) JSC)	U.A.E.	50%
Al Mamzar Islands Development LLC	U.A.E.	50%
The Wave Muscat S.A.O.C	Oman	50%
Waterfront City SARL	Lebanon	50%
The Egypt Emirates Malls Group S.A.E	Egypt	50%
Aya Real estate Investment BSC	Bahrain	50%
City Centre Essa Town Co. WLL	Bahrain	50%
Bab Al Madina for Development and Mangement for Business Centres Company LLC	Libya	50%
Arzanah Mall LLC	U.A.E.	50%
Yenkit Tourism Development LLC	Oman	60%
Majid Al Futtaim IT Sugar LLC	U.A.E.	75%
Magic Planet WLL	Kuwait	50%

38) Comparatives

Certain comparative figures in the financial statements have been reclassified/rearranged for the better presentation in accordance with the requirements of International Financial Reporting Standards (IFRSs).