Consolidated Financial Statements
For the year ended 31 December 2012

MAJID AL FUTTAIM
HOLDING

Directors' report

The Directors' report and the audited consolidated financial statements of Majid Al Futtaim Holding LLC and its subsidiaries (collectively referred to as "the Group"), are presented for the year ended 31 December 2012. 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 23 March 2013.

Activities

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, fashion retailing, leisure and entertainment, credit cards operations, leasing and investment activities.

Financial Results

Consolidated revenue for the year was AED 20,824 million (2011: AED 18,731 million). The Group made a net profit of AED 1,676 million (2011: AED 761 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

Ian Davis (appointed on the Board effective May 2012)

Auditors

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

By the order of the Board

Company Secretary

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Independent Auditors' Report

The Shareholders
Majid Al Futtaim Holding LLC

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Majid Al Futtaim Holding LLC ("the Company") and its subsidiaries (collectively referred to as "the Group"), which comprise the consolidated statement of financial position as at 31 December 2012, 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 2012, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards.

KPMG

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; the financial statements comply, in all material respects, with the applicable requirements of the UAE Federal Law (8) of 1984 (as amended) and the Articles of Association of the Company; 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 2012, which may have had a material adverse effect on the business of the Company or its financial position.

KPMG

23 MAR 2013

Consolidated statement of financial position
At 31 December
In thousands of AED

	Notes	2012	2011
Tangible fixed assets			
Property, plant and equipment	5	19,706,397	19,431,166
Investment property	6	11,307,392	10,557,425
		31,013,789	29,988,591
Other non-current assets			
Investments	8	1,161,475	1,196,456
Net investment in finance leases	9	175,420	96,964
Long term prepaid lease premium - non-current portion	10	12,544	14,346
Long term loans and advances	11	94,598	34,106
Intangible assets	12	134,428	152,544
Deferred tax asset		-	303
		1,578,465	1,494,719
Total non-current assets		32,592,254	31,483,310
Current assets			
Short term loans to a related party	13	99,344	-
Development property	7	66,336	-
Inventories	14	965,801	884,137
Trade and other receivables	15	1,132,188	1,135,775
Due from related parties	24	146,830	73,484
Net investment in finance leases - current portion	9	207,543	157,965
Cash in hand and at bank	16	2,719,401	2,395,349
		5,337,443	4,646,710
Current liabilities			
Short term loan from related parties	17	177,000	303,000
Trade and other payables	18	5,504,592	5,493,651
Due to related parties	24	76,830	72,344
Other employment benefits payable - current portion	19	153,824	150,912
Bank overdraft	20	863	4,991
Current maturity of long term loans	21	720,403	2,074,485
		6,633,512	8,099,383
Net current liabilities		(1,296,069)	(3,452,673)
Non-current liabilities			
Long term loans	21	8,831,094	7,574,683
Deferred tax liabilities	22	117,075	111,039
Other long term liabilities	12	82,518	95,681
Other employment benefits payable - non-current portion	19	23,946	24,211
Provision for staff terminal benefits	23	298,865	237,124
Total non-current liabilities		9,353,498	8,042,738
Net assets		21,942,687	19,987,899
Equity			
Share capital	25	2,486,729	2,486,729
Statutory reserve		1,355,179	1,248,249
Revaluation reserve		14,051,364	13,294,689
Other reserves		3,466,142	2,434,224
Total equity attributable to the owners of the Group		21,359,414	19,463,891
Non-controlling interest		583,273	524,008
Total equity		21,942,687	19,987,899

The notes on pages 11 to 56 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: 23 MAR 2013

Iyad Malas

Majid Al Futtaim Holding LLC
Chief Executive Officer

Consolidated statement of comprehensive income
For the year ended 31 December
In thousands of AED

	Notes	2012	2011
Revenue	26	**20,824,257**	18,730,475
Cost of sales		**(14,218,662)**	(12,914,450)
Operating expenses	27	**(4,565,069)**	(4,052,422)
Net valuation gain / (loss) on land and buildings	6.1	**573,282**	(328,828)
Finance costs	28	**(598,922)**	(613,627)
Finance income	29	**81,916**	45,450
Other (expenses) - net	30	**(41,713)**	(18,249)
Impairment gain / (loss) - net	31	**8,156**	(71,055)
Share of loss in joint ventures & associate - net	8.3.3	**(32,110)**	(80,259)
Profit before tax		**2,031,135**	697,035
Income tax (charge) / credit	32	**(94,248)**	24,232
Profit after tax for the year from continuing operations		**1,936,887**	721,267
Discontinued operations			
(Loss) / gain from discontinued operations	33	**(260,703)**	**39,929**
Profit for the year		**1,676,184**	761,196
Profit for the year attributable to:			
- Owners of the Group		**1,531,897**	572,159
- Non-controlling interest		**144,287**	189,037
Profit for the year		**1,676,184**	761,196

Other comprehensive income:		
Profit for the year	**1,676,184**	**761,196**
Foreign currency translation differences from foreign operations	**(282,683)**	(102,811)
Foreign currency translation reserve transferred to profit or loss on disposal of subsidiaries (note 33)	**299,765**	-
Net change in fair value of cash flow hedges transferred to profit or loss	**87,906**	106,032
Effective portion of changes in fair value of cash flow hedges	**(97,006)**	(170,264)
Net gain on valuation of land and buildings (note 5.1)	**757,432**	1,162,904
Deferred tax liability (charged) / reversed on revaluation of land and buildings	**(757)**	11,344
Share of loss in joint ventures	**-**	(93,361)
Total other comprehensive income for the year	**764,657**	913,844
Total comprehensive income for the year	**2,440,841**	1,675,040
Total comprehensive income for the year attributable to:		
- Owners of the Group	**2,286,582**	1,489,907
- Non-controlling interest	**154,259**	185,133
Total comprehensive income for the year	**2,440,841**	1,675,040

The notes on pages 11 to 56 form part of these consolidated financial statements.

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

Consolidated statement of cash flows
For the year ended 31 December
In thousands of AED

	2012	2011
Profit for the year after tax	**1,676,184**	761,196
Adjustments:		
Finance income	**(81,916)**	(60,386)
Net valuation (gain) / loss on land and building	**(573,282)**	328,828
Finance costs	**598,922**	613,627
Depreciation	**920,576**	936,174
Tax charge / (credit) - net	**77,351**	41,759
Amortisation of lease premium and intangible assets	**21,354**	22,162
Project cost written off	**13,814**	3,762
Change in the fair value of investments in bonds	**(2,817)**	-
Share of loss in joint ventures and associates	**32,110**	80,259
Provision for potential lease losses	**-**	2,621
Impairment (reversal) / loss - net	**(8,156)**	71,055
Loss on disposal of non-current assets	**10,565**	4,553
Gain on disposal of assets held for sale	**-**	(2,787)
Provision for staff terminal benefits	**86,949**	79,293
Reclassification of currency translation differences on disposal of subsidiaries	**299,765**	-
Cash generated from operations	**3,071,419**	2,882,116
Changes to working capital		
Inventories	**(118,103)**	(166,702)
Trade and other receivables	**15,054**	(178,914)
Trade and other payables	**228,343**	540,457
Due from/to related parties - net	**(68,860)**	(5,371)
Payment of staff terminal benefits	**(25,208)**	(31,099)
	31,226	**158,371**
Cash inflow from operating activities	**3,102,645**	3,040,487

The notes on pages 11 to 56 form part of these consolidated financial statements.

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

Consolidated statement of cash flows (continued)
For the year ended 31 December
In thousands of AED

	2012	2011
Cash inflow from operating activities	**3,102,645**	**3,040,487**
Cash flow from Investing activities		
Acquisition of property, plant and equipment and investment property	**(1,516,333)**	(1,499,162)
Proceeds from sale of property, plant and equipment and investment property	**15,902**	37,117
Proceeds from the disposal of assets held for sale	**-**	5,333
Investment in joint ventures and associates	**(83,262)**	(145,000)
Investment in finance lease	**(128,034)**	(8,832)
Investments in bonds	**-**	(91,825)
Investment in fixed deposits	**(409,747)**	(235,000)
Cash transferred on disposal of subsidiaries	**(211,047)**	-
Payments against intangibles assets	**(24,724)**	(20,995)
Dividend received	**23,591**	-
Interest received	**11,086**	81,370
Cash used in investing activities	**(2,322,568)**	(1,876,994)
Cash flow from financing activities		
Short term loan granted to a related party	**(99,344)**	-
Short term loans repaid by a related party	**-**	9,057
Short term loans granted by related parties	**131,000**	354,000
Short term loans repaid to related parties	**(257,000)**	(51,000)
Long term loans received	**5,156,696**	3,305,708
Long term loan repaid	**(5,257,693)**	(4,155,503)
Interest paid	**(441,700)**	(618,373)
Dividend paid	**(93,603)**	(118,117)
Cash flow used in financing activities	**(861,644)**	(1,274,228)
Increase in cash and cash equivalents	**(81,567)**	**(110,735)**
Cash and cash equivalents at the beginning of the year	**1,551,202**	**1,661,937**
Cash and cash equivalents at the end of the year	**1,469,635**	**1,551,202**

Cash and cash equivalents comprise:		
Cash in hand and at bank (note 16)	**1,470,498**	1,556,193
Bank overdraft	**(863)**	(4,991)
	1,469,635	**1,551,202**

The notes on pages 11 to 56 form part of these consolidated financial statements.

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

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

					----------Other Reserves----------					
	Share capital	Revaluation reserve	Statutory reserve	Retained earnings	Hedging reserve	Currency translation reserve	Total other reserves	Attributable to equity holders of the Group	Non-controlling interest	Total
At 1 January 2011	2,486,729	12,213,802	1,200,722	2,358,230	(220,077)	(56,463)	2,081,690	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 (note 5)	-	1,162,904	-	-	-	-	-	1,162,904	-	1,162,904
Deferred tax liability reversed on revaluation on land and buildings (note 22)	-	11,344	-	-	-	-	-	11,344	-	11,344
Share of loss in Joint Ventures (note 8.3)	-	(93,361)	-	-	-	-	-	(93,361)	-	(93,361)
Net change in fair value of cash flow hedges transferred to profit or loss	-	-	-	-	106,032	-	106,032	106,032	-	106,032
Effective portion of changes in fair value of cash flow hedges	-	-	-	-	(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										
Contribution by and distributions to owners and other movements in equity										
Dividends declared and paid	-	-	-	-	-	-	-	-	(85,625)	(85,625)
Others	-	-	-	(8,959)	-	-	(8,959)	(8,959)	(2,988)	(11,947)
Transfer to statutory reserve	-	-	47,527	(47,527)	-	-	(47,527)	-	-	-
Total contribution by and distribution to owners	**-**	**-**	**47,527**	**(56,486)**	**-**	**-**	**(56,486)**	**(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)**	**2,434,224**	**19,463,891**	**524,008**	**19,987,899**

The notes on pages 11 to 56 form part of these consolidated financial statements.

Consolidated statement of changes in equity (continued)
For the year ended 31 December 2012
In thousands of AED

	Share capital	Revaluation reserve	Statutory reserve	Retained earnings	Hedging reserve	Currency translation reserve	Total other reserves	Attributable to equity holders of the Group	Non-controlling interest	Total
				----Other Reserves----						
At 1 January 2012	2,486,729	13,294,689	1,248,249	2,873,903	(284,309)	(155,370)	2,434,224	19,463,891	524,008	19,987,899
Total comprehensive income for the year										
Net profit for the year	-	-	-	1,531,897	-	-	1,531,897	1,531,897	144,287	1,676,184
Other comprehensive income							-	-		
Net gain on valuation of land and buildings (note 5)	-	757,432	-	-	-	-	-	757,432	-	757,432
Deferred tax liability reversed on revaluation on land and buildings (note 22)	-	(757)	-	-	-	-	-	(757)	-	(757)
Net change in fair value of cash flow hedges transferred to profit or loss	-	-	-	-	87,906	-	87,906	87,906	-	87,906
Effective portion of changes in fair value of cash flow hedges	-	-	-	-	(97,006)	-	(97,006)	(97,006)	-	(97,006)
Foreign currency translation reserve transferred to profit or loss on disposal of subsidiaries (note 33.1)	-	-	-	-	-	254,894	254,894	254,894	44,871	299,765
Currency translation differences in foreign operations	-	-	-	-	-	(247,784)	(247,784)	(247,784)	(34,899)	(282,683)
Total comprehensive income for the year	**-**	**756,675**	**-**	**1,531,897**	**(9,100)**	**7,110**	**1,529,907**	**2,286,582**	**154,259**	**2,440,841**
Transactions with owners recorded directly in equity										
Contribution by and distributions to owners and other movement in equity										
Dividends declared and paid	-	-	-	(386,889)	-	-	(386,889)	(386,889)	(93,603)	(480,492)
Others	-	-	-	(4,170)	-	-	(4,170)	(4,170)	(1,391)	(5,561)
Transfer to statutory reserve	-	-	106,930	(106,930)	-	-	(106,930)	-	-	-
Total contribution by and distribution to owners	**-**	**-**	**106,930**	**(497,989)**	**-**	**-**	**(497,989)**	**(391,059)**	**(94,994)**	**(486,053)**
At 31 December 2012	**2,486,729**	**14,051,364**	**1,355,179**	**3,907,811**	**(293,409)**	**(148,260)**	**3,466,142**	**21,359,414**	**583,273**	**21,942,687**

The notes on pages 11 to 56 form part of these consolidated financial statements.

Notes to the consolidated financial statements

1. LEGAL STATUS AND PRINCIPAL ACTIVITES

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

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

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

2. BASIS OF PREPARATION

(a) Statement of compliance

These 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.

These consolidated financial statements were authorized for issue by the Board of Directors on 23 March 2013.

(b) Basis of measurement

These consolidated financial statements have been prepared under the historical cost convention, except for the following which are measured at fair value:

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

(c) Functional and presentation currency

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

(d) Use of estimates and judgments

The preparation of these consolidated financial statements, in conformity with IFRS 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 period in which the estimate is revised and in any future periods 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 these consolidated financial statements are set out in the respective notes and are summarized in note 37.

Notes to the consolidated financial statements (continued)

3. SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements.

(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 2012.

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 these consolidated financial statements from the date that control commences until the date that control ceases.

Upon the loss of control, the Group derecognizes the assets and liabilities of the subsidiary, any non-controlling interests and the other components of equity related to the subsidiary. Any 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 re-measured 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.

The accounting policies of subsidiaries have been changed, where necessary to align them with the policies adopted by the Group. Losses applicable to non-controlling interests in a subsidiary are allocated to non-controlling interests even if doing so causes the non-controlling interests to have a deficit balance.

Associates

Associates are those entities in which the Group has significant influence, but not control, over the financial and operating policies. These consolidated financial statements include the Group's share of the 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 zero 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.

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 of accounting whereby the interest in the joint venture is initially recorded at cost (including transaction costs) 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 or 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.

Notes to the consolidated financial statements (continued)

3) SIGNIFICANT ACCOUNTING POLICIES (continued)

(a) Basis of consolidation (continued)

Special purpose entities

A special purpose entity ("SPE") is consolidated based on an evaluation of the substance of its relationship with the Group and where, based on the SPE's risk and rewards, the Group concludes that it controls the SPE. The SPE controlled by the Group is established under terms that impose strict limitations on the decision-making powers of the SPE's management and it results in the Group receiving the majority of the benefits related to the SPE's operations and net assets, being exposed to risks incident to the SPE's activities, and retaining the majority of the residual or ownership risks related to the SPE or its assets. The Group has established two SPEs (limited liability companies incorporated in the Cayman Islands) during the current year.

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.

Discontinued operations

A discontinued operation is a component of the Group's business, the operations and cash flows of which can be clearly distinguished from the rest of the Group and which:

- represents a separate major line of business or geographical area of operations;
- is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations; or
- is a subsidiary acquired exclusively with a view to re-sale.

Classification as a discontinued operation occurs on disposal or when the operation meets the criteria to be classified as held-for-resale, if earlier.

When an operation is classified as a discontinued operation, the comparative consolidated income statement is reclassified as if the operation has been discontinued from the start of the comparative year.

Transactions eliminated on consolidation

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

Notes to the consolidated financial statements (continued)

3) SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) Foreign currency

Foreign currency transactions

Transactions denominated in foreign currencies are translated into the respective functional currencies of the Group's 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 the 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 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.

(c) Property, plant and equipment

Recognition and measurement

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

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

Notes to the consolidated financial statements (continued)

3) SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) Property, plant and equipment (continued)

Recognition and measurement (continued)

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

Subsequent 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

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

Category of assets	***Useful life in years***
Buildings	4-50 years
Motor vehicles	4 years
Leisure rides and game	3-10 years
Furniture, fixtures and equipment	3-10years

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

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

Revaluation reserve

Any increase in value arising on the revaluation of 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 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.

Notes to the consolidated financial statements (continued)

3) SIGNIFICANT ACCOUNTING POLICIES (continued)

(d) Capital work in progress

Work in progress in respect of capital expenditure including land is classified as capital work in progress. Borrowing costs and other overheads directly attributable to the projects are included as costs until completion thereof. Where development work is carried out on land owned by the Group, the carrying value of the land is included under capital work in progress.

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

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

Development expenses are 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.

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.

(e) 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, less any impairment losses, until the earlier of the date that construction is completed or the date at which fair value becomes reliably measurable.

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

Reclassification

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

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

De-recognition

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

Notes to the consolidated financial statements (continued)

3) SIGNIFICANT ACCOUNTING POLICIES (continued)

(f) Development property

Properties in the process of construction or development for the purpose of sale on completion are classified as development properties. These are measured at lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

Cost of development property is determined on the basis of the cost of land plus construction costs incurred and includes borrowing costs capitalized.

When the use of a property changes such that it is reclassified as a development property from investment property, its fair value at the date of reclassification becomes its cost for subsequent accounting.

(g) Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalized as part of the cost of that asset. A qualifying asset is one that takes a substantial period of time to get ready for its intended use or sale. Capitalization of borrowing costs commences when the activities to prepare the asset are in progress and expenditures and borrowing costs are being incurred. Capitalization of borrowing costs continues until the assets are ready for the intended use. The capitalization rate is arrived at by reference to either the actual rate payable on specific borrowings for development purposes or, with regard to that part of the development cost financed out of general funds, the overall effective borrowing rate for the Group. Borrowing costs that do not meet the criteria of capitalization are recognized as expenses in the period in which they are incurred.

(h) Financial instruments

Classification

A financial instrument is any contract that gives rise to both a financial asset of the Group and a financial liability or equity instrument for another party. The Group principally classifies its financial assets at initial recognition in the following categories:

Financial assets at fair value through profit or loss: This category has the following two sub-categories; financial assets held for trading or designated to be fair valued through profit or loss at inception. 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.

Loans and receivables: Loans and receivables are non-derivative financial assets with fixed and determinable payments that are not quoted in an active market. These arise when the Group provides money directly to the counterparty with no intention of trading the receivable.

Initial recognition

Purchases and sales of investment securities are recognized on the trade date which is the date on which the Group commits to purchase or sell the securities. Loans and advances are recognized when cash is advanced to the counter party. Financial assets are initially recognized at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss.

Subsequent measurement

Financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables are carried at amortized cost using the effective interest method, less impairment allowances, if any. Gains and losses arising from changes in the fair value of the investments in the fair value through profit or loss category are included in profit or loss in the period in which they arise.

De-recognition

Financial assets are derecognized when the rights to receive cash flows from the financial assets have expired or where the Group has transferred substantially all the risks and rewards of ownership. A financial liability is derecognized when its contractual obligation is discharged, cancelled or expired.

Notes to the consolidated financial statements (continued)

3) SIGNIFICANT ACCOUNTING POLICIES (continued)

(h) Financial instruments (continued)

Fair value measurement principles

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction on the measurement date.

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

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

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

Fair value hierarchy

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. A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry, group, pricing service or regulatory agency, and those prices represent actual and regularly recurring market transactions on an arm's length basis.

Level 2: Valuation techniques based on observable inputs, either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments; 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 based on unobservable data and the unobservable inputs have a significant effect on the instrument's valuation. 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.

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. 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.

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.

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 the financial assets measured at amortized cost the reversal is recognized in the profit or loss.

Notes to the consolidated financial statements (continued)

3) SIGNIFICANT ACCOUNTING POLICIES (continued)

(h) Financial instruments (continued)

Impairment (continued)

Non-financial assets

The carrying amounts of the Group's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists then the asset's recoverable amount is estimated. An impairment loss is recognized if the carrying amount of an asset or its cash generating unit exceeds its recoverable amount. Impairment losses are recognized in profit or loss.

(i) Derivative financial instruments

Classification

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

Initial and subsequent measurement

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

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

Gains and losses on subsequent measurement

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

Hedging instruments

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

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

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

Hedge documentation

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

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

Notes to the consolidated financial statements (continued)

3) SIGNIFICANT ACCOUNTING POLICIES (continued)

(i) Derivative financial instruments (continued)

Hedge effectiveness testing

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

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

In case of a cash flow hedge, prospective hedge effectiveness is assessed by matching the critical terms of hedging instruments and hedged items.

Fair value hedges

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

Cash flow hedges

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

Discontinuance of hedge accounting

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

Hedges that do not qualify for hedge accounting

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

(j) Leases

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.

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.

Notes to the consolidated financial statements (continued)

3) SIGNIFICANT ACCOUNTING POLICIES (continued)

(j) Leases (continued)

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 lease losses is presented as a deduction from the gross amounts due under finance leases. 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.

(k) 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 other equity holders in their capacity as equity holders and therefore, goodwill is not recognized as a result of such transactions.

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

Goodwill is tested annually for impairment and 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.

Notes to the consolidated financial statements (continued)

3) SIGNIFICANT ACCOUNTING POLICIES (continued)

(k) Intangible assets (continued)

Other intangible assets

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

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

(l) Assets classified as held for sale

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

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

Once classified as held for sale, intangible assets and property, plant and equipment are no longer amortised or depreciated and any equity accounted investee is no longer equity accounted.

(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.

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.

(n) 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.

Notes to the consolidated financial statements (continued)

3) SIGNIFICANT ACCOUNTING POLICIES (continued)

(o) 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.

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

Discount rate	2.5 - 2.7%
Future salary increase	5.0 - 5.5%

(p) 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	2.5% - 2.7%
Annual rate of employees expected to leave scheme	5.0% - 5.5%

(q) Short term employee benefits

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

(r) Share capital

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

(s) Cash and cash equivalents

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

(t) Offsetting

Financial assets and liabilities are offset and the net amount is reported in the statement of financial position when, and only when, the Company has a legally enforceable right to set off the recognized amounts and it intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

Income and expenses are presented on a net basis only when permitted under IFRS, or of gains and losses arising from a group of similar transactions.

Notes to the consolidated financial statements (continued)

3) SIGNIFICANT ACCOUNTING POLICIES (continued)

(u) 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 following sources:

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 the 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.

Rebates and other supplier benefits

Income from rebates and other supplier benefits is recognised on an accrual basis, according to the agreements with suppliers. For the purpose of presentation, income from rebates is netted off from cost of sales. Income from other supplier benefits is included as part of revenue.

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. The agency relationship is established where the Group does not take title of the goods, has no responsibility in respect of the goods sold and the Group does not have control on the selling prices set by the supplier.

Loyalty programmes

The Group has 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.

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.

Notes to the consolidated financial statements (continued)

3) SIGNIFICANT ACCOUNTING POLICIES (continued)

(v) Finance income and expenses

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

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

(w) 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.

(x) 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

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

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.

Notes to the consolidated financial statements (continued)

3) SIGNIFICANT ACCOUNTING POLICIES (continued)

(y) 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 2012, 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 as these are not yet effective:

IFRS 7 (Amendment)	Financial Instruments: Disclosures	(effective 1 January 2013)
IFRS 10	Consolidated Financial Statements	(effective 1 January 2013)
IFRS 11	Joint Arrangements	(effective 1 January 2013)
IFRS 12	Disclosure of Interests in Other Entities	(effective 1 January 2013)
IFRS 9	Financial Instruments	(effective 1 January 2015)
IFRS 13	Fair Value Measurement	(effective 1 January 2013)
IAS 19 (Amendment)	Employee Benefits	(effective 1 January 2013)
IAS 27 (Amendment)	Separate Financial Statements	(effective 1 January 2013)
IAS 28 (Amendment)	Investments in Associates and joint ventures	(effective 1 January 2013)
IAS 32 (Amendment)	Financial Instruments : Presentation	(effective 1 January 2014)

Management has assessed the impact of new standards, amendments to standards and interpretations and amendments to published standards and concluded that they are either not relevant to the Group or their impact is limited to the disclosure and presentations requirement in the financial statements.

(z) 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. The operating results of all operating segments are reviewed regularly by senior management and the Board of Directors to make decisions about resources to be allocated to the segments and assess their performance, and for which discrete financial information is available.

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

The following summary describes the operations in each of the Group's reportable segments:

Properties: The principal activities includes investing in and operating and managing commercial projects including shopping malls, hotels, leisure and entertainment, acting as a holding company to various subsidiaries and investing in joint ventures and associates.

Retail: The principal activities include establishment and management of hypermarkets, and supermarket in accordance with the franchise agreement with Carrefour Partenariat International, a Carrefour SA affiliate.

Ventures: The principal activities include establishing, investing in and management of commercial projects. It also includes, through subsidiaries, the establishment and management of retail stores, leisure activities, credit cards, leasing activities and healthcare services.

Head office: The principal activities acting as the holding company of the Group's subsidiaries, arranging the Group's financing requirements and providing certain support services to the subsidiaries.

Notes to the consolidated financial statements (continued)

4. SEGMENT REPORTING

4.1 By business

The segment information (based on IFRS) provided to the Board of Directors for the reportable segments for the year ended 31 December 2012 are as follows:

Business segments:	Properties		Retail		Ventures		Head Office		Total		Eliminations/ Adjustments		Group (after eliminations)	
	2012 AED '000	2011 AED '000	2012 AED '000	2011 AED '000	2012 AED '000	2011 AED '000	2012 AED '000	2011 AED '000	2012 AED '000	2011 AED '000	2012 AED '000	2011 AED '000	2012 AED '000	2011 AED '000
Revenue														
Inter-segment	198,737	181,240	-	-	-	-	560,421	145,111	759,158	326,351	(759,158)	(326,351)	-	-
Others	2,950,590	2,576,614	17,061,605	15,430,253	809,505	723,608	2,557	-	20,824,257	18,730,475	-	-	20,824,257	18,730,475
Discontinued operations	-	-	736,305	859,346	-	-	-	-	736,305	859,346	-	-	736,305	859,346
Finance costs	(600,889)	(449,229)	(15,069)	(22,095)	(21,435)	(23,924)	(273,652)	(228,099)	(911,045)	(723,347)	312,123	109,720	(598,922)	(613,627)
Finance income	7,861	4,589	90,542	73,695	134	584	315,528	286,347	414,065	365,215	(332,149)	(319,765)	81,916	45,450
Depreciation	(556,146)	(600,710)	(266,553)	(232,794)	(61,322)	(62,376)	(844)	(1,314)	(884,865)	(897,194)	(35,711)	(38,980)	(920,576)	(936,174)
Share of (loss) / income in joint ventures & associates	(50,372)	(93,591)	-	-	18,262	13,332	-	-	(32,110)	(80,259)	-	-	(32,110)	(80,259)
Impairment - net	27,000	(45,403)	(15,390)	(19,285)	(3,454)	(6,367)	-	-	8,156	(71,055)	-	-	8,156	(71,055)
Income tax (charge) / credit	(54,860)	81,900	(68,475)	(63,135)	(500)	(424)	-	-	(123,835)	18,341	29,587	5,891	(94,248)	24,232
Profit/(loss) before tax	1,282,229	44,406	570,979	748,409	84,946	56,287	512,982	137,478	2,451,136	986,580	(420,001)	(289,545)	2,031,135	697,035
Net valuation gain / (loss) on land and buildings														
Recorded in profit or loss	548,642	(483,073)	-	-	-	-	-	-	548,642	(483,073)	24,640	154,245	573,282	(328,828)
Recorded in revaluation reserve	754,418	1,290,629	-	-	-	-	-	-	754,418	1,290,629	3,014	(127,725)	757,432	1,162,904
EBITDA	1,953,783	1,734,751	927,380	957,920	173,734	159,042	473,387	80,764	3,528,284	2,932,477	(520,183)	(127,238)	3,008,101	2,805,239
Capital expenditure	(934,100)	(937,221)	(433,187)	(492,511)	(148,429)	(69,247)	(617)	(183)	(1,516,333)	(1,499,162)	-	-	(1,516,333)	(1,499,162)
Total assets	31,760,042	30,814,956	5,120,065	4,830,166	1,256,720	981,960	10,881,498	10,139,335	49,018,325	46,766,417	(11,088,628)	(10,636,397)	37,929,697	36,130,020
Total liabilities	(9,336,374)	(10,023,917)	(3,359,948)	(3,370,715)	(1,051,995)	(861,460)	(7,322,749)	(6,693,624)	(21,071,066)	(20,949,716)	5,084,056	4,807,595	(15,987,010)	(16,142,121)

Notes to the consolidated financial statements (continued)

4.2 Revenue by geographical market

	2012	2011
	AED'000	AED'000
UAE (country of domicile)	**11,621,857**	10,587,895
Saudi Arabia	**1,790,915**	1,710,671
Egypt	**2,324,209**	1,870,359
Qatar	**1,643,530**	1,608,007
Oman	**1,163,505**	1,042,408
Jordan	**662,481**	592,703
Bahrain	**564,088**	494,622
Kuwait	**447,300**	426,790
Pakistan	**381,402**	236,062
Iraq	**123,981**	-
Lebanon	**19,271**	6,982
Georgia	**69,455**	-
Others	**12,263**	153,976
	20,824,257	18,730,475

4.3 Total assets by geographical region

	2012	2011
	AED'000	AED'000
UAE (country of domicile)	**27,584,265**	26,898,439
Bahrain	**3,021,988**	3,079,588
Egypt	**2,262,563**	1,439,297
Lebanon	**2,291,200**	-
Oman	**1,528,592**	1,501,120
Others *	**1,241,089**	3,211,576
	37,929,697	36,130,020

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

Notes to the consolidated financial statements (continued)

5. PROPERTY, PLANT & EQUIPMENT

	Land and buildings AED'000	Motor vehicles AED'000	Furniture fixtures and equipment AED'000	Capital work in progress AED'000	Total AED'000
Cost					
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	885,173	312	106,035	(991,520)	-
Gain on valuation of properties (note 5.1)	997,676	-	-	-	997,676
Accumulated depreciation eliminated on valuation	(562,283)	-	-	-	(562,283)
Effect of foreign exchange movements	(6,292)	(69)	(28,031)	(51,774)	(86,166)
At 31 December 2011	17,204,759	9,330	3,816,298	579,616	21,610,003
At 1 January 2012	**17,204,759**	**9,330**	**3,816,298**	**579,616**	**21,610,003**
Additions	**260,683**	**1,866**	**480,709**	**225,162**	**968,420**
Disposals / write offs / adjustments	**(38,927)**	**(533)**	**(77,914)**	**(3,383)**	**(120,757)**
Disposal of subsidiaries	**(34,769)**	**(145)**	**(76,219)**	**(309,070)**	**(420,203)**
Transfer to a related party	**-**	**-**	**(1,498)**	**-**	**(1,498)**
Transferred to investment property (note 5.5)	**(111,000)**	**-**	**-**	**(16,554)**	**(127,554)**
Transferred from investment property	**14,922**	**-**	**-**	**-**	**14,922**
Assets placed in service	**55,321**	**352**	**87,132**	**(142,805)**	**-**
Gain on valuation of properties (note 5.1)	**996,472**	**-**	**-**	**-**	**996,472**
Accumulated depreciation eliminated on valuation / transfers	**(531,562)**	**-**	**-**	**(8,123)**	**(539,685)**
Effect of foreign exchange movements	**(42,071)**	**(243)**	**(94,965)**	**(83,865)**	**(221,144)**
At 31 December 2012	**17,773,828**	**10,627**	**4,133,543**	**240,978**	**22,158,976**
Depreciation / Impairment					
At 1 January 2011	(16,968)	(3,308)	(1,841,815)	1,785	(1,860,306)
Charged during the year	(571,231)	(1,237)	(363,706)	-	(936,174)
Impairment loss (note 31.4)	-	-	(43,745)	(8,123)	(51,868)
Reversal of impairment (note 31.4)	-	-	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)
At 1 January 2012	**(25,213)**	**(4,212)**	**(2,143,074)**	**(6,338)**	**(2,178,837)**
Charged during the year	**(538,261)**	**(1,563)**	**(380,752)**	**-**	**(920,576)**
Impairment loss (note 31.4)	**-**	**-**	**(23,841)**	**(903)**	**(24,744)**
Reversal of impairment (note 31.4)	**-**	**-**	**5,900**	**-**	**5,900**
Accumulated depreciation / impairment eliminated on valuation / transfers	**531,562**	**-**	**-**	**8,123**	**539,685**
On disposals / write offs	**-**	**320**	**58,421**	**-**	**58,741**
Disposal of subsidiaries	**6,774**	**144**	**21,600**	**-**	**28,518**
Effect of foreign exchange movements	**6,157**	**226**	**32,351**	**-**	**38,734**
At 31 December 2012	**(18,981)**	**(5,085)**	**(2,429,395)**	**882**	**(2,452,579)**
Net book value					
At 31 December 2011	17,179,546	5,118	1,673,224	573,278	19,431,166
At 31 December 2012	**17,754,847**	**5,542**	**1,704,148**	**241,860**	**19,706,397**

Notes to the consolidated financial statements (continued)

5. PROPERTY, PLANT & EQUIPMENT (continued)

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

	2012	2011
	AED'000	AED'000
Gain transferred to revaluation reserve	**757,432**	1,162,904
Gain / (loss) charged to profit or loss (note 6.1)	**239,040**	(165,228)
	996,472	997,676

5.2 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:

	2012	2011
	AED'000	AED'000
Fair value of land and buildings	**17,857,527**	17,271,975
Less: adjustment for accrued operating lease income	**(102,990)**	(92,429)
Net adjusted fair value	**17,754,537**	17,179,546

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

	2012		2011	
	Land	**Buildings**	Land	Buildings
	AED'000	**AED'000**	AED'000	AED'000
Cost	**484,467**	**6,993,564**	689,855	7,643,620
Accumulated depreciation	**-**	**(2,369,843)**	-	(2,119,520)
Net carrying amount	**484,467**	**4,623,721**	689,855	5,524,100

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

5.5 As at 1 January 2012, The Group has transferred undeveloped lands of AED 111 million to investment properties and capital work in progress of AED 16.6 million in order to more appropriately present the assets in accordance with their nature.

Notes to the consolidated financial statements (continued)

6. 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 2011	1,422,601	8,243,117	662,110	10,327,828
Additions	-	34,358	471,948	506,306
Net valuation loss charged to profit or loss	(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
At 1 January 2012	**1,183,929**	**8,253,057**	**1,120,439**	**10,557,425**
Additions	**-**	**33,703**	**514,210**	**547,913**
Net valuation gain taken to profit or loss	**18,374**	**356,764**	**(40,896)**	**334,242**
Assets placed in service	**-**	**333,555**	**(333,555)**	**-**
Reclassification of assets on commencement of development	**(275,442)**	**-**	**275,442**	**-**
Transferred from property, plant and equipment (note 5.5)	**111,000**	**-**	**16,554**	**127,554**
Transferred to property, plant and equipment	**(14,922)**	**-**	**-**	**(14,922)**
Transferred to development property (note 7)	**(62,785)**	**-**	**-**	**(62,785)**
Disposals	**-**	**(23,216)**	**-**	**(23,216)**
Disposal of subsidiaries (note 33)	**(47,489)**	**-**	**-**	**(47,489)**
Effect of foreign exchange movements	**(7,663)**	**(86,364)**	**(17,303)**	**(111,330)**
At 31 December 2012	**905,002**	**8,867,499**	**1,534,891**	**11,307,392**
Carrying amounts				
At 31 December 2011	1,183,929	8,253,057	1,120,439	10,557,425
At 31 December 2012	**905,002**	**8,867,499**	**1,534,891**	**11,307,392**

6.1 For the year ended 31 December 2012, a net valuation gain of AED 573.3 million (2011: loss of AED 328.8 million) is included in profit or loss as follows:

	2012 AED'000	2011 AED'000
Gain / (loss) on valuation of property, plant and equipment (note 5.1)	**239,040**	(165,228)
Gain / (loss) on valuation of investment property (refer table above)	**334,242**	(163,600)
	573,282	(328,828)

6.2 Rental income derived from investment properties during the current year is AED 915 million (2011: AED 855 million). The direct operating expenses arising from investment property that generated rental income during the current year amounted to AED 276 million (2011: AED 272 million).

6.3 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:

	2012 AED'000	2011 AED'000
Fair value of land and buildings	**8,949,553**	8,323,802
Less: adjustment for accrued operating lease income	**(81,744)**	(70,745)
Net adjusted fair value	**8,867,809**	8,253,057

6.4 Certain land is held in the personal name of the majority shareholder of the Parent Company for the beneficial interest of the Group.

6.5 In the previous year 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.

Notes to the consolidated financial statements (continued)

6. INVESTMENT PROPERTY (continued)

6.6 The carrying value of properties (including property, plant and equipment) mortgaged against bank loans aggregates to AED 1,196.6 million (2011: AED 8,049.7 million).

7. DEVELOPMENT PROPERTY

	2012	2011
	AED'000	AED'000
At 1 January	**-**	-
Transfer from investment property	**62,785**	-
Additions during the year	**3,551**	-
	66,336	-

8. INVESTMENTS

	2012	2011
	AED'000	AED'000
Investments held as fair value through profit and loss (FVPL):		
- Unlisted equities	**5,000**	5,000
- Unlisted bond (note 8.1)	**-**	85,884
Investment in associate (note 8.2)	**212,980**	233,220
Investment in joint ventures (note 8.3)	**943,495**	872,352
	1,161,475	1,196,456

8.1 Unlisted bond

In 2011, the Group subscribed to bonds of USD 25 million "USD 6Y Capital Protected Note" issued by UBS AG. These bonds have been reclassified to 'Loans and advances' during the year as a result of a change in the terms and conditions and accordingly, the Group's intention to hold these bonds till maturity. At the date of transfer, the fair value of these bonds amounted to AED 88 million. As permitted by IAS 39 Financial Instruments: Recognition and Measurement, the fair value of the bonds on the date of reclassification is treated as the amortized cost and the difference between the new amortised cost and the maturity amount is being amortised over the remaining life of the bonds using the effective interest rate method. These bonds carry interest at the rate of 1% per annum with maturity in 2017.

8.2 Investment in associates

	2012	2011
	AED'000	AED'000
At 1 January	**233,220**	260,337
Share of post acquisition (loss) / gain accounted through profit or loss	**(31,248)**	319
Dividend income received	**(15,992)**	-
Impairment reversal / provision	**27,000**	(27,000)
Foreign currency translation differences from foreign operations	**-**	(436)
At 31 December	**212,980**	233,220

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

	2012	2011
	AED'000	AED'000
Total assets	**3,960,143**	3,643,695
Total liabilities	**(3,246,796)**	(2,795,516)
Net assets	**713,347**	848,179
Group's share of associates' net assets	**210,303**	245,428
(Loss)/ profit for the year	**(96,089)**	4,133
Group's share of associate's (loss) / profit for the year	**(31,248)**	319

Notes to the consolidated financial statements (continued)

8. INVESTMENTS (continued)

8.3 Investment in joint ventures

	2012	2011
	AED'000	AED'000
At 1 January	**872,352**	914,758
Additions during the year	**83,262**	145,000
Share of post acquisition (loss) / gain accounted through profit or loss	**(862)**	(80,578)
Dividend income received	**(7,599)**	(9,905)
Share of loss on revaluation of properties accounted through the statement of comprehensive income- net of tax	**-**	(93,361)
Foreign currency translation differences from foreign operations	**(3,658)**	(3,562)
At 31 December	**943,495**	872,352

8.3.1 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.

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

	2012	2011
	AED'000	AED'000
Total assets (at cost)	**4,671,902**	4,190,873
Total liabilities	**(2,782,522)**	(2,474,042)
Net assets	**1,889,380**	1,716,831
Group's share of joint ventures' net assets (net of impairment)	**873,313**	858,495
Loss for the year	**(1,726)**	(161,157)
Group's share of joint ventures' loss for the year	**(862)**	(80,578)

8.3.3 Share of profit or loss in joint ventures and associates:

	2012	2011
	AED'000	AED'000
Share of loss from joint ventures	**(862)**	(80,578)
Share of (loss) / profit from associates	**(31,248)**	319
	(32,110)	(80,259)

Notes to the consolidated financial statements (continued)

9. NET INVESTMENT IN FINANCE LEASE

	2012 AED'000	2011 AED'000
Lease contracts receivable	**474,859**	330,393
Residual value of leased assets	**288,330**	219,870
Gross amount due under finance leases	**763,189**	550,263
Non-refundable security deposits	**(288,329)**	(219,870)
Unearned finance lease income	**(57,088)**	(38,771)
	417,772	291,622
Provision for potential lease losses (note 9.1)	**(34,809)**	(36,693)
	382,963	254,929
Less: lease contracts maturing within one year	**(207,543)**	(157,965)
Non-current portion	**175,420**	96,964

9.1 Movement for provision for potential lease losses:

	AED'000	AED'000
At 1 January	**36,693**	34,072
Provision during the year	**1,627**	6,765
Write-off	**(3,511)**	(4,144)
At 31 December	**34,809**	36,693

9.2 The maturity of lease contracts receivable outstanding is as follows:

31 December 2012

	Less than one year AED'000	One to five years AED'000	Total AED'000
Lease contracts receivable	244,498	230,361	474,859
Residual value of leased assets	108,279	180,051	288,330
Gross amount due under finance leases	**352,777**	**410,412**	**763,189**
Non-refundable security deposits	(108,279)	(180,050)	(288,329)
Unearned finance lease income	(36,955)	(20,133)	(57,088)
Provision for potential lease losses	-	(34,809)	(34,809)
Contracts maturing after one year	**207,543**	**175,420**	**382,963**

31 December 2011

	Less than one year AED'000	One to five years AED'000	Total 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	-	(36,693)	(36,693)
Contracts maturing after one year	**157,965**	**96,964**	**254,929**

There are no lease contract receivables over five years. The Group’s mark-up rate on leases ranges between 7% and 15% per annum (2011: 7% and 15%). Lease contracts receivable with a maturity of less than one year are shown in current assets.

Notes to the consolidated financial statements (continued)

10. LONG TERM PREPAID LEASE PREMIUM

	2012 AED'000	2011 AED'000
At 1 January	**14,346**	16,151
Amortisation during the year	**(1,802)**	(1,805)
At 31 December	**12,544**	14,346

10.1 This mainly represents the original payments made to the landlord of Al Saqr hypermarket of AED 29.4 million towards the cost of construction of the hypermarkets and landlords of other hypermarkets/supermarkets in respect of the right to enter as a lessee. These payments are amortized on a straight line basis over the periods of the respective leases which range from 2 to 20 years.

11. LONG TERM LOANS AND ADVANCES

	2012 AED'000	2011 AED'000
Reclassified from investments (note 8.1)	**88,088**	-
Amortization during the year	**613**	-
	88,701	-
Other advances	**5,897**	34,106
At 31 December	**94,598**	34,106

12. INTANGIBLE ASSETS

	2012	2011
Cost	**AED'000**	AED'000
At 1 January	**199,393**	199,393
Additions during the year	**2,049**	-
At 31 December	**201,442**	199,393
Amortisation		
At 1 January	**(46,849)**	(26,492)
Charge for the year	**(20,165)**	(20,357)
At 31 December	**(67,014)**	(46,849)
Carrying amount - net	**134,428**	152,544

12.1 In 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 period of 10 years commencing from 2009, when the Metro became operational. Based on the present value of the future payments to be made, an intangible asset has been recorded which will be amortized over the contract period and a corresponding long term liability has been recorded as follows:

	2012 AED'000	2011 AED'000
At 1 January	**118,356**	133,642
Interest accrued during the year	**5,011**	5,709
Less: payment made during the year	**(22,675)**	(20,995)
At 31 December	**100,692**	118,356
Current maturity of long term liability (refer note 18)	**(24,489)**	(22,675)
Non-current portion of metro naming rights liability	**76,203**	95,681
Other long term liabilities (note 12.3)	**6,315**	-
	82,518	95,681

12.3 This represents the present value of the current portion of amount payable in relation to the termination of a contract with a hotel operator in the UAE.

Notes to the consolidated financial statements (continued)

13. SHORT TERM LOAN TO A RELATED PARTY

	2012 AED'000	2011 AED'000
At 1 January	-	9,057
Granted during the year	99,344	-
Repaid during the year	-	(9,057)
31 December	**99,344**	-

13.1 The above loan is unsecured, repayable within one year and carries inter-company agreed interest rates.

14. INVENTORIES

	2012 AED'000	2011 AED'000
Inventory held for sale (net of provisions)	943,600	881,330
Goods in transit	18,506	-
Spares and consumables	3,695	2,807
	965,801	**884,137**

14.1 In the previous 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.

15. TRADE AND OTHER RECEIVABLES

	2012 AED'000	2011 AED'000
Trade receivables	361,199	322,238
Advances, prepayments and deposits	484,189	331,309
Accrued income on operating leases	140,535	162,793
Positive fair value of derivatives	6,395	1,689
Other receivables	136,067	313,859
Accrued interest	3,803	3,887
	1,132,188	1,135,775

16. CASH IN HAND AND AT BANK

	2012 AED'000	2011 AED'000
Cash in hand	95,661	142,507
Fixed deposits	149,536	239,470
Cash at bank	1,225,301	1,778,372
Cash and cash equivalents	**1,470,498**	2,160,349
Fixed deposits with an original maturity of more than three months	1,248,903	235,000
Cash in hand at bank	**2,719,401**	2,395,349

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

Notes to the consolidated financial statements (continued)

17. SHORT TERM LOAN FROM A RELATED PARTY

	2012 AED'000	2011 AED'000
At 1 January	**303,000**	-
Borrowed during the year	**131,000**	354,000
Repaid during the year	**(257,000)**	(51,000)
At 31 December	**177,000**	303,000

17.1 The above loan is obtained from the Parent Company, against a loan facility of AED 500 million, at a margin of 0.5% per annum over EIBOR renewable every year with a final maturity of four years commencing from 2011.

18. TRADE AND OTHER PAYABLES

	2012 AED'000	2011 AED'000
Trade payables	**2,693,386**	2,665,644
Accruals	**1,072,987**	1,139,219
Current portion of long term liability (note 12.1)	**24,489**	22,675
Unearned rental income	**522,207**	482,229
Advance receipts	**470,183**	457,821
Tax payable	**84,825**	71,936
Provisions	**110,481**	85,332
Negative fair value of derivatives	**306,786**	317,047
Other payables	**219,248**	251,748
	5,504,592	5,493,651

19. OTHER EMPLOYMENT BENEFITS PAYABLE

31 December 2012	At 1 January AED'000	Additions during the year AED'000	Payments / reversals / transfers AED'000	At 31 December AED'000
Provision for bonus	175,123	157,172	(154,525)	177,770
Less: Non-current portion	(24,211)	(7,892)	8,157	(23,946)
Current portion	**150,912**	149,280	(146,368)	**153,824**
31 December 2011				
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**

19.1 The provision for bonus includes AED 23.9 million (2011: 24.2 million) in respect of deferred bonus plan for the senior management staff of the Group, and is expected to be paid after one year from the reporting date.

Notes to the consolidated financial statements (continued)

20. 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 aggregate to AED 268 million (2011: AED 265 million). The facilities carry interest at 2% - 3% above one month EIBOR and amounts drawn are repayable on demand.

21. LONG TERM LOANS

	2012 AED'000	2011 AED'000
At 1 January	**9,649,168**	10,500,158
Borrowed during the year	**5,156,696**	3,305,708
Fair value movement (note 21.7)	**3,326**	-
Repaid during the year	**(5,257,693)**	(4,155,503)
Currency translation adjustment	-	(1,195)
At 31 December	**9,551,497**	9,649,168
Less: Current maturity of long term loans	**(720,403)**	(2,074,485)
Non-current portion	**8,831,094**	7,574,683

21.1 The details of long term loans are mentioned below:

Loan facility '000	Repayment Interval	Repayment Commencement	Maturity date	Note	2012 AED '000
USD 33,000	Half yearly	8-Mar-10	8-Sep-13	21.3	26,469
USD 55,000	Annual	30-Jul-15	30-Jan-22	21.4	191,353
LBP 180,000,000	Annual	30-Jul-15	30-Jan-22	21.4	263,552
USD290,000	Half yearly	31-May-13	30-Nov-16		532,585
AED 225,000	Half yearly	1-Oct-12	31-Mar-20	21.5	195,000
USD 200,000	Half yearly	30-Apr-13	31-Oct-15		734,473
EGP 146,400	Half yearly	26-Jun-11	26-Jun-14		35,824
USD 400,000	Bullet	NA	7-Feb-17	21.6	1,469,200
USD 500,000	Bullet	NA	5-Jul-19	21.7	1,832,263
AED 50,000	Quarterly	31-Mar-12	31-Dec-16		43,173
AED 110,160	Quarterly	24-Aug-12	24-May-16		96,443
AED 75,000	Quarterly	27-Feb-13	28-Nov-16		39,788
AED 615,228	Semi Annual	21-Jul-14	21-Jul-16		199,693
USD 832,500	Semi Annual	21-Jul-14	21-Jul-16		971,565
USD 95,000	Quarterly	31-Oct-09	31-Jul-13		62,441
AED 193,000	Annual	21-Jun-13	21-Jun-17		190,443
USD 500,624	Semi Annual	30-Sep-17	30-Sep-21		1,838,892
AED 300,000	Semi Annual	6-Sep-09	6-Mar-15		125,000
AED 275,000	Quarterly	24-Apr-11	25-Oct-14		154,582
USD 208,000	Quarterly	15-Nov-11	15-Aug-14		548,758
Total					**9,551,497**

21.2 The floating rate loans carry margins ranging from 1% to 3.5% (2011: 0.5% to 3.5%) per annum over the base lending rate, whilst fixed rate on loans ranges from 5.25% to 5.85% (2011: 6% to 6.5%). For loans obtained in the UAE, the base lending rate used is generally EIBOR/LIBOR. For loans obtained by overseas subsidiaries an appropriate base lending rate prevailing in the related markets is used.

Notes to the consolidated financial statements (continued)

21 LONG TERM LOANS (continued)

21.3 The loan facility of a subsidiary in Egypt amounting to USD 33 million is secured by way of bank guarantees.

21.4 These loan facilities were obtained by a subsidiary in Lebanon during 2011 and are secured by way of a first ranking charge over the plot on which a shopping mall is under construction and assignment of future lease rentals of the shopping mall.

21.5 The loan facility is secured by way of a first degree mortgage over land and building of a shopping mall in UAE, assignment of insurance policies of the property and future lease rentals of the shopping mall.

21.6 In February 2012, Group issued Sukuk certificates under its USD 1 billion Sukuk program, raising USD 400 million (AED 1,469 million).

The Sukuk program is structured as a “Wakala”. The 5 year senior unsecured bonds issued under this program are listed on the London Stock Exchange. The terms of the arrangement include transfer of legal ownership of certain identified assets (the “Wakala assets”) of the Group to a Special Purpose Vehicle, MAF Sukuk Ltd. (the “Issuer”), formed for the issuance of bonds. In substance, the Wakala assets remain in control of the Group and shall continue to be serviced by the Group. The bond holders have no recourse to the assets. The Sukuk certificates mature during February 2017.

These bonds bear a fixed profit rate payable to the investors at the rate of 5.85% per annum on a semi-annual basis. The Issuer will service the profit from returns generated from the Wakala assets.

21.7 In July 2012, the Group issued seven year fixed rate unsecured bonds under the Global Medium Term Note Program. These bonds are listed on the London Stock Exchange and carry a coupon rate of 5.25% per annum, payable every six months. Of this, USD 200 million are hedged by financial derivatives and accordingly, carried at fair value.

21.8 During the year, the Group has prepaid an amount of AED 875 million with respect to an Ijara loan facility and released the corresponding security which included assignment of lease rentals of a shopping mall in UAE and a corporate guarantee provided by the Group. Further, during the year the Group has prepaid an amount of AED 888 million with respect to a syndicated financing facility and released the corresponding mortgage on a mall in Bahrain held as security.

22. DEFERRED TAX LIABILITIES

	2012 **AED'000**	2011 AED'000
At 1 January	**111,039**	193,056
Charged / (credited) to profit or loss	**16,572**	(64,706)
Charged / (credited) to equity	**757**	(11,344)
Reversed during the year	**(6,650)**	-
Foreing currency translation difference from foreign operations	**(4,643)**	(5,967)
At 31 December	**117,075**	111,039

22.1 Deferred tax liability has been computed on the taxable temporary differences arising as a result of valuation gain on properties in Egypt and Lebanon. The tax rates in these countries are 25% (2011: 20%) and 15% respectively.

23. PROVISION FOR STAFF TERMINAL BENEFITS

	2012 **AED'000**	2011 AED'000
At 1 January	**237,124**	188,930
Charge during the year	**86,949**	79,293
Payments made during the year	**(24,610)**	(30,714)
Currency translation adjustment	**(598)**	(385)
At 31 December	**298,865**	237,124

Notes to the consolidated financial statements (continued)

24. 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.

24.1 Due from related parties:

	2012 AED'000	2011 AED'000
The Egypt Emirates Mall Group SAE	**35,130**	37,039
Majid Al Futtaim Trust LLC	**463**	1,013
Aya Real Estate Investment BSC	**2,983**	2,983
Yenkit Tourism Development	**15,066**	15,043
City Centre Essa Town Co. WLL	**10,938**	10,938
Al Mamzar Island Development LLC	**6,686**	5,829
Arzanah Mall LLC	**3,171**	3,171
Waterfront City SARL	**24,707**	19,410
Middle East Hypermarkets LLC	**76,078**	-
Majid Al Futtaim Capital LLC	**-**	5,804
Others	**7,278**	7,924
	182,500	109,154
Provision for doubtful receivables	**(35,670)**	(35,670)
	146,830	**73,484**

24.2 Due to related parties:

	2012 AED'000	2011 AED'000
Carrfour group companies	25,111	26,945
Majid Al Futtaim Capital LLC	9,399	-
Others	42,320	45,399
	76,830	**72,344**

24.3 Compensation to key management personnel

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

	2012 AED'000	2011 AED'000
Directors' fees and expenses	11,375	11,100
Employee benefits (salaries and allowances including provision for bonus)	70,466	62,057
Terminal benefits (provision for end of service benefits)	3,140	1,788
	84,981	**74,945**

24.4 In the current year management decided to buyout the leases of the certain units owned by a related party for a consideration of AED 8 million in order to replace them with better performing tenants.

24.5 In the current year franchise fees amounting to AED 64 million (2011: AED 64 million) has been charged by Carrefour, a non-controlling in a subsidiary of the Group.

Notes to the consolidated financial statements (continued)

25. SHARE CAPITAL AND RESERVES

25.1 Share capital

	2012 AED'000	2011 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

25.2 Statutory reserve

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

25.3 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.

25.4 Currency translation reserve

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

26. REVENUE

	2012 AED'000	2011 AED'000
Sale of goods	**15,897,810**	14,527,893
Listing fees, gondola fees and commissions	**1,273,458**	1,060,385
Rental income	**2,204,166**	1,975,799
Leisure and entertainment	**638,032**	555,937
Hospitality revenue	**519,683**	417,738
Others	**291,108**	192,723
	20,824,257	18,730,475

26.1 Under a customer loyalty program to stimulate sales, the Group grants tickets / loyalty points when customers buy certain designated products. These tickets / loyalty points can be redeemed against the next purchase of the customers within a pre-determined period of time. At 31 December 2012, deferred revenue in respect of tickets granted but not yet redeemed amounted AED 19.5 million (2011: AED 2.3 million).

Notes to the consolidated financial statements (continued)

27. OPERATING EXPENSES

	2012 AED'000	2011 AED'000
Staff costs (note 27.1)	**(1,935,567)**	(1,684,917)
Rent	**(321,432)**	(278,695)
Depreciation (note 5)	**(920,576)**	(936,174)
Amortisation	**(21,354)**	(22,162)
Consultancy costs	**(63,783)**	(43,301)
Legal and marketing expenses	**(37,280)**	(35,085)
Selling and marketing expenses	**(243,454)**	(217,484)
Utilities	**(271,980)**	(247,266)
Repair and maintenance	**(190,780)**	(182,885)
Insurance charges	**(19,394)**	(25,098)
Franchise and management fees	**(89,977)**	(82,308)
Other general and administrative expenses	**(449,492)**	(297,047)
	(4,565,069)	(4,052,422)

27.1 Staff cost includes / is net of the following:

	2012 AED'000	2011 AED'000
Gratuity cost	**(86,936)**	(78,490)
Pension cost	**(7,023)**	(5,590)
Staff cost captialised	**48,500**	54,600

27.2 The number of employees at 31 December 2012 was 24,534 (2011: 22,369).

28. FINANCE COSTS

	2012 AED'000	2011 AED'000
Arrangement and participation fee	**(46,450)**	(17,389)
Interest charges on bank loans	**(476,456)**	(447,472)
Interest charges on related party loan	**(4,977)**	
Less: capitalized interest on development expenditure	**29,593**	20,353
	(498,290)	(444,508)
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	**(8,870)**	(4,691)
Net changes in fair value of cash flow hedges transferred from equity	**(87,906)**	(106,032)
Change in the fair value of investment in equity	**-**	(2,600)
Change in the fair value of investment in bonds	**-**	(5,941)
Bond programme cost written off	**(3,856)**	(4,803)
	(598,922)	(613,627)

28.1 The capitalization rate used to determine the amount of borrowing cost eligible for capitalization varies from 4% to 11.75% (2011: 5.15% to 8.94%) depending on the effective interest rate over the tenure of the borrowing.

29. FINANCE INCOME

	2012 AED'000	2011 AED'000
Interest income	**70,336**	43,851
Ineffective portion of changes in fair value of cash flow hedges	**11,580**	1,599
	81,916	45,450

Notes to the consolidated financial statements (continued)

30. OTHER EXPENSES- NET

	2012 AED'000	2011 AED'000
Loss on disposal of non-current assets	**(10,565)**	(4,553)
Gain on disposal of assets held for sale	**-**	2,787
Fixed assets / project costs written off	**(13,814)**	(3,762)
Foreign exchange loss	**(21,452)**	(40,291)
Provision for other receivables	**(17,962)**	-
Other income	**22,080**	27,570
	(41,713)	(18,249)

31. IMPAIRMENT GAIN / (LOSS) – NET

	2012 AED'000	2011 AED'000
Impairment of investments and receivables (note 31.1)	**-**	(27,276)
Reversal / (charge) of impairment on investment in an associate (note 31.2)	**27,000**	(27,000)
Reversal of impairment on investment in a joint venture (note 31.3)	**-**	31,455
Impairment of property, plant and equipment (note 31.4)	**(24,744)**	(51,868)
Reversal of impairment of property, plant and equipment (note 31.4)	**5,900**	3,634
	8,156	(71,055)

31.1 In 2011, the Group had performed impairment tests and analysis of the carrying value of its receivables and advances. Based on the results of this analysis, the management was of the view that the carrying values had been eroded due to adverse market and business conditions and had, therefore, recognized an impairment loss of AED 27.3 million to reflect reduction in the value.

31.2 During the current year, due to the strengthening of the business volumes and related future cash flows which are used for valuation of the investment in associate, the provision recorded earlier in 2011, has been reversed.

31.3 In 2008, a subsidiary of the 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 an impairment provision was recognised against this advance. In the previous year the Group had received AED 31.5 million and accordingly the impairment provision was reversed.

31.4 During the year, the Group recorded an impairment loss on the assets of certain operating units (hypermarkets and supermarkets) because of unfavourable future projections due to adverse external circumstances. Appropriate action in respect of future operations of these operating units shall be taken going forward. This loss was booked because the recoverable amount of the cash generating units, which was estimated based on the value in use of the cash generating units, was lower than the carrying amount of the assets by AED 21.29 million (2011: AED 22.9 million). A discount rate specific to the country of operation of the concerned business was used to derive the net present value of the future cash flows. Accordingly, an impairment loss has been recognised in profit or loss for this amount. An impairment provision amounting to AED 10 million (2011: AED 16 million) was utilized during the year on the disposal/ write off of assets and AED 5.9 million (2011: AED 3.6 million) was reversed during the year.

In the previous 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 had been recognized in respect of these assets.

Furthermore, in the previous year certain costs on a project in Syria under development were tested for impairment and an impairment loss of AED 8.1 million was recognized. This project was transferred to the Parent Company during the current year.

In addition, an impairment loss of AED 3.4 million (2011: AED 6.4 million) was recognized in the current year on fixed assets of fashion stores.

Notes to the consolidated financial statements (continued)

32. TAX CHARGE / (CREDIT) – NET

	2012	2011
Current tax	**AED'000**	AED'000
Current period	**65,934**	41,759
Adjustment for prior periods	**11,417**	-
Tax expense for the year	**77,351**	41,759
Deferred tax		
Origination / (reversal) of temporary differences	**16,875**	(63,215)
Change in tax rates	**22**	(2,776)
	16,897	(65,991)
Net tax charge / (credit)	**94,248**	(24,232)

Reconciliation of effective tax rate	**2012** %	**2012** **AED '000**	**2011** %	**2011** **AED '000**
Profit after tax for the year from continued operations		1,936,887		721,267
Income tax charge / (credit) - net		94,248		(24,232)
Profit before tax for the year from continued operations	-	**2,031,135**	-	**697,035**
Income tax using the Company's domestic tax rates	0.00%	-	0.00%	-
Effect of tax rates in foreign jurisdictions	3.16%	64,148	6.20%	43,211
Non-deductible expenses	0.26%	1,786	-0.21%	(1,452)
Deferred tax for temporary differences	0.83%	16,875	-9.07%	(63,215)
Increase in tax rates	0.00%	22	-0.40%	(2,776)
Prior period adjustments	0.56%	11,417	0.00%	-
Total	4.64%	**94,248**	-3.48%	**(24,232)**

33. DISCONTINUED OPERATIONS

During the year, the Group sold its investment and operations in Syria and Iran to Majid Al Futtaim Capital LLC ("MAFC"), the Parent Company.

33.1 Syrian operations

Total consideration amounted to AED 346.9 million which represented the Group's share of net assets as at 31 July 2012. The consideration due from MAFC was settled by way of dividend declaration by the Group. The following summarises the assets and liabilities transferred:

	MAF Investment Syria LLC	**MAF Syria for Investment and Development LLC**	**Total**
Property, plant and equipment	510	276,319	276,829
Investment property	47,489	-	47,489
Other receivables	-	276	276
Due from a related party	-	251	251
Cash and cash equivalents	2,496	22,080	24,576
Other payables	(32)	(2,248)	(2,280)
Due to a related party	(251)	-	(251)
	50,212	**296,678**	**346,890**

Notes to the consolidated financial statements (continued)

33 DISCONTINUED OPERATIONS (continued)

33.1 Syrian operations (continued)

Combined results of discontinued operations in Syria are summarized below:

	For 7 months period ended 31 July 2012	31 December 2011
Operating expenses	(2,605)	(4,447)
Tax credit / (Charged)	5,644	(5,541)
Results from operating activities net of tax	**3,039**	**(9,988)**
Recycling of currency translation reserve on disposal of subsidiaries	(120,281)	-
Loss for the period / (year)	**(117,242)**	**(9,988)**

33.2 Iranian operations:

Total consideration amounted to AED 72.8 million which represented the Group's share of net assets as at 31 December 2012. The following summarises the assets and liabilities transferred

	2012 **AED'000**
Property, plant and equipment	82,105
Investment property	-
Capital work in progress	32,751
	114,856
Current assets	
Cash and cash equivalents	211,047
Receivables and prepayments	16,466
Due from related parties	9,396
Inventories	36,439
	273,348
Current liabilities	
Due to related parties	102,764
Payables and accruals	199,039
Provisions	11,061
	312,864
Net current liabilities	**(39,516)**
Long term liabilities	
Provision for staff terminal benefits	(2,540)
Net assets and sale consideration	**72,800**

Notes to the consolidated financial statements (continued)

33 DISCONTINUED OPERATIONS (continued)

33.2 Iranian operations (continued)

Results of Discontinued operation

	2012 AED'000	2011 AED'000
Revenue	736,305	859,346
Cost of sales	(588,151)	(690,652)
Gross profit	**148,154**	**168,694**
Operating expenes	(98,127)	(103,374)
Other operating expenses	(11,449)	(11,262)
Finance income - net	18,999	14,936
Profit for the year before income tax	**57,577**	**68,994**
Tax	(21,554)	(19,077)
Results from operating activities - net of tax	**36,023**	**49,917**
Reclassification from equity of currency translation differences on sale of discontinued operations	(179,484)	-
(Loss) / profit for the year	**(143,461)**	**49,917**

33.3 Total (loss) / gain from discontinued operations is summarized as follows

	2012 AED'000	2011 AED'000
Syrian operation	**(117,242)**	(9,988)
Iranian operation	**(143,461)**	49,917
	(260,703)	39,929

34. 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, net investments in finance lease, positive fair value of derivative financial instruments held as cash flow hedges and accounted for as FVPL, short term loans, and long term receivables. Financial liabilities of the Group include amounts due to related parties, negative fair value of derivative financial instruments held as cash flow hedges and accounted for as FVPL, short term loans, bank overdraft, long term loans and trade and other payables. Accounting policies for financial assets and liabilities are set out in note 3.

34.1 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 Group'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.

Notes to the consolidated financial statements (continued)

34 FINANCIAL INSTRUMENTS (continued)

34.2 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. 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 Group'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.

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 2012 AED'000	Carrying amount 2011 AED'000
Investments held as FVPL	**5,000**	90,884
Short term loan to a related party	**99,344**	-
Net investment in finance leases	**382,963**	254,929
Long term loan and advance	**94,598**	-
Trade and other receivables	**836,281**	835,135
Due from related parties	**146,830**	73,484
Cash at bank	**2,623,740**	2,252,842
	4,188,756	**3,507,274**

Notes to the consolidated financial statements (continued)

34 FINANCIAL INSTRUMENTS (continued)

34.3 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 2012

AED'000	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	676,374	822,839	42,160	49,881	81,066	307,743	341,988
Other loans and borrowings	8,875,986	11,727,152	238,656	544,824	1,647,639	5,164,120	4,131,912
Short term loan from related party	177,000	178,814	907	177,907	-	-	-
Trade and other payables	4,355,223	4,355,223	-	4,272,705	82,518	-	-
Due to related parties	76,830	76,830	-	76,830	-	-	-
Derivative financial liability for risk management							
-Interest rate swaps / collars designated as cashflow hedges	280,440	282,927	47,068	45,578	80,589	109,692	-
-Derivative instruments accounted as FVPL	26,346	27,556	9,457	(1,426)	4,949	14,576	-
Total	**14,468,199**	**17,471,341**	**338,249**	**5,166,300**	**1,896,761**	**5,596,131**	**4,473,900**

As at 31 December 2011

AED'000	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	3,182	306,181	-	-	-
Trade and other payables	4,419,529	4,419,529	-	4,299,637	119,892	-	-
Due to related parties	72,344	72,344	-	72,344	-	-	-
Derivative financial liability for risk management							
-Interest rate swaps / collars designated as cashflow hedges	211,566	233,387	42,267	33,226	50,970	96,260	10,664
-Derivative instruments accounted as FVPL	31,330	34,457	5,461	2,346	4,748	21,902	-
-Interest rate swaps options designated as cash flow hedges	74,959	79,530	4,888	14,623	27,896	32,123	-
Total	**14,766,887**	**16,390,003**	**989,925**	**5,641,051**	**2,981,053**	**5,084,704**	**1,693,270**

34.1 Liquidity risk (continued)

Funding and liquidity

At 31 December 2012, the Group has net current liabilities of AED 1,296 million (2011: AED 3,452 million) which includes debt maturing in the short-term of AED 720 million (2011: AED 2,074 million). Further, at 31 December 2012 debt maturing in the long term is AED 8,831 million (2011: AED 7,575 million). Furthermore, during 2013, the Group expects to incur interest cost of AED 514 million and capital expenditure of AED 5,193 million.

To meet the above commitments the Group has existing undrawn facilities of AED 4,717 million, cash in hand and at bank as at 31 December 2012 is AED 2,719 million and it expects to generate cash from operations of AED 3,063 million in 2013. At 31 December 2012, the Group is in compliance with all covenants under its credit facilities.

Notes to the consolidated financial statements (continued)

34 FINANCIAL INSTRUMENTS (continued)

34.2 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.

34.2.1 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.

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.

34.2.2 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:

	2012	2011
	AED'000	AED'000
Fixed rate instruments		
Financial assets	**1,870,103**	815,283
Financial liabilities	**(3,301,463)**	(638,782)
	(1,431,360)	176,501
Variable rate instruments		
Financial assets	**105,739**	-
Financial liabilities	**(6,427,034)**	(9,313,386)
	(6,321,295)	(9,313,386)

* Variable rate financial liabilities include loans of AED 3,454 million (2011: AED 3,893 million) for which interest rate risk is hedged by way of interest rate swaps and options, and interest rate collars.

Notes to the consolidated financial statements (continued)

34 FINANCIAL INSTRUMENTS (continued)

34.2 Market risk (continued)

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 2012	December 2011	December 2012	December 2011
Variable rate instrument	+ 100	(61,323)	(90,271)	-	-
Interest rate swaps, options and collars designated as cashflow hedges	+ 100	122,597	120,207	122,597	120,207
Interest rate swaps accounted as FVPL	+ 100	(50,766)	42,934	-	-
Cash flow sensitivity (net)		**10,508**	**72,870**	**122,597**	**120,207**
Variable rate instrument	- 100	61,323	90,271	-	-
Interest rate swaps, options and collars designated as cashflow hedges	- 100	(133,212)	(131,157)	(133,212)	(131,157)
Interest rate swaps accounted as FVPL	- 100	51,552	(35,176)	-	-
Cash flow sensitivity (net)		**(20,337)**	**(76,062)**	**(133,212)**	**(131,157)**

34.3 Fair values

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

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 following range:

	2012	2011
Derivatives	0.34% to3.00% p.a.	0.25% to 5.00% p.a.
Borrowings	0.31% to 6.00% p.a.	0.25% to 7.00% p.a.

Notes to the consolidated financial statements (continued)

34 FINANCIAL INSTRUMENTS (continued)

34.5 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.

	2012	2011
	AED '000	AED '000
Interest bearing loans and borrowings	**9,729,360**	9,957,159
Share capital	**2,486,729**	2,486,729
Other reserves	**4,821,321**	3,682,618
Revaluation reserve	**14,051,364**	13,294,689
Non-controlling interest	**583,273**	523,863
Total equity	**21,942,687**	19,987,899
Gearing ratio	**44%**	50%

Regulatory capital

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

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

MAF Orix Finance PJSC

	2012	**2011**
	AED '000	**AED '000**
Paid-up capital	150,000	150,000
Reserves	56,542	55,884
Total equity	206,542	205,884
Total borrowing	180,267	45,790
Total funds available	**386,809**	**251,674**
Capital ratio	53%	82%

MAF Finance LLC

	2012	**2011**
	AED '000	**AED '000**
Paid-up capital	100,000	100,000
Reserves	(41,132)	(53,862)
Total equity	58,868	46,138
Total borrowing	90,000	70,000
Total funds available	**148,868**	**116,138**
Capital ratio	40%	40%

Except as discussed above, neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

Notes to the consolidated financial statements (continued)

35. CONTINGENT LIABILITIES, GUARANTEES AND COMMITMENTS

	2012 AED'000	2011 AED'000
Capital commitments	**2,562,650**	4,465,300
Letter of credits outstanding	**950**	56
Bank guarantees outstanding	**138,000**	55,000

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.

36. 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:

	2012 AED'000	2011 AED'000
Less than one year	**1,651,873**	1,561,996
Between one and five years	**4,969,795**	5,120,257
More than five years	**572,418**	529,744
Total	**7,194,086**	7,211,997

b) Leases as lessee

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

	2012 AED'000	2011 AED'000
Less than one year	**332,255**	315,296
Between one and five years	**1,432,020**	1,376,176
More than five years	**3,881,154**	3,560,144
Total	**5,645,429**	5,251,616

37. 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.

Notes to the consolidated financial statements (continued)

37. CRITICAL JUDGMENTS IN APPLYING THE GROUP'S ACCOUNTING POLICIES (continued)

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

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

- It is possible to divide developed property, such as a shopping mall, into separate units;
- That conceptually, strata title can validly be created within the shopping malls and individual units or parts may be sold or subject to long leases; and
- The Dubai Land Department and the Strata Law both support the above concept.

In countries other than UAE, wherever similar laws exist, the Company splits dual use properties on a similar basis.

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

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

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.

Vacant lands in Egypt and Syria

In the previous year, external valuers were unable to value the vacant lands in Egypt and Syria owned by the Group, in view of the 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 had internally assessed the value of these lands and a reduction in value was recognised in the previous year. During the current year, the vacant land in Syria has been transferred to the Parent Company. Furthermore, the vacant lands in Egypt have been valued by an independent external valuer 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.

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.

Notes to the consolidated financial statements (continued)

37. CRITICAL JUDGMENTS IN APPLYING THE GROUP'S ACCOUNTING POLICIES (continued)

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.

Valuation of financial instruments

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:

31 December 2012	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	6,394	-	6,394	-
Equities held at fair value through profit and loss	5,000	-	5,000	-
	11,394	**-**	**11,394**	**-**
Financial liabilities				
Derivative held for interest rate risk management	306,786	-	306,786	-
	306,786	**-**	**306,786**	**-**

31 December 2011	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	-
Equities 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	317,047	-	317,047	-
	317,047	**-**	**317,047**	**-**

38. 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.

Notes to the consolidated financial statements (continued)

39. 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	U.A.E.	100%
Majid Al Futtaim Properties Saudia 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 Hypermarket 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 IT'Sugar LLC	U.A.E	75%
Majid Al Futtaim Shopping Malls KSA	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 Fashion Qatar LLC	Qatar	100%
Majid Al Futtaim Hypermarkets Qatar WLL	Qatar	75%
MAF Lebanon Holding SAL	Lebanon	100%
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%
MAF Hypermarkets Lebanon SAL	Lebanon	75%
Majid Al Futtaim Properties Egypt 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%
Majid Al Futtaim Fashion Ready Wear W.L.L.	Kuwait	100%
MAF Retail Kuwait Central Markets WLL	Kuwait	100%
Majid Al Futtaim Fashion Cyprus	Cyprus	100%
Bab Al Madina Company Property Investment Limited	Yemen	51.0%

Notes to the consolidated financial statements (continued)

39) SUBSIDIARIES, ASSOCIATE AND JOINT VENTURES (continued)

Subsidiaries		Country of incorporation	Effective ownership%
Majid Al Futtaim Hypermarkets Jordan LLC		Jordan	75%
MAF Hypermarkets Pakistan (Private) Limited		Pakistan	75%
MAF Hypermarket for Hypermarkets Limited		Iraq	75%
MAF Hypermarkets Georgia LLC		Georgia	75%
MAF Hypermarkets AM LLC		Armenia	75%
MAF Hypermarkets Kazakhstan LLP		Kazakhstan	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	(in liquidation)	Egypt	100%
Societe Tunisia WIFEK	(dormant)	Tunisia	100%
Majid Al Futtaim North Africa SARL	(dormant)	Tunisia	100%

Associate	Country of incorporation	Effective ownership%
Enshaa PSC	U.A.E.	28.4%
Majid Al Futtaim Dalkia Middle East LLC	U.A.E.	51%

Joint ventures	Country of incorporation	Effective ownership%
Shj. Holding Co. P.J.S.C. (formerly Sharjah Holding Company JSC)	U.A.E	50%
Al Mamzar Islands Development LLC	U.A.E	50%
Arzanah Mall LLC	U.A.E	50%
The Wave Muscat S.A.O.C	Oman	50%
Yenkit Tourism Development LLC	Oman	60%
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%
Magic Planet WLL	Kuwait	50%
Bab Al Madina for Development and Mangement for Business Centres Company LLC	Libya	50%

40. 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).