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**EVERYDAY**

# MAJID AL FUTTAIM HOLDING LLC
# CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

# Contents

**Directors' report**

The Directors' report and the audited consolidated financial statements of Majid Al Futtaim Holding LLC (the Company) and its subsidiaries (collectively referred to as "the Group"), are presented for the year ended 31 December 2016. 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 18 February 2017.

**Activities**

Majid Al Futtaim is the leading shopping mall, communities, retail and leisure pioneer across the Middle East and North Africa (MENA). Through its three subsidiaries Properties, Retail and Ventures the Group:

- Owns and operates 20 shopping malls, 12 hotels and 3 mixed used communities, with further developments underway in the region. The shopping malls portfolio includes Mall of the Emirates, City Centre malls and My City Centre neighbourhood centres, and also 4 community malls which are in joint venture with the Government of Sharjah.
- Operates a portfolio of 77 hypermarkets and 95 supermarkets, across 15 countries as part of its exclusive rights to the Carrefour franchise in 38 markets across Middle East, Africa and Central Asia.
- Operates 242 VOX Cinema screens and 28 Magic Planet family entertainment centres across the region, in addition to iconic leisure and entertainment facilities such as Ski Dubai and iFly Dubai, among others. Also, Majid Al Futtaim is parent to the consumer finance company issuing 'Najm' and 'Voyager' credit cards, a fashion retail business and a healthcare business that operates City Centre Clinics. In addition, it operates Enova, a facility and energy management company, through a joint venture operation with Veolia, a global leader in optimised environment resource management, owns the rights to The LEGO Store and American Girl in the Middle East and operates in the food and beverage industry through a partnership with Gourmet Gulf.

**Significant developments**

Majid Al Futtaim continues to make significant progress with its expansion plans across the United Arab Emirates, as well as in Egypt, Saudi Arabia, and Oman. During 2016, Majid Al Futtaim successfully opened a retail concept shopping mall, 4 new family entertainment sites, 3 new LEGO stores, 10 new supermarkets and 10 new hypermarkets, including Group's first hypermarkets in Kazakhstan and Kenya. Majid Al Futtaim also increased VOX Cinemas footprint by establishing joint ventures in Bahrain and Oman, unveiled first outdoor VOX Cinemas concept and reopened VOX Cinemas after refurbishment in City Centre Deira.

In 2016 BBB credit rating was reaffirmed by both Standard & Poor's and Fitch and the Company listed a USD 300 million (AED 1,102 million) conventional bond on NASDAQ Dubai, thereby increasing the ten year issue to USD 800 million (2,938 million). The capital raised by the bond supports Majid Al Futtaim's ongoing expansion in retail, residential communities, leisure, health, and other sectors across the Middle East, Africa and Asia.

During the current year the Central Bank of Egypt floated the controlled currency which led to significant devaluation of Egyptian Pound by 57%. As Majid Al Futtaim has net assets denominated in Egyptian Pounds, the devaluation resulted in the impact of AED 1,434 million on the currency translation reserve.

ماجد الفطيم
MAJID AL FUTTAIM

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**Financial Results**

Majid Al Futtaim's revenue for the year 2016 was AED 29,909 million, a 9% increase over 2015 revenue of AED 27,343 million. Performance was largely driven by the expansion of business in existing and new territories.

- Like-for-like growth in Retail business by 1%
- Higher rents from existing malls
- Increased cinema admissions, higher magic planet transactions and growth in cards in force
- Higher revenue from new openings, redevelopments and expansions

EBITDA is considered to be a key measure of Group's operating performance and cash generation. It is defined as earnings before interest, tax, non-controlling interests, depreciation, amortization impairment and other exceptional items or charges or credits that are one-off in nature and significance. In 2016, EBITDA has increased by 9% to AED 4,172 million (2015: AED 3,835 million). Properties business being the major contributor (68% in 2016), has grown by 10% and Retail business (contributing 30% in 2016) grew by 5% over 2015.

Net Profit decreased by 16% to AED 2,784 million (2015: AED 3,307 million) mainly on account of valuation and impairment losses and lower revaluation gains on certain properties compared to last year.

**Dividend**

In the current year, the Company declared a dividend of AED 210 million (2015: AED 415 million).

**Directors**

The following comprise the Board of Directors:

Sir Michael Rake (Chairman)
Khalifa Mohamed Sulaiman (Deputy Chairman)
Tariq Al Futtaim
Alain Bejjani
Ian Davis
V. Shankar (up to 30 June 2016)
Alain Keir (since 1 September 2016)

**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**

KPMG

KPMG Lower Gulf Limited
Level 12, IT Plaza
Dubai Silicon Oasis, Dubai, UAE
Tel. +971 (4) 356 9500, Fax +971 (4) 326 3788

## Independent auditors' report

To the Shareholders of Majid Al Futtaim Holding LLC

## Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Majid Al Futtaim Holding LLC ("the Company") and its subsidiaries ("the Group"), which comprise the consolidated statement of financial position as at 31 December 2016, the consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2016, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

*Basis for opinion*

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

*Key Audit Matters*

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

| Key audit matter | How our audit addressed the key audit matter |
|---|---|

**Valuation of properties**

*Refer to notes 3 (c), (d), (e), 4, 6, 7 and 34.2.1 to the consolidated financial statements*

The Group's accounting policy is to state its properties (primarily comprising of shopping malls, hotels, and offices) at fair value at each reporting date. The property portfolio is valued at AED 41,414 million.

The valuation of the property portfolio is a significant area of judgment and is underpinned by a number of assumptions. The existence of significant estimation uncertainty and lack of comparable transactions warrants specific audit focus on this area.

The Group engaged professionally qualified external valuers to fair value its property portfolio performing their work in accordance with the Royal Institution of Chartered Surveyors ('RICS') Valuation – Professional Standards.

The property portfolio (excluding properties under development where the external valuers stated that fair value is not reliably determinable) was valued by using discounted cashflows. Key inputs into the valuation process included discount rates, yield rates and contracted lease rent, forecasted operating expenses and cost to complete estimates, which are influenced by prevailing market forces and the specific characteristics, such as property location, income return, growth rate, occupancy rate and development progress, of each property in the portfolio.

Properties under construction, where the fair value cannot be measured reliably, are accounted for using the cost model until the earlier of the date on which the fair value of the property can be measured reliably or the date on which the construction is completed. Management assesses the potential for impairment in relation to the carrying value of these properties held at cost.

- We assessed the competence, independence and integrity of the external valuers and whether the valuation approach was suitable for use in determining the fair value in the consolidated statement of financial position.
- We carried out procedures on the largest properties of the portfolio to test whether property specific standing data supplied to the external valuers by management reflects the underlying property records held by the Group which have been tested during our audit.
- We met with the external valuers of the property portfolio to discuss the results of their work. We discussed and challenged the valuation process, overall performance of the portfolio and the significant assumptions and critical areas of judgement.
- In relation to those properties held at cost where an impairment analysis was required to be performed, we considered the Group's procedures used to develop the forecasts and the principles and integrity of the Group's discounted cash flow model and re-performed the calculations of the model results to test their accuracy. To challenge the reasonableness of those cash flows, we assessed the historical accuracy of the Group's forecasting and challenged the significant assumptions and critical areas of judgement.

| **Key audit matter** *(continued)* | **How our audit addressed the key audit matter** *(continued)* |
|---|---|
| **Valuation of properties (continued)** | |
| | • We evaluated year-on-year movements in property valuations with reference to published benchmarks, if any. Where assumptions were outside the expected range or otherwise deemed unusual, and/or valuations appeared to experience unexpected movements, we undertook further inquiries and, where necessary, held further discussions with the external valuers in order to challenge the assumptions.<br>• Based on the outcome of our evaluation, we assessed the adequacy of the disclosures in the consolidated financial statements. |
| **Impairment provision**<br>*Refer to notes 3(i), 4 and 31 to the consolidated financial statements.* | |
| The Group has investments in hypermarkets, supermarkets, retail stores (all forming part of property, plant and equipment), and joint ventures and associates. There is a risk that the carrying value of these assets may not be reflective of their recoverable amounts as at the reporting date which would require an impairment provision. Where there are indicators of impairment, the Group undertakes impairment testing using free cash flow projections based on forecasts estimated by management. There is inherent uncertainty involved in forecasting and discounting future cash flows, which forms the basis of the assessment of recoverability. | • We examined underperforming assets, assessed for indicators of impairment and evaluated management's impairment assessment including performing sensitivity analysis on the key assumptions used.<br>• We held discussions with management on the status of ongoing and completed projects by the Group's joint ventures and associates, including future plans. Where an indicator of impairment existed, we reviewed management's impairment analysis and we considered the Group's procedures used to develop the forecasts, and discounted cash flow model and re-performed the calculations of the model results to test their accuracy. To challenge the reasonableness of those cash flows, we assessed the historical accuracy of the Group's forecasting and challenged the significant assumptions and critical areas of judgment. |

| Key audit matter *(continued)* | How our audit addressed the key audit matter *(continued)* |
|---|---|

**Supplier balances and sourcing (rebates)**

*Refer to notes 4.4 and 27 to the consolidated financial statements*

The Group recognizes a reduction in cost of sales as a result of amounts receivable from suppliers, primarily comprising contributions in relation to strategic volumes purchased by the Group and some annual volume-based rebates.

These discounts and rebates are received retrospectively according to the quantity of goods bought and promotional and marketing activity performed in stores. The agreements with suppliers can include a number of characteristics that require significant judgment in determining the appropriate accounting treatment including estimating the rebate eligibility and determining the period over which the reduction in cost of sales should be recognized. This requires a detailed understanding of the contractual arrangements as well as complete and accurate source data to calculate the rebate amount due to the Group.

There may also be incentives or pressures for buyers to manipulate the timing of when the rebate is recognised to meet internal targets.

- We tested the general IT control and access control environment of the merchandising and rebate application employed by management, to verify, the accuracy of the calculation, interface to the financial application and the restriction over access to configure or update the rebate terms in the rebate application.
- We tested, on a sample basis the completeness and accuracy of the systematic inputs to the calculations for recording supplier rebates and discounts by agreement to supporting evidence, including volume data and promotion dates.
- We performed detailed tests to assess whether the accounting treatment was appropriate including the timing of recognition of rebates, and on a sample basis, verifying that amounts recognised were accurate and recorded in the correct accounting period based on the contractual performance terms mentioned in the individual supplier agreements.
- We performed revenue and margin analysis to understand detailed trends by product category in order to identify, and test if any, anomalies which may indicate potential rebate accounting errors.
- We tested, on a sample basis, supplier reconciliation statements and supplier balance confirmations / statements to verify that any significant reconciling items including rebates are valid and cleared in a timely manner.

*Other information*

Management is responsible for the other information. The other information comprises the information included in in the Directors' Report but does not include the consolidated financial statements and our auditors' report thereon.

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

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

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

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

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

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

*Auditors' Responsibilities for the Audit of the Consolidated Financial Statements*

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

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

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

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

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

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

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.

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

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

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

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

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

KPMG

## Report on Other Legal and Regulatory Requirements

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

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

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

iii) the Group has maintained proper books of accounts;

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

v) as disclosed in note 9 to the consolidated financial statements, the Group has purchased shares during the financial year ended 31 December 2016;

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

vii) based on the information that has been made available to us nothing has come to our attention which causes us to believe that the Group has contravened during the financial year ended 31 December 2016 any of the applicable provisions of the UAE Federal Law No. (2) of 2015 or in respect of the Articles of Association of the Company, which would materially affect its activities or its consolidated financial position as at 31 December 2016; and

viii) note 28.3 to the consolidated financial statements discloses the social contributions made during the year.

On Behalf of KPMG Lower Gulf Limited

Fawzi AbuRass
Registration Number: 968
Dubai, United Arab Emirates

Date: 18 FEB 2017

## Consolidated statement of financial position
## As at 31 December

| | Note | 2016 AED '000 | 2015 AED '000 |
|---|---|---|---|
| **Non-current assets** | | | |
| Property, plant and equipment | 6 | **11,779,505** | 11,409,630 |
| Investment properties | 7 | **33,103,375** | 32,470,704 |
| | | **44,882,880** | 43,880,334 |
| Investments | 9 | **1,251,581** | 1,209,236 |
| Long term receivable from related parties | 17.1 | **71,085** | 121,166 |
| Intangible assets | 10 | **454,104** | 188,016 |
| Deferred tax assets | 11.1 | **36,643** | 43,111 |
| Other non-current assets | 12 | **514,896** | 414,041 |
| | | **2,328,309** | 1,975,570 |
| **Total non-current assets** | | **47,211,189** | 45,855,904 |
| **Current assets** | | | |
| Development properties | 8 | **245,436** | - |
| Inventories | 13 | **1,688,728** | 1,712,071 |
| Trade and other receivables | 14 | **2,189,286** | 1,861,041 |
| Short term loan to a related party | 17.2 | **23,994** | - |
| Due from related parties | 17.5 | **114,355** | 59,578 |
| Cash in hand and at bank | 15 | **1,262,466** | 1,394,332 |
| | | **5,524,265** | 5,027,022 |
| **Current liabilities** | | | |
| Trade payables, other liabilities and provisions | 16 | **7,837,153** | 7,671,455 |
| Short term loan from a related party | 17.3 | **2,258** | 53,126 |
| Due to related parties | 17.6 | **37,993** | 37,392 |
| Bank overdraft | 18 | **539,443** | - |
| Short term loan | 19 | **51,422** | - |
| Current maturity of long term loans | 20 | **2,509,099** | 2,102,082 |
| | | **10,977,368** | 9,864,055 |
| **Net current liabilities** | | **(5,453,103)** | (4,837,033) |
| **Non-current liabilities** | | | |
| Long term loans | 20 | **7,764,629** | 8,483,918 |
| Long term loans from related parties | 17.4 | **32,622** | - |
| Deferred tax liabilities | 11.2 | **81,318** | 196,104 |
| Other long term liabilities and provisions | 21 | **773,655** | 607,587 |
| **Total non-current liabilities** | | **8,652,224** | 9,287,609 |
| **Net assets** | | **33,105,862** | 31,731,262 |
| **Equity** | | | |
| Share capital | 22.1 | **2,486,729** | 2,486,729 |
| Statutory reserve | | **2,438,092** | 2,045,940 |
| Revaluation reserve | | **18,179,050** | 17,899,475 |
| Other reserves | | **7,735,013** | 7,105,399 |
| **Total equity attributable to the owners of the Company** | | **30,838,884** | 29,537,543 |
| Hybrid equity instrument | 23 | **1,825,935** | 1,825,935 |
| Non-controlling interests | 24 | **441,043** | 367,784 |
| **Total equity** | | **33,105,862** | 31,731,262 |

By the order of the Board on 18 February 2017:

**Majid Al Futtaim Holding LLC**
**Chief Executive Officer**

**Majid Al Futtaim Holding LLC**
**Chief Financial Officer**

The notes on pages 16 to 66 are an integral part of these consolidated financial statements.
The independent auditors' report is set out on pages 3 to 9.

## Consolidated statement of profit or loss and other comprehensive income
## For the year ended 31 December

| | Note | 2016<br>AED '000 | 2015<br>AED '000 |
|---|---|---|---|
| Revenue | 26 | **29,908,800** | 27,343,343 |
| Cost of sales | 27 | **(20,082,525)** | (18,433,670) |
| Operating expenses | 28 | **(6,911,354)** | (6,230,713) |
| Finance costs - net | 29 | **(398,163)** | (285,632) |
| Other expenses - net | 30 | **(65,672)** | (51,669) |
| Impairment (charge)/reversal - net | 31 | **(168,284)** | 13,808 |
| Share of profit/(loss) from joint ventures and associates - net | 9.1 & 9.2 | **129,469** | (27,430) |
| **Profit before valuation gain on land and buildings** | | **2,412,271** | 2,328,037 |
| Net valuation gain on land and buildings | 7.1 | **420,758** | 1,120,613 |
| **Profit before tax** | | **2,833,029** | 3,448,650 |
| Tax charge - net | 32 | **(49,331)** | (141,495) |
| **Profit for the year** | | **2,783,698** | 3,307,155 |
| | | | |
| **Profit for the year attributable to:** | | | |
| - Owners of the Company | | **2,751,449** | 3,279,177 |
| - Non-controlling interests | | **32,249** | 27,978 |
| **Profit for the year** | | **2,783,698** | 3,307,155 |
| | | | |
| **Comprehensive income:** | | | |
| **Profit for the year** | | **2,783,698** | 3,307,155 |
| | | | |
| **Other comprehensive income** | | | |
| *Items that will never be reclassified to profit or loss:* | | | |
| Valuation gain on land and buildings - net | 6.1 | **264,207** | 1,177,849 |
| Deferred tax credit/(charge) on revaluation of land and buildings | 11 | **15,368** | (41,094) |
| | | **279,575** | 1,136,755 |
| *Items that are or may be reclassified subsequently to profit or loss:* | | | |
| Foreign currency translation differences from foreign operations | 22.4 | **(1,439,445)** | (167,697) |
| Net change in fair value of cash flow hedges | 29.2 | **60,550** | 44,989 |
| Share of other comprehensive income of equity accounted investments | | **244** | - |
| | | **(1,378,651)** | (122,708) |
| **Total other comprehensive income for the year** | | **(1,099,076)** | 1,014,047 |
| **Total comprehensive income for the year** | | **1,684,622** | 4,321,202 |
| | | | |
| **Total comprehensive income for the period attributable to:** | | | |
| - Owners of the Company | | **1,652,348** | 4,293,086 |
| - Non-controlling interests | 24 | **32,274** | 28,116 |
| **Total comprehensive income for the year** | | **1,684,622** | 4,321,202 |

The notes on pages 16 to 66 are an integral part of these consolidated financial statements.

The independent auditors' report is set out on pages 3 to 9.

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

| | Note | 2016<br>AED '000 | 2015<br>AED '000 |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Profit for the year after tax | | **2,783,698** | 3,307,155 |
| **Adjustments:** | | | |
| Net valuation gain on land and buildings | 7.1 | **(420,758)** | (1,120,613) |
| Finance costs - net | 29 | **398,163** | 285,632 |
| Depreciation | 28 | **1,135,016** | 1,086,191 |
| Tax charge - net | 32 | **49,331** | 141,495 |
| Amortisation | 28 | **54,322** | 29,412 |
| Share of (profit)/loss from joint ventures and associates | 9.1 & 9.2 | **(129,469)** | 27,430 |
| Gain on acquiring control of jointly controlled entities | 30 | **-** | (43,171) |
| Impairment charge/(reversal) - net | 31 | **168,284** | (13,808) |
| Provision for bad debts | 28 | **128,063** | 64,261 |
| Provision for staff terminal benefits | 21.1 | **110,462** | 101,438 |
| | | **4,277,112** | 3,865,422 |
| *Changes to working capital* | | | |
| Inventories | | **25,027** | (193,482) |
| Trade and other receivables | | **(543,213)** | (300,640) |
| Trade and other payables | | **114,080** | 631,620 |
| Due from/to related parties - net | | **(55,482)** | 7,669 |
| Tax paid | | **(64,841)** | (87,189) |
| Payment of staff terminal benefits | 21.1 | **(41,607)** | (37,996) |
| | | **(566,036)** | 19,982 |
| **Net cash generated from operating activities** | | **3,711,076** | 3,885,404 |
| **Cash flow from investing activities** | | | |
| Acquisition of property, plant and equipment, investment property and development property | | **(3,643,920)** | (4,210,468) |
| Acquisition of a subsidiary - net of cash received | | **(146,329)** | (76,088) |
| Acquisition of non-controlling interest | | **-** | (8,280) |
| Proceeds from sale of property, plant and equipment and investment properties | | **37,850** | 26,520 |
| Recovery of advances made to a joint venture | | **-** | 107,053 |
| Lease premium paid during the year | | **-** | (70,844) |
| Investment in joint ventures and associates | | **(18,825)** | (9,877) |
| Fixed deposits (placed)/echashed | | **(83,554)** | 1,100 |
| Payments against intangible assets | | **(33,185)** | (21,260) |
| Dividend received from associates | | **16,395** | 16,723 |
| Finance income received | | **30,972** | 46,644 |
| **Net cash used in investing activities** | | **(3,840,596)** | (4,198,777) |

## Consolidated statement of cash flows (continued)
## For the year ended 31 December

| | Note | 2016 AED '000 | 2015 AED '000 |
|---|---|---|---|
| **Cash flow from financing activities** | | | |
| Short term loan received from a related party | 17.2 | **1,012,665** | 212,437 |
| Short term loan repaid to a related party | 17.2 | **(1,273,533)** | (575,701) |
| Short term loan granted to a related party | 17.2 | **(23,994)** | - |
| Long term loan from related parties - net | 17.4 | **32,622** | (6,855) |
| Long term loans received | 20 | **3,639,548** | 6,757,062 |
| Long term loans repaid | 20 | **(3,341,354)** | (5,151,724) |
| Short term loans received | 19 | **2,019,966** | 2,549,062 |
| Short term loans repaid | 19 | **(1,968,544)** | (2,549,062) |
| Payment against finance lease liability | | **(38,530)** | - |
| Capital (repayment)/contribution in a subsidiary (to)/by a non-controlling interest | | **(580)** | 27,560 |
| Finance cost paid | | **(540,489)** | (427,945) |
| Coupon paid on hybrid equity instrument | | **(130,851)** | (130,851) |
| Dividend paid to non-controlling interest | | **(12,269)** | (10,085) |
| **Net cash (used in)/generated from financing activities** | | **(625,343)** | 693,898 |
| **Net (decrease)/increase in cash and cash equivalents** | | **(754,863)** | 380,525 |
| **Cash and cash equivalents at the beginning of the year** | | **1,386,032** | 1,005,507 |
| **Cash and cash equivalents at the end of the year** | | **631,169** | 1,386,032 |
| **Cash and cash equivalents comprise:** | | | |
| Cash in hand and at bank | 15 | **1,170,612** | 1,386,032 |
| Less: bank overdraft | 18 | **(539,443)** | - |
| **Cash in hand and at bank** | | **631,169** | 1,386,032 |

The notes on pages 16 to 66 are an integral part of these consolidated financial statements.

The independent auditors' report is set out on pages 3 to 9.

## Consolidated statement of changes in equity
## For the year ended 31 December

| | Attributable to owners of the Company | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | Other reserves | | | | | | | |
| | Share capital | Statutory reserve | Revaluation reserve | Retained earnings | Hedging reserve | Currency translation reserve | Total other reserves | Total equity | Hybrid equity instrument | Non-controlling interests | Total |
| **At 1 January 2015** | **2,486,729** | **1,729,271** | **16,762,720** | **5,243,345** | **(140,545)** | **(293,088)** | **4,809,712** | **25,788,432** | **1,825,935** | **308,938** | **27,923,305** |
| **Total comprehensive income for the year** | | | | | | | | | | | |
| Net profit for the year | - | - | - | 3,279,177 | - | - | 3,279,177 | 3,279,177 | - | 27,978 | 3,307,155 |
| **Other comprehensive income** | | | | | | | | | | | |
| Net gain on valuation of land and buildings (note 6) | - | - | 1,177,849 | - | - | - | - | 1,177,849 | - | - | 1,177,849 |
| Deferred tax charge arising on revaluation of land and buildings (note 11.2) | - | - | (41,094) | - | - | - | - | (41,094) | - | - | (41,094) |
| Net change in fair value of cash flow hedges (note 29.2) | - | - | - | - | 44,989 | - | 44,989 | 44,989 | - | - | 44,989 |
| Currency translation differences in foreign operations (note 22.4) | - | - | - | - | - | (167,835) | (167,835) | (167,835) | - | 138 | (167,697) |
| **Total comprehensive income for the year** | **-** | **-** | **1,136,755** | **3,279,177** | **44,989** | **(167,835)** | **3,156,331** | **4,293,086** | **-** | **28,116** | **4,321,202** |
| **Transactions with owners recorded directly in equity** | | | | | | | | | | | |
| *Contribution by and distributions to owners and other movement in equity* | | | | | | | | | | | |
| Acquisition of non-controlling interest without a change in control (note 25.2.2) | - | - | - | (8,280) | - | - | (8,280) | (8,280) | - | - | (8,280) |
| Acquisition of non-controlling interest on accounting for change in control (note 25.2.3) | - | - | - | - | - | - | - | - | - | 23,411 | 23,411 |
| Capital contribution in a subsidiary by non-controlling interest | - | - | - | - | - | - | - | - | - | 27,560 | 27,560 |
| Reclassifications during the year | - | - | - | 10,156 | - | - | 10,156 | 10,156 | - | (10,156) | - |
| Dividend declared and settled / paid (note 22) | - | - | - | (415,000) | - | - | (415,000) | (415,000) | - | (10,085) | (425,085) |
| Transfer to statutory reserve (note 22.2) | - | 316,669 | - | (316,669) | - | - | (316,669) | - | - | - | - |
| **Total contribution by and distribution to owners** | **-** | **316,669** | **-** | **(729,793)** | **-** | **-** | **(729,793)** | **(413,124)** | **-** | **30,730** | **(382,394)** |
| Coupon paid on hybrid equity instrument | - | - | - | (130,851) | - | | (130,851) | (130,851) | - | - | (130,851) |
| **At 31 December 2015** | **2,486,729** | **2,045,940** | **17,899,475** | **7,661,878** | **(95,556)** | **(460,923)** | **7,105,399** | **29,537,543** | **1,825,935** | **367,784** | **31,731,262** |

The notes on pages 16 to 66 are an integral part of these consolidated financial statements.

## Consolidated statement of changes in equity (continued)
## For the year ended 31 December

| | Attributable to owners of the Company | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | Other reserves | | | | | | | |
| | Share capital | Statutory reserve | Revaluation reserve | Retained earnings | Hedging reserve | Currency translation reserve | Total other reserves | Total equity | Hybrid equity instrument | Non-controlling interests | Total |
| **At 1 January 2016** | **2,486,729** | **2,045,940** | **17,899,475** | **7,661,878** | **(95,556)** | **(460,923)** | **7,105,399** | **29,537,543** | **1,825,935** | **367,784** | **31,731,262** |
| **Total comprehensive income for the year** | | | | | | | | | | | |
| Net profit for the year | - | - | - | 2,751,449 | - | - | 2,751,449 | 2,751,449 | - | 32,249 | 2,783,698 |
| **Other comprehensive income** | | | | | | | | | | | |
| Net gain on valuation of land and buildings (note 6) | - | - | 264,207 | - | - | - | - | 264,207 | - | - | 264,207 |
| Deferred tax credit arising on revaluation of land and buildings (note 11.2) | - | - | 15,368 | - | - | - | - | 15,368 | - | - | 15,368 |
| Net change in fair value of cash flow hedges (note 29.2) | - | - | - | - | 60,550 | - | 60,550 | 60,550 | - | - | 60,550 |
| Currency translation differences in foreign operations (note 22.4) | - | - | - | - | - | (1,439,470) | (1,439,470) | (1,439,470) | - | 25 | (1,439,445) |
| Share of other comprehensive income of equity accounted investments | - | - | - | - | - | 244 | 244 | 244 | - | - | 244 |
| **Total comprehensive income for the year** | **-** | **-** | **279,575** | **2,751,449** | **60,550** | **(1,439,226)** | **1,372,773** | **1,652,348** | **-** | **32,274** | **1,684,622** |
| **Transactions with owners recorded directly in equity** | | | | | | | | | | | |
| *Contribution by and distributions to owners and other movement in equity* | | | | | | | | | | | |
| Dividend declared and settled / paid (note 22) | - | - | - | (210,000) | - | - | (210,000) | (210,000) | - | (12,269) | (222,269) |
| Reclassifications during the year | - | - | - | (10,156) | - | - | (10,156) | (10,156) | - | 10,156 | - |
| Acquisition of subsidiaries with non-controlling interest (note 25) | - | - | - | - | - | - | - | - | - | 43,678 | 43,678 |
| Capital reduction in a subsidiary by non-controlling shareholder | - | - | - | - | - | - | - | - | - | (580) | (580) |
| Transfer to statutory reserve (note 22.2) | | 392,152 | | (392,152) | - | - | (392,152) | - | - | - | - |
| **Total contribution by and distribution to owners** | **-** | **392,152** | **-** | **(612,308)** | **-** | **-** | **(612,308)** | **(220,156)** | **-** | **40,985** | **(179,171)** |
| Coupon paid on hybrid equity instrument | - | - | - | (130,851) | - | - | (130,851) | (130,851) | - | - | (130,851) |
| **At 31 December 2016** | **2,486,729** | **2,438,092** | **18,179,050** | **9,670,168** | **(35,006)** | **(1,900,149)** | **7,735,013** | **30,838,884** | **1,825,935** | **441,043** | **33,105,862** |

The notes on pages 16 to 66 are an integral 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. 2 of 2015 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, residential projects, hypermarkets, supermarkets, fashion retailing, leisure and entertainment, credit cards operations, leasing, food and beverages, healthcare and investment activities. The Company and its subsidiaries are collectively referred to as "the Group". The Company is wholly 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, which includes the financial position and performance of the Company, it's subsidiaries, associates and joint ventures, have been prepared in accordance with International Financial Reporting Standards ("IFRS(s)") and the requirements of the UAE Federal Law No. 2 of 2015, 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 18 February 2017 .

**(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
• Certain 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 Company's functional currency, and are rounded to the nearest thousand except wherever stated otherwise.

**(d) Use of estimates and judgments**

In preparing the consolidated financial statements, management has made judgments, estimates and assumptions that affect the application of the Group's accounting policies and the reported amount 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 estimates are recognized prospectively. Information about significant areas of estimation, uncertainty and critical judgment in applying accounting policies that have most significant effect on the amounts recognized in these consolidated financial statements are set out in the respective notes and are summarized in note 4.

**3. SIGNIFICANT ACCOUNTING POLICIES**

The principal accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements, except to the extent of the adoption of new standards and amendments described below. The Group has adopted the following new standards and amendments to the standards, including any consequential amendments to other standards, with a date of initial application of 1 January 2016:

## Notes to the consolidated financial statements (continued)

**3. SIGNIFICANT ACCOUNTING POLICIES** (continued)

- IFRS 14 Regulatory Deferral Accounts
- Accounting for Acquisitions of Interests in Joint Operations (Amendments to IFRS 11)
- Clarification of Acceptable Methods of Depreciation and Amortisation (Amendments to IAS 16 and IAS 38)
- Agriculture: Bearer Plants (Amendments to IAS 16 and IAS 41)
- Equity Method in Separate Financial Statements (Amendments to IAS 27)
- Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28)
- Annual Improvements to IFRSs 2012-2014 Cycle
- Investment Entities: Applying the Consolidation Exception (Amendments to IFRS 10, IFRS 12 and IAS 28).
- Disclosure Initiative (Amendments to IAS 1).

The adoption of these amendments did not have a significant impact on the current period or any prior period and is not likely to affect future periods.

*New standards and interpretations issued but not yet effective*

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning after 1 January 2016, and have not been early adopted in preparing these consolidated financial statements. None of these is expected to have a significant effect on the consolidated financial statements of the Group, except the following set out below:

- IFRS 9, 'Financial instruments', effective from 1 January 2018.
- IFRS 15, 'Revenue from contracts with customers', effective from 1 January 2018.
- IFRS 16, 'Leases', effective from 1 January 2019.

Management is currently assessing the impact of these new standards, amendments to standards and interpretations and amendments to published standards on its 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 2016.

***Subsidiaries***

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which 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 resulting gain or loss 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 fair value on 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 which may cause the non-controlling interests to have a deficit balance.

***Interests in equity-accounted investees: Associates and Joint ventures***

The Group's interest in equity accounted investees comprise interests in associates and joint ventures.

Associates are those entities in which the Group has significant influence, but not control or joint control, over the financial and operating policies. A joint venture is an arrangement in which the Group has joint control, whereby the Group has rights to the net assets of the arrangement, rather than rights to its assets and obligations for its liabilities.

## Notes to the consolidated financial statements (continued)

**3. SIGNIFICANT ACCOUNTING POLICIES** (continued)

**(a) Basis of consolidation** (continued)

***Interests in equity-accounted investees: Associates and Joint ventures*** *(continued)*

Interest in associates and joint venture are accounted for using the equity method. They are initially recognized at cost, which includes transaction costs. Subsequent to initial recognition, the consolidated financial statements include the Group's share of the profit or loss and other comprehensive income of equity-accounted investees, until the date on which significant influence or joint control ceases. When the Group's share of losses of an associate or a joint venture exceeds the Group's interest in that associate or joint venture, the Group discontinues recognising its share of further losses. Additional losses are recognized only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate or joint venture.

On acquisition of the investment in an associate or a joint venture, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognized as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognized immediately in profit or loss in the period in which the investment is acquired.

The financial statements of the Group's associates or joint ventures are prepared using consistent accounting policies. Wherever necessary, adjustments are made to bring accounting policies in line with those of the Group.

***Interests in joint arrangements***

The Group classifies its interest in joint arrangement as either joint ventures or joint operations depending on the Group's rights to the assets and obligations for the liabilities of the arrangements. When making this assessment, the Group considers the structure of the arrangements, the legal form, the contractual terms and other facts and circumstances. Joint arrangements are arrangements in which the Group has joint control, established by contracts requiring unanimous consent for decisions about the activities that significantly affect the arrangements' return. Other joint ventures and joint operations is classified and accounted for as follows;

When the Group has right to the assets and obligations for the liabilities, relating to an arrangement, it accounts for each of its assets, liabilities and transactions, including its share of those held or incurred jointly, in relation to the joint operation. The Group accounts for investments in joint operation using proportionate consolidation method.

***Interests in other entities***

The Group does not hold any direct ownership interest in MAF Sukuk Ltd. (limited liability company incorporated in the Cayman Islands) which is a structured entity. However, based on the terms of the agreement under which this entity is established, the Group receives substantially all of the returns related to its operations and net assets and has the current ability to direct the entity's activities that most significantly affect these returns. Accordingly, the results and financial performance of the structured entity are consolidated in these financial statements.

***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 recognized 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:

## Notes to the consolidated financial statements (continued)

**3. SIGNIFICANT ACCOUNTING POLICIES** (continued)

***Discontinued operations*** *(continued)*

- represents a separate major line of business or geographical area of operations;
- is part of a single coordinated 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 statement of profit or loss and other comprehensive income is represented 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.

**(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 consolidated statement of 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 partially or in its entirety 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.

## Notes to the consolidated financial statements (continued)

**3. SIGNIFICANT ACCOUNTING POLICIES** (continued)

**(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.

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 cost***

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* | *Estimated useful life* |
|---|---|
| Buildings | 4 - 50 years |
| Motor vehicles | 4 years |
| Furniture, fixtures and equipment | 3 - 15 years |

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.

## Notes to the consolidated financial statements (continued)

**3. SIGNIFICANT ACCOUNTING POLICIES** (continued)

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

***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.

**(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 capitalized after successful initial feasibility is conducted and before a site is acquired, subject to an approved budget and formal sign-off of a summary scoping document by management. These development costs are shown as assets under capital work in progress.

Development costs carried forward are reviewed in subsequent periods to ensure that circumstances have not changed such that the criteria for capitalization still holds good. However in circumstances where the criteria has changed, the costs are written-off or provided for to the extent they are believed to be irrecoverable. Regardless of the foregoing, if management has not obtained the Company's Board of Directors approval to proceed to the next development Gateway within 24 months after its inception, the project will be deemed impaired and the full accumulated work in progress balance of that project (excluding land value, if land has been acquired) will be written off and charged to profit or loss.

**(e) Investment property**

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 at transfer date 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.

## **Notes to the consolidated financial statements** (continued)

**3. SIGNIFICANT ACCOUNTING POLICIES** (continued)

**(e) Investment property** (continued)

***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. When investment property which was previously classified as property, plant and equipment is sold, any related amount included in the revaluation reserve is transferred to retained earnings.

**(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**

**Non-derivative financial assets**

***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.

## Notes to the consolidated financial statements (continued)

**3. SIGNIFICANT ACCOUNTING POLICIES** (continued)

**(h) Financial instruments** (continued)

**Non-derivative financial assets** (continued)

***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.

**Non-derivative financial liabilities**

Group initially recognizes debt securities issued and subordinated liabilities on the date that they are originated. All other financial liabilities are recognized initially on the trade date, which is the date that Group becomes a party to the contractual provisions of the instrument. Group derecognizes a financial liability when the contractual obligations are discharged, cancelled or expire.

Group classifies non-derivative financial liabilities into the other financial liabilities category. Such financial liabilities are recognized initially at fair value less any direct attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortized cost using the effective interest method.

Other financial liabilities comprise trade and other payables, accruals, retention payables, long-term loans, income tax payable, bank borrowings and related party balances.

**(i) 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.

***Non-financial assets***

The carrying amounts of the Group's non-financial assets except investment properties, deferred tax assets and inventories are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists then the asset's recoverable amount is estimated. 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.

## Notes to the consolidated financial statements (continued)

**3. SIGNIFICANT ACCOUNTING POLICIES** (continued)

**(j) 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.

***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.

Prospective hedge effectiveness is assessed by matching the critical terms of hedging instruments and hedged items.

## Notes to the consolidated financial statements (continued)

**3. SIGNIFICANT ACCOUNTING POLICIES** (continued)

**(j) Derivative financial instruments** (continued)

***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 and accumulated in hedge reserve. 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.

**(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.

***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. Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognised in profit or loss as incurred.

## Notes to the consolidated financial statements (continued)

**3. SIGNIFICANT ACCOUNTING POLICIES** (continued)

**(k) Intangible assets** (continued)

***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:

| *Category of assets* | *Estimated useful life* |
|---|---|
| Metro naming rights | 10 years |
| Others | 3 - 4 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 amortized 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 (retail, consumables, stores and F&B) and weighted average cost for others (fashion goods), 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 average yield on high investment grade 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:

| | 2016 | 2015 |
|---|---|---|
| Discount rate | 2.58% - 6.00% | 2.98% - 6.00% |
| Future salary increase | 3% - 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:

| | 2016 | 2015 |
|---|---|---|
| Discount rate | 2.58% - 6.00% | 2.98% - 6.00% |
| Annual rate of employees expected to leave scheme | 0% - 50% | 0% - 25% |

**(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) Leases**

***Determining whether an arrangement contains a lease***

At inception of an arrangement, the Group determines whether the arrangement is or contains a lease. Where at inception or on reassessment of an arrangement that contains a lease, the asset and a liability are recognized at an amount equal to the fair value of the underlying asset; subsequently, the liability is reduced as payments are made and an imputed finance cost on the liability is recognized using the Group's incremental borrowing rate.

***Leased assets***

Assets held by the Group under leases that transfer to the Group substantially all of the risks and rewards of ownership are classified as finance leases. The leased assets are measured initially at an amount equal to the lower of their fair value and the present value of the minimum lease payments. Subsequent to the initial recognition, the assets are accounted for in accordance with the accounting policy applicable to that asset. Assets held under other leases are classified as operating leases and are not recognized in the Group's statement of financial position.

## Notes to the consolidated financial statements (continued)

**3. SIGNIFICANT ACCOUNTING POLICIES** (continued)

**(r) Leases** (continued)

***Lease payments***

Lease payments incurred as lessee under operating leases are recognized as an expense in the 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.

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance the liability.

**(s) 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.

**(t) 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.

**(u) Offsetting**

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position when, and only when, the Group 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.

**(v) 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.

## Notes to the consolidated financial statements (continued)

**3. SIGNIFICANT ACCOUNTING POLICIES** (continued)

**(v) Revenue recognition** (continued)

***Rebates and other supplier benefits***

Income from rebates and other supplier benefits is recognized 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 recognized only when the tickets/ loyalty points is redeemed and the Group has fulfilled its obligations to supply the products. The amount of revenue recognized 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.

**(w) 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.

## Notes to the consolidated financial statements (continued)

**3. SIGNIFICANT ACCOUNTING POLICIES** (continued)

**(w) Finance income and expenses** (continued)

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.

**(x) 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.

**(y) 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 amounts used for taxation purposes. Deferred tax is not recognized for:

- temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss.
- temporary differences related to investments in subsidiaries, associates and joint arrangements to the extent that the Group is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future; and
- taxable temporary differences arising on the initial recognition of goodwill.

Deferred tax assets are recognized for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which can be used. 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; such reductions are reversed when the probability of future taxable profits improves. Unrecognized deferred tax assets are reassessed at each reporting date and recognized to the extent that it has become probable that future taxable profits will be available against which they can be used.

Deferred tax is measured at the rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date.

The measurement of deferred tax reflects the tax consequences that would follow from the manner in which the Group expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities. For this purpose, the carrying amount of investment property measured at fair value is presumed to be recovered through sale, and the Group has not rebutted this presumption.

Deferred tax assets and liabilities are offset only if certain criteria are met.

## Notes to the consolidated financial statements (continued)

**3. SIGNIFICANT ACCOUNTING POLICIES** (continued)

**(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 segments, consistent with internal reporting and are considered 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, residential projects, 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 fashion stores, leisure activities entertainment, credit cards, food and beverage 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.

**EBITDA**

The Group's measure of segment performance, EBITDA, is defined as earnings before interest, tax, non-controlling interests, depreciation, amortization, impairment and other exceptional items of charges or credits that are one-off in nature and significance. Management excludes one-off exceptional items in order to focus on results excluding items affecting comparability from one period to the next. EBITDA is not a measure of cash liquidity or financial performance under generally accepted accounting principles and the EBITDA measure used by the Group may not be comparable to other similarly titled measures of other companies.

**4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS**

**4.1 Classification of properties**

**4.1.1 *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, referred to as 'dual use properties'. Such dual use properties are split for accounting purposes between property, plant and equipment and investment properties based on their respective leasable values, subject to the conditions described below.

**4.1.2 *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;
- Conceptually, strata title can validly be created within the shopping malls and individual units or parts thereof 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 based on the respective leasable value of each portion.

## Notes to the consolidated financial statements (continued)

**4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS** (continued)

**4.1 Classification of properties** (continued)

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

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

In 2015, the legal titles for the properties in the UAE that had been developed on land gifted by the Ruler of Dubai to the majority shareholder of the Parent Company, were registered with the Dubai Land Department with freehold status in return for a fee paid by the Group, thereby, granting the Group freehold title to these plots. Accordingly, management is of the view that these properties can henceforth be treated as those where portions can be sold or finance-leased separately.

***4.2 Valuation and apportionment fair values between land and buildings***

Valuation of properties is a significant area of judgement. Key assumptions used in arriving at the fair values of land and buildings are disclosed in notes 6 and 7.

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.

***4.3 Impairment***

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

***4.4 Supplier balances and sourcing (rebates)***

Management applies judgement in estimating the rebate eligibility and determining the period over which the reduction in cost of sales should be recognized. Management estimates the rebates eligibility and the period, in relation to strategic volume moves and some annual volume based rebates, over which cost of sales is reduced based on the individual contractual arrangement with the suppliers.

## Notes to the consolidated financial statements (continued)

### 5. SEGMENT REPORTING

### 5.1 By business

The segment information provided to the Board of Directors for reportable segments for the year ended 31 December 2016 are as follows:

| | Properties AED '000 | Retail AED '000 | Ventures AED '000 | Head office AED '000 | Total AED '000 |
|---|---|---|---|---|---|
| ***For the year ended 31 December 2016:*** | | | | | |
| **Revenue** | | | | | |
| Gross revenue | 4,490,628 | 23,881,920 | 1,855,828 | - | 30,228,376 |
| Inter segment revenue | (319,576) | - | - | - | (319,576) |
| Revenue from external customers | 4,171,052 | 23,881,920 | 1,855,828 | - | 29,908,800 |
| **Results from continuing operations** | | | | | |
| EBITDA | 2,855,496 | 1,231,697 | 231,201 | (133,429) | 4,184,965 |
| Eliminations and adjustments | | | | | (12,546) |
| | | | | | 4,172,419 |
| Depreciation and amortisation expense | (479,391) | (330,233) | (222,644) | (5,757) | (1,038,025) |
| Eliminations and adjustments | | | | | (151,313) |
| | | | | | (1,189,338) |
| Valuation gain on land and buildings - net | 392,274 | - | - | - | 392,274 |
| Eliminations and adjustments | | | | | 28,484 |
| | | | | | 420,758 |
| Net finance (cost)/income | (361,700) | 67,592 | (60,905) | 467,273 | 112,260 |
| Eliminations and adjustments | | | | | (510,423) |
| | | | | | (398,163) |
| Net profit/(loss) after tax | 2,359,724 | 868,317 | (111,644) | 331,199 | 3,447,596 |
| Eliminations and adjustments | | | | | (663,898) |
| | | | | | 2,783,698 |
| **Capital expenditure** | (2,785,118) | (489,654) | (500,125) | (28,699) | (3,803,596) |
| ***As at 31 December 2016:*** | | | | | |
| **Total assets** | 45,285,764 | 6,092,269 | 3,148,525 | 288,259 | 54,814,817 |
| Eliminations and adjustments | | | | | (2,079,363) |
| | | | | | 52,735,454 |

## Notes to the consolidated financial statements (continued)

**5. SEGMENT REPORTING** (continued)

**5.1 By business** (continued)

The segment information provided to the Board of Directors for reportable segments for the year ended 31 December 2015 are as follows:

| | Properties AED '000 | Retail AED '000 | Ventures AED '000 | Head office AED '000 | Total AED '000 |
|---|---|---|---|---|---|
| ***For the year ended 31 December 2015:*** | | | | | |
| **Revenue** | | | | | |
| Gross revenue | 4,090,866 | 22,076,256 | 1,438,506 | - | 27,605,628 |
| Inter segment revenue | (262,285) | - | - | - | (262,285) |
| Revenue from external customers | 3,828,581 | 22,076,256 | 1,438,506 | - | 27,343,343 |
| **Results from continuing operations** | | | | | |
| EBITDA | 2,606,585 | 1,178,098 | 186,437 | (136,557) | 3,834,563 |
| Eliminations and adjustments | | | | | - |
| | | | | | 3,834,563 |
| Depreciation and amortisation expense | (344,230) | (321,936) | (145,461) | (1,939) | (813,566) |
| Eliminations and adjustments | | | | | (272,625) |
| | | | | | (1,086,191) |
| Valuation gain on land and buildings - net | 1,743,366 | - | - | - | 1,743,366 |
| Eliminations and adjustments | | | | | (622,753) |
| | | | | | 1,120,613 |
| Net finance (cost)/income | (267,259) | 62,524 | (29,129) | 445,729 | 211,865 |
| Eliminations and adjustments | | | | | (497,497) |
| | | | | | (285,632) |
| Net profit after tax | 3,526,846 | 809,760 | 40,511 | 272,331 | 4,649,448 |
| Eliminations and adjustments | | | | | (1,342,293) |
| | | | | | 3,307,155 |
| **Capital expenditure** | (3,440,789) | (503,803) | (462,191) | (1,720) | (4,408,503) |
| ***As at 31 December 2015:*** | | | | | |
| **Total assets** | 43,997,193 | 5,756,668 | 2,421,540 | 270,296 | 52,445,697 |
| Eliminations and adjustments | | | | | (1,562,771) |
| | | | | | 50,882,926 |

## Notes to the consolidated financial statements (continued)

**5. SEGMENT REPORTING** (continued)

**5.2 By geography**

**5.2.1 Revenue by geographical market**

| | 2016 AED '000 | 2015 AED '000 |
|---|---|---|
| UAE (country of domicile) | **15,943,161** | 14,556,837 |
| Egypt | **2,853,082** | 3,033,994 |
| Qatar | **2,269,216** | 2,192,651 |
| Saudi Arabia | **2,562,960** | 2,335,014 |
| Oman | **1,638,473** | 1,452,734 |
| Jordan | **1,301,096** | 1,061,710 |
| Bahrain | **810,354** | 760,827 |
| Pakistan | **603,531** | 424,441 |
| Kuwait | **583,006** | 540,689 |
| Lebanon | **432,671** | 416,520 |
| Georgia | **408,633** | 274,709 |
| Iraq | **336,450** | 262,896 |
| Kazakhastan | **81,282** | - |
| Kenya | **54,849** | - |
| Armenia | **30,036** | 30,321 |
| | **29,908,800** | 27,343,343 |

**5.2.2 Total assets by geographical region**

| | 2016 AED '000 | 2015 AED '000 |
|---|---|---|
| UAE (country of domicile) | **37,628,776** | 35,189,925 |
| Egypt | **2,141,835** | 4,109,815 |
| Bahrain | **3,799,156** | 3,469,086 |
| Saudi Arabia | **2,552,526** | 2,412,326 |
| Lebanon | **2,228,078** | 1,922,638 |
| Oman | **2,716,872** | 2,408,616 |
| Qatar | **459,141** | 313,143 |
| Jordan | **346,081** | 376,154 |
| Others* | **862,989** | 681,223 |
| | **52,735,454** | 50,882,926 |

* Others include Kuwait, Georgia, Pakistan, Hong Kong, Iraq, Kazakhstan, Armenia and Kenya.

## Notes to the consolidated financial statements (continued)

### 6. PROPERTY, PLANT AND EQUIPMENT

| | Land and buildings AED '000 | Motor vehicles AED '000 | Furniture fixtures and equipment AED '000 | Capital work in progress AED '000 | Total AED '000 |
|---|---|---|---|---|---|
| ***Cost/valuation*** | | | | | |
| At 1 January 2015 | 21,007,554 | 11,650 | 5,096,408 | 554,765 | 26,670,377 |
| Additions | 1,425,411 | 2,760 | 377,996 | 1,020,031 | 2,826,198 |
| Acquired in business combination | - | - | 97,707 | 70 | 97,777 |
| Disposals/write offs/adjustments | (17,695) | (950) | (128,497) | (15,882) | (163,024) |
| Transfer to investment properties-net | (14,922,897) | - | - | - | (14,922,897) |
| Assets placed in service | 378,161 | 160 | 630,285 | (1,008,606) | - |
| Net gain on valuation of properties (note 6.1) | 1,204,433 | - | - | - | 1,204,433 |
| Accumulated depreciation and impairment eliminated on valuation | (542,024) | - | - | - | (542,024) |
| Effect of foreign exchange movements | (16,398) | (119) | (59,104) | (20,728) | (96,349) |
| **At 1 January 2016** | **8,516,545** | **13,501** | **6,014,795** | **529,650** | **15,074,491** |
| **Additions** | **130,210** | **2,159** | **620,218** | **682,416** | **1,435,003** |
| **Acquired in business combination (note 25.1)** | **-** | **1,041** | **177,725** | **5,321** | **184,087** |
| **Disposals/write offs/adjustments** | **3,290** | **(786)** | **(416,015)** | **(11,053)** | **(424,564)** |
| **Transfer from investment properties-net (note 7)** | **14,717** | **-** | **-** | **138,747** | **153,464** |
| **Transfer to intangible assets (note 10)** | **-** | **-** | **(30,209)** | **-** | **(30,209)** |
| **Assets placed in service** | **-** | **65** | **308,227** | **(308,292)** | **-** |
| **Net gain on valuation of properties (note 6.1)** | **232,262** | **-** | **-** | **-** | **232,262** |
| **Accumulated depreciation and impairment eliminated on valuation** | **(486,133)** | **-** | **-** | **-** | **(486,133)** |
| **Effect of foreign exchange movements** | **(100,085)** | **(407)** | **(321,793)** | **(54,390)** | **(476,675)** |
| **At 31 December 2016** | **8,310,806** | **15,573** | **6,352,948** | **982,399** | **15,661,726** |
| ***Accumulated depreciation/impairment*** | | | | | |
| At 1 January 2015 | - | (5,595) | (3,124,196) | (14,657) | (3,144,448) |
| Charged during the year | (542,024) | (1,655) | (541,143) | (1,369) | (1,086,191) |
| Impairment loss (note 31) | - | - | (56,468) | (13,894) | (70,362) |
| Reversal of impairment (note 31) | - | - | 15,122 | - | 15,122 |
| On assets acquired in business combination | - | - | (49,417) | - | (49,417) |
| Accumulated depreciation and impairment eliminated on valuation | 542,024 | - | - | - | 542,024 |
| On disposals/write offs | - | 828 | 100,862 | - | 101,690 |
| Effect of foreign exchange movements | - | 69 | 26,652 | - | 26,721 |
| **At 1 January 2016** | **-** | **(6,353)** | **(3,628,588)** | **(29,920)** | **(3,664,861)** |
| **Charged during the year** | **(486,133)** | **(1,846)** | **(646,653)** | **(384)** | **(1,135,016)** |
| **Impairment loss (note 31)** | **-** | **-** | **(73,725)** | **(22,149)** | **(95,874)** |
| **Reversal of impairment (note 31)** | **-** | **-** | **27,730** | **-** | **27,730** |
| **Acquired in business combination (note 25.1)** | **-** | **(730)** | **(75,966)** | **-** | **(76,696)** |
| **Transfer to intangible assets (note 10)** | **-** | **-** | **12,401** | **-** | **12,401** |
| **Accumulated depreciation and impairment eliminated on valuation** | **486,133** | **-** | **-** | **-** | **486,133** |
| **On disposals/write offs** | **-** | **656** | **386,058** | **-** | **386,714** |
| **Effect of foreign exchange movements** | **-** | **517** | **176,616** | **115** | **177,248** |
| **At 31 December 2016** | **-** | **(7,756)** | **(3,822,127)** | **(52,338)** | **(3,882,221)** |
| Carrying amounts | | | | | |
| At 31 December 2015 | 8,516,545 | 7,148 | 2,386,207 | 499,730 | 11,409,630 |
| **At 31 December 2016** | **8,310,806** | **7,817** | **2,530,821** | **930,061** | **11,779,505** |

## Notes to the consolidated financial statements (continued)

**6. PROPERTY, PLANT AND EQUIPMENT** (continued)

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

| | 2016<br>AED '000 | 2015<br>AED '000 |
|---|---|---|
| Gain transferred to revaluation reserve | **264,207** | 1,177,849 |
| Net (loss)/gain recognized in profit or loss | **(31,945)** | 26,584 |
| | **232,262** | 1,204,433 |

**6.2** 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:

| | 2016<br>AED '000 | 2015<br>AED '000 |
|---|---|---|
| Fair value of land and buildings | **8,315,472** | 8,545,428 |
| Less: adjustment for accrued operating lease income | **(4,666)** | (28,883) |
| **Net adjusted fair value** | **8,310,806** | 8,516,545 |

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

| | 2016 | | 2015 | |
|---|---|---|---|---|
| | Land<br>AED '000 | Buildings<br>AED '000 | Land<br>AED '000 | Buildings<br>AED '000 |
| Cost | **764,168** | **6,472,873** | 626,198 | 6,168,550 |
| Accumulated depreciation | **-** | **(2,661,934)** | - | (2,140,473) |
| **Net carrying amount** | **764,168** | **3,810,939** | 626,198 | 4,028,077 |

**6.4** Certain lands are held in the personal name of the majority shareholder of the Parent Company for the beneficial interest of the Group. During the year, title to properties amounting to AED 1,809 million have been transferred to the Group.

**6.5 Measurement of fair value**

**6.5.1** The fair value measurement of property, plant and equipment of AED 8,311 million (2015: AED 8,517 million) has been categorized as a Level 3 fair value based on the inputs to the valuation technique used.

**6.5.2** The following table shows the significant unobservable inputs used:

| **Significant unobservable inputs for:** | **2016** | | | **2015** | | |
|---|---|---|---|---|---|---|
| | **Shopping malls** | **Offices** | **Hotels** | **Shopping malls** | **Offices** | **Hotels** |
| Discount rate | 10.82%-22.22% | - | 11.25%-12.75% | 11%-19% | - | 11.25%-12.75% |
| Net initial yield | - | 7.67%-9.79% | - | - | 7%-7.5% | - |
| Income return | 5.24%-14.39% | 8.04%-10.34% | 3.88%-7.96% | 8%-12% | 8%-10.5% | 5%-13% |
| Average occupancy | 98% | 98% | 77% | 98% | 97%-100% | 75%* |

* This excludes the occupancy of hotels in UAE which were under renovation during 2015.

## Notes to the consolidated financial statements (continued)

**6. PROPERTY, PLANT AND EQUIPMENT** (continued)

**6.5.3 *Inter-relationship between key unobservable inputs and fair value measurement.***

The estimated fair value would increase/ (decrease) if:
- The occupancy rates were higher/(lower);
- The discount rates were lower/(higher); or
- The income returns were higher/(lower).

**7. INVESTMENT PROPERTIES**

| | Land-Undeveloped AED '000 | Land and buildings AED '000 | Capital work in progress AED '000 | Total AED '000 |
|---|---|---|---|---|
| ***Cost/valuation*** | | | | |
| At 1 January 2015 | 885,434 | 10,475,092 | 2,919,930 | 14,280,456 |
| Additions | - | 627,514 | 954,791 | 1,582,305 |
| Net valuation gain recognized in profit or loss (note 7.1) | - | 1,094,029 | - | 1,094,029 |
| Assets placed in service | - | 425,052 | (425,052) | - |
| Transfer (to)/from property, plant and equipment-net (note 6) | (9,688) | 14,932,585 | - | 14,922,897 |
| Transfer from development properties (note 8) | 61,351 | - | 716,700 | 778,051 |
| Disposals / write offs | - | (4,187) | (48) | (4,235) |
| Effect of foreign exchange movements (note 22.4) | (1,602) | (73,450) | (107,747) | (182,799) |
| **At 1 January 2016** | **935,495** | **27,476,635** | **4,058,574** | **32,470,704** |
| **Additions** | **765,732** | **477,260** | **1,123,165** | **2,366,157** |
| **Net valuation (loss)/gain recognized in profit or loss (note 7.1)** | **(26,219)** | **724,687** | **(245,765)** | **452,703** |
| **Assets placed in service** | **3,873** | **56,810** | **(60,683)** | **-** |
| **Transfer to property, plant and equipment-net (note 6)** | **(3,873)** | **(8,474)** | **(141,117)** | **(153,464)** |
| **Transfer to development properties (note 8)** | **(243,000)** | **-** | **-** | **(243,000)** |
| **Effect of foreign exchange movements (note 22.4)** | **(19,023)** | **(461,507)** | **(1,309,195)** | **(1,789,725)** |
| **At 31 December 2016** | **1,412,985** | **28,265,411** | **3,424,979** | **33,103,375** |

**7.1** The net valuation gain/(loss) included in profit or loss is as follows:

| | **2016 AED '000** | 2015 AED '000 |
|---|---|---|
| Net (loss)/gain taken to profit or loss on property, plant and equipment | **(31,945)** | 26,584 |
| Gain on valuation of investment properties | **452,703** | 1,094,029 |
| | **420,758** | 1,120,613 |

**7.2** Rental income derived from investment properties during the current year is AED 2,979 million (2015: AED 1,773 million). The direct operating expenses arising from investment property that generated rental income during the current year amounted to AED 654 million (2015: AED 441 million).

**7.3** The Group transferred a portion of land amounting to AED 243 million, purchased during the year, from investment property to development property in line with the business model.

**7.4** 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:

## Notes to the consolidated financial statements (continued)

**7. INVESTMENT PROPERTIES** (continued)

| | 2016 AED '000 | 2015 AED '000 |
|---|---|---|
| Fair value of land and buildings | **28,458,012** | 27,623,893 |
| Less: adjustment for accrued operating lease income | **(192,601)** | (147,258) |
| **Net adjusted fair value** | **28,265,411** | 27,476,635 |

**7.5** Certain lands are held in the personal name of the majority shareholder of the Parent Company for the beneficial interest of the Group. During the year, the title to properties amounting to AED 17,317 million has been transferred to the Group.

**7.6** The carrying value of properties (including property, plant and equipment) mortgaged against bank loans aggregates to AED 2,025 million (2015: AED 1,303 million).

**7.7 Measurement of fair value**

**7.7.1** The fair value measurement of investment properties of AED 33,103 million (2015: AED 32,471 million) has been categorized as a Level 3 fair value based on the inputs to the valuation technique used.

**7.7.2** The following table shows the significant unobservable inputs used:

| | **2016** | | 2015 | |
|---|---|---|---|---|
| **Significant unobservable inputs for:** | **Shopping malls and properties under construction** | **Offices** | Shopping malls | Offices |
| Discount rate | 10.82%-22.22% | - | 11%-19% | - |
| Net initial yield | - | 7.67%-9.79% | - | 7%-7.5% |
| Income return | 5.24%-14.39% | 8.04%-10.34% | 8%-12% | 8%-10.5% |
| Average occupancy | 98% | 98% | 98% | 97%-100% |
| Capitalisation Rate* | 4.2% | - | N/A | - |

* The capitalisation rate applied for the property under construction as at the reporting date is based on the net initial yield on commencement of operations.

**7.7.3** ***Inter-relationship between key unobservable inputs and fair value measurement.***

The estimated fair value would increase/ (decrease) if:

- The occupancy rates were higher/(lower);
- The discount rates were lower/(higher);
- The income returns were higher/(lower); or
- The capitalisation rate was lower/(higher).

**8. DEVELOPMENT PROPERTIES**

| | 2016 AED '000 | 2015 AED '000 |
|---|---|---|
| At 1 January | **-** | 797,771 |
| Additions during the year | **2,436** | - |
| Transferred from/(to) investment properties (note 7.3) | **243,000** | (778,051) |
| Provision for impairment | **-** | (19,720) |
| | **245,436** | - |

## Notes to the consolidated financial statements (continued)

### 9. INVESTMENTS

| | 2016<br>AED '000 | 2015<br>AED '000 |
|---|---|---|
| **Investments held at fair value through profit or loss (FVPL):** | | |
| - Unlisted equities | **3,233** | 7,524 |
| **Investment in associates (note 9.1)** | **62,111** | 147,248 |
| **Investment in joint ventures (note 9.2)** | **1,186,237** | 1,054,464 |
| | **1,251,581** | 1,209,236 |

### 9.1 Investment in associates

| | 2016<br>AED '000 | 2015<br>AED '000 |
|---|---|---|
| At 1 January | **147,248** | 219,136 |
| Additions/transfers during the year | **18,825** | 9,877 |
| Share of profit/(loss) accounted through profit or loss | **3,789** | (62,735) |
| Dividend income received | **(16,395)** | (16,723) |
| Impairment charge (note 31) | **(91,356)** | (2,307) |
| | **62,111** | 147,248 |

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

| | 2016<br>AED '000 | 2015<br>AED '000 |
|---|---|---|
| Total assets | **355,184** | 2,758,104 |
| Total liabilities | **(275,426)** | (2,387,680) |
| Net assets | **79,758** | 370,424 |
| Carrying amount of interest in the investee at the year end* | **62,111** | 147,248 |
| Revenue | **596,526** | 2,717,189 |
| Profit/(loss) for the year | **6,833** | (269,688) |
| Share of profit/(loss) for the year | **3,789** | (62,735) |

* Share of net assets disclosed above in associates and joint ventures is net of impairment.

**9.1.1.1** For the current year, no reliable financial information is available in respect of an associate, whose principal activities are to deal in and own properties, and to invest in other entities. Consequently, no financial information has been disclosed for this associate in these consolidated financial statements in 2016 (note 31.3).

### 9.2 Investment in joint ventures

| | 2016<br>AED '000 | 2015<br>AED '000 |
|---|---|---|
| At 1 January | **1,054,464** | 1,023,981 |
| Additions/reclassifications during the year (9.2.1) | **32,700** | 24,504 |
| Share of profit accounted through profit or loss (note 9.2.3) | **125,680** | 35,305 |
| De-recognition of investment on account of change in control | **-** | (14,619) |
| Provision for impairment (note 31) | **-** | (16,000) |
| Share of other comprehensive income from equity accounted investees | **244** | - |
| Foreign currency translation differences from foreign operations | **(26,851)** | 1,293 |
| | **1,186,237** | 1,054,464 |

## Notes to the consolidated financial statements (continued)

**9. INVESTMENTS** (continued)

**9.2 Investment in joint ventures** (continued)

**9.2.1** 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. During the year, a portion of the balance receivable amounting to AED 32.7 million, was reclassified to investment in joint ventures as part of the consideration for additional shareholder contribution.

**9.2.2** Summarized financial information in respect of the Group's interest in joint ventures aggregated by geographical concentration between UAE, Gulf Cooperation Council (GCC) excluding UAE and others is set out below:

**At 31 December 2016**

| | **UAE AED '000** | **Other GCC AED '000** | **Others AED '000** | **Total AED '000** |
|---|---|---|---|---|
| Non-current assets | **422,633** | **303,408** | **156,504** | **882,545** |
| Current assets | **1,418,803** | **2,109,843** | **2,158,240** | **5,686,886** |
| Current liabilities | **(1,019,096)** | **(926,500)** | **(120,477)** | **(2,066,073)** |
| Non-current liabilities | **(136,740)** | **(823,886)** | **(1,447,645)** | **(2,408,271)** |
| Net assets | **685,600** | **662,865** | **746,622** | **2,095,087** |
| Carrying amount of interest in the investee at the year end* | **392,220** | **417,085** | **376,932** | **1,186,237** |
| Revenue | **620,439** | **677,695** | **3,628** | **1,301,762** |
| Profit for the year | **78,415** | **156,298** | **16,519** | **251,232** |
| Share of profit for the year | **39,296** | **78,149** | **8,235** | **125,680** |

**At 31 December 2015**

| | UAE AED '000 | Other GCC AED '000 | Others AED '000 | Total AED '000 |
|---|---|---|---|---|
| Non-current assets | 342,512 | 297,728 | 27,233 | 667,473 |
| Current assets | 2,509,343 | 2,039,585 | 1,876,014 | 6,424,942 |
| Current liabilities | (2,130,873) | (938,160) | (74,908) | (3,143,941) |
| Non-current liabilities | (72,944) | (892,587) | (1,098,236) | (2,063,767) |
| Net assets | 648,038 | 506,566 | 730,103 | 1,884,707 |
| Carrying amount of interest in the investee at the year end* | 319,980 | 338,832 | 395,652 | 1,054,464 |
| Revenue | 168,904 | 507,491 | - | 676,395 |
| Profit for the year | (1,070) | 77,792 | (7,058) | 69,664 |
| Share of profit for the year | 92 | 38,896 | (3,683) | 35,305 |

* Share of net assets disclosed above in associates and joint ventures is net of impairment.

## Notes to the consolidated financial statements (continued)

**10. INTANGIBLE ASSETS**

| | **2016** | | 2015 | |
|---|---|---|---|---|
| | **Goodwill AED '000** | **Others** | Goodwill AED '000 | Others AED '000 |
| ***Cost*** | | | | |
| At 1 January | **84,989** | **248,193** | - | 221,977 |
| Additions during the year | **-** | **33,185** | 84,989 | 26,216 |
| Acquired in business combination (note 25.1) | **214,570** | **50,110** | - | - |
| Transfer from property, plant and equipment (note 6) | **-** | **30,209** | - | - |
| Disposals/write offs/adjustments | **(1,161)** | - | - | - |
| Effect of foreign exchange movements | **(29)** | **(1,686)** | - | - |
| | **298,369** | **360,011** | 84,989 | 248,193 |
| ***Accumulated amortization/impairment*** | | | | |
| At 1 January | **-** | **(145,166)** | - | (117,980) |
| Charge for the year | **-** | **(45,032)** | - | (27,186) |
| Impairment loss | **(2,840)** | - | - | - |
| On disposals/write offs | **-** | **1,163** | - | - |
| On transfers from property, plant and equipment (note 6) | **-** | **(12,401)** | - | - |
| | **(2,840)** | **(201,436)** | - | (145,166) |
| **Carrying amount - net** | **295,529** | **158,575** | 84,989 | 103,027 |

**10.1** Above includes intangible assets in respect of naming rights. 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 is being amortized over the contract period using the incremental borrowing cost of the Group at that time of 4.5% p.a and a corresponding long term liability has been recorded (note 21.3).

**10.2** The management has carried out impairment tests for goodwill acquired through business combinations. Management has estimated the recoverable amount of the assets based on a value in use calculation. The Group's policy is to test Goodwill for impairment on an annual basis and whenever there is an indicator for impairment. Goodwill arising on the acquisitions during the year (note 25.1) shall be tested for impairment upon completion of one year from the date of acquisition.

**11. DEFERRED TAX ASSETS AND LIABILITIES**

**11.1 Deferred tax assets**

| | **2016 AED '000** | 2015 AED '000 |
|---|---|---|
| At 1 January | **43,111** | 32,317 |
| Recognized in profit or loss | **9,015** | 298 |
| Charged to equity | **(358)** | - |
| Reclassified during the year (note 11.2) | **772** | 12,969 |
| Foreign currency translation difference from foreign operations | **(15,897)** | (2,473) |
| At 31 December | **36,643** | 43,111 |

**11.1.1** Deferred tax asset amounting to AED 26 million (2015: AED 34 million) is in respect of tax losses carried forward and temporary differences on depreciation of assets and provisions. Deferred tax asset has also been recognised on valuation losses on properties in Lebanon, where the tax rate is 10% (2015: 10%).

## Notes to the consolidated financial statements (continued)

**11. DEFERRED TAX ASSETS AND LIABILITIES** (continued)

**11.2 Deferred tax liabilities**

| | 2016 AED '000 | 2015 AED '000 |
|---|---|---|
| At 1 January | **196,104** | 97,397 |
| (Credited)/charged to profit or loss | **(15,657)** | 54,191 |
| (Credited)/charged to equity | **(15,726)** | 41,094 |
| Reclassified during the year (note 11.1) | **772** | 12,969 |
| Foreign currency translation difference from foreign operations | **(84,175)** | (9,547) |
| At 31 December | **81,318** | 196,104 |

**11.2.1** Deferred tax liability has been computed on the taxable temporary differences arising as a result of valuation gain/losses on properties in Egypt and Oman. The tax rates in these countries are 22.5% (2015: 22.5%) and 12% (2015: 12%) respectively.

**12. OTHER NON-CURRENT ASSETS**

| | 2016 AED '000 | 2015 AED '000 |
|---|---|---|
| *Long term portion of:* | | |
| - Advances and deposits (note 14) | **302,426** | 161,516 |
| - Accrued income on operating leases (note 14) | **141,827** | 172,428 |
| - Prepaid rentals | **10,089** | 10,252 |
| Long term prepaid lease premium (note 12.1) | **60,554** | 69,845 |
| | **514,896** | 414,041 |

**12.1** This mainly represents the unamortized value of the payments made to the previous tenants of a hypermarket and a supermarket in respect of the right to enter as a lessee and also includes the payments made to the landlord of a hypermarket towards the cost of construction of the building in which the hypermarket is situated. These payments are in the nature of lease premiums and are amortised over the period of the respective leases which range from 2 to 20 years.

**13. INVENTORIES**

| | 2016 AED '000 | 2015 AED '000 |
|---|---|---|
| Inventory held for sale (net of provisions) | **1,768,471** | 1,774,924 |
| Reduction in cost from incidence of rebates and discounts | **(126,987)** | (123,369) |
| Goods in transit | **16,581** | 22,554 |
| Spares and consumables | **30,663** | 37,962 |
| | **1,688,728** | 1,712,071 |

## Notes to the consolidated financial statements (continued)

### 14. TRADE AND OTHER RECEIVABLES

| | 2016 AED '000 | 2015 AED '000 |
|---|---|---|
| Trade receivables | **1,112,253** | 855,033 |
| Advances and deposits | **835,371** | 690,588 |
| Prepayments | **457,599** | 419,807 |
| Accrued income on operating leases | **197,507** | 176,141 |
| Positive fair value of derivatives | **90,294** | 103,815 |
| Other receivables | **88,666** | 55,765 |
| | **2,781,690** | 2,301,149 |
| Provision for doubtful receivables (note 33.2.1) | **(138,062)** | (95,912) |
| | **2,643,628** | 2,205,237 |
| Less: long term portion (note 12) | **(454,342)** | (344,196) |
| | **2,189,286** | 1,861,041 |

### 15. CASH IN HAND AND AT BANK

| | 2016 AED '000 | 2015 AED '000 |
|---|---|---|
| Cash in hand | **202,391** | 130,202 |
| Fixed deposits | **123,236** | 177,031 |
| Cash at bank | **844,985** | 1,078,799 |
| **Cash and cash equivalents** | **1,170,612** | 1,386,032 |
| Fixed deposits with an original maturity of more than three months | **91,854** | 8,300 |
| | **1,262,466** | 1,394,332 |

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

**15.2** Fixed deposits are obtained at prevailing market interest rates.

### 16. TRADE PAYABLES, OTHER LIABILITIES AND PROVISIONS

| | 2016 AED '000 | 2015 AED '000 |
|---|---|---|
| Trade payables | **3,599,214** | 3,470,028 |
| Accruals | **1,385,376** | 1,435,900 |
| Advance receipts | **821,572** | 875,139 |
| Unearned rental income | **802,541** | 683,323 |
| Accrued lease rentals | **202,245** | 178,894 |
| Current portion of provision for bonus (note 21.2) | **196,438** | 171,154 |
| Retentions payable | **191,530** | 220,914 |
| Tax payable | **133,425** | 118,719 |
| Negative fair value of derivatives | **131,255** | 135,978 |
| Provisions (note 16.1) | **129,109** | 100,870 |
| Deferred consideration - current portion (note 25.1.2) | **40,494** | - |
| Current portion of finance lease liability (note 21.4) | **25,582** | 30,214 |
| Current portion of deferred liability (note 21.3) | **9,120** | 11,428 |
| Other payables | **169,252** | 238,894 |
| | **7,837,153** | 7,671,455 |

## Notes to the consolidated financial statements (continued)

**16. TRADE PAYABLES, OTHER LIABILITIES AND PROVISIONS** (continued)

**16.1** Movement during the year:

| | 2016 AED '000 | 2015 AED '000 |
|---|---|---|
| At 1 January | **100,870** | 119,944 |
| Charge during the year | **96,017** | 29,187 |
| Payments/adjustments made during the year | **(60,727)** | (47,842) |
| Currency translation adjustments | **(7,051)** | (419) |
| **At 31 December** | **129,109** | 100,870 |

**17. RELATED PARTY TRANSACTIONS AND BALANCES**

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.

**17.1 Long term receivable from related parties**

| | 2016 AED '000 | 2015 AED '000 |
|---|---|---|
| Receivable from joint ventures (note 17.1.1) | **61,890** | 111,000 |
| Less: discounting of receivable | **(13,394)** | (11,785) |
| | **48,496** | 99,215 |
| Receivable from a minority shareholder (note 17.1.2) | **19,061** | 17,526 |
| Receivable from a joint operator | **3,528** | 4,425 |
| | **71,085** | 121,166 |

**17.1.1** As at 31 December 2016, portion of the long-term receivable is measured at fair value, being the present value of the expected future cash flows, by using a discount rate of 10%. The differential between the carrying amount and the fair value is recognized within profit or loss.

**17.1.2** A subsidiary of the Group, and its minority shareholder ('the minority shareholder") entered into a loan agreement on 25 November 2010. According to the loan agreement, the minority shareholder, shall repay to the subsidiary, the aggregate principal amount together with all accrued interest therein on the final maturity date of 31 December 2020. Accordingly, the balance is classified as long term in these consolidated financial statements. Interest has been accrued at the rate of 6 months EIBOR plus a margin of 7% p.a. compounded on a monthly basis.

**17.2 Short term loan to a related party**

In September 2016, a subsidiary of the Group, entered into an agreement with its joint venture, to provide a loan of EGP 118.5 million, amounting to AED 23.9 million as at the reporting date. The loan will be settled within one year from the date of signing the agreement. Accordingly this loan has been classified as short-term in these consolidated financial statements.

**17.3 Short term loan from a related party**

The loan is obtained from the Parent Company, against a loan facility of AED 500 million, renewable every year with a final maturity in 2019.

## Notes to the consolidated financial statements (continued)

**17. RELATED PARTY TRANSACTIONS AND BALANCES** (continued)

**17.3 Short term loan from a related party** (continued)

| | 2016 AED '000 | 2015 AED '000 |
|---|---|---|
| At 1 January | **53,126** | 1,390 |
| Borrowed during the year | **1,012,665** | 212,437 |
| Repaid during the year | **(1,273,533)** | (575,701) |
| Adjusted for dividend settlement | **210,000** | 415,000 |
| **At 31 December** | **2,258** | 53,126 |

**17.4 Long term loan from related parties**

Long term loans from related parties include:

- The un-secured loan amounting to AED 29.7 million by a Group's subsidiary from it's non-controlling shareholder repayable upon the fifth anniversary of the agreement dated August 2015.
- AED 2.9 million loan is obtained by a Group's joint operation from a joint operator.

**17.5 Due from related parties**

| | 2016 AED '000 | 2015 AED '000 |
|---|---|---|
| Parent company | **35,415** | 15,215 |
| Subsidiaries of the parent company | **180** | 459 |
| Joint ventures | **87,939** | 61,373 |
| Associates | **222** | 2,315 |
| Others | **17,118** | 6,735 |
| | **140,874** | 86,097 |
| Provision for doubtful receivables | **(26,519)** | (26,519) |
| | **114,355** | 59,578 |

**17.6 Due to related parties**

| | 2016 AED '000 | 2015 AED '000 |
|---|---|---|
| Others | **37,993** | 37,392 |

**17.7 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:

| | 2016 AED '000 | 2015 AED '000 |
|---|---|---|
| Directors’ fees and expenses | **13,401** | 16,491 |
| Employee benefits (salaries and allowances including provision for bonus) | **104,682** | 89,668 |
| Post employment benefits (provision for end of service benefits) | **5,979** | 4,375 |
| | **124,062** | 110,534 |

## Notes to the consolidated financial statements (continued)

**17. RELATED PARTY TRANSACTIONS AND BALANCES** (continued)

**17.8 Other transactions with related parties during the year**

**17.8.1** During the year the Parent Company has subsidized a proportion of costs, amounting to AED 15 million, incurred in respect of rollout and operations of Leadership Institute.

**17.8.2** During the year certain projects and activities were undertaken on behalf of the Parent Company. Accordingly, costs relating to such projects and proportion of management time and travel costs, amounting to AED 40 million, incurred on these projects have been cross charged to the Parent Company.

**18. BANK OVERDRAFT**

| | **2016 AED '000** | 2015 AED '000 |
|---|---|---|
| Bank overdraft | **539,443** | - |

In the ordinary course of business, companies within the Group use overdraft facilities from banks on market rate interest. The Group has bank overdraft facilities aggregating to AED 914 million (2015: AED 545 million). The facilities carry interest at 0.75% - 3% above the base lending equivalent and the drawn amounts are repayable on demand.

**19. SHORT TERM LOAN**

| | **2016 AED '000** | 2015 AED '000 |
|---|---|---|
| At 1 January | **-** | - |
| Borrowed during the year | **2,019,966** | 2,549,062 |
| Repaid during the year | **(1,968,544)** | (2,549,062) |
| | **51,422** | - |

**19.1** The loan is an uncommited revolving facility of USD 100 million with a margin of 1.25% per annum over 1 week LIBOR maturing within 6 months from the date of each drawdown.

**20. LONG TERM LOANS**

| | **2016 AED '000** | 2015 AED '000 |
|---|---|---|
| At 1 January | **10,586,000** | 9,014,663 |
| Borrowed during the year | **3,639,548** | 6,757,062 |
| Fair value movement | **(63,161)** | 8,122 |
| Repaid during the year | **(3,341,354)** | (5,151,724) |
| Currency translation adjustment | **(547,305)** | (42,123) |
| | **10,273,728** | 10,586,000 |
| Less: Current maturity of long term loans | **(2,509,099)** | (2,102,082) |
| Non-current portion | **7,764,629** | 8,483,918 |

**20.1** The floating rate loans carry margins ranging from 1% to 3.75% (2015: 1.2% to 3.5%) per annum over the base lending rate, whilst fixed rate on loans ranges from 4.5% to 5.9% (2015: 4.5% to 5.85%). For loans obtained in the UAE, the base lending rate used is EIBOR/LIBOR while loans obtained by overseas subsidiaries an appropriate base lending rate prevailing in the related markets is used.

## Notes to the consolidated financial statements (continued)

**20. LONG TERM LOANS** (continued)

**20.2** The details of long term loans are mentioned below:

| Loan facility '000 | Repayment interval | Repayment commencing | Maturity date | Note | 2016 AED '000 | 2015 AED '000 |
|---|---|---|---|---|---|---|
| EGP 3,000,000 | Unequal installments every year | 26-Jul-17 | 28-Apr-26 | 20.3 | **513,730** | 772,510 |
| AED 225,000 | Semi-annual | 29-Sep-13 | 29-Mar-21 | 20.4 | **154,800** | 177,975 |
| USD 45,000 | Semi-annual | 5-Nov-15 | 5-May-22 | 20.5 | **114,781** | 124,882 |
| USD 8,262 | Annual | 27-Sep-16 | 27-Sep-18 | 20.5 | **19,327** | 30,346 |
| LBP 170,633,264 | Annual | 20-Mar-16 | 20-Sep-22 | 20.5 | **394,652** | 415,663 |
| EGP 2,500,000 | Unequal installments every year | 28-Sep-21 | 28-Sep-30 | 20.6 | **-** | - |
| KES 1,530,000 | Semi-annual | 31-Dec-18 | 30-Jun-20 | 20.7 | **36,010** | - |
| GEL 10,939 | Semi-annual | 17-Mar-18 | 17-Mar-21 | 20.7 | **15,126** | - |
| PKR 1,850,000 | Quarterly | 6-Aug-18 | 9-May-21 | 20.8 | **38,627** | - |
| USD 400,000 | Bullet | NA | 7-Feb-17 | 20.9 | **1,468,760** | 1,468,703 |
| USD 500,000 | Bullet | NA | 3-Nov-25 | 20.9 | **1,808,854** | 1,822,059 |
| USD 1,159,000 | Revolver | NA | 19-Sep-18 | | **-** | 888,484 |
| AED 1,609,000 | Revolver | NA | 19-Sep-18 | | **-** | 335,834 |
| USD 500,000 | Bullet | NA | 5-Jul-19 | 20.10 | **1,828,952** | 1,829,029 |
| USD 800,000 | Bullet | NA | 7-May-24 | 20.10 | **3,007,113** | 1,908,060 |
| USD 100,000 | Revolver | NA | 24-Jul-19 | | **366,826** | 83,821 |
| USD 800,000 | Revolver | NA | 16-Sep-20 | | **506,170** | 728,634 |
| USD 500,000 | Revolver | NA | 30-Jun-21 | | **-** | - |
| | | | | | **10,273,728** | 10,586,000 |

**20.3** In 2013, a loan facility of EGP 3,000 million was obtained by a subsidiary in Egypt in relation to the construction of a shopping mall, which is secured by assignment of lease proceeds and insurance contracts.

**20.4** 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 lease rentals of the shopping mall.

**20.5** 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 constructed and the assignment of lease rentals of the shopping mall.

**20.6** During the year, a loan facility of EGP 2,500 million was obtained by a subsidiary in Egypt in relation to the construction of a shopping mall. As at the reporting date the Group had no outstanding balance on this loan facility.

**20.7** During the year, term loan facilities of KES 1,530 million and GEL 10.9 million were obtained by the Group's subsidiaries in Kenya and Georgia respectively.

**20.8** During the year, a term loan facility of PKR 1,850 million was obtained by a subsidiary in Pakistan, which is secured by a bank guarantee issued to lending bank amounting to PKR 1,575 million and a charge on inventory amounting to PKR 500 million.

**20.9** In February 2012 the Group had issued five year Sukuk certificates ("bonds") under its USD 1,000 million Sukuk program (structured as a "Wakala"), raising USD 400 million (AED 1,469 million). The five year senior unsecured bonds issued in 2012 under this program are listed on the London Stock Exchange and on the NASDAQ Dubai, UAE. The terms of the arrangement include transfer of 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 under the control of the Group and shall continue to be serviced by the Group. The bond holders have no recourse to the assets. These bonds bear a fixed profit rate of 5.85% per annum on a semi-annual basis to be serviced from returns generated from the Wakala assets.

## Notes to the consolidated financial statements (continued)

**20. LONG TERM LOANS** (continued)

In 2015, the size of the Sukuk Trust Certificate Issuance Program was increased to USD 1,500 million and the structure of the Program was amended to incorporate a Commodity Murabaha Investment option within the "Wakala" structure.

In November 2015, the Group issued ten year Sukuk certificates ("bonds") under its Sukuk Program dated 8 October 2015, raising USD 500 million (AED 1,836.5 million). The ten year senior unsecured bonds issued in November under this program are listed on the NASDAQ Dubai, UAE and on the Irish Stock Exchange. The terms of the arrangement include payment to the Group for the purchase of an Asset Portfolio by MAF Sukuk Ltd, the Issuer, and the purchase of a Commodity Murabaha Investment for a deferred sale price. The Asset Portfolio, the Commodity Murabaha Investment and all other rights arising under or with respect to such asset portfolio and the Commodity Murabaha Investment shall comprise the "Wakala Portfolio".

In substance, the Wakala Portfolio remains in control of the Group and shall continue to be serviced by the Group. The bond holders have no recourse to the assets. These bonds bear a fixed profit rate of 4.5% per annum on a semi-annual basis to be serviced from returns generated from the Wakala Portfolio.

The Sukuk Program was originally listed on the London Stock Exchange in 2012. All subsequent updates of the program since then, have been listed on the Irish Stock Exchange and on the NASDAQ Dubai, UAE. Of the total amount raised under the Sukuk Program, USD 600 million (31 December 2015: USD 600 million) is hedged by financial derivatives and accordingly, carried at fair value.

**20.10** In July 2012, under the USD 2,000 million Global Medium Term Note (GMTN) Program (increased to USD 3,000 million in 2015), the Group had issued seven year fixed rate unsecured bonds of USD 500 million (AED 1,837 million) and ten year fixed rate unsecured bonds in May 2014 of USD 500 million (AED 1,837 million). The bonds carry coupon rates ranging from 4.75% to 5.25% per annum, payable every six months. The bonds issued in July 2012 are listed on London and NASDAQ Dubai, UAE Stock Exchanges and bonds issued in May 2014 are listed on NASDAQ Dubai, UAE and Irish Stock Exchanges. In addition the GMTN Program was originally listed on the London Stock Exchange in 2011. All subsequent updates of the Program have been listed on the Irish Stock Exchange and on the NASDAQ Dubai, UAE. Of the total amount raised under the GMTN Program, USD 825 million (31 December 2015: USD 700 million) is hedged by financial derivatives and accordingly, carried at fair value.

In July 2016, the Group issued additional USD 300 million (AED 1,102 million) under the GMTN program as part of May 2014 issue, thereby increasing the ten year issue to USD 800 million (AED 2,938 million).

**21. OTHER LONG TERM LIABILITIES AND PROVISIONS**

| | **2016 AED '000** | 2015 AED '000 |
|---|---|---|
| Provision for staff terminal benefits (note 21.1) | **545,996** | 481,362 |
| Deferred consideration - non-current portion (note 25.1.2) | **143,449** | - |
| Provision for bonus (note 21.2) | **46,951** | 40,866 |
| Deferred liability (note 21.3) | **10,621** | 19,449 |
| Finance lease liabilities (note 7.4 and 21.4) | **23,697** | 62,227 |
| Other long term liabilities | **2,941** | 3,683 |
| | **773,655** | 607,587 |

**21.1** The movement in provision for staff terminal benefits is analysed as follows:

| | **2016 AED '000** | 2015 AED '000 |
|---|---|---|
| At 1 January | **481,362** | 418,940 |
| Charge during the year | **110,462** | 101,438 |
| Payments made during the year | **(41,607)** | (37,996) |
| Currency translation adjustment | **(4,221)** | (1,020) |
| At 31 December | **545,996** | 481,362 |

## Notes to the consolidated financial statements (continued)

**21. OTHER LONG TERM LIABILITIES AND PROVISIONS** (continued)

**21.2** The movement in provision for bonus incentive plan is as follows:

| | 2016 AED '000 | 2015 AED '000 |
|---|---|---|
| At 1 January | **212,020** | 183,487 |
| Additions during the year | **233,033** | 198,936 |
| Payments/transfers made during the year | **(189,228)** | (169,646) |
| Currency translation adjustment | **(12,436)** | (757) |
| At 31 December | **243,389** | 212,020 |
| Less: Current portion (note 16) | **(196,438)** | (171,154) |
| Non-current portion | **46,951** | 40,866 |

The provision for bonus includes AED 41 million (2015: AED 28 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.

**21.3** The movement in the deferred liability is as follows:

| | 2016 AED '000 | 2015 AED '000 |
|---|---|---|
| At 1 January | **30,877** | 57,290 |
| Interest accrued during the year | **1,204** | 2,151 |
| Payments made during the year | **(12,340)** | (28,564) |
| At 31 December | **19,741** | 30,877 |
| Less: Current portion (note 16) | **(9,120)** | (11,428) |
| Non-current portion | **10,621** | 19,449 |

Also refer to note 10.1

**21.4** Finance lease liabilities are as follows:

| | **Future minimum lease payments** | | **Interest** | | **Present value of minimum lease payments** | |
|---|---|---|---|---|---|---|
| In thousands of AED | **2016** | **2015** | **2016** | **2015** | **2016** | **2015** |
| Less than one year | **30,187** | 36,073 | **4,605** | 5,859 | **25,582** | 30,214 |
| Between one and five years | **7,893** | 32,818 | **7,893** | 11,453 | **-** | 21,365 |
| More than five years | **123,659** | 128,921 | **99,962** | 88,059 | **23,697** | 40,862 |
| | **161,739** | 197,812 | **112,460** | 105,371 | **49,279** | 92,441 |

The imputed finance cost on the finance lease liabilities was determined based on Group's subsidiaries incremental borrowing rate of 0.3% - 10%.

**22. SHARE CAPITAL AND RESERVES**

**22.1 Share capital**

| | 2016 AED '000 | 2015 AED '000 |
|---|---|---|
| Issued and fully paid 2,486,729 shares of AED 1,000 each | **2,486,729** | 2,486,729 |

## Notes to the consolidated financial statements (continued)

**22. SHARE CAPITAL AND RESERVES** (continued)

**22.1.1** During the year, a dividend of AED 210 million (2015: 415 million) was declared and settled by the Company.

**22.2 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.

**22.3 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.

**22.4 Currency translation reserve**

The currency translation reserve comprises all foreign currency differences arising from the translation of the financial statements of foreign operations. During the current year the Central Bank of Egypt floated its controlled currency which led to devaluation of Egyptian Pound by 57% and resulted in an impact of AED 1,434 million in the currency translation reserve in current year.

**23. HYBRID EQUITY INSTRUMENT**

In October 2013, the Group has issued Hybrid Perpetual Note Instruments ('the Notes') of AED 1,836 million (USD 500 million) which are listed on the Irish Stock Exchange. The Notes are deeply subordinated with no maturity date. The Notes carry interest at the rate of 7.125% payable semi-annually in arrears till the first call date on October 29, 2018 and will be reset thereafter every 5 years to a new fixed rate plus the margin. The Group may elect at its sole and absolute discretion not to pay interest on interest payment dates. Pursuant to the requirements of IAS 32 and the terms/conditions, the Notes are classified as equity net of transaction costs amounting to AED 10.5 million.

**24. NON-CONTROLLING INTERESTS**

The following subsidiaries within the Group have material non-controlling interests:

| | | | Non-controlling interest | |
|---|---|---|---|---|
| **Name of subsidiary** | **Country of incorporation** | **Nature of business** | **2016** | 2015 |
| Fujairah City Centre Investment Company LLC | United Arab Emirates | Property developer | 37.5% | 37.5% |
| Aswaq Al Emarat Trading CJSC | Kingdom of Saudi Arabia | Property developer | 15% | 15% |
| MAF IT Sugar LLC | United Arab Emirates | Retail | 25% | 25% |
| Attractions and Leisure Services Company WLL | Kuwait | Leisure and Entertainment | 50% | 50% |
| Perfect World for Kids Entertainment Co. | Jordan | Leisure and Entertainment | 50% | 50% |
| Majid Al Futtaim Accessories LLC | United Arab Emirates | Fashion retailer | 49% | 49% |
| Suburban Development Company SAL | Lebanon | Property developer | 3.2% | 3.2% |
| Oman Arab Cinemas Co. LLC | Oman | Cinema | 20% | - |
| Vox Cineco Cinema Company (note 25.1.2) | Bahrain | Cinema | 50% | - |

## Notes to the consolidated financial statements (continued)

**24. NON-CONTROLLING INTERESTS** (continued)

The following is summarised financial information for the subsidiaries within the Group that have material non-controlling interest:

| At 31 December 2016 | UAE AED '000 | Other GCC AED '000 | Others AED '000 | Total AED '000 |
|---|---|---|---|---|
| Non-current assets | **1,434,585** | **1,148,230** | **8,337** | **2,591,152** |
| Current assets | **372,638** | **566,465** | **9,676** | **948,779** |
| Current liabilities | **(345,854)** | **(90,152)** | **(2,871)** | **(438,877)** |
| Non-current liabilities | **(667,274)** | **(1,937)** | **(154)** | **(669,365)** |
| Net assets | **794,095** | **1,622,606** | **14,988** | **2,431,689** |
| Net assets attributable to non-controlling interests | **152,720** | **278,996** | **9,327** | **441,043** |
| Revenue | **395,870** | **109,860** | **5,940** | **511,670** |
| Profit/(loss) for the year | **90,789** | **29,558** | **(359)** | **119,988** |
| Other comprehensive income | **(55)** | **(178)** | **35** | **(198)** |
| Total comprehensive income/(loss) attributable to non-controlling interest | **14,752** | **17,679** | **(157)** | **32,274** |

| At 31 December 2015 | UAE AED '000 | Other GCC AED '000 | Others AED '000 | Total AED '000 |
|---|---|---|---|---|
| Non-current assets | 1,425,768 | 1,471,373 | 9,610 | 2,906,751 |
| Current assets | 367,052 | 18,258 | 8,819 | 394,129 |
| Current liabilities | (401,616) | (27,847) | (2,598) | (432,061) |
| Non-current liabilities | (686,702) | (736) | (28) | (687,466) |
| Net assets | 704,502 | 1,461,048 | 15,803 | 2,181,353 |
| Net assets attributable to non-controlling interests | 137,920 | 219,966 | 9,898 | 367,784 |
| Revenue | 235,149 | 48,256 | 5,463 | 288,868 |
| Profit/(loss) for the year | 82,808 | 19,628 | (2,115) | 100,321 |
| Other comprehensive income | 37 | 104 | 16 | 157 |
| Total comprehensive income/(loss) attributable to non-controlling interest | 18,249 | 10,787 | (920) | 28,116 |

**25. BUSINESS COMBINATIONS**

**25.1 2016 business combinations**

**25.1.1** On 30 June 2016, the Group entered into an agreement to purchase 80% shares and voting rights in Oman Arab Cinema Company LLC. The agreement became effective on 24 August 2016 after all the conditions of the buyer and the seller were met. As part of the share purchase agreement, the Group has a call option (excercisable at the fair value of the shares) to acquire the remaining 20% of the shares and voting interest on the third anniversary of the closing date. The management has assessed that the value of option is immaterial and hence it is not recorded in these consolidated financial statements.

- For the period ended 31 December 2016, Oman Arab Cinema Company LLC contributed revenue of AED 22.8 million and loss of AED 0.9 million to the Group's results.
- If the acquisition had occurred on 1 January 2016, management estimates that consolidated revenue would have been AED 62.9 million, and consolidated profit for the year would have been AED 0.73 million. In determining these amounts, management has assumed that the fair value adjustments that arose on the date of acquisition would have been the same if the acquisition had occurred on 1 January 2016.

## Notes to the consolidated financial statements (continued)

**25. BUSINESS COMBINATIONS (continued)**

**25.1 2016 business combinations** (continued)

- The valuation technique used for measuring the fair value of assets acquired was on the basis of depreciated replacement cost approach. Intangible are measured using discounted cashflows of the variance between actual payout rate in comparison with market rate. The following tables summarizes recognized amounts of the assets acquired, liabilities assumed and consideration transferred at the date of acquisition:

| | 24 August 2016 AED '000 |
|---|---|
| Property, plant and equipment (note 6) | 65,452 |
| Intangible assets - favourable terms lease contract (note 10) | 50,110 |
| Others | (2,016) |
| Fair value of net identifiable net assets acquired (A) | 113,546 |
| Non-controlling interest, based on proportionate interest recognised (B) | 22,709 |
| Purchase consideration paid (C) | 146,920 |
| Goodwill (C+B-A) | 56,083 |

- The Group incurred acquisition-related costs of AED 0.73 million on legal fees and due deligence cost. These costs have been included in 'Operating expenses'.

**25.1.2** Pursuant to the shareholders agreement dated 27 September 2016 between the Group and Bahrain Cinema Company BSC ('the seller'), the Group acquired a component of the seller's cinema business. The acquired Cinema will be transferred to a separate Company by the name of Vox Cineco Cinema Company W.L.L. ('Cineco'). The Group will own 50% shares of Cineco and will have control over the operations and management of the of the cinema theatres. However, the Group has consolidated the Cinema as it represents a separate business having its own separately identifiable assets, liabilities and cash flows for the purpose of these consolidated financial statements it has been considered as a deemed entity.

- For the period ended December 31, 2016, Cineco contributed revenue of AED 30.8 million and profit of AED 10.7 million (AED 5.4 million after NCI allocation) to the Group’s results .
- Management is in the process of completing the purchase price allocation of this acquisition. The following table summarizes the the provisional amount of goodwill acquired at the date of acquisition:

| | 1 October 2016 AED '000 |
|---|---|
| Property, plant and equipment (note 6) (A) | 41,939 |
| Non-controlling interest, based on proportionate interest recognised (B) | 20,969 |
| Deferred consideration* (C) | 179,457 |
| Goodwill (C+B-A) | 158,487 |

*The current portion of the above consideration amounts to AED 40.5 million (note 16).

In accordance with the terms of above agreement the business acquired should be transferred in a separate legal entity which is in the process of being incorporated and the operations are being carried out under the trade license of Bahrain Cinema Company BSC. The operations of the Cineco are under the control of the Group.

## Notes to the consolidated financial statements (continued)

**25. BUSINESS COMBINATIONS** (continued)

**25.2 2015 business combinations**

**25.2.1** Pursuant to the shareholders agreement entered on 18 March 2015, with Accessories (Island) limited, the Group incorporated Majid Al Futtaim Accessories LLC ("MAFA") to operate Monsoon, Accessorize & Monsoon Kids retail outlets in UAE, Qatar, Oman, Bahrain and Kuwait.

- The Group paid total consideration amounting to AED 76 million for 51% shareholding in MAFA. Goodwill amounting to AED 39.7 million was recognized on acquisition of net assets amounting to AED 36.3 million.
- The valuation technique used for measuring the fair value of assets acquired was on the basis of depreciated replacement cost approach.
- During 2015, the subsidiary contributed revenue of AED 34.9 million and a loss of AED 8.8 million to the Group's results.
- Capital contribution by non-controlling interest amounted to AED 27.6 million.

**25.2.2** The Group acquired the remaining 25% equity interest in Majid Al Futtaim Fashion KSA from the non-controlling interest for a consideration of AED 8.2 million on 6 October 2015. The Group had previously fully absorbed the initial losses, hence the balance of non-controlling interest was nil and accordingly the contribution paid was charged to equity.

**25.2.3** Effective 1 January 2015, the Group acquired controlling interest in two jointly controlled entities (namely, Attractions Management & Leisure Services Company W.L.L Kuwait and Kids Entertainment Perfect World PJSC Jordan). In 2015 the shareholders of the jointly controlled entities signed an agreement whereby, control over the relevant activities of these two entities were transferred to the Group with effect from 1 January 2015. Consequently, for the year ended 31 December 2015 the Group consolidated the results of the two entities.

- There was no additional purchase consideration for this transaction. The carrying value of investment amounting to AED 22.1 million at the date of change in control was considered as the purchase consideration.
- The Group measured it's portion of the net assets acquired at fair value using discounted cash flow method over a period of ten years.
- The non-controlling interest was measured at AED 23.4 million at the date of acquisition.
- The re-measurement of fair value of the Group's interest in these entities resulted in a gain of AED 43.1 million, the fair value had been attributed to the net identifiable assets of AED 43.4 million and the excess was recognized as Goodwill (AED 45.3 million) to the extent of the controlling interest acquired.
- During 2015, these entities have contributed revenue of AED 53.7 million and profit of AED 20.3 million to the Group's results.

## Notes to the consolidated financial statements (continued)

### 26. REVENUE

| | 2016 AED '000 | 2015 AED '000 |
|---|---|---|
| Sale of goods | **22,295,574** | 20,625,926 |
| Listing fees, gondola fees and commissions | **1,864,503** | 1,627,128 |
| Rental income | **3,170,896** | 2,837,223 |
| Leisure and entertainment | **1,408,648** | 1,212,074 |
| Hospitality revenue | **713,318** | 682,133 |
| Others | **455,861** | 358,859 |
| | **29,908,800** | 27,343,343 |

### 27. COST OF SALES

| | 2016 AED '000 | 2015 AED '000 |
|---|---|---|
| Opening inventories | **(1,712,071)** | (1,503,026) |
| Purchases | **(21,680,266)** | (20,104,447) |
| Closing inventories | **1,688,728** | 1,712,071 |
| Supplier rebates and discounts | **1,621,084** | 1,461,732 |
| | **(20,082,525)** | (18,433,670) |

### 28. OPERATING EXPENSES

| | 2016 AED '000 | 2015 AED '000 |
|---|---|---|
| Staff costs (note 28.1) | **(2,836,579)** | (2,595,115) |
| Depreciation (note 6) | **(1,135,016)** | (1,086,191) |
| Utilities | **(370,707)** | (340,976) |
| Rent | **(591,523)** | (530,589) |
| Advertising, selling and marketing expenses | **(292,811)** | (272,125) |
| Legal and consultancy expenses | **(186,481)** | (148,474) |
| Bank charges | **(147,352)** | (138,597) |
| Repair and maintenance | **(242,221)** | (213,553) |
| Franchise and management fees | **(154,813)** | (151,933) |
| Security expenses | **(109,895)** | (111,234) |
| Amortisation | **(54,322)** | (29,412) |
| House keeping and cleaning | **(85,519)** | (75,598) |
| Bad debts expense (note 33.2.1) | **(128,063)** | (64,261) |
| Other general and administrative expenses | **(576,052)** | (472,655) |
| | **(6,911,354)** | (6,230,713) |

**28.1** Staff cost (includes) / is net of the following:

| | 2016 AED '000 | 2015 AED '000 |
|---|---|---|
| Gratuity cost | **(110,460)** | (101,438) |
| Pension cost | **(15,760)** | (14,676) |
| Staff cost capitalised | **99,136** | 68,600 |

**28.2** The number of employees at 31 December 2016 was 34,145 (2015: 30,371).

## Notes to the consolidated financial statements (continued)

**28. OPERATING EXPENSES**

**28.3** During the year ended 31 December 2016, the Group paid AED 6.3 million (2015: 4.8 million) for various social contribution purposes.

**29. FINANCE COSTS - NET**

| | **2016 AED '000** | 2015 AED '000 |
|---|---|---|
| *Finance costs:* | | |
| Arrangement and participation fee | **(45,037)** | (34,448) |
| Interest charges on bank loans | **(502,892)** | (448,715) |
| Interest charges on related party loans | **(5,792)** | (150) |
| Capitalized interest on development expenditure | **167,743** | 129,435 |
| | **(385,978)** | (353,878) |
| Changes in the fair value/settlement of derivatives held as FVPL | **(32,895)** | (14,343) |
| Cash flow hedges reclassified from hedging reserve | **(55,098)** | (63,679) |
| Bond programme cost | **(3,747)** | (7,786) |
| | **(477,718)** | (439,686) |
| *Finance income:* | | |
| Interest income on bank balances | **30,972** | 46,644 |
| Interest income from operational financing | **21,550** | 19,740 |
| Cash flow hedges reclassified from hedging reserve | **3,071** | 1,529 |
| Changes in the fair value/settlement of derivatives held as FVPL | **23,962** | 86,141 |
| | **79,555** | 154,054 |
| | **(398,163)** | (285,632) |

**29.1** The capitalization rate used to determine the amount of borrowing cost eligible for capitalization varies from 4.11% to 17.75% (2015: 3.79% to 12.25%) depending on the effective interest rate over the tenure of the borrowing.

**29.2** Net changes in fair value recognised directly in other comprehensive income:

| | **2016 AED '000** | 2015 AED '000 |
|---|---|---|
| Effective portion of changes in fair value of cash flow hedges | **8,523** | (17,161) |
| Cash flow hedges reclassified to profit or loss - net | **52,027** | 62,150 |
| | **60,550** | 44,989 |

**30. OTHER EXPENSES - NET**

| | **2016 AED '000** | 2015 AED '000 |
|---|---|---|
| Foreign exchange loss - net | **(76,126)** | (52,296) |
| Fixed assets/project costs written off | **(9,910)** | (9,721) |
| Loss on disposal of non-current assets | **(6,016)** | (5,601) |
| Land transfer fee reversal/(provision) | **-** | 5,702 |
| Development expenses written off | **(33,644)** | (28,743) |
| Gain on acquiring control of jointly controlled entities (note 25.2.3) | **-** | 43,171 |
| Service income from related parties (note 17.8) | **59,134** | 4,300 |
| Other income/(expense) | **890** | (8,481) |
| | **(65,672)** | (51,669) |

## Notes to the consolidated financial statements (continued)

**31. IMPAIRMENT REVERSALS/(CHARGE) – NET**

| | **2016 AED '000** | 2015 AED '000 |
|---|---|---|
| *Impairment of property, plant and equipment:* | | |
| - Furniture and fixtures (note 31.1) | **(73,725)** | (56,468) |
| - Land and building (note 31.2) | **-** | (442) |
| - Capital work in progress (note 31.2) | **(22,149)** | (13,894) |
| *Impairment of investments:* | **-** | |
| - Associate (note 31.3) | **(91,356)** | (2,307) |
| - Joint venture | **-** | (16,000) |
| Impairment of investment property (note 31.2) | **(8,067)** | - |
| Impairment of development properties (note 8) | **-** | (19,720) |
| Other impairment (charges)/reversals | **(717)** | 464 |
| Reversal of impairment of property, plant and equipment (note 31.4) | **27,730** | 15,122 |
| Reversal of impairment of advances provided to a joint venture (note 31.5) | **-** | 107,053 |
| | **(168,284)** | 13,808 |

**31.1** Represents impairment loss on the assets of certain operating units (retail and fashion stores) as the recoverable amount, which was estimated based on the value in use of the cash generating units, was lower than the carrying amount of the assets. 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.

**31.2** Based on management's assessment of fair value and revised business plan of the Group, the carrying value of these assets has been eroded.

**31.3** At the year end, management reviewed the carrying value of its investment in an associate and assessed that the investment has been eroded due to adverse market and business conditions and, therefore, recognized a full impairment loss of AED 91 million (note 9.1) in the current year.

**31.4** The reversal represents the balance after utilizing an impairment provision amounting to AED 5.4 million (2015: AED 3.8 million) during the year on the disposal/ write off of assets.

**31.5** In previous years, the Group had fully impaired it's advance of AED 389 million granted to a joint venture, as the Group's contribution, upon reassessment of the project. During 2015, the Group recovered AED 107 million in cash and accordingly the impairment provision was reversed to that extent.

**32. TAX CHARGE - NET**

| | **2016 AED '000** | 2015 AED '000 |
|---|---|---|
| ***Current tax*** | | |
| Current year | **(72,554)** | (72,737) |
| Adjustment for prior years | **(1,449)** | (14,865) |
| | **(74,003)** | (87,602) |
| ***Deferred tax*** | | |
| Origination of temporary differences - net | **24,488** | (65,312) |
| Change in tax rates | **184** | 11,419 |
| | **24,672** | (53,893) |
| | **(49,331)** | (141,495) |

## Notes to the consolidated financial statements (continued)

### 32. TAX CHARGE - NET (continued)

### 32.1 Reconciliation of effective tax rate

| | | 2016 AED '000 | | 2015 AED '000 |
|---|---|---|---|---|
| Profit for the year after tax | | **2,783,698** | | 3,307,155 |
| Income tax charge - net | | **49,331** | | 141,495 |
| Profit for the year before tax | | **2,833,029** | | 3,448,650 |
| Effect of tax rates in foreign jurisdictions | **-2.47%** | **(70,001)** | -2.09% | (71,994) |
| Non-deductible expenses | **-0.09%** | **(2,552)** | -0.09% | (3,030) |
| Deferred tax for temporary differences | **0.87%** | **24,689** | -1.89% | (65,312) |
| Change in tax rates | **0.01%** | **184** | 0.33% | 11,419 |
| Tax losses | **-0.01%** | **(203)** | 0.07% | 2,287 |
| Prior period adjustments | **-0.05%** | **(1,448)** | -0.43% | (14,865) |
| Total | **-1.74%** | **(49,331)** | -4.10% | (141,495) |

### 33. FINANCIAL INSTRUMENTS

Financial assets of the Group include cash at bank, trade and other receivables, amounts due from related parties, positive fair value of derivative financial instruments held as cash flow hedges and accounted for as FVPL, short term loans, and long term loans, advances and 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.

### 33.1 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 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.

### 33.2 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.

The operating subsidiaries have 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 are supported by a deposit equivalent to one month's advance rental. Credit evaluations are performed on all customers requiring credit over a certain amount. The Group has a broad base of customers with no concentration of credit risk within trade receivables at 31 December 2016 and 31 December 2015. 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. All non-current receivables are due within five years of the reporting date and the fair values of trade and other receivables approximate to the carrying value.

## Notes to the consolidated financial statements (continued)

**33 FINANCIAL INSTRUMENTS** (continued)

**33.2 Credit risk** (continued)

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

| | 2016 AED '000 | 2015 AED '000 |
|---|---|---|
| Investments held as FVPL | **3,233** | 7,524 |
| Long term loan, advances and receivables | **373,511** | 282,682 |
| Trade receivables (note 14) | **1,112,253** | 855,033 |
| Other current receivables | **573,843** | 592,740 |
| Due from related parties | **114,355** | 59,578 |
| Cash at bank | **1,060,075** | 1,264,130 |
| | **3,237,270** | 3,061,687 |

**33.2.1** The movement in the provision for doubtful receivables during the year was as follows:

| | 2016 AED '000 | 2015 AED '000 |
|---|---|---|
| At 1 January | **(95,912)** | (66,694) |
| Bad debt expense for the year (note 28) | **(128,063)** | (64,261) |
| Amounts written off/reversals | **84,930** | 34,894 |
| Foreign exchange differences | **983** | 149 |
| | **(138,062)** | (95,912) |

The other classes within trade and other receivables do not contain impaired assets.

**33.2.2** At 31 December 2016, the ageing of trade and other receivables is as follows:

| | 2016 AED '000 | 2015 AED '000 |
|---|---|---|
| Current balance | **821,357** | 684,535 |
| Past due 1 - 30 days | **34,967** | 21,079 |
| Past due 31 - 90 days | **102,972** | 60,637 |
| Past due 91 - 180 days | **85,536** | 34,120 |
| Past due over 180 days | **67,421** | 54,662 |
| | **1,112,253** | 855,033 |
| Less: provision for doubtful debts | **(138,062)** | (95,912) |
| | **974,191** | 759,121 |

**33.3 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 related party loans, bank overdrafts, bank loans, and credit facilities.

## Notes to the consolidated financial statements (continued)

**33. FINANCIAL INSTRUMENTS** (continued)

**33.3 Liquidity risk** (continued)

| | | Contractual cash flows | | | |
|---|---|---|---|---|---|
| | Carrying amount AED '000 | Less than one year AED '000 | Between one to two years AED '000 | Between two to five years AED '000 | More than five years AED '000 |
| ***As at 31 December 2016*** | | | | | |
| Bank loans | 10,273,728 | 3,056,476 | 558,235 | 3,334,823 | 6,068,516 |
| Bank overdraft | 539,443 | 539,443 | - | - | - |
| Loans from related parties | 34,880 | 3,783 | 1,667 | 5,534 | 42,592 |
| Trade and other payables | 5,973,774 | 5,750,720 | 99,796 | 116,904 | 189,404 |
| Due to related parties | 37,993 | 37,993 | - | - | - |
| **Derivative liability for risk management** | | | | | |
| - Interest rate derivatives designated as cashflow hedge | 56,735 | 13,357 | 10,458 | 24,826 | 14,832 |
| - Derivative instruments accounted as FVPL | 74,520 | 12,936 | 10,382 | 24,068 | 35,952 |
| | 16,991,073 | 9,414,708 | 680,538 | 3,506,155 | 6,351,296 |
| ***As at 31 December 2015*** | | | | | |
| Bank loans | 10,586,000 | 2,658,643 | 2,044,416 | 3,496,410 | 5,388,529 |
| Loan from related parties | 53,126 | 53,921 | - | - | - |
| Trade and other payables | 5,584,713 | 5,740,821 | 94,185 | 2,631 | 128,921 |
| Due to related parties | 37,392 | 37,332 | - | - | - |
| **Derivative liability for risk management** | | | | | |
| - Interest rate derivatives designated as cashflow hedge | 108,378 | 37,803 | 25,245 | 31,248 | 18,087 |
| - Derivative instruments accounted as FVPL | 27,600 | 9,262 | 923 | 10,462 | 27,965 |
| | 16,397,209 | 8,537,782 | 2,164,769 | 3,540,751 | 5,563,502 |

**Funding and liquidity**

At 31 December 2016, the Group has net current liabilities of AED 5,453 million (2015: AED 4,837 million) which includes debt maturing in the short-term of AED 3,128 million (2015: AED 2,185 million). Further, at 31 December 2016 debt maturing in the long term is AED 7,821 million (2015: AED 8,546 million).

At 31 December 2016, the Group has undrawn facilities of AED 11,582 million (2015: AED 8,642 million) and cash in hand and at bank of AED 1,262 million (2015: AED 1,394 million) to cover its liquidity needs for at least the next 18 months.

**33.4 Market risk**

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

**33.4.1 Foreign currency risk**

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

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

## Notes to the consolidated financial statements (continued)

**33. FINANCIAL INSTRUMENTS** (continued)

**Foreign currency sensitivity analysis**

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

**33.4.2 Interest rate risk**

The Group's interest rate risk principally arises from long-term loans on floating rate. Loans issued at fixed rates expose the Group to fair value 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 half year to three years. 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:

| | **2016**<br>**AED '000** | 2015<br>AED '000 |
|---|---|---|
| ***Fixed rate instruments*** | | |
| Financial assets | **215,090** | 185,331 |
| Financial liabilities | **(8,113,679)** | (7,027,851) |
| | **(7,898,589)** | (6,842,520) |
| ***Floating rate instruments*** | | |
| Financial assets | **109,355** | 121,341 |
| Financial liabilities* | **(2,976,097)** | (3,839,694) |
| | **(2,866,742)** | (3,718,353) |

* Floating rate financial liabilities include loans of AED 1,007 million (2015: AED 1,856 million) for which interest rate risk is hedged by way of interest rate derivatives.

**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 profit or loss increase / (decrease)** | | **Effect on other comprehensive income increase / (decrease)** | |
|---|---|---|---|---|---|
| | | **2016**<br>**AED '000** | 2015<br>AED '000 | **2016**<br>**AED '000** | 2015<br>AED '000 |
| Floating rate instrument | + 100 | (28,258) | (36,862) | - | - |
| Interest rate swaps designated as cash flow hedges | + 100 | 59,147 | 73,019 | (59,147) | (73,019) |
| Interest rate swaps designated as FVPL | + 100 | (210,752) | (236,197) | - | - |
| **Cash flow sensitivity (net)** | | **(179,863)** | **(200,040)** | **(59,147)** | **(73,019)** |
| Floating rate instrument | - 100 | 28,258 | 36,862 | - | - |
| Interest rate swaps designated as cash flow hedges | - 100 | (64,410) | (80,329) | 64,410 | 80,329 |
| Interest rate swaps designated as FVPL | - 100 | 227,569 | 255,260 | - | - |
| **Cash flow sensitivity (net)** | | **191,417** | **211,793** | **64,410** | **80,329** |

## Notes to the consolidated financial statements (continued)

**33. FINANCIAL INSTRUMENTS** (continued)

**33.5 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 uses net debt to equity ratio to monitor its capital among other metrics. 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.

| | **2016 AED '000** | 2015 AED '000 |
|---|---|---|
| Interest bearing loans and borrowings | **10,948,752** | 10,731,567 |
| Less: cash and bank balances | **(1,262,466)** | (1,394,332) |
| Net debt | **9,686,286** | 9,337,235 |
| Total equity | **33,105,862** | 31,731,262 |
| Net debt to equity ratio | **29%** | 29% |

**Regulatory capital**

In respect of subsidiary of the Group involved in card operations the primary regulator, UAE Central Bank sets and monitors capital requirements for the subsidiary.

| **Majid Al Futtaim Finance LLC** | **2016 AED '000** | 2015 AED '000 |
|---|---|---|
| Paid up capital | **150,000** | 150,000 |
| Reserves | **68,304** | 29,697 |
| Total equity | **218,304** | 179,697 |
| Total borrowings | **413,006** | 322,886 |
| Total funds available | **631,310** | 502,583 |
| Capital ratio | **35%** | 36% |

**34. FAIR VALUE MEASUREMENT**

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an ordinary transaction between market participants at the measurement date. 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 asset/liability. An asset/liability 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 assets/liabilities valued using: quoted market prices in active or the most advantageous market for similar assets/liabilities; quoted prices for identical or similar assets/liabilities; 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.

## Notes to the consolidated financial statements (continued)

**34. FAIR VALUE MEASUREMENT** (continued)

**34.1 Financial assets and liabilities**

The following table shows the carrying amount and fair values of financial assets and financial liabilities including their levels in the fair value hierarchy.

| **At 31 December 2016** | | | | |
|---|---|---|---|---|
| | **Carrying** | **Fair value** | | |
| In thousands of AED | **amount** | **Level 1** | **Level 2** | **Level 3** |
| **Financial assets** | | | | |
| Interest rate derivatives | 90,294 | - | 90,294 | - |
| Equities held at fair value through profit and loss | 3,233 | - | 3,233 | - |
| | 93,527 | - | 93,527 | - |
| **Financial liabilities** | | | | |
| Interest rate derivatives | 131,255 | - | 131,255 | - |
| Sukuk and Note liabilities | 8,113,679 | - | 8,342,802 | - |
| | 8,244,934 | - | 8,474,057 | - |

| **At 31 December 2015** | | | | |
|---|---|---|---|---|
| | **Carrying** | **Fair value** | | |
| In thousands of AED | **amount** | **Level 1** | **Level 2** | **Level 3** |
| **Financial assets** | | | | |
| Interest rate derivatives | 103,815 | - | 103,815 | - |
| Equities held at fair value through profit and loss | 7,524 | - | 7,524 | - |
| | 111,339 | - | 111,339 | - |
| **Financial liabilities** | | | | |
| Interest rate derivatives | 135,978 | - | 135,978 | - |
| Sukuk and Note liabilities | 7,027,851 | - | 7,122,554 | - |
| | 7,163,829 | | 7,258,532 | |

The management believes that the fair value of the remaining financial assets and liabilities at the reporting date are not materially different from their carrying amounts.

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.

The interest rates used to discount estimated cash flows, where applicable, are based on the spot rates derived from the interpolated per annum yield curve in respect of borrowings/derivatives which is 1.00% - 2.47% (2015: 0.61% - 2.40%) at the reporting date.

## Notes to the consolidated financial statements (continued)

**34. FAIR VALUE MEASUREMENT** (continued)

**34.2 Non-Financial assets and liabilities**

***34.2.1 Investment properties and property, plant and equipment***

The fair value of the investment properties and land and building included within property, plant and equipment is determined twice a year at the reporting date (i.e. 31 December and 30 June) 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 - Professional Standards (2014) (the "Red Book"). 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 determined using the present value of the estimated future net cash flows for each property adopting an asset specific discount rate. An exit yield that reflects the specific risks inherent in the asset is then applied to the final cash flow to arrive at the property valuation. Investment property under construction is valued by estimating the fair value of the completed investment property and deducting the estimated costs to complete the construction. When the estimate is not reliably determinable, the investment property is carried at cost plus work in progress until the earlier of the date that construction is completed or the date at which fair value becomes reliably measurable.

Properties held for future development (land bank) are valued using comparable methodology which involves analyzing other relevant market transactions. Comparable methodology can involve parecelisation approach where it is assumed a larger plot is subdivided and sold in smaller lots sizes over a period of time.

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

**35. CONTINGENT LIABILITIES, GUARANTEES AND COMMITMENTS**

| | **2016 AED '000** | 2015 AED '000 |
|---|---|---|
| Capital commitments | **2,983,450** | 3,302,169 |
| Group's share of capital commitments in relation to its equity accounted investees | **728,873** | 731,454 |
| Letter of credits outstanding | **1,302** | 263 |
| Bank guarantees outstanding | **191,982** | 97,229 |

**35.1** As at the year end, there are no significant claims or litigations outstanding which may have a material impact on these consolidated financial statements.

**36. OPERATING LEASE COMMITMENTS**

**36.1 Leases as a lessor**

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

| | **2016 AED '000** | 2015 AED '000 |
|---|---|---|
| Less than one year | **3,614,738** | 2,414,561 |
| Between one and five years | **8,748,701** | 5,551,557 |
| More than five years | **77,409** | 222,435 |
| | **12,440,848** | 8,188,553 |

## Notes to the consolidated financial statements (continued)

**36. OPERATING LEASE COMMITMENTS** (continued)

**36.2 Leases as a lessee**

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

| | 2016 AED '000 | 2015 AED '000 |
|---|---|---|
| Less than one year | **604,590** | 465,265 |
| Between one and five years | **2,016,418** | 2,015,883 |
| More than five years | **2,933,623** | 2,809,295 |
| | **5,554,631** | 5,290,443 |

**37. SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES**

**37.1 Principal subsidiaries**

The Group had the following principal subsidiaries at 31 December 2016:

| Name of subsidiary | Country of incorporation | Nature of business | Effective ownership 2016 | Effective ownership 2015 |
|---|---|---|---|---|
| Majid Al Futtaim Properties LLC* | United Arab Emirates | Operating and managing commercial projects including shopping malls, hotels, restaurants, leisure, entertainment and investing in joint ventures and associates | 100% | 100% |
| Majid Al Futtaim Retail LLC | United Arab Emirates | Establishment and management of hypermarkets and other retail format stores | 100% | 100% |
| Majid Al Futtaim Ventures LLC* | United Arab Emirates | Establishment and management of retail fashion stores, leisure activities entertainment, credit cards, food and beverage and healthcare services | 100% | 100% |
| MAF Global Securities Limited | Cayman Islands | Structured entity established for issuance of bonds | 100% | 100% |

* These subsidiaries have certain interest in entities which are consolidated by the Group and the portion of non-controlling interest in these entities for the year ended 31 December 2016 amounts to AED 441 million (2015: 378 million).

**37.2 Investment in associates, joint ventures and joint operation**

**37.2.1**

| Name of associate | Country of incorporation | Nature of business | Effective ownership 2016 | Effective ownership 2015 |
|---|---|---|---|---|
| Enova Facilities Management Services LLC ('Enova') | United Arab Emirates | Facilities management services | 51% | 51% |
| Hollister Fashion LLC | United Arab Emirates | Fashion retailer | 51% | 51% |
| Beam Global Limited | Bermuda | Mobile technology | 30% | 30% |
| Beam Portal LLC | United Arab Emirates | Mobile technology | 79% | 68.5% |
| Enshaa PJSC | United Arab Emirates | Contracting and developer | 28.44% | 28.44% |

## Notes to the consolidated financial statements (continued)

**37 SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES** (continued)

**37.2 Investment in associates, joint ventures and joint operation** (continued)

**37.2.2**

| Name of joint venture | Country of incorporation | Nature of business | Effective ownership 2016 | 2015 |
|---|---|---|---|---|
| Sharjah Holding Co. PJSC | United Arab Emirates | Property developer | 50% | 50% |
| Waterfront City SARL | Lebanon | Property developer | 50% | 50% |
| Al Mouj Muscat S.A.O.C | Oman | Property developer | 50% | 50% |
| The Egypt Emirates Mall Group | Egypt | Property developer | 50% | 50% |
| Gourmet Gulf Co. LLC | United Arab Emirates | Food and Beverage | 50.66% | 50.66% |
| Al Mamzar Island Development | United Arab Emirates | Property developer | 50% | 50% |

**37.2.3**

| Name of joint operation | Country of incorporation | Nature of business | Effective ownership 2016 | 2015 |
|---|---|---|---|---|
| ANF Fashion Kuwait | Kuwait | Fashion retailer | 50% | 50% |

**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.

**39. COMPARATIVES**

Certain comparative figures in the consolidated financial statements have been reclassified or rearranged for the better presentation in accordance with the requirements of International Financial Reporting Standards.