

MARKA PJSC

**DIRECTORS' REPORT AND CONSOLIDATED FINANCIAL
STATEMENTS**

FOR THE YEAR ENDED 31 DECEMBER 2017

MARKA PJSC

DIRECTORS' REPORT AND CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

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MARKA PJSC

Directors' report

The Directors submit their report together with the audited consolidated financial statements of Marka PJSC (the "Company") and its subsidiaries (together, the "Group") for the year ended 31 December 2017.

Principal activities

The principal activities of the Group are operation of retail stores dealing in luxury apparel, accessories, sports merchandise, as well as restaurants and cafes of mid to high end dining options across global cuisines.

Results

The results of the Group for the year ended 31 December 2017 are set out on page 7 of the consolidated financial statements.

Directors

The directors who served during the year were:

Mr. Khalid Bin Kalban (appointed on 8 January 2017)
H.E. Jamal Al Hai
H.E. Khaled Mohammed Alkamda (appointed 30 April 2017)
Mr. Naser Al Nabulsi (appointed 30 April 2017)
Mr. Khaled Salem Almheiri
Mr. Mohammed Saif Darwish Ahmed Al Ketbi (appointed 30 April 2017)
H.E. Hamad Al Shamsi
Mr. Adel Zarouni (appointed on 8 January 2017)
Mr. Abdulla Hamad Al Awani (appointed on 13 February 2017)
Mr. Jamal Shaafar (until 30 April 2017)
Mr. Abubaker Al Khoori (until 30 April 2017)
Mr. Mohammad AlQahtani (until 30 April 2017)
Mr. Ahmed Salem Abdulla Salem Al Hosani (resigned on 2 February 2017)
Mr. Ahmed Mohamed Munsoor (resigned on 8 January 2017)
Mr. Humaid Obaid Humaid AlMatrooshi (resigned on 8 January 2017)

Auditors

The consolidated financial statements have been audited by PricewaterhouseCoopers who retire and, being eligible, offer themselves for reappointment.



.....
Mr. Khalid Bin Kalban
Chairman

25/3/2018

.....
Date

Independent auditor's report to the shareholders of Marka PJSC

Our qualified opinion

In our opinion, except for the possible effects of the matter described in the *Basis for qualified opinion* section of our report, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Marka PJSC (the "Company") and its subsidiaries (together the "Group") as at 31 December 2017, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards.

What we have audited

The Group's consolidated financial statements comprise:

- the consolidated statement of financial position as at 31 December 2017;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

Basis for qualified opinion

We refer to note 6 to the consolidated financial statements that provides details of the Group's goodwill arising on consolidation amounting to AED 231.2 million as at 31 December 2017. During the year, some of the subsidiaries experienced significant downturn in operations that we consider to be an indicator of impairment in accordance with IAS 36 'Impairment of assets'. However, management has not carried out an impairment review on the goodwill arising on the consolidation of these subsidiaries to determine whether any impairment write down should be applied to the amounts recorded in the consolidated statement of financial position at 31 December 2017. In the absence of information to assess the recoverability of these assets, we were unable to satisfy ourselves as to the carrying amount of goodwill.

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

Independence

We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and the ethical requirements that are relevant to our audit of the consolidated financial statements in the United Arab Emirates. We have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

Material uncertainty relating to going concern

We draw attention to Note 2.1 in the consolidated financial statements, which indicates that the Group incurred a net loss of AED 242 million during the year ended 31 December 2017 and, as of that date, the Group's current liabilities exceeded its current assets by AED 52 million. As stated in Note 2.1, these events or conditions, along with other matters as set forth in Note 2.1, indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.



Independent auditor's report to the shareholders of Marka PJSC (continued)

Our audit approach

Overview

Key Audit Matter • Goodwill impairment review

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the consolidated financial statements. In particular, we considered where management made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the consolidated financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industry in which the Group operates.

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. Except for the matter described in the *Basis for qualified opinion* section and the matter described in the material uncertainty relating to going concern section, we have determined that there are no other key audit matters to communicate in our report.

Other information

Management is responsible for the other information. The other information comprises the Directors' Report (but does not include the consolidated financial statements and our auditor's report thereon), which we obtained prior to the date of this auditor's report, and the Annual Report, which is expected to be made available to us after that date.

Our opinion on the consolidated financial statements does not cover the other information and we do not and will 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 identified above 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 on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. As described in the Basis for qualified opinion section above, we were unable to obtain sufficient evidence about the carrying amount of the goodwill from consolidation since management did not carry out an impairment review when indicators existed. We are unable to conclude whether or not the other information is materially misstated with respect to this matter.

When we read the Annual Report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.



Independent auditor's report to the shareholders of Marka PJSC

(continued)

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 International Financial Reporting Standards, 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.

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

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.



Independent auditor's report to the shareholders of Marka PJSC (continued)

Auditor's responsibilities for the audit of the consolidated financial statements (continued)

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

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 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 is consistent with the books of account of the Group;
- v) Note 26 to the consolidated financial statements disclose the investment in shares during the year ended 31 December 2017;
- vi) Note 18 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 year ended 31 December 2016 any of the applicable provisions of the UAE Federal Law No. (2) of 2015 or in respect of the Company, its Articles of Association which would materially affect its activities or its financial position as at 31 December 2017; and
- viii) Note 21 to the consolidated financial statements discloses the social contributions made during the year ended 31 December 2017.

PricewaterhouseCoopers
25 March 2018

Douglas O'Mahony
Registered Auditor Number 834
Dubai, United Arab Emirates

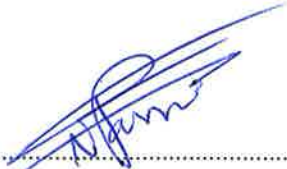
MARKA PJSC


CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		As at 31 December	
		2017	2016
	Notes	AED'000	AED'000
ASSETS			
Non-current assets			
Property and equipment	5	91,160	210,155
Intangible assets	6	306,626	434,205
Available for sale financial assets	7	50,000	50,000
Investment in a joint venture	8	14,731	13,526
Investment in an associate	9	200	120
		462,717	708,006
Current assets			
Inventories	10	6,409	48,899
Trade and other receivables	11	169,261	124,228
Due from related parties	18	57,789	49,773
Cash and bank balances	12	14,859	86,606
		248,318	309,506
Non-current assets classified as held for sale	13	-	28,122
		248,318	337,628
Total assets		711,035	1,045,634
EQUITY AND LIABILITIES			
EQUITY			
Equity attributable to the shareholders of the Company			
Share capital	14	500,000	500,000
Share premium		143	143
Translation reserve		(1,932)	(2,475)
Accumulated losses		(450,121)	(207,428)
Total equity		48,090	290,240
LIABILITIES			
Non-current liabilities			
Borrowings	15	358,786	589,708
Provision for employees' end of service benefits	16	3,606	3,360
		362,392	593,068
Current liabilities			
Trade and other payables	17	117,699	69,094
Due to related parties	18	-	948
Borrowings	15	182,854	92,284
		300,553	162,326
Total liabilities		662,945	755,394
Total equity and liabilities		711,035	1,045,634

These consolidated financial statements were approved by the Board of Directors on 25 March 2018 and were signed on its behalf by:


Mr. Khalid Bin Kalban
Chairman


Mohammad Alas'ad
Chief Financial Officer


Benoit Lamonerie
Chief Executive Officer

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CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Notes	For the year ended 31 December 2017 AED'000	For the year ended 31 December 2016 AED'000
Revenue	19	99,610	146,481
Cost of sales	20	(68,278)	(75,131)
Gross profit		31,332	71,350
General and administrative expenses	21	(97,449)	(103,242)
Selling and distribution expenses	22	(79,337)	(64,594)
Impairment of property and equipment and intangible assets	5, 6	(72,221)	-
Other income - net	24	5,663	1,617
Operating loss		(212,012)	(94,869)
Finance income		6,221	5,276
Finance costs		(35,578)	(27,583)
Finance costs - net		(29,357)	(22,307)
Share of profit / (loss) in a joint venture and associate accounted for using the equity method	8,9,13	708	(191)
Gain on interest sold and on re-measurement of retained investments	13	16,155	37,138
Loss for the year from continuing operations		(224,506)	(80,229)
Loss from discontinued operation		(18,187)	(68,770)
Loss for the year		(242,693)	(148,999)
Attributable to:			
The shareholders of the Company		(242,693)	(150,528)
Non-controlling interest		-	1,529
		(242,693)	(148,999)
Other comprehensive income			
<i>Items that may be reclassified to profit or loss</i>			
Share of exchange differences on translation of foreign operations of joint venture	8	543	(1,980)
Other comprehensive income for the year		543	(1,980)
Total comprehensive income for the year		(242,150)	(150,979)
Attributable to:			
The shareholders of the Company		(242,150)	(152,508)
Non-controlling interest		-	1,529
Total comprehensive income		(242,150)	(150,979)
Basic and diluted loss per share (AED)	30	(0.48430)	(0.30502)

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CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Notes	Attributable to shareholders of the Company						Non-controlling interest AED'000	Total AED'000
		Share capital AED'000	Share premium AED'000	Accumulated losses AED'000	Translation reserve AED'000	Total AED'000	Total AED'000		
Transactions with shareholders									
As at 1 January 2016		500,000	143	(56,900)	(495)	442,748	10,256	453,004	
Loss of control on a subsidiary		-	-	-	-	-	(11,785)	(11,785)	
Comprehensive income									
Loss for the year		-	-	(150,528)	-	(150,528)	1,529	(148,999)	
Other comprehensive income									
Share of exchange difference on translation of foreign operations of joint venture	8	-	-	-	(1,980)	(1,980)	-	(1,980)	
Total comprehensive income		-	-	(150,528)	(1,980)	(152,508)	1,529	(150,979)	
As at 31 December 2016									
		500,000	143	(207,428)	(2,475)	290,240	-	290,240	
Comprehensive income									
Loss for the year		-	-	(242,693)	-	(242,693)	-	(242,693)	
Other comprehensive income									
Share of exchange difference on translation of foreign operations of joint venture	8	-	-	-	543	543	-	543	
Total comprehensive income		-	-	(242,693)	543	(242,150)	-	(242,150)	
As at 31 December 2017									
		500,000	143	(450,121)	(1,932)	48,090	-	48,090	

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CONSOLIDATED STATEMENT OF CASH FLOWS

	Notes	For the year ended 31 December 2017 AED'000	For the year ended 31 December 2016 AED'000
Operating activities			
Loss for the year from:			
Continuing operations		(224,506)	(80,229)
Discontinued operation		(18,187)	(68,770)
Adjustments for:			
Depreciation and amortisation	5,6	29,870	34,881
Impairment of property and equipment and intangible assets		72,221	
Gain on sale of interest in a subsidiary	13	(16,155)	(37,138)
Gain on sale of subsidiary	27	(9,710)	
Provision for inventory obsolescence	10	10,102	490
Provision for impairment of goodwill	6	-	53,812
Provision for impairment of other receivables	21	10,859	9,582
Loss on disposal of fixed assets		8,253	3,636
Share of profit in joint venture and associate accounted for using the equity method	8,9,13	(708)	191
Finance costs		35,816	28,262
Finance income		(6,221)	(5,276)
Provision for employees' end of service benefits	16	1,621	1,622
Operating cash flows before changes in working capital and end of service benefits paid			
End of service benefits paid	16	(1,375)	(821)
Changes in working capital:			
Trade and other receivables – excluding interest receivable and movement in impairment of other receivables		52,327	33,273
Inventories		(4,468)	(2,320)
Due from related parties		(8,016)	(7,773)
Trade and other payables		56,403	(34,464)
Due to related parties		(948)	950
Net cash used in operating activities		(12,822)	(70,092)
Cash flows from investing activities			
Purchase of property and equipment	5	(31,614)	(148,105)
Term deposits withdrawn		-	105,084
Effect of deconsolidation of investment in a subsidiary on cash and cash equivalents		-	(3,735)
Interest received		-	4,728
Purchase of intangible assets	6	(7,256)	(1,740)
Proceeds from disposal of fixed assets		25,720	503
Investment in associate acquired	9	-	(120)
Proceeds from sale of subsidiary		129,243	-
Net cash used in investing activities		116,093	(43,385)
Cash flows from financing activities			
Proceeds from borrowings		28,591	124,356
Repayment of borrowings		(172,980)	(32,897)
Interest paid		(30,629)	(27,195)
Net cash generated from financing activities		(175,018)	64,264
Net (decrease)/increase in cash and cash equivalents		(71,747)	(49,213)
Cash and cash equivalent, beginning of the year	12	86,606	21,816
Cash and cash equivalent, end of the year		14,859	(27,397)

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

1 GENERAL INFORMATION

Marka PJSC (the “Company”) was incorporated on 23 June 2014 as a Public Joint Stock Company in accordance with the UAE Federal Law No. 8 of 1984 (as amended). The Company was listed for trading on the Dubai Financial Market on 25 September 2014 following the Company’s Initial Public Offering (“IPO”). The registered address of the Company is at Building 9, Level 3, Dubai Design District, Dubai, United Arab Emirates.

UAE Federal Law No. (2) of 2015 (“Companies Law”) which is applicable to the Group has come into effect on 1 July 2015. The Group is in compliance with the relevant provisions of the Companies Law.

The principal activities of the Company are restaurants and cafes of mid to high end dining options across global cuisines, as well as operation of retail stores dealing in luxury apparel, accessories, sports merchandise.

The Company holds investments in subsidiaries (referred together with the Company as “the Group”). The activities of the key subsidiaries are listed below:

Name of entity	Principal activity	2017 Legal ownership %	2017 Beneficial ownership %	2016 Legal ownership %	2016 Beneficial ownership %
Subsidiaries incorporated in the United Arab Emirates					
MARKA Hospitality Investments LLC	Intermediate holding company for companies that are engaged in the operation of restaurant, food and beverage business, cafeteria, kids’ amusement arcade, parties and entertainment services for kids.	99*	100	99*	100
MARKA Fashion & Beauty Investment LLC (formerly MARKA Fashion Investments LLC)	Intermediate holding company for companies that are engaged in the retail of fashion merchandise.	99*	100	99*	100
MARKA Luxury Investments LLC	Intermediate holding company for companies that are engaged in the retail of luxury merchandise.	99*	100	99*	100
MARKA Sports Investment LLC	Intermediate holding company for companies that are engaged in retailing, promoting, marketing, trading of goods, and merchandising of signed sporting memorabilia.	99*	100	99*	100
Retailcorp UAE LLC	Retailing, promoting, marketing and trading of goods.	-	-	100	100
Reem Al Bawadi Restaurant & Café (L.L.C.)	Operation of restaurant, food and beverage business.	100	100	100	100

* 1% ownership by Mr. Khaled Almheiri, a director of the Group, for the beneficial interest of Marka PJSC.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017 (continued)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied during the year presented, unless otherwise stated.

2.1 Basis of preparation

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards (“IFRS”) and interpretations issued by the IFRS Interpretations Committee (“IFRIC”) applicable to companies reporting under IFRS. The consolidated financial statements comply with IFRS as issued by the International Accounting Standards Board (“IASB”). The consolidated financial statements have been prepared under the historical cost convention.

The preparation of the consolidated financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group’s accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 4.

The figures have been rounded to the nearest thousand except when otherwise stated.

(a) *New standards, amendments and interpretations adopted by the Group*

Certain new standards and amendments have been issued and are effective from period beginning 1 January 2017:

- IAS 7, ‘Cash flow statement’ (amendment), (effective from 1 January 2017).

There are no new IFRS, amendments or IFRIC interpretations that are effective that have a material impact on the Group’s financial statements.

(b) *New and amended standards issued but not effective for the financial year beginning 1 January 2017 and not early adopted:*

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2017 reporting periods and have not been early adopted by the Group.

- IFRS 9, ‘Financial instruments’ (effective from 1 January 2018);
- IFRS 15, ‘Revenue from contracts with customers’ (effective from 1 January 2018).

The above standards have been assessed by the Group and do not have a material impact on the Group’s consolidated financial statements for the current period.

- IFRS 16, ‘Leases’ (effective from 1 January 2019).

Management of the Group is currently assessing the impact of the above standard and intends to adopt it, if applicable, when it becomes effective. There are no other standards or IFRS IC interpretations that are not yet effective and that would be expected to have material impact on the Group.

Going concern

The Group incurred a loss of AED 242 million during the year ended 31 December 2017 and, as of that date, the Group’s current liabilities exceeded its current assets by AED 52 million. Furthermore, the Group had a negative cash flows from operations of AED 13 million during the year ended 31 December 2017. Accumulated losses amounted to AED 450 million as at that date (31 December 2016: accumulated losses of AED 207 million). These events or conditions indicate that a material uncertainty exists that may cast significant doubt on the Group’s ability to continue as a going concern.

In accordance with article 302 of the UAE Federal Law No. 2 of 2015, as the losses of the Group exceed half of its issued capital, the Board of Directors called for a General Assembly Meeting on 11 October 2017 where shareholders have approved by a special resolution on the continuation of the Company’s operations.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017 (continued)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.1 Basis of preparation (continued)

Going concern (continued)

Furthermore, during the Annual General Assembly Meeting held on 30 April 2017, the shareholders approved the Board of Directors' recommendation by a special resolution to set up an authorised capital for the amount of AED 1 billion and to amend the articles of association of the Company after obtaining the approvals. The Company's current issued share capital is AED 500 million divided into 500 million shares with a nominal value of AED 1 per share. In addition, management has prepared detailed cash flow projections covering a five year period that show that the Group will be able to cover the funding gap. Accordingly these consolidated financial statements have been prepared on a going concern basis.

The Group is currently planning a capital restructuring.

2.2 Basis of consolidation

(a) Subsidiaries

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group 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. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The Group applies the acquisition method of accounting to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the Group.

The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the Group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets.

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with IAS 39 'Financial instruments: Recognition and measurement' either in the profit or loss or as a charge to other comprehensive income. Contingent consideration that is classified as equity is not re-measured, and its subsequent settlement is accounted for within equity.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total of consideration transferred, non-controlling interest recognised and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly within profit and loss in the consolidated statement of comprehensive income.

When the Group ceases to consolidate or equity account for an investment because of a loss of control, joint control or significant influence, any retained interest in the entity is remeasured to its fair value with the change in carrying amount recognised in profit or loss. This fair value becomes the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017 (continued)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2 Basis of consolidation (continued)

(a) *Subsidiaries* (continued)

If the ownership interest in a joint venture or an associate is reduced but joint control or significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income are reclassified to profit or loss where appropriate.

(b) *Transactions eliminated on consolidation*

Inter-company transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated. When necessary amounts reported by subsidiaries have been adjusted to conform to the Group's accounting policies.

(c) *Changes in ownership interests in subsidiaries without change of control*

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions – that is, as transactions with the owners in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

(d) *Investment in joint arrangement*

Investment in a joint arrangement is classified as either a joint operation or joint venture, depending on the contractual rights and obligations that each investor has, rather than the legal structure of the joint arrangement. The Group has assessed the nature of its joint arrangement and determined that Icons Shop Limited (“Icons”) is a joint venture whereby the Group has rights to the net assets of the joint arrangement.

Investments in joint venture are accounted for using the equity method, after initially being recognised at cost in the consolidated statement of financial position.

(e) *Associates*

Associates are all entities over which the Group has significant influence but not control or joint control. This is generally the case where the Group holds between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting (see (f) below), after initially being recognised at cost.

(f) *Equity method*

Under the equity method of accounting, the investments are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses of the investee in profit or loss, and the Group's share of movements in other comprehensive income of the investee in other comprehensive income. Dividends received or receivable from associates and joint ventures are recognised as a reduction in the carrying amount of the investment.

When the Group's share of losses in an equity-accounted investment equals or exceeds its interest in the entity, including any other unsecured long-term receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the other entity.

Unrealised gains on transactions between the Group and its associates and joint ventures are eliminated to the extent of the Group's interest in these entities. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of equity accounted investees have been changed where necessary to ensure consistency with the policies adopted by the Group.

The carrying amount of equity-accounted investments is tested for impairment in accordance with the impairment policy.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017 (continued)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3 Foreign currency translation

(a) *Functional and presentation currency*

Items included in the consolidated financial statements of the Group are measured using the currency of primary economic environment in which the Group entities operate ('the functional currency'). The consolidated financial statements are presented in United Arab Emirates Dirham ("AED"), which is the Company's functional and presentation currency.

(b) *Transactions and balances*

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the consolidated statement of comprehensive income.

Foreign exchange gains and losses are presented in the consolidated statement of comprehensive income within 'other (expense)/income - net'.

(c) *Group entities*

The results and financial position of all the Group entities (none of which has the currency of a hyper-inflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- (i) Assets and liabilities for each consolidated statement of financial position presented are translated at the closing rate at the date of that consolidated statement of financial position;
- (ii) Income and expenses for each consolidated statement of comprehensive income are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and
- (iii) All resulting exchange differences are recognised in other comprehensive income in the consolidated statement of comprehensive income.

When a foreign operation is disposed of partially or in full, exchange differences that were recorded in equity are recognised in the consolidated statement of comprehensive income as part of the gain or loss on sale. Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate at the date of the statement of financial position. Exchange differences arising are recognised in other comprehensive income in the consolidated statement of comprehensive income.

2.4 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Chief Executive Officer of the Group that makes strategic decisions.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017 (continued)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5 Financial assets

2.5.1 Classification

The Group classifies financial assets as available for sale financial assets and loans and receivables. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of the financial assets at the initial recognition of the asset.

(a) *Available for sale financial assets*

Investments are designated as available for sale financial assets if they do not have fixed maturities and fixed or determinable payments, and management intends to hold them for the medium to long-term. The financial assets are presented as non-current assets unless they mature, or management intends to dispose of them within 12 months of the end of the reporting period.

(b) *Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets. The Group's loans and receivables comprise 'trade and other receivables' (Note 11), 'cash and bank balances' (Note 12), and 'due from related parties' (Note 18) in the consolidated statement of financial position.

The Group's exposure to various risks associated with holding these financial instruments is discussed in Note 3.1. A detailed breakdown for the classification of financial instruments is disclosed on Note 25 to the consolidated financial statements.

2.5.2 Recognition and measurement

Regular purchases and sales of financial assets are recognised on the trade-date, the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss.

Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Loans and receivables are subsequently carried at amortised cost using the effective interest method.

In the absence of reliable fair value estimates, Management have accounted for the available for sale financial assets at cost using the exemption under IAS 39 when the probabilities of the various estimates cannot be reasonably assessed.

Gain or losses arising from changes in fair value of the 'available for sale financial assets' category are presented in the consolidated statement of comprehensive income within 'other comprehensive income' in the period in which they arise.

Income from available-for-sale equity instruments are recognised in the consolidated statement of comprehensive income when the Group's right to receive payments is established.

2.5.3 Impairment of financial assets

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation, and where observable data indicates that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

MARKA PJSC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017 (continued)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5 Financial assets (continued)

2.5.3 Impairment of financial assets (continued)

The amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in the consolidated statement of comprehensive income.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised within profit or loss in the consolidated statement of comprehensive income.

2.6 Property and equipment

Property and equipment are stated at cost less accumulated depreciation and impairment losses, if any. Historical cost includes expenditure that is directly attributable to the acquisition of items. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying value of the replaced part is de-recognised. All other repairs and maintenance costs are charged to the consolidated statement of comprehensive income during the financial period in which they are incurred.

Depreciation is calculated using the straight-line method, at rates calculated to reduce the cost of assets to their estimated residual value over their expected useful lives, as follows:

	Years
Building	10
Furniture and fixtures	5 – 8
Office and electrical equipment	3 – 10
Motor vehicles	5
Kitchen equipment	3 – 8

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting period end. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These are recognised within 'other (expenses)/income - net' in the consolidated statement of comprehensive income.

Capital work-in-progress is stated at cost and includes property and equipment that is being developed for future use. When commissioned, capital work-in-progress is transferred to the respective category, and depreciated in line with the Group's policy.

2.7 Intangible assets

(a) Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary as of the date of the acquisition. Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill is not amortised but it is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose. The units or groups of units are identified at the lowest level at which goodwill is monitored for internal management purposes.

MARKA PJSC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017 (continued)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.7 Intangible assets (continued)

(b) Brand name

Brand name comprises values of brands acquired in business combinations. The amount is arrived at by calculating the present value of the expected future economic benefits to arise from application these brands in the market. The brand name of one of the acquired subsidiaries is anticipated to be utilised over a period of 15 years and is subsequently carried at cost less accumulated amortisation and impairment losses. While the brand name of another acquired subsidiary has an indefinite period since the subsidiary has been in operation for almost 15 years and management has no intention to discontinue in the foreseeable future. The brand is subsequently measured at cost less accumulated impairment losses.

(c) Supplier agreements

These comprise of rights to distribution of sportswear and equipment of specific suppliers acquired as part of a business combination. The amount is arrived at by calculating the present value of the expected future economic benefits to arise from these contracts and relationships. Amortisation is calculated using the straight-line method to allocate the costs over its estimated useful life of 2 years.

(d) Computer software

Acquired computer software licenses are capitalised on the basis of the costs incurred to acquire and bring the specific software to its intended use. These costs are amortised over their estimated useful lives of 2 to 5 years. Costs associated with developing or maintaining computer software programmes are recognised as an expense in the consolidated statement of comprehensive income as incurred.

(e) Franchise agreements

These comprise franchise agreements with third parties for licensing and operation of restaurant chains. The amount is arrived at by calculating the present value of the expected future economic benefits to arise from these franchise agreements over their useful lives. Amortisation is calculated using the straight-line method to allocate the costs over its estimated useful life of 5 to 10 years.

2.8 Non-current assets classified as held for sale

Non-current assets (or disposal groups) are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use and a sale is considered highly probable. They are measured at the lower of their carrying amount and fair value less costs to sell, except for assets such as deferred tax assets, assets arising from employee benefits, financial assets and investment property that are carried at fair value and contractual rights under insurance contracts, which are specifically exempt from this requirement.

An impairment loss is recognised for any initial or subsequent write-down of the asset (or disposal group) to fair value less costs to sell. A gain is recognised for any subsequent increases in fair value less costs to sell of an asset (or disposal group), but not in excess of any cumulative impairment loss previously recognised. A gain or loss not previously recognised by the date of the sale of the non-current asset (or disposal group) is recognised at the date of derecognition.

Non-current assets (including those that are part of a disposal group) are not depreciated or amortised while they are classified as held for sale. Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale continue to be recognised.

Non-current assets classified as held for sale and the assets of a disposal group classified as held for sale are presented separately from the other assets in the consolidated statement of financial position. The liabilities of a disposal group classified as held for sale are presented separately from other liabilities in the consolidated statement of financial position.

A discontinued operation is a component of the entity that has been disposed of or is classified as held for sale and that represents a separate major line of business or geographical area of operations, is part of a single co-ordinated plan to dispose of such a line of business or area of operations, or is a subsidiary acquired exclusively with a view to resale. The results of discontinued operations are presented separately in the consolidated statement of comprehensive income.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017 (continued)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.9 Impairment of non-financial assets

Assets that have an indefinite useful life, for example goodwill, are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

2.10 Inventories

Inventories are stated at the lower of cost and net realisable value. The cost of inventories is based on the weighted average method and includes expenditure incurred in acquiring the inventories and bringing them to their existing location and condition. Net realisable value is the estimated selling price in the ordinary course of business less applicable variable selling expenses.

2.11 Trade receivables

Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. If collection is expected in one year or less, they are classified as current assets. If not, they are presented as non-current assets. Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

2.12 Cash and cash equivalents

In the consolidated statement of cash flows, cash and cash equivalents include cash in hand, balances in current accounts, call accounts, term deposits with original maturities of three months or less and bank overdrafts. In the consolidated statement of financial position, bank overdrafts are disclosed separately within current liabilities.

2.13 Share capital

Ordinary shares are classified as equity.

2.14 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the consolidated statement of comprehensive income over the period of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

Borrowing costs directly attributable to the acquisition or construction or production of any qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use. All borrowing costs are expensed on a time proportion basis using the effective interest rate method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least twelve months after the consolidated statement of financial position date.

MARKA PJSC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017 (continued)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.15 Employees' end of service benefits

An accrual is made for employees in the UAE for estimated liability for their entitlement to annual leave and leave passage as a result of services rendered up to the statement of financial position date. Provision is also made, using actuarial techniques, for the end of service benefits due to employees in accordance with the UAE Labour Law for their periods of service up to the statement of financial position date.

Payments made to state-managed pension schemes are dealt with as payments to defined contribution schemes where the Group's obligations under the schemes are equivalent to those arising in a defined contribution scheme. Accordingly, the accrued cost of contribution is charged to the consolidated statement of comprehensive income as incurred.

The accruals relating to annual leave and leave passage is disclosed as a current liability, while that relating to end of service benefits is disclosed as a non-current liability.

2.16 Trade and other payables

Trade and other payable are obligations payable to suppliers and accrued staff benefits and other accruals. They are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Financial liabilities included in accounts payable and other liabilities are recognised initially at fair value and subsequently at amortised cost.

2.17 Revenue

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Group's activities. Revenue is shown net of returns, rebates and discounts and after eliminating sales within the Group. The Group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and when specific criteria have been met for each of the Group's activities as described below. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the sale have been resolved.

(a) Food and beverage

Revenue from food and beverage sales is recognised in the accounting period in which the goods are sold and services are rendered. The revenue is stated net of discounts.

(b) Sale of merchandise

Revenue from the sale of goods in the ordinary course of activities is measured at fair value of the consideration received or receivable, net of return, trade discounts and volume rebates and is recognised at the time of transfer of title to the goods.

2.18 Finance income and costs

Finance income comprises interest income on long term investments and other bank deposits. Interest income is recognised as it accrues in the consolidated statement of comprehensive income, using the effective interest method.

Finance costs are mainly interest payable on borrowings obtained from financial institutions at normal commercial rates and is recognised as an expense in the consolidated statement of comprehensive income in the period in which it is incurred.

2.19 Leases

Leases in which a significant portion of the risks and rewards of ownership are not transferred to the Group as lessee are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the consolidated statement of comprehensive income on a straight-line basis over the period of the lease.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017 (continued)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.20 Earnings per share

The Group presents basic earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit/ (loss) attributable to the ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is calculated by adjusting the weighted average number of equity shares outstanding to assume conversion of all dilutive potential ordinary shares. The Group does not have any dilutive potential ordinary shares.

3 FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

The Group's activities may expose it to a variety of financial risks: market risk (including foreign exchange risk, price and cash flow and fair value interest rate risk), credit risk and liquidity risk. The management carries out risk assessment for managing each of these risks. The overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Group.

(a) Market risk

(i) Foreign exchange risk

The Group is not exposed to a significant foreign exchange risk since majority of the transactions are denominated in AED.

(ii) Price risk

The Group is exposed to equity securities price risk through their available for sale financial assets. To manage the risk the Group places such investments with financially sound institutions. The Group is not exposed to commodity price risk because there is no investment in commodities.

(iii) Cash flow and fair value interest rate risk

The Group is exposed to interest rate risk on its interest bearing assets and liabilities (floating rate borrowings). Borrowings at variable rates expose the Group to cash flow interest rate risk. The Group actively manages liquidity risk by monitoring actual and forecast cash flows and by maintaining adequate cash reserves. The Group does not hedge its exposure to interest rate risk.

At 31 December 2017, if profit and interest rates on variable rate borrowings had been 1% higher/lower with all other variables held constant, loss for the year ended 31 December 2017 would have been higher/lower by AED 300 thousand (2016: AED 270 thousand), mainly as a result of higher/lower finance cost on floating rate borrowings.

The exposure of the Group's borrowing to interest rate changes and the contractual re-pricing dates of the fixed interest rate borrowings at the end of the reporting period are as follows:

	2017 AED'000	2016 AED'000
Not subject to re-pricing	138,000	222,774
<i>Interest rate – re-pricing dates:</i>		
3 months or less	403,640	421,998
3 - 6 months	-	37,220
	<u>541,640</u>	<u>681,992</u>

MARKA PJSC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017 (continued)

3 FINANCIAL RISK MANAGEMENT (continued)

3.1 Financial risk factors (continued)

(b) Credit risk

Credit risk mainly arises from, 'trade and other receivables' (Note 11), 'cash and bank balances' (Note 12) and due from related parties (Note 18). The Group has policies in place to minimise its exposure to credit risk. The maximum exposure to credit risk is represented by the carrying value of financial assets on the statement of financial position date.

(i) Customer and other receivables

The credit quality of customers and other trade debtors is assessed according to Group criteria prior to entering into contracts and other arrangements. Outstanding receivables are regularly monitored. The maximum exposure to credit risk at the reporting date is the carrying value of each class of financial assets.

	2017 AED'000	2016 AED'000
Trade and other receivables*	133,817	64,671
Bank balances	14,859	86,606
	148,676	151,277

*Trade and other receivables noted above exclude advances to suppliers and prepayments.

(ii) Credit risk related to financial instruments and cash deposit

Credit risk from balances with banks and other financial institutions is managed by the Group by investing surplus funds only with approved and reputable counterparties and within credit limits assigned to each counterparty. Bank deposits, and term deposits are limited to high-credit-quality financial institutions. The table below presents an analysis of cash and bank balances by rating agency designation at the end of reporting period based on Moody's ratings or its equivalent for the main banking relationships:

Rating	2017 AED'000	2016 AED'000
A1	-	70,546
A2	-	1,567
A3	12,919	-
Baa1	214	10,528
Not rated	1,080	2,398
	14,213	85,039

The table above cash and cash equivalents exclude cash on hand amounting to AED 646 thousand (2016: AED 1,567 thousand).

*Balance maintained with banks having no formal credit rating. However, management views these banks to be high credit quality financial institutions.

MARKA PJSC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017 (continued)

3 FINANCIAL RISK MANAGEMENT (continued)

3.1 Financial risk factors (continued)

(c) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. Due to the dynamic nature of the underlying businesses, the Group aims to maintain flexibility in funding by keeping committed credit lines available. The table below analyses the Group's financial liabilities into relevant maturity groupings based on the remaining period at the statement of financial position to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows, including interest where applicable.

	Past due	Within 1	2 to 5 years	Beyond 5	Total
	AED'000	year	AED'000	years	AED'000
	AED'000	AED'000	AED'000	AED'000	AED'000
31 December 2017					
Trade and other payables	-	117,699	-	-	117,699
Due to related parties	-	-	-	-	-
Borrowings	190,930	22,604	173,233	273,536	660,303
	190,930	140,303	173,233	273,536	778,002
31 December 2016					
Trade and other payables		69,094	-	-	69,094
Due to related parties		948	-	-	948
Borrowings		120,856	413,399	275,330	809,585
		190,898	413,399	275,330	879,627

3.2 Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt. Consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including 'current and non-current borrowings' as shown in the consolidated statement of financial position) less cash and cash equivalents. Total capital is calculated as 'equity' as shown in the consolidated statement of financial position plus net debt.

The gearing ratio at 31 December 2017 was as follows:

	2017	2016
	AED'000	AED'000
Total borrowings	541,640	681,992
Less: Cash and bank balances	(14,859)	(86,846)
Net debt	526,781	595,146
Total capital	574,871	885,556
Gearing ratio	92%	67%

MARKA PJSC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017 (continued)

3 FINANCIAL RISK MANAGEMENT (continued)

3.3 Fair value estimation

The fair value of financial instruments traded in active markets is based on quoted market prices at the statement of financial position date. A market is regarded as active 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 occurring market transactions on an arm's length basis.

The Group has available for sale financial assets of AED 50 million carried at cost as disclosed in Note 7.

The fair value of financial instruments that are not traded in an active market is based on valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, these instruments are included in level 2.

If one or more of the significant inputs is not based on observable market data, these instruments are included in level 3.

The fair values of financial instruments are not materially different from their carrying values as at the reporting date. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of these consolidated financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in future periods.

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Critical accounting estimates and assumptions

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results.

The estimate and assumption that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are as follows:

Impairment of goodwill

The Group tests on an annual basis whether goodwill has suffered any impairment on an annual basis. The recoverable amount of a cash generating unit (CGU) is determined based on value-in-use calculations which requires the use of assumptions. These assumptions are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances.

The impairment calculations for value in use cash flow projections based on financial budgets approved by management covering a five-year period. Cash flows beyond the five-year period are extrapolated using the estimated growth rates consistent with forecasts included in industry reports specific to the industry in which each CGU operates.

As at 31 December 2017, an impairment assessment was not carried by management, as disclosed in Note 6.

Impairment of property and equipment

Management assesses the impairment of property and equipment whenever events or changes in circumstances indicate that the carrying value may not be recoverable. Factors that are considered important which could trigger an impairment review include evidence that adequate future profits or cash flows will not be generated from the related asset.

MARKA PJSC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017 (continued)

5 PROPERTY AND EQUIPMENT

	Land AED'000	Building AED'000	Furniture and fixtures AED'000	Office and electrical equipment AED'000	Motor vehicles AED'000	Kitchen equipment AED'000	Capital work-in- progress AED'000	Total AED'000
Cost								
At 1 January 2016	-	-	95,866	15,428	1,211	9,255	2,940	124,700
Additions	2,267	21,756	81,594	12,215	211	5,908	24,154	148,105
Disposals	-	-	(6,480)	(988)	(209)	-	-	(7,677)
Effect of deconsolidation of a subsidiary	-	-	(12,461)	(2,337)	(475)	(419)	(7,588)	(23,280)
At 31 December 2016	2,267	21,756	158,519	24,318	738	14,744	19,506	241,848
Additions	-	-	5,367	5,828	118	1,687	18,614	31,614
Disposals	(2,267)	(21,756)	(1,448)	(348)	(245)	(167)	(11,251)	(37,482)
Transfers	-	-	202	699	-	-	(901)	-
Assets included in a disposal group classified as held for sale and other disposals	-	-	(36,186)	(3,157)	-	-	(675)	(40,018)
At 31 December 2017	-	-	126,454	27,340	611	16,264	25,293	195,962
Accumulated depreciation								
At 1 January 2016	-	-	10,002	1,414	30	731	-	12,177
Charge for the year	-	1,645	20,823	4,716	243	2,119	-	29,546
Disposals	-	-	(3,093)	(320)	(125)	-	-	(3,538)
Effect of deconsolidation of a subsidiary	-	-	(5,026)	(1,239)	(143)	(84)	-	(6,492)
At 31 December 2016	-	1,645	22,706	4,571	5	2,766	-	31,693
Charge for the year	-	2,148	18,175	5,128	124	2,104	-	27,679
Disposals	-	(3,793)	(180)	(83)	(76)	(28)	-	(4,160)
Impairment charge (Note 29)	-	-	36,826	5,602	81	4,973	22,428	69,910
Assets included in a disposal group classified as held for sale and other disposals	-	-	(18,940)	(1,380)	-	-	-	(20,320)
At 31 December 2017	-	-	58,587	13,838	134	9,815	22,428	104,802
Net book amount								
At 31 December 2017	-	-	67,867	13,502	477	6,449	2,865	91,160
At 31 December 2016	2,267	20,111	135,813	19,747	733	11,978	19,506	210,155

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017 (continued)

5 PROPERTY AND EQUIPMENT (continued)

Capital work in-progress comprises of fit-outs work for the restaurants and outlets.

In 2016, the Group acquired land and building located at Al Jarf, Ajman for a consideration of AED 24 million to be utilised as an accommodation for the Group's employees. In 2017 the land and building were sold to Al Nayali Real Estate at the amount of AED 16 million with resulting loss from disposal of AED 8 million recorded within other expenses.

6 INTANGIBLE ASSETS

	Goodwill AED'000	Brand name AED'000	Supplier agreements AED'000	Computer software AED'000	Franchise AED'000	Total AED'000
Cost						
As at 1 January	427,762	62,378	3,915	1,656	16,863	512,574
Additions	-	-	-	1,740	-	1,740
Effect of deconsolidation of a subsidiary	(15,246)	(4,205)	-	(376)	-	(19,827)
At 31 December 2016	412,516	58,173	3,915	3,020	16,863	494,487
Additions	2,177	-	-	-	5,079	7,256
Disposals	-	-	-	(651)	-	(651)
Assets included in a disposal group classified as held for sale and other disposals	(182,099)	-	-	(7)	-	(182,106)
At 31 December 2017	232,594	58,173	3,915	2,362	21,942	318,986
Accumulated amortisation and impairment						
As at 1 January 2016	-	187	979	207	224	1,597
Impairment charge (Note 25)	53,812	-	-	-	-	53,812
Effect of deconsolidation of a subsidiary	-	(355)	-	(107)	-	(462)
Charge for the year	-	171	2,936	449	1,779	5,335
At 31 December 2016	53,812	3	3,915	549	2,003	60,282
Charge for the year	-	-	-	340	1,851	2,191
Impairment charge (Note 29)	-	-	-	133	2,178	2,311
Assets included in a disposal group classified as held for sale and other disposals	(52,420)	-	-	(4)	-	(52,424)
At 31 December 2017	1,392	3	3,915	1,018	6,032	12,360
Net book amount						
At 31 December 2017	231,202	58,170	-	1,344	15,910	306,626
At 31 December 2016	358,704	58,170	-	2,471	14,860	434,205

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017 (continued)

6 INTANGIBLE ASSETS (continued)

The intangible assets (other than goodwill) of the Group mainly consist of the following key assets:

- Reem Al Bawadi brand name with carrying amount of AED 58,170,000 (2016: AED 58,170,000). The brand name is considered to have an indefinite useful life as the brand name has been active in the market for a considerably long period of time and management has no intentions of discontinuing use of the brand.
- Franchise agreement from acquisition of Morelli's with carrying amount of AED 13,334,695 (2016: AED 12,001,225).
- Supplier agreements for the Sports segment with carrying amount AED nil (2016: AED 2,936,000).

Goodwill

Goodwill represents the excess of purchase consideration paid over the fair value of the net assets and identifiable intangible assets acquired in 2016 and 2017.

Goodwill is allocated to the Group's cash generating units ("CGU"s) identified on each business acquisition. A summary of the allocation of goodwill to CGUs is presented below:

	Reem Al Bawadi AED'000	Retailcorp AED'000	Morelli's Bahrain AED'000	Morelli's UAE AED'000	Morelli's KSA AED'000	Total AED'000
At 31 December 2017	223,051	-	1,640	4,334	2,177	231,202
At 31 December 2016	223,051	129,679	1,640	4,334	-	358,704

In accordance with the International Accounting Standard 36 ("IAS 36") 'Impairment of assets', the Group is required to carry out an impairment assessment whenever there is an indication that the asset may be impaired. In addition, the standard also requires that goodwill be tested for impairment annually irrespective of whether there is any indication of impairment.

As at 31 December 2017, an impairment assessment was not carried out by management in accordance with IAS 36 to assess whether goodwill of AED 231 million is subject to impairment.

Value in use method

For the purpose of impairment assessment of goodwill for the year ended 31 December 2016, management determined the recoverable amount of Retailcorp, Reem Al Bawadi, Morelli's UAE, Morelli's Kuwait and Morelli's Bahrain based on value in use calculation which required the use of estimate of the future cash flows the Group expects to derive from those CGUs in addition to other estimates such as the growth rates and discount rates for the time value of money.

Key assumptions used in value in use calculations are:

Gross margin

Gross margin is based on the current level of activity and estimated future charter rates.

Average growth rates in sales

	2017	2016
Reem Al Bawadi	N/A	5%
Morelli's Bahrain	N/A	5%
Morelli's UAE	N/A	5%
Morelli's KSA	N/A	

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017 (continued)

6 INTANGIBLE ASSETS (continued)

Goodwill (continued)

Discount rate

Discount rate reflects management's benchmark for evaluating investment proposals.

	2017	2016
Reem Al Bawadi	N/A	10.97%
Morelli's Bahrain	N/A	10.32%
Morelli's UAE	N/A	10.32%
Morelli's KSA	N/A	

7 AVAILABLE FOR SALE FINANCIAL ASSETS

	2017 AED'000	2016 AED'000
Balance at the beginning and at the end of the year	50,000	50,000

In 2016, the Group invested AED 50 million in Tier 1 Capital Certificates ("Sukuk") issued at their par value. The Sukuk are unquoted perpetual instruments and carry non-cumulative interest at a rate of 7.5% per annum payable every six month at the discretion of the issuer.

In the absence of reliable fair value estimates, Management have accounted for the investment at cost using the exemption under IAS 39 when the probabilities of the various estimates cannot be reasonably assessed.

Investments with a carrying value of AED 50,000,000 are placed as security against a term financing facilities of AED 50,000,000 (Note 15).

8 INVESTMENT IN A JOINT VENTURE

On 31 May 2016, the Group acquired 65% ownership interest in Icons Shop Limited ("Icons") for a consideration of AED 15 million. The shares acquired comprised of 2,632 ordinary shares of Great Britain Pound (GBP) 1 each. Total identifiable net assets acquired from this acquisition amounted to AED 13.9 million. Icons Shop Limited is a limited company incorporated under the laws of England and Wales (registered number 06791294), whose registered office is at 64 New Cavendish Street, London W1G 8TB. Its principal activity is merchandising of signed sporting memorabilia.

The shareholder's agreement, requires consent of both parties to any significant arrangement on a significant portion of the relevant activities of the business. As such the investment was deemed to be a joint venture.

The details of the investment are set out below:

	2017 AED'000	2016 AED'000
At the beginning of the year	13,526	15,759
Share of profit/(loss) for the year	662	(253)
Share of other comprehensive income for the year	543	(1,980)
At the end of the year	14,731	13,526

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017 (continued)

8 INVESTMENT IN A JOINT VENTURE (continued)

The tables below provide summarised financial information for Icons (Joint Venture). The information disclosed reflects the amounts presented in the financial statements of the joint venture:

Summarised statement of financial position

	2017 AED'000	2016 AED'000
Current assets		
Cash and cash equivalents	264	162
Other current assets	15,163	12,648
Total current assets	15,427	12,810
Non-current assets	304	578
Current liabilities		
Other current liabilities	2,212	1,723
Total current liabilities	2,212	1,723
Net assets	13,519	11,665
Group's share in %	65%	65%
Group's share in AED	8,787	7,582
Goodwill	5,944	5,944
Carrying Amount	14,731	13,526

Summarised income statement

	For the year ended 31 December 2017 AED'000
Revenue	17,801
Cost of sales	(9,182)
Gross profit	8,619
General and administrative expenses	(5,900)
Selling and distribution expenses	(1,546)
Other income/(expense) - net	(114)
Finance costs - net	(41)
Profit for the year	1,018

9 INVESTMENT IN AN ASSOCIATE

	2017 AED'000	2016 AED'000
At the beginning of the year	120	-
Invested during the year	-	120
Loss of control in subsidiary with retained significant influence (Note 13)	-	28,060
Share of profit for the year	80	62
Reclassification to non-current assets classified as held for sale (Note 13)	-	(28,122)
At the end of the year	200	120

In October 2017, the Group acquired 40% investment in Marka Fitout Group FZ-LLC ("Marka Fitout Group") amounting to AED 120,000. Marka Fitout Group is a free zone limited liability company incorporated in Dubai, United Arab Emirates on 17 October 2017. Its principal activities include architectural design, consultancy, assembling, and importation of fit-outs. The summarised financial information is limited to share capital as the company has not yet commenced its operations.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017 (continued)

10 INVENTORIES

	2017 AED'000	2016 AED'000
Goods held for sale	17,001	48,670
Consumables	-	719
Provision for impairment	(10,592)	(490)
	6,409	48,899

The cost of inventories recognised as expense and included in costs of sales for the year ended 31 December 2017 amounted to AED 39,968 thousand (31 December 2016: AED 135,065 thousand).

Movement on the Group's provision for impairment of inventories is as follows:

	2017 AED'000	2016 AED'000
At the beginning of the year	490	-
Charge for the year (Note 29)	10,102	490
Write off during the year	-	-
At the end of the year	10,592	490

11 TRADE AND OTHER RECEIVABLES

	2017 AED'000	2016 AED'000
Trade receivables	2,511	24,475
Receivables from the sale of subsidiary	115,000	-
Advances to suppliers	23,473	34,652
Security deposits	19,494	28,352
Prepayments	11,971	24,905
Interest receivable	1,876	50
Franchise fee receivable	1,058	8,263
Other receivables	6,215	3,531
Provision for deposits, prepayments and other receivables	(12,337)	-
	169,261	124,228

Receivables from the sale of subsidiary

On 2 May 2017 the Group sold its subsidiary ("Retailcorp") to GMG Holding Limited for the total consideration of AED 200 million. As at 31 December 2017 the outstanding balance of receivables amounted to AED 115 million (Note 27).

The ageing analysis of performing trade receivables is as follows:

	2017 AED'000	2016 AED'000
Up to 1 month	913	214
1 to 3 months	369	238
3 to 6 months	445	23,287
Over 6 months	784	736
	2,511	24,475

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017 (continued)

11 TRADE AND OTHER RECEIVABLES (continued)

Movement on the Group's provision for impairment of other receivables is as follows:

	2017 AED'000	2016 AED'000
Charge for the year	17,159	9,582
Write off during the year	(4,822)	(9,582)
At the end of the year	12,337	-

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

All trade receivables are denominated in United Arab Emirates Dirham (AED) or currencies pegged with AED.

The maximum exposure to credit risk at the reporting date is the carrying value of each class of receivable. The Group does not hold any collateral as security.

12 CASH AND BANK BALANCES

	2017 AED'000	2016 AED'000
Cash in hand	646	1,567
Cash at bank	14,013	14,667
Term deposits	200	70,372
Cash and bank balances	14,859	86,606

Bank balances are held with local branches of a reputable banks. Management views these banks as having a sound performance history and satisfactory credit ratings.

Term deposits are presented as cash equivalents only if they have a maturity of three months or less from the date of acquisition or readily convertible to known amounts of cash which are subject to insignificant risk of changes in value.

Cash and cash equivalents include the following for the purpose of the consolidated statement of cash flows:

	2017 AED'000	2016 AED'000
Cash and bank balance	14,859	86,606
Term deposits with original maturity greater than three months	-	(70,372)
Bank overdrafts (Note 15)	-	(43,631)
Cash and cash equivalents	14,859	(27,397)

13 NON-CURRENT ASSETS CLASSIFIED AS HELD FOR SALE

	31 December 2017 AED'000	31 December 2016 AED'000
<i>Assets classified as held for sale (Investment in associate)</i>		
Balance at the beginning of the year	28,122	-
Reclassification to non-current assets classified as held for sale	-	28,122
Share in loss for the year	(34)	-
Dividend received	(2,243)	-
Disposal	(25,845)	-
Balance at the end of the year	-	28,122

In August 2016, the Directors of Marka PJSC approved the sale of the Group's ownership in Cheeky Monkeys Management Services LLC ("Cheeky Monkeys") on intervals.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017 (continued)

13 NON-CURRENT ASSETS CLASSIFIED AS HELD FOR SALE (continued)

On 25 September 2016, the Group entered into a sale and purchase agreement to sell 15% stake in Cheeky Monkeys to Evolvence Knowledge Investments (an entity controlled by one of the Group's key management personnel) for a total consideration of AED 21 million. It was determined by the Group that it has lost its control over Cheeky Monkeys but retained significant influence over it. The loss of control resulted in the de-recognition of Cheeky Monkeys' net assets, including non-controlling interests, and the recognition of the remaining stake in Cheeky Monkeys at fair value. The fair value of the remaining stake was computed by an external valuation expert and is based on several assumptions including the terminal growth rate of the subsidiary and the discount rate.

On 29 December 2016, the Group entered into another sale and purchase agreement to sell another 15% stake in Cheeky Monkeys to Evolvence Knowledge Investments for a total consideration of AED 21 million.

As at 31 December 2016, the retained 30% stake in Cheeky Monkeys was presented as assets classified as held for sale.

In January 2017, the Group received dividends from its investment in Cheeky Monkeys amounting to AED 2.2 million.

On 31 March 2017, the Group entered into another sale and purchase agreement to sell the remaining 30% stake in Cheeky Monkeys to Evolvence Knowledge Investments for a total consideration of AED 42 million.

	31 March 2017 AED'000
Fair value of the consideration	42,000
Carrying value of non-current assets classified as held for sale	(25,845)
Gain on sale of assets held for sale	16,155

During its annual general meeting held on 30 April 2017, the Group obtained approval from the shareholders for the sale of ownership in Cheeky Monkeys to Evolvence Knowledge Investments, a related party, in order to comply with the requirements of UAE Federal Law No. (2) of 2015 (the "Company Law") and the Securities and Commodities Authority ("SCA") in connection with transactions with a related party which exceeded 5% of its issued capital.

As at 31 December 2017, the total receivables of the Group from Evolvence Knowledge Investments related to the sale of Cheeky Monkeys amounted to AED 46,200 thousand (Note 18). During the last quarter of 2017 the Group has received AED 37,800 thousand in cash. In accordance with addendum to the sale and purchase agreement, all remaining receivables are overdue on 31 December 2017, however, management believes that the amount will be fully collected during 2018.

14 SHARE CAPITAL

	Number of ordinary shares	2017 AED'000	2016 AED'000
Authorised and issued share capital:	500,000,000	500,000	500,000

As of 30 March 2014, the founders of the Company had fully paid for 225,000,000 shares of AED 1 each. Each shareholder also paid AED 0.03 per share by way of subscription fees (Note 15). Gross proceeds from these collections amounted to AED 231,750,000. On 23 June 2014, Marka PJSC was incorporated and the founders of the Company subscribed to 225,000,000 ordinary shares of AED 1 each.

The Company went for an Initial Public Offering ("IPO") commencing on 13 April 2014 and was listed on the Dubai Financial Market on 25 September 2014. The IPO was priced at AED 1.00 per share with subscription fees of AED 0.03 per share. Gross proceeds amounted to AED 283,250,000.

During the Annual General Assembly Meeting held on 30 April 2017, the shareholders approved the Board of Directors' recommendation by a special resolution to set up an authorised capital for the amount of AED 1 billion and to amend the articles of association of the Company after obtaining the approvals. At 31 December 2017, the Company's issued share capital was AED 500 million divided into 500 million shares with a nominal value of AED 1 per share.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017 (continued)

15 BORROWINGS

	2017 AED'000	2016 AED'000
Commodity murabaha	283,408	284,801
Term finance	156,250	247,168
Mezzanine finance	23,000	22,885
Mudaraba	78,982	69,173
Corporate Ijara	-	14,335
Bank overdrafts	-	43,630
	541,640	681,992

The maturity profile of the Group's total borrowings is as follows:

	2017 AED'000	2016 AED'000
Past due	179,250	-
Within one year	3,604	92,284
After one year but not more than five years	108,263	328,351
More than five years	250,523	261,357
	541,640	681,992

All borrowings are denominated in AED. Interest rates on the Group's borrowings ranged from 4.60% to 7.82% per annum in 2017 (2016: 4.1% to 7.8%).

The Group has made additional drawdowns with total of AED 9.7 million from the existing Mudaraba facility. In 2017, the Group settled 3 loans worth AED 56.7 million from Ajman Bank, Emirates Islamic Bank and Dubai Islamic Bank.

On 26 December 2017 the Group restructured two of its facilities with one of its banks. Based on updated terms of the facility agreement, principal amount will be paid on quarterly basis starting from 2020. There were no other significant changes in terms of these facilities and no fees were incurred as part of the negotiation.

Since the restructuring resulted in the significant change in the repayment schedule of the facility, under IAS 39 (Financial Instruments: Recognition and Measurement) the Group has assessed the impact and recognized a discount within current year's finance income of AED 1,225,061. The discount will be amortized in line with facility duration and its repayment schedule. Facility fees recorded under the previous terms of the agreement amounting to AED 3,650,000 were fully amortized in 2017. In January 2018, the group entered into a new agreement with Finance House for AED 64 million for the purpose of full settlement of loan worth AED 41.8 million from Ajman Bank and partially offsetting the previous loan upto to AED 22.2 million from Finance House.

As at 31 December 2017, the Group had no undrawn facilities (31 December 2016: AED 11,484,000).

In the second half of 2017, the Group was overdue paying interest on its bank borrowings obtained from Dubai Islamic Bank, Ajman Bank and Finance House for the total amount of AED 11.7 million. The Group experienced a temporary shortage of cash because cash outflows during the year were higher than anticipated due to changes in the business. As a result, borrowings from Ajman Bank and Finance House were fully classified as current borrowings as at 31 December 2017. Due to the fact that by the end of 2017 the Group restructured the repayment plan of its Dubai Islamic Bank borrowings, respective maturity was presented in line with updated repayment schedules.

Management expects that the company will be able to meet all contractual obligations from borrowings on a timely basis going forward.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017 (continued)

15 BORROWINGS (continued)

In 2016, the Group obtained the following facilities:

- (a) Corporate Ijara facility amounting to AED 16.1 million from Emirates Islamic Bank to finance the purchase of land and building located at Al Jarf, Ajman. The facility has a term of 7 years and carries profit at relevant EIBOR + 3% per annum. Principal is repayable on quarterly basis starting from 28 May 2017. As a security for the facility, the Group issued a corporate guarantee of Marka Hospitality Investments LLC in favour of the bank and legal mortgage over the aforementioned land and building.
- (b) Mudaraba facility with total available amount of AED 80 million from Dubai Islamic Bank for the expansion of portfolio and set up of new outlets. The facility has a term of 6 years and carries profit at the relevant EIBOR + 3.5% per annum. The principal from these drawdowns are repayable on a quarterly basis starting 2017. Profit is to be serviced on quarterly basis during the full tenor of the facility.

Except for the matter mentioned above, the Group has complied with the financial covenants of its borrowing facilities during the year 2017 and 2016 reporting period.

16 PROVISION FOR EMPLOYEES' END OF SERVICE BENEFITS

	2017 AED'000	2016 AED'000
Balance at the beginning of the year	3,360	2,657
Charge/reversal for the year	1,621	1,622
Payments during the year	(1,375)	(821)
Derecognised liabilities directly associated with assets classified as held for sale (Note 13)	-	(98)
Balance at the end of the year	3,606	3,360

In accordance with the provisions of IAS 19, management has carried out an exercise to assess the present value of its obligations at 31 December 2017, using the projected unit credit method, in respect of employees' end of service benefits payable under the applicable Local Labour Laws. Under this method an assessment has been made of the employees' expected service life with the Group and the expected basic salary at the date of leaving the service. Management has assumed average increment/promotion costs of 3% (2016: 3%). The expected liability at the date of leaving the service has been discounted to its net present value using a discount rate of 3.08% (2016: 2.52%)

17 TRADE AND OTHER PAYABLES

	2017 AED'000	2016 AED'000
Trade payables	64,683	28,909
Accruals	29,445	19,508
Accrued interest	15,294	5,317
Other payables	8,277	15,360
	117,699	69,094

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017 (continued)

18 RELATED PARTY TRANSACTIONS AND BALANCES

Related parties include the shareholders, key management personnel, associated companies, joint venture, directors and businesses including affiliates controlled directly or indirectly by the shareholders and directors or over which they exercise significant management influence.

The details of transactions and balances with related parties are shown below:

Description of transaction and name of related party	Relationship	For the year ended 31 December 2017 AED'000	For the year ended 31 December 2016 AED'000
<i>Sale of ownership interest in a subsidiary</i> (Note 13)			
Evolve Knowledge Investments *	Entity controlled by one of the Group's key management personnel	42,000	42,000
Key management compensation			
Salaries and other short term employee benefits		3,742	14,724
Bonus and termination benefits		9,652	-
Other benefits		1,347	1,984
		14,741	16,708

Transactions with related parties are carried out at mutually agreed rates.

There were no fees paid to the Board of Directors during the year ended 31 December 2017 and 31 December 2016.

No loans have been provided to the Directors, their spouses, children and relatives of the second degree or any corporates in which they own 20% or more.

Balances with related parties are as follows:

Name of related party	Relationship	2017 AED'000	2016 AED'000
Due from related parties			
Evolve Knowledge Investments	Entity controlled by one of the Group's key management personnel	46,200	42,000
Marka Fitout Group	Associate	8,765	4,468
Ginza Restaurants LLC	Entity controlled by one of the Group's key management personnel	2,283	2,435
Repton School FZ LLC	Entity controlled by one of the Group's key management personnel	541	-
Cheeky Monkeys	Associate	-	870
		57,789	49,773
Due to related parties			
Evolve Capital LLC	Entity controlled by one of the Group's key management personnel	-	93
Key management personnel	Key management personnel	-	855
		-	948

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017 (continued)

19 REVENUE

	For the year ended 31 December 2017 AED'000	For the year ended 31 December 2016 AED'000
Food and beverage	93,253	117,039
Sale of merchandise	6,357	29,442
	<u>99,610</u>	<u>146,481</u>

20 COST OF SALES

Staff costs (Note 23)	30,892	34,367
Food and beverage	23,523	28,300
Provision for obsolescence	10,102	490
Merchandise	3,761	11,974
	<u>68,278</u>	<u>75,131</u>

21 GENERAL AND ADMINISTRATIVE EXPENSES

Staff costs (Note 23)	36,967	50,235
Provision for doubtful receivables	10,859	9,582
Provision for lease penalty	7,145	-
Provision for deposits and prepayments (Note 29)	6,300	-
Depreciation and amortisation	5,928	8,813
Transportation	4,510	2,756
Repairs and maintenance	4,480	5,907
Professional and legal	4,037	3,957
Rent	2,227	8,276
Trade licenses and related fees	2,136	2,314
Royalty	2,054	1,692
Credit card expenses	918	1,179
Utilities	810	1,999
Office administration costs	671	828
Printing and stationery	482	699
Travelling and accommodation	420	706
Others	7,505	4,299
	<u>97,449</u>	<u>103,242</u>

There were no social contributions made during the year ended 31 December 2017 (2016: nil).

22 SELLING AND DISTRIBUTION EXPENSES

Rent	43,106	30,591
Depreciation and amortisation	22,859	18,830
Utilities	8,077	5,066
Staff costs (Note 23)	3,098	4,040
Advertisement and business development	2,197	6,067
	<u>79,337</u>	<u>64,594</u>

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017 (continued)

23 STAFF COSTS

	For the year ended 31 December 2017 AED'000	For the year ended 31 December 2016 AED'000
Salaries and wages	54,520	64,134
Other benefits	14,887	23,047
End of service benefits (Note 17)	1,550	1,461
	<u>70,957</u>	<u>88,642</u>

Included under

Cost of sales (Note 20)	30,892	34,367
General and administrative expenses (Note 21)	36,967	50,235
Selling and distribution expenses (Note 22)	3,098	4,040
	<u>70,957</u>	<u>88,642</u>

24 OTHER INCOME - NET

Gain on sale of subsidiary (Note 27)	9,710	-
Franchise income	2,072	2,486
Loss on disposal of property and equipment	(7,602)	(4,254)
Royalty income	-	1,296
Others	1,483	2,089
	<u>5,663</u>	<u>1,617</u>

25 FINANCIAL INSTRUMENTS

The accounting policies for the financial instruments have been applied to the line items below:

	2017 AED'000	2016 AED'000
Financial assets		
Available for sale financial assets	50,000	50,000
<i>Loans and receivables at amortised cost</i>		
Cash and bank balances (Note 12)	14,859	86,606
Due from related parties (Note 18)	57,789	49,773
Trade and other receivables (excluding prepayments and advances to suppliers) (Note 11)	133,817	64,671
	<u>206,465</u>	<u>251,050</u>
Financial liabilities		
<i>Other financial liabilities at amortised cost</i>		
Trade and other payables (Note 17)	117,699	69,094
Due to related parties (Note 18)	-	948
Borrowings (Note 15)	541,640	681,992
	<u>659,339</u>	<u>752,034</u>

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017 (continued)

26 BUSINESS COMBINATIONS

In 2017, the Group acquired the business and assets of Morelli's Gelato ("Morelli's") franchise in the Kingdom of Saudi Arabia. The business and assets were acquired through a business and asset transfer agreement for a total consideration of AED 7.6 million. Total identifiable net asset acquired from this acquisition amounted to AED 5.4 million.

Under the provisions of IFRS 3 "Business Combinations", the Group has accounted for the purchase of net assets of acquired entity on a provisional basis as the purchase price allocation ("PPA") exercises remain incomplete as at the date of the approval of these consolidated financial statements. The Group is still within the twelve month measurement period permissible for each of the acquisitions. The Group will retrospectively apply the fair values of these acquisitions upon finalisation of the respective PPAs for each of the transactions.

The following summarises the purchase consideration and fair value of net assets acquired and liabilities assumed at the acquisition date:

	Morelli's KSA AED'000
Cash consideration	7,600
Total consideration	7,600
Less: share of identifiable assets acquired and liabilities assumed	
Trade and other receivable	582
Inventories	13
Franchise agreement	5,079
Trade and other payable	(251)
Total identifiable net assets - acquired	5,423
Goodwill	2,177

27 DISCONTINUED OPERATION

Description

On 12 April 2017, the Group signed an agreement with GMG Holding Limited for the sale and purchase of the entire issued share capital of the subsidiary ("Retailcorp") which sets out the principal terms and conditions on and subject to which the buyer is willing to buy the subsidiary from the Group.

The subsidiary was sold on 2 May 2017 and is reported in the current period as a discontinued operation. Financial information relating to the discontinued operation for the period to the date of disposal is set out below.

Financial performance and cash flow information

The financial performance and cash flow information from 1 January 2017 to 2 May 2017 and the period ended 31 December 2016 are presented below:

	2 May 2017 AED'000	For the year ended 31 December 2016 AED'000
Revenue	13,446	147,619
Cost of sales	(12,684)	(94,204)
Gross profit	762	53,415
General and administrative expenses	(1,833)	(16,793)
Selling and distribution expenses	(16,897)	(51,556)
Other income/(expense) - net	19	(53,157)
Finance costs - net	(238)	(679)
(Loss)/profit from discontinued operation	(18,187)	(68,770)
Net cash generated from / (used in) operating activities	430	9,896
Net cash (used in) / generated from investing activities	(693)	(3,504)
Net cash used in financing activities	-	(7,671)
Net cash used in discontinued operation	(263)	(1,279)

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017 (continued)

27 DISCONTINUED OPERATION (continued)

Details of the sale of the subsidiary

2 May 2017
AED'000

Consideration received or receivable:	
Cash	85,000
Fair value of consideration	115,000
Total disposal consideration	200,000
Less: Carrying amount of net assets sold	(190,290)
Gain on sale	9,710

In accordance with the terms of the agreement, the consideration of AED 115 million will be received after obtaining consent of two lessors to the relevant change of control and respective renewal of lease agreements within the period of 150 days from the acquisition date. The Group obtained the consent from one of lessors within the timeframe which covers AED 25 million of the total outstanding receivables. The consent from the second lessor is still being negotiated which covers the remaining receivables of AED 90 million.

Legal investigation

GMG has requested for an arbitration dated 23 October 2017 claiming that the Group has breached the SPA as the Group failed to obtain consent from one of the lessors to transfer certain outlets lease agreements to GMG and that the Group failed to release the shares of Retailcorp in respect of a pledge over shares made to a Bank.

On 11 December, the Group filed a response denying any liability against the claims and sought order to release AED 115 million from the escrow account plus damages (interest expense paid on Ajman loan relating to Retailcorp acquisition)

At this early stage, the outcome of the proceedings is not known and the underlying facts are in process of investigation. Accordingly, no provision has been made in the consolidated financial statements.

The carrying amounts of assets and liabilities as at 2 May 2017 were:

2 May 2017
AED'000

Assets

Property and equipment	19,702
Intangible assets	5
Inventories	36,856
Trade and other receivables	11,683
Cash and bank balances	169
	68,415

Liabilities

Trade and other payables	7,804
Adjusted book value of net assets	60,611
Goodwill	129,679
Book value of net assets, including goodwill	190,290

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017 (continued)

28 SEGMENT INFORMATION

Management has determined the operating segments based on the reports reviewed by the Board of Director that are used to make strategic decisions.

For management purposes, the Group is organised into business units based on their products and services and the following reportable segments:

- 1) Sports
- 2) Fashion
- 3) Hospitality
- 4) Other

There were no sales between segments during the year.

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss and is measured consistently with operating profit or loss in the consolidated financial statements.

The Board of Directors is also provided with multiple levels of information which comprise of revenue, gross profit and net profit, aggregated for higher level components (i.e. combination of all products and services) by distribution and by region. The financial accounting system of the Group is currently configured in this manner and this information is readily available. However, for decision making purposes, the Board of Directors rely mainly on the revenue and net profit information that contains lower level components. Hence, the segment information provided is primarily to the net profit level of the Group.

	Sports	Fashion	Hospitality	Others*	Inter-segment eliminations	Total
	UAE and UK AED'000	UAE AED'000	UAE AED'000	UAE AED'000		
Segment revenue for the year ended 31 December 2017	1,456	3,704	93,248	1,202	-	99,610
Share of profit of joint venture accounted for using the equity method for the year ended 31 December 2017	628	-	-	80	-	708
Net loss from continuing operations for the year ended 31 December 2017	(17,432)	(34,932)	(124,113)	(48,029)	-	(224,506)
Total assets as at 31 December 2017	318,733	18,133	498,734	435,464	(560,029)	711,035
Total liabilities as at 31 December 2017	433,855	74,648	651,078	63,393	(560,029)	662,945

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017 (continued)

28 SEGMENT INFORMATION (continued)

	Sports	Fashion	Hospitality	Others*	Inter-segment	Total
	UAE and UK AED'000	UAE AED'000	UAE AED'000	UAE AED'000	eliminations AED'000	
Segment revenue for the year ended 31 December 2016	22,896	6,004	116,701	880	-	146,481
Share of profit of joint venture accounted for using the equity method for the year ended 31 December 2016	-	-	-	(191)	-	(191)
Net loss from continuing operations for the year ended 31 December 2016	14,484	(14,860)	(35,369)	(44,484)	-	(80,229)
Total assets as at 31 December 2016	403,518	37,633	562,855	472,657	(431,029)	1,045,634
Total liabilities as at 31 December 2016	483,537	59,200	591,089	52,597	(431,029)	755,394

“Others” includes the corporate function of the Group.

29 PROVISION FOR LOSS MAKING OUTLETS

Management has assessed the Group’s outlet-wise profitability and accordingly submitted to the Executive Committee a plan to close certain loss making outlets. After obtaining the approval of the Executive Committee, management assessed the required provisions for the expected losses in inventories of AED 10.1 million (Note 10), disposal of property and equipment of AED 69.9 million, intangible assets of AED 2.3 million (Note 6) and lease penalties of AED 7.1 million (Note 21).

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017 (continued)

30 LOSS PER SHARE

Basic loss per share is calculated by dividing the loss attributable to equity holders of the Group by the weighted average number of ordinary shares in issue during the year.

	For the year ended 31 December 2017 AED'000	For the year ended 31 December 2016 AED'000
Total comprehensive loss attributable to equity holders of the Company (in AED'000)	242,150	152,508
Weighted average number of shares in issue (in thousands)	500,000	500,000
Basic and diluted loss per share(in AED per share)	0.48430	0.30502

Diluted loss per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. At 31 December 2017, the Company did not have such dilutive ordinary shares. Therefore, diluted earnings per share equal the basic earnings per share.

31 CONTINGENCIES AND COMMITMENTS

The Group has entered into non-cancellable operating leases in respect of the rent agreement for its head office, retail outlets and restaurants spaces in Dubai. Future minimum rentals payable under non-cancellable operating leases as at 31 December 2017 are as follows:

	2017 AED'000	2016 AED'000
Not later than 1 year	28,775	52,224
Later than 1 year and not later than 5 years	48,560	60,109
Later than 5 years	482	-
	77,817	112,333