MARKA PJSC

INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION
FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2018

MARKA PJSC

INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION
FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2018

Directors' report for the three-month period ended 31 March 2018

The Directors submit their report together with the interim condensed consolidated financial information of Marka PJSC (the "Company") and its subsidiaries (together, the "Group") for the three-month period ended 31 March 2018.

Principal activities

The principal activities of the Group are the 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 three-month period ended 31 March 2018 are set out on page 5 of the interim condensed consolidated financial information.

Directors

The directors who served during the period were:
Mr. Khalid Bin Kalban (Chairman)
H.E. Jamal Al Hai (Vice Chairman)
H.E. Khaled Mohammed Alkamda
Mr. Naser Al Nabulsi
Mr. Khaled Salem Almheiri
Mr. Mohammed Saif Darwish Ahmed Al Ketbi
H.E. Hamad Al Shamsi
Mr. Adel Zarouni
Mr. Abdulla Hamad Al Awani

Auditors

The interim condensed consolidated financial information have been reviewed by PricewaterhouseCoopers who retire and, being eligible, offer themselves for reappointment.

....
Mr. Khalid Bin Kalban
Chairman

30 April 2018

Review report on interim condensed consolidated financial information
To the shareholders of Marka PJSC

Introduction

We have reviewed the accompanying interim condensed consolidated statement of financial position of Marka PJSC (the "Company") and its subsidiaries (together the "Group") as at 31 March 2018 and the related interim condensed consolidated statements of comprehensive income, changes in equity and cash flows for the three-month period then ended and other explanatory notes. Management is responsible for the preparation and presentation of this interim condensed consolidated financial information in accordance with International Accounting Standard 34 "Interim Financial Reporting". Our responsibility is to express a conclusion on this interim condensed consolidated financial information based on our review.

Scope of review

Except as explained in the following paragraph, we conducted our review in accordance with International Standard on Review Engagements 2410, 'Review of interim financial information performed by the independent auditor of the entity'. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Basis for qualified conclusion

Goodwill impairment review

We refer to Note 6 to the interim condensed consolidated financial information that provides details of the Group's goodwill arising on consolidation amounting to AED 231 million as at 31 March 2018 (31 December 2017: AED 231 million). During the period, 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 interim condensed consolidated financial information at 31 March 2018. 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.

Qualified Conclusion

Based on our review, except for the possible effects of the matter described in the basis for qualified conclusion paragraph, nothing has come to our attention that causes us to believe that the interim condensed consolidated financial information is not prepared, in all material respects, in accordance with International Accounting Standard 34 "Interim Financial Reporting".

PricewaterhouseCoopers (Dubai Branch), License no. 102451
Emaar Square, Building 4, Level 8, P O Box 11987, Dubai - United Arab Emirates
T: +971 (0)4 304 3100, F: +971 (0)4 346 9150, www.pwc.com/me

Douglas O'Mahony, Paul Suddaby, Jacques Fakhoury and Mohamed ElBorno are registered as practising auditors with the UAE Ministry of Economy

Review report on interim condensed consolidated financial information
To the shareholders of Marka PJSC (continued)

Material uncertainty relating to going concern

We draw attention to Note 2.1 in the interim condensed consolidated financial information, which indicates that the Group incurred a net loss of AED 8 million during three-month period ended 31 March 2018 and, as of that date, the Group's current liabilities exceeded its current assets by AED 65 million. Accumulated losses amounted to AED 458 million as at that date (31 December 2017: accumulated losses of AED 450 million). Furthermore, the Group has defaulted on payment of certain bank borrowings. 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.

PricewaterhouseCoopers
30 April 2018

Mohamed ElBorno
Registered Auditor Number 946
Dubai, United Arab Emirates

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	As at 31 March 2018 AED'000 Reviewed	As at 31 December 2017 AED'000 Audited
ASSETS			
Non-current assets			
Property and equipment	5	95,610	91,160
Intangible assets	6	306,088	306,626
Available-for-sale financial assets	7	50,000	50,000
Investment in a joint venture	8	13,642	14,731
Investment in an associate	9	200	200
		465,540	462,717
Current assets			
Inventories	10	6,796	6,409
Trade and other receivables	11	170,087	169,261
Due from related parties	17	45,725	57,789
Cash and cash equivalents	12	3,383	14,859
		225,991	248,318
Total assets		691,531	711,035
EQUITY AND LIABILITIES			
EQUITY			
Equity attributable to the shareholders of the Company			
Share capital	13	500,000	500,000
Share premium		143	143
Translation reserve		(3,388)	(1,932)
Accumulated losses		(458,107)	(450,121)
Total equity		38,648	48,090
LIABILITIES			
Non-current liabilities			
Borrowings	14	358,786	358,786
Provision for employees' end of service benefits	15	2,274	3,606
		361,060	362,392
Current liabilities			
Trade and other payables	16	108,969	117,699
Borrowings	14	182,854	182,854
		291,823	300,553
Total liabilities		652,883	662,945
Total equity and liabilities		691,531	711,035

This interim condensed consolidated financial information were approved by the Board of Directors on 30 April 2018 and were signed on its behalf by:

....	....	....
Mr. Khalid Bin Kalban Chairman	Mohammad Alas'ad Chief Financial Officer	Benoit Lamonerie Chief Executive Officer

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

		For the three-month period ended	
		31 March 2018	31 March 2017
		AED'000	AED'000
	Notes	Reviewed	Reviewed
Continuing operations			
Revenue	18	20,364	33,259
Cost of sales	19	(9,510)	(20,045)
Gross profit		10,854	13,214
General and administrative expenses	20	(6,704)	(22,639)
Selling and distribution expenses	21	(10,981)	(22,952)
Other income	23	4,276	1,728
Operating loss		(2,555)	(30,649)
Finance income		938	365
Finance costs		(6,736)	(8,070)
Finance costs - net		(5,798)	(7,705)
Share of profit/(loss) of joint venture and associate accounted for using the equity method	8	367	(433)
Gain on sale of assets held for sale	25	-	16,155
Loss from continuing operations		(7,986)	(22,632)
Loss from discontinued operation	26	-	(5,225)
Loss for the period		(7,986)	(27,857)
Other comprehensive income			
Items that may be reclassified to profit or loss			
Share of exchange difference on translation of foreign operations of joint venture	8	(1,456)	77
Other comprehensive income for the period		(1,456)	77
Total comprehensive income for the period		(9,442)	(27,780)
Earnings per share for profit from continuing operations attributable to the shareholders of the Company			
Basic and diluted loss per share	30	(0.01888)	(0.04526)
Earnings per share attributable to the shareholders of the Company			
Basic and diluted loss per share	30	(0.01888)	(0.05556)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Note	Share capital AED’000	Share premium AED’000	Translation reserve AED’000	Accumulated losses AED’000	Total AED’000
As at 1 January 2018		500,000	143	(1,932)	(450,121)	48,090
Comprehensive income						
Loss for the period		-	-	-	(7,986)	(7,986)
Other comprehensive income						
Share of exchange difference on translation of foreign operations of joint venture	8	-	-	(1,456)	-	(1,456)
Total comprehensive income		-	-	(1,456)	(7,986)	(9,442)
As at 31 March 2018 (Reviewed)		500,000	143	(3,388)	(458,107)	38,648
As at 1 January 2017		500,000	143	(2,475)	(207,428)	290,240
Comprehensive income						
Loss for the period		-	-	-	(27,857)	(27,857)
Other comprehensive income						
Share of exchange difference on translation of foreign operations of joint venture	8	-	-	77	-	77
Total comprehensive income		-	-	77	(27,857)	(27,780)
As at 31 March 2017 (Reviewed)		500,000	143	(2,398)	(235,285)	262,460

The notes on pages 8 to 31 form an integral part of this interim condensed consolidated financial information.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Notes	Three-month period ended 31 March 2018 AED'000 Reviewed	31 March 2017 AED'000 Reviewed
Cash flows from operating activities			
Loss for the period:			
Continuing operations		(7,986)	(22,632)
Discontinued operations		-	(5,225)
Adjustments for:			
Depreciation and amortisation	5,6	3,058	9,022
Reversal of provision for impairment of property and equipment		(3,708)	-
Provision for impairment of trade and other receivables		(1,469)	-
Provision for inventory obsolescence		(134)	-
Share of profit of joint venture and associate accounted for using the equity method	8,9	(367)	433
Gain on sale of assets held for sale	26	-	(16,155)
Gain on disposal of property and equipment		-	(3)
Finance costs		6,736	8,070
Finance income		(938)	(365)
(Reversal)/ Provision for end of service benefits of employees	15	(1,034)	496
Operating cash flows before changes in working capital		(5,842)	(26,359)
End of service benefits paid	15	(298)	(231)
Changes in working capital:			
Trade and other receivables – excluding interest receivable		112	7,423
Inventories		(253)	(2,458)
Due from related parties		12,064	(1,206)
Trade and other payables – excluding interest payable		(6,044)	21,742
Due to related parties		-	(948)
Net cash used in operating activities		(261)	(2,037)
Cash flows from investing activities			
Term deposits withdrawn	12	-	3,010
Dividends received	25	-	2,243
Purchase of property and equipment	5	(3,271)	(9,290)
Proceeds from disposal of property and equipment	5	9	4
Purchase of intangible assets	6	-	(370)
Interest received		-	190
Net cash used in investing activities		(3,262)	(4,213)
Cash flows from financing activities			
Proceeds from borrowings	14	-	13,151
Repayment of borrowings	14	-	(14,167)
Interest paid		(7,953)	(7,361)
Net cash used in financing activities		(7,953)	(8,377)
Net decrease in cash and cash equivalents		(11,476)	(14,627)
Cash and cash equivalents at the beginning of the period		14,859	(27,397)
Cash and cash equivalents at the end of the period	12	3,383	(42,024)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2018 (continued)

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 UAE Federal Law No. (2) of 2015, has come into effect on 1 July 2015, replacing the existing UAE Federal Law No. 8 of 1984. 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.

The principal activities of the Company are operation of restaurants and cafes of mid to high end dining options across global cuisines and retail stores dealing in luxury apparel, accessories and 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	2018 Legal ownership %	2018 Beneficial ownership %	2017 Legal ownership %	2017 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
Reem Al Bawadi Restaurant & Café (L.L.C.)	Operation of restaurant, food and beverage business.	100	100	100	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
MARKA Fashion Investment 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

* 1% ownership by Mr. Khaled Almheiri held for the beneficial interest of Marka PJSC.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

This interim condensed consolidated financial information for the three-month period ended 31 March 2018 have been prepared in accordance with IAS 34, 'Interim financial reporting'. Selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the last annual consolidated financial statements as at and for the year ended 31 December 2017. The interim condensed consolidated financial information do not include all the information required for full annual consolidated financial statements prepared in accordance with International Financial Reporting Standards (IFRS). The interim condensed consolidated financial information should be read in conjunction with the annual consolidated financial statements for the year ended 31 December 2017.

The interim condensed consolidated financial information have been prepared under the historical cost convention.

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

Going concern

The Group incurred a loss of AED 8 million during the three-month period ended 31 March 2018 and, as of that date, the Group's current liabilities exceeded its current assets by AED 65 million. Accumulated losses amounted to AED 458 million as at that date (31 December 2017: accumulated losses of AED 450 million). Furthermore, the Group had a negative cash flows from operations of AED 261 thousand during the period ended 31 March 2018. The Group has experienced a shortage in cash resources and as a result, interest and principal on loans of AED 6.7 million and AED 144.5 million respectively on the Group's borrowing with the banks remained unpaid as at 31 March 2018. The carrying amount of the loan payable in default as at 31 March 2018 is AED 199 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.

Out of the due principal of AED 144.5 million, a balance of AED 115 million relates to the sale of a subsidiary which is held in an escrow account for the repayment of a bank borrowing. In addition, the Group is currently negotiating with the two banks to restructure their facilities for extended payment terms.

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. During the Annual General Assembly Meeting held on 30 April 2018, the shareholders approved the continuity of the Company's operations in accordance with the requirements of article 302 of the UAE Federal Law No. 2 of 2015 concerning Commercial Companies. In addition, management has prepared detailed cash flow projections covering a five year period which show that the Group will be able to cover the funding gap. The Group is currently planning a capital restructuring aiming to raise AED 250 million by issuing 250 million shares. Accordingly these consolidated financial statements have been prepared on a going concern basis.

2.2 New standards, amendments and interpretations

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

- IFRS 9, 'Financial instruments' (effective from 1 January 2018); and
- 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 interim condensed consolidated financial information for the three-month period ended 31 March 2018.

There are no other IFRSs or IFRIC interpretations that are effective and would be expected to have a material impact on the Group.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2018 (continued)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2 New standards, amendments and interpretations (continued)

(b) New and amended standards issued but not effective for the financial year beginning 1 January 2018 and not early adopted:

The standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Group's consolidated financial information are disclosed on the below. Management is currently assessing the impact of those standards and amendments and intends to adopt these standards, if applicable, when they become effective.

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

2.3 Accounting policies

The accounting policies adopted are consistent with those of the consolidated financial statements as at and for the year ended 31 December 2017.

2.4 Basis of consolidation

The interim condensed consolidated financial information comprise the financial information of the Group and its subsidiaries, associate and joint arrangement. A subsidiary is an entity controlled by the Company. The financial information of a subsidiary are included in the interim condensed consolidated financial information from the date that control commences until the date that control ceases.

2.5 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.

2.6 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 Board of Directors of the Group that makes strategic decisions.

2.7 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.7 Property and equipment (continued)

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	7 – 12
Office and electrical equipment	5 – 10
Motor vehicles	5
Kitchen equipment	5 – 10

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 recognized 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.

2.8 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

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.

The interim condensed consolidated financial information do not include all financial risk management information and disclosures required in the annual financial statements; they should be read in conjunction with the Group's annual consolidated financial statements for the year ended 31 December 2017. There have been no changes in the risk management department or in any risk management policies since the year end.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2018 (continued)

3 FINANCIAL RISK MANAGEMENT (continued)

Financial risk factors (continued)

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.

31 March 2018	**Past due AED'000**	**Within 1 year AED'000**	**2 to 5 years AED'000**	**Beyond 5 years AED'000**	**Total AED'000**
Trade and other payables	-	108,969	-	-	108,969
Borrowings	207,984	17,824	215,179	210,137	651,124
	207,984	126,793	215,179	210,137	760,093

31 December 2017	**Past due AED'000**	**Within 1 year AED'000**	**2 to 5 years AED'000**	**Beyond 5 years AED'000**	**Total AED'000**
Trade and other payables	-	117,699	-	-	117,699
Borrowings	190,930	22,604	173,233	273,536	660,303
	190,930	140,303	173,233	273,536	778,002

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of this interim condensed consolidated financial information 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.

In preparing this interim condensed consolidated financial information, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 December 2017.

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.

Revision of useful lives of property and equipment

During the period, the estimated total useful lives of certain items of property and equipment were revised effective from 1 January 2018. The net effect of the changes in the current period ended 31 March 2018 was a decrease in the depreciation charge of AED 2.6 million. Assuming the assets are held until the of their estimated useful lives, depreciation in future years in relation to these assets will be decreased by the following amounts:

Years ending 31 December	**AED'000**
2018	10,534
2019	10,533
2020	10,338
2021	9,891
2022	9,435
2023	8,971
2024	8,709
2025	8,386
2026	7,415
2027	6,008
2028	2,336
2029	567
2030	38

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2018 (continued)

5 PROPERTY AND EQUIPMENT

	Land	Building	Furniture and fixtures	Office and electrical equipment	Motor vehicles	Kitchen equipment	Capital work-in-progress	Total
	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000
Cost								
At 1 January 2017	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 (audited)	-	-	126,454	27,340	611	16,264	25,293	195,962
Additions	-	-	1,827	814	-	217	413	3,271
Disposals	-	-	(91)	(78)	-	(580)	-	(749)
Transfers	-	-	2,533	44	-	-	(2,577)	-
At 31 March 2018 (reviewed)	-	-	130,723	28,120	611	15,901	23,129	198,484
Accumulated depreciation								
At 1 January 2017	-	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 (audited)	-	-	58,587	13,838	134	9,815	22,428	104,802
Charge for the period	-	-	1,783	510	24	203	-	2,520
Disposals	-	-	(82)	(78)	-	(580)	-	(740)
Reversal of provision for impairment (Note 29)	-	-	(526)	(356)	-	(2,826)	-	(3,708)
At 31 March 2018 (reviewed)	-	-	59,762	13,914	158	6,612	22,428	102,874
Net book amount								
At 31 March 2018 (reviewed)	-	-	70,961	14,206	453	9,289	701	95,610
At 31 December 2017 (audited)	-	-	67,867	13,502	477	6,449	2,865	91,160

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

5 PROPERTY AND EQUIPMENT (continued)

A net impairment reversal of AED 3,744 thousand has been recognized against property and equipment. This reversal has been recorded following management's impairment review of these balances due to the change in the estimates used to determine the assets' recoverable amount arising from the overall improvement in the competitive environment in which the Group operates.

The impairment reversal/charge has been determined as the difference between the carrying amount of the investment property and investments in associates and joint ventures (before impairment reversal/charge) and the respective recoverable amount. The recoverable amount has been determined on the basis of "value in use". In the case of property held for development and sale, the impairment charge has been determined as the difference between the carrying amount and the "net realisable value".

6 INTANGIBLE ASSETS

	Goodwill	Brand name	Supplier agreements	Computer software	Franchise	Total
	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000
Cost						
At 1 January 2017	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 (audited)	232,594	58,173	3,915	2,362	21,942	318,986
Additions	-	-	-	-	-	-
At 31 March 2018 (reviewed)	232,594	58,173	3,915	2,362	21,942	318,986
Accumulated amortisation and impairment						
At 1 January 2017	53,812	3	3,915	549	2,003	60,282
Charge for the year	-	-	-	340	1,851	2,191
Impairment charge	-	-	-	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 (audited)	1,392	3	3,915	1,018	6,032	12,360
Charge for the period	-	-	-	523	15	538
At 31 March 2018 (reviewed)	1,392	3	3,915	1,541	6,047	12,898
Net book amount						
At 31 March 2018 (reviewed)	231,202	58,170	0	821	15,895	306,088
At 31 December 2017 (audited)	231,202	58,170	-	1,344	15,910	306,626

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 (31 December 2017: 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 13,324,695 (31 December 2017: AED 13,334,695).

6 INTANGIBLE ASSETS (continued)

Goodwill

Goodwill represents the excess of purchase consideration paid over the fair value of the net assets and identifiable intangible assets acquired in 2015.

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	Morelli's Bahrain AED'000	Morelli's UAE AED'000	Morelli's KSA AED'000	Total AED'000
At 31 March 2018	223,051	1,640	4,334	2,177	231,202
At 31 December 2017	223,051	1,640	4,334	2,177	231,202

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 and 31 March 2018, 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.

7 AVAILABLE-FOR-SALE FINANCIAL ASSETS

	31 March 2018 AED'000 Reviewed	31 December 2017 AED'000 Audited
Available-for-sale financial assets	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 a security against term financing facilities of AED 50,000,000 (Note 14).

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.

8 INVESTMENT IN A JOINT VENTURE (continued)

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:

	31 March 2018 AED'000 Reviewed	31 December 2017 AED'000 Audited
At the beginning of the period / year	14,731	13,526
Share of profit for the period/ year	367	662
Share of other comprehensive income for the period / year	(1,456)	543
At the end of the period/ year	13,642	14,731

9 INVESTMENT IN ASSOCIATES

	31 March 2018 AED'000 Reviewed	31 December 2017 AED'000 Audited
At the beginning of the period/year	200	120
Share of profit for the period/year	-	80
At the end of the period/year	200	200

In October 2016, 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 2016. 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.

10 INVENTORIES

	31 March 2018 AED'000 Reviewed	31 December 2017 AED'000 Audited
Goods held for sale	17,254	17,001
Provision for impairment	(10,458)	(10,592)
	6,796	6,409

The cost of inventories recognised as expense and included in costs of sales for the three-month period ended 31 March 2018 amounted to AED 3,638 thousand (31 March 2017: AED 14,152 thousand).

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2018
(continued)

11 TRADE AND OTHER RECEIVABLES

	31 March 2018 AED'000 Reviewed	31 December 2017 AED'000 Audited
Trade receivables	3,396	2,511
Receivables from the sale of subsidiary	115,000	115,000
Advances to suppliers	23,473	23,473
Security deposits	19,452	19,494
Prepayments	10,134	11,971
Interest receivable	2,814	1,876
Franchise fee receivable	1,058	1,058
Other receivables	7,097	6,215
Provision for deposits, prepayments and other receivables	(12,337)	(12,337)
	170,087	169,261

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 March 2018 the outstanding balance of receivables amounted to AED 115 million (Note 27).

The ageing analysis of performing trade receivables is as follows:

	31 March 2018 AED'000 Reviewed	31 December 2017 AED'000 Audited
Up to 1 month	812	913
1 to 3 months	489	369
3 to 6 months	426	445
Over 6 months	1,669	784
	3,396	2,511

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

	31 March 2018 AED'000 Reviewed	31 December 2017 AED'000 Audited
Charge for the period/year	12,337	17,159
Write off during the year	-	(4,822)
	12,337	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 CASH EQUIVALENTS

	31 March 2018 AED'000 Reviewed	31 December 2017 AED'000 Audited
Cash on hand	634	646
Cash at banks	2,549	14,013
Term deposits	200	200
	3,383	14,859

Bank balances are held with local banks and branches of international 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-month period 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.

13 SHARE CAPITAL

	Number of ordinary shares	31 March 2018 AED'000 Reviewed	31 December 2017 AED'000 Audited
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. 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. As at 31 March 2018 and 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.

14 BORROWINGS

	31 March 2018 AED'000 Reviewed	31 December 2017 AED'000 Audited
Commodity Murabaha	283,408	283,408
Term finance	156,250	156,250
Mezzanine finance	23,000	23,000
Mudaraba	78,982	78,982
	541,640	541,640

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

	31 March 2018 AED'000 Reviewed	31 December 2017 AED'000 Audited
Past due	198,883	179,250
Within one year	-	3,604
After one year but not more than five years	145,984	108,263
More than five years	196,773	250,523
	541,640	541,640

All borrowings are denominated in AED. Interest rates on the Group's borrowings ranged from 4.60% to 7.82% per annum in 2018 (2017: 4.60% to 7.82%). As at 31 March 2018, the Group had no undrawn facilities (31 December 2017: nil).

In January 2018, the Group signed a facility letter with Finance House for AED 64 million for the purpose of full settlement of a loan worth AED 41.8 million from Ajman Bank and partially offsetting the previous loan from Finance House up to AED 22.2 million. The loan was approved by the Board of Directors in January 2018 and the Group is expecting to obtain the proceeds during the second quarter of 2018.

In 2018, interest of AED 9.1 million and a principal repayment of AED 0.9 million from Ajman Bank were past due. As a result a bank borrowing with a principal amount of AED 19 million was classified to current liabilities as of 31 March 2018.

In 2017, interest of AED 11.7 million was past due in relation to bank borrowings obtained from Dubai Islamic Bank, Ajman Bank and Finance House. 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. Subsequent to year end, the Group settled past due interest to Dubai Islamic Bank of AED 7.9 million.

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. 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.

In 2017, the Group settled 3 loans worth AED 56.7 million from Ajman Bank, Emirates Islamic Bank and Dubai Islamic Bank.

15 PROVISION FOR EMPLOYEES’ END OF SERVICE BENEFITS

	31 March 2018 AED’000 Reviewed	31 December 2017 AED’000 Audited
Balance at the beginning of the period/ year	3,606	3,360
(Reversal)/charge for the period/ year	(1,034)	1,621
Payments during the period/ year	(298)	(1,375)
Balance at the end of the period/ year	2,274	3,606

In accordance with the provisions of IAS 19, management has carried out an exercise to assess the present value of its obligations at 31 March 2018, 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% (31 December 2017: 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% (31 December 2017: 3.08%).

16 TRADE AND OTHER PAYABLES

	31 March 2018 AED’000 Reviewed	31 December 2017 AED’000 Audited
Trade payables	55,907	64,683
Accruals and provisions	30,996	29,445
Accrued interest	12,607	15,294
Other payables	9,459	8,277
	108,969	117,699

17 RELATED PARTY TRANSACTIONS AND BALANCES

Related parties include the shareholders who exercise significant influence or control, key management personnel, associated companies, joint venture, directors and businesses including affiliates controlled directly or indirectly by the shareholders and directors of the Group.

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

Description of transaction and name of related party	Relationship	Three-month period ended 31 March 2018 AED’000 Reviewed	Three-month period ended 31 March 2017 AED’000 Reviewed
Sale of ownership interest in a subsidiary			
Evolvence Knowledge Investments	Entity controlled by one of the Group’s key management personnel	-	42,000

17 RELATED PARTY TRANSACTIONS AND BALANCES (continued)

Key management compensation	Three-month period ended 31 March 2018	Three-month period ended 31 March 2017
Salaries and other short term employee benefits	459	1,581
Other benefits	330	486
	789	2,067

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

There were no fees paid to the Board of Directors during the period (2017: nil).

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

Balances with related parties are as follows:

Name of related party	Relationship	31 March 2018 AED'000	31 December 2017 AED'000
		Reviewed	Audited
Due from related parties			
Evolvence Knowledge Investments	Entity controlled by one of the Group's key management personnel	34,020	46,200
Marka Fitout Group	Associate	8,765	8,765
Ginza Restaurants LLC	Entity controlled by one of the Group's key management personnel	2,283	2,283
Repton School FZ LLC	Entity controlled by one of the Group's key management personnel	631	541
Others	Entity controlled by one of the Group's key management personnel	26	-
		45,725	57,789

18 REVENUE

	Three-month period ended 31 March 2018 AED'000 Reviewed	31 March 2017 AED'000 Reviewed
Food and beverage	19,804	30,719
Sale of merchandise	560	2,540
	20,364	33,259

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2018 (continued)

19 COST OF SALES

	Three-month period ended	
	31 March 2018 AED'000 Reviewed	31 March 2017 AED'000 Reviewed
Staff costs (Note 22)	5,251	5,893
Food and beverage	4,223	12,409
Merchandise	170	1,743
Reversal of provision for impairment for obsolescence	(134)	-
	9,510	20,045

20 GENERAL AND ADMINISTRATIVE EXPENSES

	Three-month period ended	
	31 March 2018 AED'000 Reviewed	31 March 2017 AED'000 Reviewed
Staff costs (Note 22)	2,436	9,820
Depreciation and amortisation	1,406	1,422
Professional and legal	743	1,224
Trade licenses and related fees	558	545
Rent	501	1,977
Transportation	466	1,301
Repairs and maintenance	412	2,076
Royalty	301	462
Credit card charges	170	276
Travelling and accommodation	120	199
Printing and stationery	73	199
Office administration costs	45	142
Utilities	150	333
Reversal of provision for impairment of doubtful receivables	(1,469)	-
Others	792	2,663
	6,704	22,639

21 SELLING AND DISTRIBUTION EXPENSES

	Three-month period ended	
	31 March 2018 AED'000 Reviewed	31 March 2017 AED'000 Reviewed
Rent	7,199	12,579
Depreciation and amortisation	1,672	6,523
Utilities	1,410	2,363
Staff costs (Note 22)	442	773
Advertisement and business development	258	714
	10,981	22,952

22 STAFF COSTS

	Three-month period ended 31 March 2018 AED'000 Reviewed	31 March 2017 AED'000 Reviewed
Salaries and wages	8,763	15,268
Other benefits	400	722
End of service benefits (Note 15)	(1,034)	496
	8,129	16,486
Included under		
Cost of sales (Note 19)	5,251	5,893
General and administrative expenses (Note 20)	2,436	9,820
Selling and distribution expenses (Note 21)	442	773
	8,129	16,486

23 OTHER INCOME

	Three-month period ended 31 March 2018 AED'000 Reviewed	31 March 2017 AED'000 Reviewed
Reversal of provision for impairment of property and equipment	3,708	-
Franchise income	380	198
Others	188	1,530
	4,276	1,728

24 FINANCIAL INSTRUMENTS

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

	31 March 2018 AED'000 Reviewed	31 December 2017 AED'000 Audited
Financial assets		
Available-for-sale financial assets	50,000	50,000
At amortised cost		
Cash and cash equivalents (Note 12)	3,383	14,859
Due from related parties (Note 17)	45,725	57,789
Trade and other receivables (excluding prepayments and advances to suppliers) (Note 11)	136,481	133,817
	185,589	206,465
Financial liabilities		
At amortised cost		
Trade and other payables (Note 16)	108,969	117,699
Borrowings (Note 14)	541,640	541,640
	650,609	659,339

24 FINANCIAL INSTRUMENTS (continued)

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

	31 March 2018 AED'000 Reviewed	31 December 2017 AED'000 Audited
Financial assets		
Available-for-sale financial assets	50,000	50,000
At amortised cost		
Cash and cash equivalents (Note 12)	3,383	14,859
Due from related parties (Note 17)	45,725	57,789
Trade and other receivables (excluding prepayments and advances to suppliers) (Note 11)	136,481	133,817
	185,589	206,465
Financial liabilities		
At amortised cost		
Trade and other payables (Note 16)	108,969	117,699
Borrowings (Note 14)	541,640	541,640
	650,609	659,339

25 NON-CURRENT ASSETS CLASSIFIED AS HELD FOR SALE

	31 March 2018 AED'000	31 December 2017 AED'000
Assets classified as held for sale (Investment in associate)		
Balance at the beginning of the year	-	28,122
Reclassification to non-current assets classified as held for sale	-	-
Share in loss for the year	-	(34)
Dividend received	-	(2,243)
Disposal	-	(25,845)
Balance at the end of the year	-	-

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.

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.

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

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 17). During the last quarter of 2017 the Group has received AED 37,800 thousand in cash. While in the first quarter of 2018, the Group received another payment of AED 12.18 million in cash. In accordance with addendum to the sale and purchase agreement, all remaining receivables are overdue on 31 March 2018, however, management believes that the amount will be fully collected during the remaining quarters of 2018.

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
Revenue	13,446
Cost of sales	(12,684)
Gross profit	762
General and administrative expenses	(1,833)
Selling and distribution expenses	(16,897)
Other income/(expense) - net	19
Finance costs - net	(238)
(Loss)/profit from discontinued operation	(18,187)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2018 (continued)

27 DISCONTINUED OPERATION (continued)

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
Revenue	13,446
Cost of sales	(12,684)
Gross profit	762
General and administrative expenses	(1,833)
Selling and distribution expenses	(16,897)
Other income/(expense) - net	19
Finance costs - net	(238)
(Loss)/profit from discontinued operation	(18,187)
Net cash generated from operating activities	430
Net cash (used in) from investing activities	(693)
Net cash used in financing activities	-
Net cash used in discontinued operation	(263)

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.

27 DISCONTINUED OPERATION (continued)

Legal case

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 2017, 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 bank loans 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. In addition the AED 115 million remains in an escrow account. 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

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 are no sales between segments during the period.

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 interim condensed consolidated financial information.

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 UAE	**Fashion UAE**	**Hospitality UAE**	**Others***	**Inter-segment eliminations**	**Total UAE**
	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000
Segment revenue for the three-month period ended 31 March 2018	3	398	19,802	161	-	20,364
Share of loss of joint venture accounted for using the equity method for the three-month period ended 31 March 2018	-	-	-	367	-	367
Net income/(loss) from continuing operation for the three-month period ended 31 March 2018	339	(1,025)	(8,442)	1,142	-	(7,986)
Total assets as at 31 March 2018	331,320	18,484	524,533	100,093	(282,899)	691,531
Total liabilities as at 31 March 2018	334,828	59,015	526,455	15,484	(282,899)	652,883

28 SEGMENT INFORMATION (continued)

	Sports UAE	**Fashion UAE**	**Hospitality UAE**	**Others***	**Inter-segment eliminations**	**Total UAE**
	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000
Segment revenue for the three-month period ended 31 March 2017	632	1,489	30,715	423	-	33,259
Share of profit of joint venture accounted for using the equity method for the three-month period ended 31 March 2017	-	-	-	(433)	-	(433)
Net (loss)/income from continuing operations for the three-month period ended 31 March 2017	8,505	(3,999)	(17,015)	(10,123)	-	(22,632)
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

*"Others" includes the corporate function of the Group.

There were no difference in the basis of segmentation or measurement of segment profit or loss in the interim condensed consolidated financial information as compared to the Group's consolidated financial statements for the year ended 31 December 2017.

29 PROVISION FOR LOSS MAKING OUTLETS

In 2017, management had 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(Note 5), intangible assets of AED 2.3 million (Note 6) and lease penalties of AED 7.1 million

On 1 Jan 2018, a reassessment of the above provisions end was undertaken and the management decided to reverse them with respect to inventories by AED 134 thousand (Note10), impairment of property and equipment of AED 3.7 million (Note 5).

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2018 (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 period.

	For the three-month period ended	
	31 March 2018 AED'000 Reviewed	31 March 2017 AED'000 Reviewed
Total comprehensive loss from continuing operations attributable to equity holders of the Company (in AED'000)	(9,442)	(22,632)
Total comprehensive loss attributable to equity holders of the Company (in AED'000)	(9,442)	(27,780)
Weighted average number of shares in issue (in thousands)	500,000	500,000
Basic and diluted earnings per share from continuing operations (in AED per share)	(0.01888)	(0.04526)
Basic and diluted earnings per share (in AED per share)	(0.01888)	(0.05556)

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. On 31 March 2018, the Company did not have such dilutive ordinary shares. Therefore, diluted earnings per share equal the basic earnings per share.

31 CONTINGENCIES AND COMMITMENTS

Operating lease 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 March 2018 are as follows:

	31 March 2018 AED'000 Reviewed	31 December 2017 AED'000 Audited
Not later than 1 year	25,176	28,775
Later than 1 year and not later than 5 years	44,523	48,560
Later than 5 years	443	484
	70,142	77,817