

**MULTIPLY MARKETING
CONSULTANCY LLC**

**Reports and financial
statements for the year
ended 31 December 2020**

MULTIPLY MARKETING CONSULTANCY LLC

Reports and financial statements for the year ended 31 December 2020

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**Directors' Report
for the year ended 31 December 2020**

The Directors have the pleasure in submitting their report, together with the audited financial statements of Multiply Marketing Consultancy LLC ("the Company") for the year ended 31 December 2020.

Principal activities

The Company's principal activity is to provide advertisement designing and production, economical feasibility consultancy and studies, exhibition organisation and management, public relationship consultancy, organisation and event management and newspaper advertisement.

Results and appropriation

Revenue for the year was AED 15,783,849 (2019: AED 21,472,150) and profit for the year was AED 3,797,762 (2019: AED 10,767,303).

Appropriation of results during the year is as follows:

| | AED |
|---|-------------------|
| Retained earnings at the beginning of the year | 34,047,834 |
| Profit for the year | 3,797,762 |
| Waiver of due from related parties | (3,821,302) |
| Waiver of due to a related party | 24,305,940 |
| Dividend declared during the year | (2,000,000) |
| | <hr/> |
| Retained earnings at the end of the year | 56,330,234 |
| | <hr/> <hr/> |

Release

The Directors released from liability the Company's management and the external auditor in connection with their duties for the year ended 31 December 2020.

Auditor

A resolution proposing the reappointment of Deloitte & Touche (M.E.) as auditor of the Company for the year ending 31 December 2021 will be put to the annual general meeting.

On behalf of the Board



Director

1 March 2021

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF MULTIPLY MARKETING CONSULTANCY LLC

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of Multiply Marketing Consultancy LLC (“the Company”), which comprise the statement of financial position as at 31 December 2020, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2020, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for Opinion

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

Other Information

Management is responsible for the other information. The other information comprises the Directors’ report which we obtained prior to the date of this auditor’s report. The other information does not include the financial statements and our auditor’s report thereon.

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the 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. We have nothing to report in this regard.

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF MULTIPLY MARKETING CONSULTANCY LLC (continued)

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

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

In preparing the financial statements, management is responsible for assessing the Company'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 Company or to cease operations, or has no realistic alternative but to do so.

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the 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 financial statements.

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risk, 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 the one resulting from error, as fraud may involve collusion, forgery, intentional omission, 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 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 Company'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 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 Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF MULTIPLY MARKETING CONSULTANCY LLC (continued)

Auditor's Responsibilities for the Audit of the Financial Statements (continued)

We communicate with the 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.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

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

- We have obtained all the information we considered necessary for the purposes of our audit;
- The financial statements of the Company have been prepared and comply, in all material respects, with the applicable provisions of the UAE Federal Law No. (2) of 2015;
- The Company has maintained proper books of account;
- The financial information included in the Directors' report is consistent with the Company's books of account;
- As disclosed in note 7 to the financial statements, the Company has invested in financial asset during the financial year ended 31 December 2020;
- Note 9 to the financial statements of the Company discloses material related party transactions, balances and the terms under which they were conducted; and
- Based on the information that has been made available to us nothing has come to our attention which causes us to believe that the Company has contravened during the financial year ended 31 December 2020 any of the applicable provisions of the UAE Federal Law No. (2) of 2015 or of its Memorandum of Association which would materially affect its activities or its financial position as at 31 December 2020.

Deloitte & Touche (M.E.)




Mohammad Khamees Al Tah
Registration No. 717
1 March 2021
Abu Dhabi
United Arab Emirates

**Statement of financial position
as at 31 December 2020**

| | Notes | 2020 AED | 2019 AED |
|---|-------|-------------------|-------------------|
| ASSETS | | | |
| Non-current assets | | | |
| Property and equipment | 5 | 3,064,910 | 3,045,184 |
| Intangible assets | 6 | 16,390 | 18,290 |
| Investment in equity accounted associate | 10 | 32,914,968 | 32,876,150 |
| Investment in financial asset | 7 | 29,400,000 | - |
| Total non-current assets | | 65,396,268 | 35,939,624 |
| Current assets | | | |
| Trade and other receivables | 8 | 5,144,297 | 7,478,958 |
| Due from related parties | 9 | 8,472,923 | 12,745,783 |
| Dividend receivable | 9 | 8,990,549 | 11,998,320 |
| Cash and bank balances | 11 | 10,329,995 | 4,158,472 |
| Total current assets | | 32,937,764 | 36,381,533 |
| Total assets | | 98,334,032 | 72,321,157 |
| EQUITY AND LIABILITIES | | | |
| Capital and reserves | | | |
| Share capital | 12 | 300,000 | 300,000 |
| Statutory reserve | 13 | 150,000 | 150,000 |
| Contributed capital | 14 | 33,146,640 | 3,146,640 |
| Retained earnings | | 56,330,234 | 34,047,834 |
| Total equity | | 89,926,874 | 37,644,474 |
| LIABILITIES | | | |
| Non-current liability | | | |
| Provision for employees' end of service benefit | 15 | 2,625,653 | 2,271,178 |
| Total non-current liabilities | | 2,625,653 | 2,271,178 |
| Current liabilities | | | |
| Trade and other payables | 16 | 4,211,595 | 6,339,455 |
| Due to related parties | 9 | 1,569,910 | 26,066,050 |
| Total current liabilities | | 5,781,505 | 32,405,505 |
| Total liabilities | | 8,407,158 | 34,676,683 |
| Total equity and liabilities | | 98,334,032 | 72,321,157 |


Managing Director


Finance Manager

The accompanying notes form an integral part of these financial statements.

**Statement of profit or loss and other comprehensive income
for the year ended 31 December 2020**

| | Notes | 2020 AED | 2019 AED |
|--|-------------|-------------------|--------------|
| Revenue | 17 | 15,783,849 | 21,472,150 |
| Direct costs | 17 | (9,614,230) | (13,147,258) |
| | | <hr/> | <hr/> |
| Gross profit | | 6,169,619 | 8,324,892 |
| General and administrative expenses | 18 | (5,256,570) | (7,250,948) |
| Impairment losses on financial assets | 8, 9, 10,11 | (232,813) | (94,498) |
| Share of profit of equity accounted associate | 10 | 2,288,818 | 9,787,857 |
| Other income | | 828,708 | - |
| | | <hr/> | <hr/> |
| Profit for the year | | 3,797,762 | 10,767,303 |
| Other comprehensive income for the year | | - | - |
| | | <hr/> | <hr/> |
| Total comprehensive income for the year | | 3,797,762 | 10,767,303 |
| | | <hr/> <hr/> | <hr/> <hr/> |

The accompanying notes form an integral part of these financial statements.

**Statement of changes in equity
for the year ended 31 December 2020**

| | Share capital AED | Statutory reserve AED | Contributed capital AED | Retained earnings AED | Total equity AED |
|--|----------------------------------|--------------------------------------|--|--------------------------------------|---------------------------------|
| As at 1 January 2019 | 300,000 | 150,000 | 3,146,640 | 23,280,531 | 26,877,171 |
| Total comprehensive income for the year | - | - | - | 10,767,303 | 10,767,303 |
| | <hr/> | <hr/> | <hr/> | <hr/> | <hr/> |
| Balance at 1 January 2020 | 300,000 | 150,000 | 3,146,640 | 34,047,834 | 37,644,474 |
| Capital contribution (Note 9) | - | - | 30,000,000 | - | 30,000,000 |
| Total comprehensive income for the year | - | - | - | 3,797,762 | 3,797,762 |
| Waiver of due from related parties (Note 9) | - | - | - | (3,821,302) | (3,821,302) |
| Waiver of due to a related party (Note 9) | - | - | - | 24,305,940 | 24,305,940 |
| Dividend (Note 20) | - | - | - | (2,000,000) | (2,000,000) |
| | <hr/> | <hr/> | <hr/> | <hr/> | <hr/> |
| Balance at 31 December 2020 | 300,000 | 150,000 | 33,146,640 | 56,330,234 | 89,926,874 |
| | <hr/> <hr/> | <hr/> <hr/> | <hr/> <hr/> | <hr/> <hr/> | <hr/> <hr/> |

The accompanying notes form an integral part of these financial statements.

**Statement of cash flows
for the year ended 31 December 2020**

| | 2020 | 2019 |
|---|---------------------|-------------|
| | AED | AED |
| Cash flows from operating activities | | |
| Profit for the year | 3,797,762 | 10,767,303 |
| <i>Adjustments for:</i> | | |
| Depreciation of property and equipment | 396,182 | 397,348 |
| Impairment losses on financial assets | 232,813 | 94,498 |
| Amortisation of intangible assets | 1,900 | 1,900 |
| Employees' end of service benefit charge | 368,214 | 185,043 |
| Share of profit of equity accounted associate | (2,288,818) | (9,787,857) |
| | 2,508,053 | 1,658,235 |
| Movements in working capital | | |
| Decrease/(increase) in trade and other receivables | 2,096,229 | (2,222,738) |
| Increase in due from related parties | (1,535,053) | (2,338,463) |
| (Decrease)/increase in trade and other payables | (2,127,860) | 903,566 |
| Decrease in due to related parties | (190,200) | (1,425,796) |
| | 751,169 | (3,425,008) |
| Cash generated from/(used in) operations | 751,169 | (3,425,008) |
| Employees' end of service benefit paid | (13,739) | (66,826) |
| | 737,430 | (3,491,834) |
| Cash flows from investing activities | | |
| Payment for purchase of property and equipment | (415,908) | (69,088) |
| Payment for investment in associate | - | (7,000,000) |
| Payment for investment in financial assets | (29,400,000) | - |
| Dividend received | 5,250,001 | 2,100,000 |
| | (24,565,907) | (4,969,088) |
| Net cash used in investing activities | (24,565,907) | (4,969,088) |
| Cash flows from financing activities | | |
| Capital contribution | 30,000,000 | - |
| | 30,000,000 | - |
| Net cash generated from financing activities | 30,000,000 | - |
| Net increase/(decrease) in cash and cash equivalents | 6,171,523 | (8,460,922) |
| Cash and cash equivalents at the beginning of the year | 4,158,472 | 12,619,394 |
| Cash and cash equivalents at the end of the year (note 11) | 10,329,995 | 4,158,472 |
| Non-cash transactions | | |
| Waiver of due from related parties | 3,821,302 | - |
| Waiver of due to a related party | 24,305,940 | - |

The accompanying notes form an integral part of these financial statements.

Notes to the financial statements for the year ended 31 December 2020

1 General information

Multiply Marketing Consultancy LLC (“the Company”) was originally a partnership registered in Abu Dhabi. On 26 April 2007 the partnership converted into a limited liability company under UAE Federal Law, and has since been operating under a trade license issued by the Department of Economic Development, Government of Abu Dhabi. The address of the Company’s registered office is P.O. Box 34491, Abu Dhabi, United Arab Emirates.

The Company’s principal activity is to provide advertisement designing and production, economical feasibility consultancy and studies, exhibition organisation and management, public relationship consultancy, organisation and event management and newspaper advertisement.

The Federal Decree-Law No. 26 of 2020 on the amendment of certain provisions of Federal Law No. 2 of 2015 on Commercial Companies was issued on 27 September 2020 and shall take effect starting from the 2 January 2021. The Company shall apply and adjust their status in accordance with the provisions thereof by no later than one year from the date on which this Decree-Law takes effect.

2 Application of new and revised International Financial Reporting Standards (IFRS)

2.1 New and revised IFRSs applied with no material effect on the financial statements

The following new and revised IFRSs, which became effective for annual periods beginning on or after 1 January 2020, have been adopted in these financial statements. The application of these revised IFRSs has not had any material impact on the amounts reported for the current and prior years but may affect the accounting for future transactions or arrangements.

- **Amendments to *Interest Rate Benchmark Reform in IFRS 9 and IFRS 7*:**
The amendments modify specific hedge accounting requirements to allow hedge accounting to continue for affected hedges during the period of uncertainty before the hedged items or hedging instruments affected by the current interest rate benchmarks are amended as a result of the on-going interest rate benchmark reforms.
- **Amendments to *IFRS 16 Leases relating to Covid-19-Related Rent Concessions*:**
The amendments provides practical relief to lessees in accounting for rent concessions occurring as a direct consequence of COVID-19, by introducing a practical expedient to IFRS 16. The practical expedient permits a lessee to elect not to assess whether a COVID- 19-related rent concession is a lease modification. A lessee that makes this election shall account for any change in lease payments resulting from the COVID-19-related rent concession the same way it would account for the change applying IFRS 16 if the change were not a lease modification. The amendment applies to annual reporting periods beginning on or after 1 June 2020.

**Notes to the financial statements
for the year ended 31 December 2020 (continued)**

**2 Application of new and revised International Financial Reporting Standards (IFRS)
(continued)**

**2.1 New and revised IFRSs applied with no material effect on the financial statements
(continued)**

- **Amendments to *Reference to the Conceptual Framework in IFRS Standards*:**

The amendments include consequential amendments to affected Standards so that they refer to the new Framework. The Standards which are amended are IFRS 2, IFRS 3, IFRS 6, IFRS 14, IAS 1, IAS 8, IAS 34, IAS 37, IAS 38, IFRIC 12, IFRIC 19, IFRIC 20, IFRIC 22, and SIC-32.

- **Amendments to *IFRS 3 Definition of a business*:**

The amendments clarify that while businesses usually have outputs, outputs are not required for an integrated set of activities and assets to qualify as a business. To be considered a business an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs. The amendments remove the assessment of whether market participants are capable of replacing any missing inputs or processes and continuing to produce outputs. The amendments also introduce additional guidance that helps to determine whether a substantive process has been acquired. The amendments introduce an optional concentration test that permits a simplified assessment of whether an acquired set of activities and assets is not a business. Under the optional concentration test, the acquired set of activities and assets is not a business if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar assets.

- **Amendments to *IAS 1 and IAS 8 Definition of material*:**

The amendments make the definition of material in IAS 1 easier to understand and are not intended to alter the underlying concept of materiality in IFRS Standards. The concept of 'obscuring' material information with immaterial information has been included as part of the new definition. The threshold for materiality influencing users has been changed from 'could influence' to 'could reasonably be expected to influence'. The definition of material in IAS 8 has been replaced by a reference to the definition of material in IAS 1. In addition, the IASB amended other Standards and the Conceptual Framework that contain a definition of 'material' or refer to the term 'material' to ensure consistency.

**Notes to the financial statements
for the year ended 31 December 2020 (continued)**

**2 Application of new and revised International Financial Reporting Standards (IFRS)
(continued)**

2.2 New and revised IFRS in issue but not yet effective

The Company has not yet applied the following new and revised IFRSs that have been issued but are not yet effective:

| <u>New and revised IFRSs</u> | <u>Effective for annual periods beginning on or after</u> |
|--|--|
| IFRS 17 <i>Insurance Contracts</i> | 1 January 2023 |
| <p>IFRS 17 establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts and supersedes IFRS 4 Insurance Contracts. IFRS 17 outlines a general model, which is modified for insurance contracts with direct participation features, described as the variable fee approach. The general model is simplified if certain criteria are met by measuring the liability for remaining coverage using the premium allocation approach.</p> <p>The general model uses current assumptions to estimate the amount, timing and uncertainty of future cash flows and it explicitly measures the cost of that uncertainty. It takes into account market interest rates and the impact of policy holders' options and guarantees.</p> <p>In June 2020, the IASB issued Amendments to IFRS 17 to address concerns and implementation challenges that were identified after IFRS 17 was published. The amendments defer the date of initial application of IFRS 17 (incorporating the amendments) to annual reporting periods beginning on or after 1 January 2023. At the same time, the IASB issued Extension of the Temporary Exemption from Applying IFRS 9 (Amendments to IFRS 4) that extends the fixed expiry date of the temporary exemption from applying IFRS 9 in IFRS 4 to annual reporting periods beginning on or after 1 January 2023. IFRS 17 must be applied retrospectively unless impracticable, in which case the modified retrospective approach or the fair value approach is applied.</p> | |

**Notes to the financial statements
for the year ended 31 December 2020 (continued)**

**2 Application of new and revised International Financial Reporting Standards (IFRS)
(continued)**

2.2 New and revised IFRS in issue but not yet effective (continued)

New and revised IFRSs

**Effective for
annual periods
beginning on or after**

Amendments to IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

Effective date not yet decided

The amendments to IFRS 10 and IAS 28 deal with situations where there is a sale or contribution of assets between an investor and its associate or joint venture. Specifically, the amendments state that gains or losses resulting from the loss of control of a subsidiary that does not contain a business in a transaction with an associate or a joint venture that is accounted for using the equity method, are recognised in the parent's profit or loss only to the extent of the unrelated investors' interests in that associate or joint venture. Similarly, gains and losses resulting from the remeasurement of investments retained in any former subsidiary (that has become an associate or a joint venture that is accounted for using the equity method) to fair value are recognised in the former parent's profit or loss only to the extent of the unrelated investors' interests in the new associate or joint venture. The effective date of the amendments has yet to be set by the Board; however, earlier application of the amendments is permitted.

Amendments to IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-current

1 January 2023

The amendments to IAS 1 affect only the presentation of liabilities as current or non-current in the statement of financial position and not the amount or timing of recognition of any asset, liability, income or expenses, or the information disclosed about those items. The amendments clarify that the classification of liabilities as current or non-current is based on rights that are in existence at the end of the reporting period, specify that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability, explain that rights are in existence if covenants are complied with at the end of the reporting period, and introduce a definition of 'settlement' to make clear that settlement refers to the transfer to the counterparty of cash, equity instruments, other assets or services. The amendments are applied retrospectively.

**Notes to the financial statements
for the year ended 31 December 2020 (continued)**

**2 Application of new and revised International Financial Reporting Standards (IFRS)
(continued)**

2.2 New and revised IFRS in issue but not yet effective (continued)

| <u>New and revised IFRSs</u> | <u>Effective for annual periods beginning on or after</u> |
|--|--|
| Amendments to IFRS 3 <i>Business Combinations: Reference to the Conceptual Framework</i> | 1 January 2022 |
| <p>The amendments update IFRS 3 so that it refers to the 2018 Conceptual Framework instead of the 1989 Framework. They also add to IFRS 3 a requirement that, for obligations within the scope of IAS 37, an acquirer applies IAS 37 to determine whether at the acquisition date a present obligation exists as a result of past events. For a levy that would be within the scope of IFRIC 21 Levies, the acquirer applies IFRIC 21 to determine whether the obligating event that gives rise to a liability to pay the levy has occurred by the acquisition date. Finally, the amendments add an explicit statement that an acquirer does not recognise contingent assets acquired in a business combination.</p> <p>The amendments are effective for business combinations for which the date of acquisition is on or after the beginning of the first annual period beginning on or after 1 January 2022.</p> | |
| Amendments to IAS 16 <i>Property, Plant and Equipment</i> related to proceeds before intended use | 1 January 2022 |
| <p>The amendments prohibit deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced before that asset is available for use, i.e. proceeds while bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Consequently, an entity recognises such sales proceeds and related costs in profit or loss. The entity measures the cost of those items in accordance with IAS 2 Inventories. The amendments also clarify the meaning of ‘testing whether an asset is functioning properly’. IAS 16 now specifies this as assessing whether the technical and physical performance of the asset is such that it is capable of being used in the production or supply of goods or services, for rental to others, or for administrative purposes. If not presented separately in the statement of comprehensive income, the financial statements shall disclose the amounts of proceeds and cost included in profit or loss that relate to items produced that are not an output of the entity’s ordinary activities, and which line item(s) in the statement of comprehensive income include(s) such proceeds and cost. The amendments are applied retrospectively, but only to items of property, plant and equipment that are brought to the location and condition necessary for them to be capable of operating in the manner intended by management on or after the beginning of the earliest period presented in the financial statements in which the entity first applies the amendments. The entity shall recognise the cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings (or other component of equity, as appropriate) at the beginning of that earliest period presented.</p> | |

**Notes to the financial statements
for the year ended 31 December 2020 (continued)**

**2 Application of new and revised International Financial Reporting Standards (IFRS)
(continued)**

2.2 New and revised IFRS in issue but not yet effective (continued)

| <u>New and revised IFRSs</u> | <u>Effective for annual periods beginning on or after</u> |
|---|---|
| <p>Amendments to IAS 37 <i>Provisions, Contingent Liabilities and Contingent Assets related to Onerous Contracts—Cost of Fulfilling a Contract</i></p> <p>The amendments specify that the ‘cost of fulfilling’ a contract comprises the ‘costs that relate directly to the contract’. Costs that relate directly to a contract consist of both the incremental costs of fulfilling that contract (examples would be direct labour or materials) and an allocation of other costs that relate directly to fulfilling contracts (an example would be the allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract). The amendments apply to contracts for which the entity has not yet fulfilled all its obligations at the beginning of the annual reporting period in which the entity first applies the amendments. Comparatives are not restated. Instead, the entity shall recognise the cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings or other component of equity, as appropriate, at the date of initial application.</p> | <p>1 January 2022</p> |
| <p>Annual Improvements to IFRS Standards 2018-2020 cycle amending IFRS 1, IFRS 9, IFRS 16 and IAS 41</p> | <p>The amendments to IFRS 1, IFRS 9 and IAS 41 are effective from 1 January 2022 and the effective date for amendments to IFRS 16 Leases are not yet decided.</p> |

The above stated new standards and amendments are not expected to have any significant impact on financial statement of the Company.

There are no other applicable new standards and amendments to published standards or IFRIC interpretations that have been issued that would be expected to have a material impact on the financial statement of the Company.

3 Summary of significant accounting policies

Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS).

**Notes to the financial statements
for the year ended 31 December 2020 (continued)****3 Summary of significant accounting policies (continued)****Basis of preparation**

The financial statements have been prepared on the historical cost basis. Historical cost is generally based on the fair value of the consideration given in exchange for assets. The principal accounting policies adopted are set out below:

Revenue recognition

The Company recognised the revenue from marketing and consultancy services.

Under the marketing services, each service request constitute as separate performance obligations. These performance obligations are considered distinct and the revenue is recorded at point in time as and when the performance obligations are met.

The revenue under consultancy service does not represent separate performance obligations. Though, each service is capable of being distinct however, these are not separately identifiable. Each service is an input to the combined output for which the customer has contracted for, which is the overall marketing solutions consultancy. The Company measures progress using the output method. Revenue is recorded over the period in time.

Investments in equity-accounted investees

An associate is an entity over which the Company has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results and assets and liabilities of associates are incorporated in these financial statements using the equity method of accounting, except when the investment, or a portion thereof, is classified as held for sale, in which case it is accounted for in accordance with IFRS 5. Under the equity method, an investment in an associate or a joint venture is initially recognised in the statement of financial position at cost and adjusted thereafter to recognise the Company's share of the profit or loss and other comprehensive income of the associate. When the Company's share of losses of an associate exceeds the Company's interest in that associate (which includes any long-term interests that, in substance, form part of the Company's net investment in the associate), the Company discontinues recognising its share of further losses.

An investment in an associate is accounted for using the equity method from the date on which the investee becomes an associate. On acquisition of the investment in an associate, any excess of the cost of the investment over the Company's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Company's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

The requirements of IAS 39 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Company's investment in an associate. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with IAS 36 Impairment of Assets as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with IAS 36 to the extent that the recoverable amount of the investment subsequently increases.

**Notes to the financial statements
for the year ended 31 December 2020 (continued)**

3 Summary of significant accounting policies (continued)

Investments in equity-accounted investees (continued)

The Company discontinues the use of the equity method from the date when the investment ceases to be an associate, or when the investment is classified as held for sale. When the Company retains an interest in the former associate and the retained interest is a financial asset, the Company measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition in accordance with IAS 39. The difference between the carrying amount of the associate at the date the equity method was discontinued, and the fair value of any retained interest and any proceeds from disposing of a part interest in the associate is included in the determination of the gain or loss on disposal of the associate. In addition, the Company accounts for all amounts previously recognised in other comprehensive income in relation to that associate on the same basis as would be required if that associate had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that associate would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Company reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) when the equity method is discontinued.

When the Company reduces its ownership interest in an associate but the Company continues to use the equity method, the Company reclassifies to profit or loss the proportion of the gain or loss that had previously been recognised in other comprehensive income relating to that reduction in ownership interest if that gain or loss would be reclassified to profit or loss on the disposal of the related assets or liabilities.

Property and equipment

Property and equipment are stated at historical cost less accumulated depreciation and accumulated impairment loss. Historical cost includes expenditure that is directly attributable to the acquisition of the asset.

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 Company and the cost of the item can be measured reliably. All other repairs and maintenance expenses are charged to the profit or loss in the period in which they are incurred.

Depreciation is calculated using the straight-line method to allocate the assets' cost to their residual values over their estimated useful lives as follows:

| | Years |
|-------------------------------|--------------|
| Buildings – office premises | 20 |
| Computer and office equipment | 3 |
| Furniture and fittings | 3 |
| Interior decoration | 3 |
| Motor vehicles | 3 |

**Notes to the financial statements
for the year ended 31 December 2020 (continued)****3 Summary of significant accounting policies (continued)****Property and equipment (continued)**

The estimated useful lives, residual values and depreciation method are reviewed at each year-end, with the effect of any changes in estimate accounted for on a prospective basis.

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.

The gain or loss arising on the disposal or retirement of an item of property and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Contract cost

Contract cost is stated at cost less provision for irrecoverable amounts. Cost includes materials, expenses and overhead incurred as of the end of the reporting period of projects.

The costs of projects incurred will be kept in contract cost until the completion and will be subsequently billed to the customers.

Intangible assets

Intangible assets acquired separately are reported at cost less accumulated amortisations and accumulated impairment losses. Amortisation is charged on a straight-line basis over their estimated useful lives. The estimated useful lives are reviewed at the end of each annual reporting period, with effect of any changes in estimate being accounted for on a prospective basis.

Computer software

Acquired computer software licences are recognised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised on a straight-line basis over their estimated useful lives which is normally a period of three years.

Impairment of non-financial assets

At the end of each reporting period, the Company reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

**Notes to the financial statements
for the year ended 31 December 2020 (continued)****3 Summary of significant accounting policies (continued)****Impairment of non-financial assets (continued)**

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

Employee benefits

An accrual is made for the estimated liability for employees' entitlement to annual leave and leave passage as a result of services rendered by eligible employees up to the end of the year.

Provision is also made for the full amount of end of service benefit due to non-UAE national employees in accordance with the UAE Labour Law, for their period of service up to the end of the year. The accrual relating to annual leave and leave passage is disclosed as a current liability, while the provision relating to end of service benefit is disclosed as a non-current liability.

Foreign currencies

For the purpose of these financial statements, the UAE Dirhams (AED) is the functional and the presentation currency of the Company.

Transactions in currencies other than AED (foreign currencies) are recorded at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences are recognised in profit or loss in the period in which they arise.

Provisions

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that the Company will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

Notes to the financial statements for the year ended 31 December 2020 (continued)

3 Summary of significant accounting policies (continued)

Provisions (continued)

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation.

Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows. When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Financial instruments

Financial assets and financial liabilities are recognised in the Company's statement of financial position when the Company becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in the statement of profit or loss.

Financial assets

All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

All recognised financial assets are measured subsequently in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.

Classification of financial assets

(i) Debt instruments designated at amortised cost

Debt instruments that meet the following conditions are measured subsequently at amortised cost:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Amortised cost and effective interest rate method

The amortised cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance.

**Notes to the financial statements
for the year ended 31 December 2020 (continued)**

3 Summary of significant accounting policies (continued)

Financial instruments (continued)

Financial assets (continued)

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period.

(ii) Equity instruments designated as at FVTOCI

On initial recognition, the Company may make an irrevocable election (on an instrument-by-instrument basis) to designate investments in equity instruments as at FVTOCI. Designation at FVTOCI is not permitted if the equity investment is held for trading or if it is contingent consideration recognised by an acquirer in a business combination.

Investments in equity instruments at FVTOCI are initially measured at fair value plus transaction costs. Subsequently, they are measured at fair value with gains and losses arising from changes in fair value recognised in other comprehensive income and accumulated in the investments revaluation reserve. The cumulative gain or loss is not reclassified to profit or loss on disposal of the equity investments, instead, it is transferred to retained earnings.

Dividends on these investments in equity instruments are recognised in profit or loss in accordance with IFRS 9, unless the dividends clearly represent a recovery of part of the cost of the investment. Dividends are included in the 'finance income - Other' line item in profit or loss.

The Company designated all investments in equity instruments that are not held for trading as at FVTOCI on initial recognition (see note 7).

A financial asset is held for trading if:

- it has been acquired principally for the purpose of selling it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has evidence of a recent actual pattern of short-term profit-taking; or
- it is a derivative (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument).

Impairment of financial assets

The Company recognises a loss allowance for expected credit losses on investments in debt instruments that are measured at amortised cost. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

The Company always recognises lifetime ECL for trade receivables, contract assets and lease receivables. The expected credit losses on these financial assets are estimated using a provision matrix based on the Company's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

**Notes to the financial statements
for the year ended 31 December 2020 (continued)**

3 Summary of significant accounting policies (continued)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets (continued)

For all other financial instruments, the Company recognises lifetime ECL when there has been a significant increase in credit risk since initial recognition. However, if the credit risk on the financial instrument has not increased significantly since initial recognition, the Company measures the loss allowance for that financial instrument at an amount equal to 12-month ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition instead of on evidence of a financial asset being credit-impaired at the reporting date.

Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

(i) Significant increase in credit risk

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Company compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Company considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

For financial guarantee contracts, the date that the Company becomes a party to the irrevocable commitment is considered to be the date of initial recognition for the purposes of assessing the financial instrument for impairment. In assessing whether there has been a significant increase in the credit risk since initial recognition of a financial guarantee contracts, the Company considers the changes in the risk that the specified debtor will default on the contract.

The Company regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

The Company assumes that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the reporting date. A financial instrument is determined to have low credit risk if:

- The financial instrument has a low risk of default,
- The borrower has a strong capacity to meet its contractual cash flow obligations in the near term, and
- Adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations.

**Notes to the financial statements
for the year ended 31 December 2020 (continued)**

3 Summary of significant accounting policies (continued)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets (continued)

(ii) Definition of default

The Company employs statistical models to analyse the data collected and generate estimates of probability of default (“PD”) of exposures with the passage of time. This analysis includes the identification for any changes in default rates and changes in key macro-economic factors across various geographies of the Company.

(iii) Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

- significant financial difficulty of the issuer or the borrower;
- a breach of contract, such as a default or past due event (see (ii) above);
- the lender(s) of the borrower, for economic or contractual reasons relating to the borrower’s financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for that financial asset because of financial difficulties.

(iv) Write-off policy

The Company writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery.

(v) Measurement and recognition of expected credit losses

The measurement of expected credit losses is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information as described above. As for the exposure at default, for financial assets, this is represented by the assets’ gross carrying amount at the reporting date; for financial guarantee contracts, the exposure includes the amount drawn down as at the reporting date, together with any additional amounts expected to be drawn down in the future by default date determined based on historical trend, the Company’s understanding of the specific future financing needs of the debtors, and other relevant forward-looking information.

**Notes to the financial statements
for the year ended 31 December 2020 (continued)**

3 Summary of significant accounting policies (continued)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets (continued)

(v) Measurement and recognition of expected credit losses (continued)

For financial assets, the expected credit loss is estimated as the difference between all contractual cash flows that are due to the Company in accordance with the contract and all the cash flows that the Company expects to receive, discounted at the original effective interest rate.

Derecognition of financial assets

The Company derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Company neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Company recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Company retains substantially all the risks and rewards of ownership of a transferred financial asset, the Company continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of an investment in an equity instrument which the Company has elected on initial recognition to measure at FVTOCI, the cumulative gain or loss previously accumulated in the investments revaluation reserve is not reclassified to profit or loss, but is transferred to retained earnings.

Financial liabilities

Financial liabilities measured subsequently at amortised cost

Financial liabilities that are not designated as FVTPL, are measured subsequently at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the amortised cost of a financial liability.

Derecognition of financial liabilities

The Company derecognises financial liabilities when, and only when, the Company's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Notes to the financial statements for the year ended 31 December 2020 (continued)

3 Summary of significant accounting policies (continued)

Offsetting

Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position if, and only if, there is legally enforceable right to offset the recognised amounts and the Company intends to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

4 Critical accounting judgments and key sources of estimation uncertainty

While applying the accounting policies as stated in Note 3, management of the Company has made certain judgments, estimates and assumptions that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revision to accounting estimates are recognised in the period of the revision in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods. The significant judgments and estimate made by management are recognised as follows:

Critical judgments in applying the Company's accounting policies

The following are the critical judgments, apart from those involving estimations (see 4.2 below), that the management have made in the process of applying the Company's accounting policies and have the most significant effect on the amounts recognised in the financial statements.

Revenue recognition

Management considers recognizing revenue over time, if one of the following criteria is met, otherwise revenue will be recognised at a point in time:

- the customer simultaneously receives and consumes the benefits provided by the Company's performance as the Company performs;
- the Company's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or
- the Company's performance does not create an asset with an alternative use to the entity and the entity has an enforceable right to payment for performance completed to date.

Contributed capital

Contributed capital account represents additional funds provided by the Shareholder and is classified as equity. In determining whether the contributed capital account is a financial liability, a financial asset or an equity instrument, management has considered the detailed criteria set out in IAS 32 *Financial Instruments: Presentation and Disclosure*. Further, management also considered the fact that the contributed capital is interest free and there are no contractual obligations to repay the amount. Management is satisfied that the contributed capital account is appropriately classified as equity in the statement of financial position.

**Notes to the financial statements
for the year ended 31 December 2020 (continued)****4 Critical accounting judgments and key sources of estimation uncertainty (continued)****Critical judgments in applying the Company's accounting policies (continued)**Business model assessment

Classification and measurement of financial assets depends on the results of the SPPI and the business model test. The Company determines the business model at a level that reflects how groups of financial assets are managed together to achieve a particular business objective. This assessment includes judgement reflecting all relevant evidence including how the performance of the assets is evaluated and their performance measured, the risks that affect the performance of the assets and how these are managed and how the managers of the assets are compensated. The Company monitors financial assets measured at amortised cost or fair value through other comprehensive income that are derecognised prior to their maturity to understand the reason for their disposal and whether the reasons are consistent with the objective of the business for which the asset was held. Monitoring is part of the Company's continuous assessment of whether the business model for which the remaining financial assets are held continues to be appropriate and if it is not appropriate whether there has been a change in business model and so a prospective change to the classification of those assets.

Significant increase in credit risk

ECL are measured as an allowance equal to 12-month ECL for stage 1 assets, or lifetime ECL assets for stage 2 or stage 3 assets. An asset moves to stage 2 when its credit risk has increased significantly since initial recognition. IFRS 9 does not define what constitutes a significant increase in credit risk. In assessing whether the credit risk of an asset has significantly increased the Company takes into account qualitative and quantitative reasonable and supportable forward looking information. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The Company has identified the credit risks of the customers to which it sells its goods and services to be the most relevant factors, and accordingly adjusts the historical loss rates based on expected changes in these factors. The Company has recognised a loss allowance of 14% against all receivables.

Impacts of COVID 19:

During the year ended 31 December 2020, macro-economic uncertainty has arisen with regards to gross domestic product, inflation and the world crude oil prices, (along with the large associated volatility in commodity markets) caused by the COVID-19 outbreak. Management assessed this outbreak impact on the Company's cash flows with no material impact. Also, the management has considered the impact of COVID on ECL model for impairment loss on financial assets. The management will continue to monitor the situation and make the necessary judgment and estimates as may be required.

Key sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

Useful lives of property and equipment and intangible assets

Management reviews the residual values and estimated useful lives of property and equipment at the end of each annual reporting period in accordance with IAS 16 and IAS 38. Management determined that current year expectations do not differ from previous estimates based on its review.

**Notes to the financial statements
for the year ended 31 December 2020 (continued)**

4 Critical accounting judgments and key sources of estimation uncertainty (continued)

Key sources of estimation uncertainty (continued)

Accruals

As part of the accounts preparation, management makes regular estimates of work performed for which no bills have been received. Management believes that the accrual process is consistent and reliable as with the previous period. The actual expense may differ from the accrual and the difference is booked in the following period. Management has estimated an accrual amounting to AED Nil (2019: AED 981,490) as at 31 December 2020.

Calculation of loss allowance

When measuring ECL the Company uses reasonable and supportable forward looking information, which is based on assumptions for the future movement of different economic drivers and how these drivers will affect each other. The Company uses estimates for the computation of loss rates.

Loss given default is an estimate of the loss arising on default. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, taking into account cash flows from collateral and integral credit enhancements. Probability of default constitutes a key input in measuring ECL. Probability of default is an estimate of the likelihood of default over a given time horizon, the calculation of which includes historical data, assumptions and expectations of future conditions. Impairment loss for trade and other receivables amounted to AED 1,756,742 (2019: AED 1,519,727), due from related parties is AED 435,341 (2019: AED 448,730), dividend receivable is AED 9,451 (2019: AED 1,680) and cash and cash equivalents is AED 2,368 (2019: AED 951).

If the ECL rates on trade receivables for past due had been 5% higher (lower) as of 31 December 2020, the loss allowance on trade receivables would have been AED 77,037 (2019: AED 11,867) higher /(lower) as follows:

| Age buckets | 2020 AED | 2019 AED |
|--------------------|---------------------------|--------------------|
| 0 to 90 | 1,638 | 4,001 |
| 91 to 180 | 44,727 | 720 |
| 181 to 270 | - | 1,188 |
| 271 to 365 | 6,979 | 3,428 |
| >365 | 23,693 | 2,530 |
| | <hr/> 77,037 <hr/> | <hr/> 11,867 <hr/> |

Notes to the financial statements
for the year ended 31 December 2020 (continued)

5 Property and equipment

| | Buildings - office premises AED | Computer and office equipment AED | Furniture and fittings AED | Interior decoration AED | Motor vehicles AED | Total AED |
|---------------------------------|--|--|----------------------------------|-------------------------------|--------------------------|------------------|
| Cost | | | | | | |
| At 1 January 2019 | 5,230,745 | 1,478,946 | 68,431 | 28,776 | 115,000 | 6,921,898 |
| Additions | - | 69,088 | - | - | - | 69,088 |
| At 1 January 2020 | 5,230,745 | 1,548,034 | 68,431 | 28,776 | 115,000 | 6,990,986 |
| Additions | | 326,656 | | | 89,252 | 415,908 |
| At 31 December 2020 | 5,230,745 | 1,874,690 | 68,431 | 28,776 | 204,252 | 7,406,894 |
| Accumulated depreciation | | | | | | |
| At 1 January 2019 | 1,969,250 | 1,366,997 | 68,431 | 28,776 | 115,000 | 3,548,454 |
| Charge for the year | 300,310 | 97,038 | - | - | - | 397,348 |
| At 1 January 2020 | 2,269,560 | 1,464,035 | 68,431 | 28,776 | 115,000 | 3,945,802 |
| Charge for the year | 300,310 | 80,907 | | | 14,965 | 396,182 |
| At 31 December 2020 | 2,569,870 | 1,544,942 | 68,431 | 28,776 | 129,965 | 4,341,984 |
| Carrying amount | | | | | | |
| At 31 December 2020 | 2,660,875 | 329,748 | - | - | 74,287 | 3,064,910 |
| At 31 December 2019 | 2,961,185 | 83,999 | - | - | - | 3,045,184 |

**Notes to the financial statements
for the year ended 31 December 2020 (continued)**

6 Intangible assets

| | Computer software AED |
|---|--------------------------------------|
| Cost | |
| At 1 January 2019, 2020 and 31 December 2020 | 244,833 |
| Accumulated amortisation | |
| At 1 January 2019 | 224,643 |
| Charge for the year | 1,900 |
| At 1 January 2019 | 226,543 |
| Charge for the year | 1,900 |
| At 31 December 2020 | 228,443 |
| Carrying amount | |
| At 31 December 2020 | 16,390 |
| At 31 December 2019 | 18,290 |

7 Investment in financial asset

| | 2020 AED | 2019 AED |
|---|---------------------|-------------|
| Investment in equity instruments designated as at FVTOCI | | |
| Preferred stock series C-3 in Yieldmo Inc. | 29,400,000 | - |

In July 2020, the company invested 3.41 % of the preferred stock capital amounting to USD 234,611,046 of Yieldmo Inc. The total number of shares invested in Yieldmo are 1,923,077 each having a value of USD 4.16. The directors of the Company do not consider that the entity is able to exercise significant influence over Yieldmo Inc, as the other 96.59 % of the preferred stock capital is held by other shareholders. The fair value of the investment was considered similar to cost as at 31st December 2020.

These investments in equity instruments are not held for trading. Instead, they are held for medium to long-term strategic purposes. Accordingly, the directors of the Company have elected to designate these investments in equity instruments as at FVTOCI as they believe that recognising short-term fluctuations in these investments' fair value in profit or loss would not be consistent with the Company's strategy of holding these investments for long-term purposes and realising their performance potential in the long run.

No dividends were received in respect of these investments as at 31 December 2020.

**Notes to the financial statements
for the year ended 31 December 2020 (continued)**

8 Trade and other receivables

| | 2020 | 2019 |
|---|--------------------|-------------|
| | AED | AED |
| Trade receivables | 5,546,756 | 6,338,167 |
| Contract assets | 65,677 | 224,369 |
| Less: Impairment of trade receivables and contract assets | (1,756,742) | (1,519,727) |
| | <hr/> | <hr/> |
| Net trade receivables and contract assets | 3,855,691 | 5,042,809 |
| Prepayments and deposits | 1,288,606 | 1,678,974 |
| Advances to suppliers | - | 757,175 |
| | <hr/> | <hr/> |
| | 5,144,297 | 7,478,958 |
| | <hr/> <hr/> | <hr/> <hr/> |

The average credit period on sale of goods or services is 30 days. No interest is charged on trade and other receivables.

Before accepting any new customer, the Company assesses the potential credit quality of the customer. The Company measures the provision for impairment for trade receivables at an amount equal to lifetime ECL. The expected credit losses on trade receivables are estimated using a provision matrix by reference to past default experience of the debtor and an analysis of the debtor's current financial position, adjusted for factors that are specific to the debtors, general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecast direction of conditions at the reporting date.

The movement in impairment allowance of receivables during the year was as follows:

| | Collectively assessed AED | Individually assessed AED | Total AED |
|------------------------------------|--|--|----------------------|
| Balance at 1 January 2019 | - | 1,421,376 | 1,421,376 |
| Charge/(reversals) for the year | 237,386 | (139,035) | 98,351 |
| | <hr/> | <hr/> | <hr/> |
| Balance at 1 January 2020 | 237,386 | 1,282,341 | 1,519,727 |
| Charge/(reversals) for the year | 252,597 | (15,582) | 237,015 |
| | <hr/> | <hr/> | <hr/> |
| Balance at 31 December 2020 | 489,983 | 1,266,759 | 1,756,742 |
| | <hr/> <hr/> | <hr/> <hr/> | <hr/> <hr/> |

9 Related parties

The Company, in the ordinary course of business, enters into transactions, at agreed terms and conditions, with "related parties" as defined in IAS 24 *Related Party Disclosures*. Related parties comprise of the Company's shareholders, directors, senior management and businesses controlled by them and their families or over which they exercise significant management influence as well as key management personnel.

**Notes to the financial statements
for the year ended 31 December 2020 (continued)**

9 Related parties (continued)

Balances with related parties included in the statement of financial position comprise:

| | 2020 | 2019 |
|--|------------------------------|------------------------|
| | AED | AED |
| Due from related parties | | |
| RG Procurement RSC LTD | 3,674,570 | 6,027,841 |
| International Holding Company P.J.S.C | 1,055,376 | - |
| Trojan General Contracting LLC | 1,047,249 | 700,879 |
| Paragon Malls - LLC | 760,799 | 717,092 |
| Al Tamouh Investments Company LLC | 524,314 | 861,438 |
| Hydra Properties LLC | 417,815 | 417,815 |
| Royal Group - Mina Office | 330,128 | 330,128 |
| Barari Natural Resources LLC | 309,080 | 590,063 |
| Three60 Estates Management LLC | 296,500 | 296,500 |
| H.H Sheikh Tahnoon Bin Zayed Al Nahyan | 192,785 | 440,584 |
| Al Ajban Poultry LLC | 136,185 | 76,067 |
| Bedashing Beauty lounge LLC | 54,600 | - |
| Eltizam Asset Management estate LLC | 42,000 | - |
| Bunya | 34,363 | 50 |
| Wadi Adventure LLC | 32,500 | 32,500 |
| Infinity TV FZ LLC | - | 2,510,010 |
| Viola Communications LLC | - | 105,000 |
| Royal Group Holding LLC | - | 68,400 |
| H2o Interior Design LLC | - | 14,400 |
| Al Rabeeh School - LLC | - | 2,100 |
| Tower Clinic | - | 1,845 |
| Reem Building Materials LLC | - | 1,800 |
| Less: Impairment allowance | (435,341) | (448,730) |
| | <hr/> 8,472,923 <hr/> | <hr/> 12,745,783 <hr/> |

The movement in impairment allowance of due from related parties during the year was as follows:

| | 2020 | 2019 |
|--------------------------------------|----------------------------|---------------------|
| | AED | AED |
| Balance at the beginning of the year | 448,730 | 442,294 |
| (Reversal)/charge for the year | (13,389) | 6,436 |
| | <hr/> 435,341 <hr/> | <hr/> 448,730 <hr/> |

**Notes to the financial statements
for the year ended 31 December 2020 (continued)**

9 Related parties (continued)

| | 2020 | 2019 |
|---|-------------------|------------|
| | AED | AED |
| Due to related parties | | |
| Royal Group Holding LLC | 353,351 | 353,351 |
| Pal Technology Solutions LLC | 270,680 | 270,680 |
| Viola Communications LLC | 263,899 | 331,691 |
| Royal Legal Consultancy LLC | 179,011 | 179,011 |
| Al Jaraf Travel and Tourism LLC | 165,609 | 165,609 |
| Cine Royal Cinema LLC | 141,530 | 141,530 |
| Pal Computer Systems LLC | 101,105 | 101,105 |
| H2O Interior Design LLC | 82,100 | 82,100 |
| Zee Store LLC | 6,050 | - |
| Decovision | 5,000 | 5,000 |
| Vision Hotel Apartments LLC | 1,575 | 2,661 |
| Hydra Commercial Investments LLC | - | 24,308,315 |
| Dar Al Ummah Printing Publishing and Distribution LLC | - | 67,346 |
| National Projects Constructions LLC | - | 31,372 |
| Bunya Enterprises LLC | - | 26,279 |
| | <hr/> | <hr/> |
| | 1,569,910 | 26,066,050 |
| | <hr/> | <hr/> |
| | 2020 | 2019 |
| | AED | AED |
| Dividend receivable (note 10) | | |
| Viola Communications LLC | 9,000,000 | 12,000,000 |
| Less: Impairment loss | (9,451) | (1,680) |
| | <hr/> | <hr/> |
| | 8,990,549 | 11,998,320 |
| | <hr/> | <hr/> |
| Significant transactions with related parties are as follows: | | |
| | 2020 | 2019 |
| | AED | AED |
| Revenues | 10,492,923 | 9,630,998 |
| | <hr/> | <hr/> |
| Purchases of materials and services | 33,955 | 640,531 |
| | <hr/> | <hr/> |
| Waiver of due from related parties* | 3,821,302 | - |
| | <hr/> | <hr/> |
| Waiver of due to related party* | 24,305,940 | - |
| | <hr/> | <hr/> |

**Notes to the financial statements
for the year ended 31 December 2020 (continued)**

9 Related parties (continued)

* During the year, the change of ownership under common control transaction has led to the waiver of balances due to and due from related parties.

During the year, the Company provided 5% of net profit in consideration of the performance of the services rendered by management.

In addition, the managing director received non-cash compensation from the Company in the form of rent paid on her behalf amounting to AED 190,000 (2019: AED 190,000).

The Company carries out all of its banking transactions through a commercial bank with which it has a related party relationship (note 10).

10 Investment in equity accounted associate

On 13 January 2016, a contract of sale of shares in Viola Communications LLC was made between Hydra Commercial Investments LLC and the Company. The contract covers the sale and transfer of 35 shares representing 35% of the total capital of Viola Communications LLC, with all rights and liabilities for AED 24,305,940.

During 2019, the Company invested further in the associate, accordingly the shareholding has increased by 15% with the payment of consideration of AED 7,000,000. Included in share of profits during 2019, AED 2,787,840 relates to the gain on acquisition of additional 15% shareholding during the year being difference of fair value of investments and cost of additional investments.

The movement in investment in an associate is as follows:

| | 2020 | 2019 |
|---------------------------------|--------------------|-------------|
| | AED | AED |
| At 1 January | 32,876,150 | 22,838,293 |
| Investment made during the year | - | 7,000,000 |
| Share of profit for the year | 2,288,818 | 9,787,857 |
| Dividend receivable (note 8) | (2,250,000) | (6,750,000) |
| | <hr/> | <hr/> |
| At 31 December | 32,914,968 | 32,876,150 |
| | <hr/> <hr/> | <hr/> <hr/> |

**Notes to the financial statements
for the year ended 31 December 2020 (continued)**

10 Investment in equity accounted associate (continued)

Summarised financial information based on audited financial statement in respect of the Company's associate is set out below:

| | 2020 | 2019 |
|---|---------------------|--------------|
| | AED | AED |
| Current assets | 115,657,298 | 138,891,937 |
| Non-current assets | 13,644,987 | 23,504,329 |
| Current liabilities | (50,752,232) | (82,572,769) |
| Non-current liabilities | (12,720,117) | (14,071,196) |
| | <hr/> | <hr/> |
| Net assets | 65,829,936 | 65,752,301 |
| | <hr/> <hr/> | <hr/> <hr/> |
| Company's share of net assets of the associates at 31 December | 32,914,968 | 32,876,150 |
| | <hr/> <hr/> | <hr/> <hr/> |
| | 2020 | 2019 |
| | AED | AED |
| Revenue | 71,827,194 | 151,109,301 |
| | <hr/> <hr/> | <hr/> <hr/> |
| Profit for the year | 4,577,635 | 14,000,034 |
| | <hr/> <hr/> | <hr/> <hr/> |
| Company's share of net profit of the associate at 31 December | 2,288,818 | 7,000,017 |
| | <hr/> <hr/> | <hr/> <hr/> |

11 Cash and bank balances

| | 2020 | 2019 |
|--------------------------------|-------------------|-------------|
| | AED | AED |
| Cash in hand | 15,000 | 15,000 |
| Cash at bank – current account | 10,317,363 | 4,144,423 |
| Less: Impairment loss | (2,368) | (951) |
| | <hr/> | <hr/> |
| Cash and bank balances | 10,329,995 | 4,158,472 |
| | <hr/> <hr/> | <hr/> <hr/> |

**Notes to the financial statements
for the year ended 31 December 2020 (continued)**

11 Cash and bank balances (continued)

The movement in impairment allowance of cash and bank balances during the year was as follows:

| | 2020 | 2019 |
|---------------------------------------|--------------|-------------|
| | AED | AED |
| Balance at the beginning of the year | 951 | 2,998 |
| Charge/(reversal) for the year | 1,417 | (2,047) |
| | <hr/> | <hr/> |
| Balance at the end of the year | 2,368 | 951 |
| | <hr/> <hr/> | <hr/> <hr/> |

12 Share capital

The share capital of the Company comprises of 300 authorised, issued and fully paid shares of AED 1,000 par value each. The Company's share capital was allocated as follows:

| | 31 December 2019 | |
|--|-------------------------|----------------|
| | Ownership | Amount |
| | Percentage % | AED |
| Royal Group Holding LLC | 99.67 | 299,000 |
| Royal Group for Companies and Establishment Management LLC | 0.33 | 1,000 |
| | <hr/> | <hr/> |
| | 100% | 300,000 |
| | <hr/> <hr/> | <hr/> <hr/> |

On 1 April 2020, Royal Group Holding LLC and Royal Group for Companies and Establishment Management LLC entered into an agreement to transfer their ownership with all rights and obligations attached thereto to IHC Digital Holding LLC and IHC Companies Management LLC without any consideration. The Memorandum of Association were amended accordingly.

The share capital of the Company comprises of 30,000 authorised, issued and fully paid shares of AED 100 par value each. The Company's share capital is allocated as follows:

| | 31 December 2020 | |
|------------------------------|-------------------------|----------------|
| | Ownership | Amount |
| | Percentage % | AED |
| IHC Digital Holding LLC | 99.67 | 299,000 |
| IHC Companies Management LLC | 0.33 | 1,000 |
| | <hr/> | <hr/> |
| | 100% | 300,000 |
| | <hr/> <hr/> | <hr/> <hr/> |

**Notes to the financial statements
for the year ended 31 December 2020 (continued)**

13 Statutory reserve

In accordance with the UAE Federal Law No. (2) of 2015 concerning Commercial Companies and the Company's Memorandum of Association, 10% of the annual profit is transferred to a non-distributable statutory reserve. Such transfers are required to be made until the reserve is equal to 50% of the paid up share capital.

14 Contributed capital

During 2020, the Shareholders of the Company provided an additional amount of AED 30 million as contributed capital to invest in preferred stock of Yeildmo Inc. This amount is repayable at the discretion of the Company. In addition, in the event of dissolution of the Company, the rights, benefits and obligations in the residual net asset and liabilities, attached to the amounts rank pari passu with those attached to the share capital of the Company, therefore, this amount is more akin to an equity instrument rather than liabilities, and accordingly is presented as part of equity.

15 Provision for employees' end of service benefit

The movement in the provision for employees' end of service benefit is as follows:

| | 2020 | 2019 |
|--------------------------|------------------|-------------|
| | AED | AED |
| At 1 January | 2,271,178 | 2,152,961 |
| Charge during the year | 368,214 | 185,043 |
| Payments during the year | (13,739) | (66,826) |
| | <hr/> | <hr/> |
| 31 December | 2,625,653 | 2,271,178 |
| | <hr/> <hr/> | <hr/> <hr/> |

16 Trade and other payables

| | 2020 | 2019 |
|---------------------------|------------------|-------------|
| | AED | AED |
| Trade payables | 1,041,072 | 2,069,149 |
| Accrued expenses | 1,570,847 | 1,802,940 |
| Advances from customers | 116,779 | 383,121 |
| Payable to key management | 654,896 | 1,097,052 |
| Accrual for leave | 212,910 | 221,061 |
| Accrual for air tickets | 72,139 | 23,298 |
| Other payable | 542,952 | 742,834 |
| | <hr/> | <hr/> |
| | 4,211,595 | 6,339,455 |
| | <hr/> <hr/> | <hr/> <hr/> |

**Notes to the financial statements
for the year ended 31 December 2020 (continued)**

17 Revenue and cost of sales

| | 2020 | 2019 |
|---|-------------------|-------------|
| | AED | AED |
| <i>Disaggregation of revenue</i> | | |
| Revenue from rendering marketing services | 9,988,018 | 16,128,507 |
| Revenue from consultancy services | 5,795,831 | 5,343,643 |
| | <hr/> | <hr/> |
| | 15,783,849 | 21,472,150 |
| | <hr/> <hr/> | <hr/> <hr/> |
| <i>Direct costs</i> | | |
| Cost of materials and services | 1,821,164 | 6,986,739 |
| Staff costs | 7,793,066 | 6,160,519 |
| | <hr/> | <hr/> |
| | 9,614,230 | 13,147,258 |
| | <hr/> <hr/> | <hr/> <hr/> |

The transaction price allocated to (partially) unsatisfied performance obligations at 31 December 2020 and 2019 are as set out below:

| | 2020 | 2019 |
|-------------------------------------|---------------|-------------|
| | AED | AED |
| Unsatisfied performance obligations | 65,677 | 332,982 |
| | <hr/> <hr/> | <hr/> <hr/> |

Management expects that the transaction price allocated to the unsatisfied contracts as at 31 December 2020 would be recognised as revenue during 2020.

**Notes to the financial statements
for the year ended 31 December 2020 (continued)**

18 General and administrative expenses

| | 2020 | 2019 |
|---|------------------|-----------|
| | AED | AED |
| Staff costs | 2,721,645 | 3,870,177 |
| Professional fees | 721,495 | 271,247 |
| Depreciation and amortisation (notes 5 and 6) | 398,082 | 397,348 |
| Office supplies | 378,782 | 142,473 |
| Communications | 244,041 | 233,218 |
| Director's remuneration and management fees | 199,470 | 719,744 |
| Travel expense | 112,741 | 602,096 |
| Bank charges | 55,574 | 60,514 |
| Rent | 52,381 | - |
| Repairs and maintenance expenses | 10,393 | 9,008 |
| Others | 361,966 | 945,123 |
| | 5,256,570 | 7,250,948 |

19 Contingent liabilities

| | 2020 | 2019 |
|----------------------|----------------|---------|
| | AED | AED |
| Letters of guarantee | 969,896 | 821,879 |

The above bank guarantees were issued in the normal course of business.

20 Dividend

During 2020, the Company has declared and paid dividend of AED 2,000,000 (2019: AED nil).

21 Financial instruments

Significant accounting policies

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset, financial liability and equity instrument are disclosed in Note 3 to the financial statements.

**Notes to the financial statements
for the year ended 31 December 2020 (continued)**

21 Financial instruments (continued)

Financial risk management

The Company is exposed primarily to the following risks related to financial instruments - credit risk and liquidity risk. Management actively monitors and manages the financial risks relating to the Company. The Company does not enter into or trade in financial instruments, investment in securities, including derivative financial instruments, for speculative or risk management purposes.

Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Company. As at 31 December 2020, the Company's maximum exposure to credit risk without taking into account any collateral held or other credit enhancements, which will cause a financial loss to the Company due to failure to discharge an obligation by the counterparties and financial guarantees provided by the Company arises from the carrying amount of the respective recognised financial assets as stated in the statement of financial position.

In order to minimise credit risk, the Company has develop and maintain the Company's credit risk gradings to categorise exposures according to their degree of risk of default. The credit rating information is supplied by independent rating agencies where available and, if not available, then management uses other publicly available financial information and the Company's own trading records to rate its major customers and other debtors. The Company's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties.

The Company's current credit risk grading framework comprises the following categories:

| Category | Description | Basis for recognising expected credit losses |
|-----------------|--|---|
| Performing | The counterparty has a low risk of default and does not have any past-due amounts | 12-month ECL |
| Doubtful | Amount is >90 days past due or there has been a significant increase in credit risk since initial recognition | Lifetime ECL – not credit-impaired |
| In default | Amount is >180 days past due or there is evidence indicating the asset is credit-impaired | Lifetime ECL – credit-impaired |
| Write-off | There is evidence indicating that the debtor is in severe financial difficulty and the Company has no realistic prospect of recovery | Amount is written off |

**Notes to the financial statements
for the year ended 31 December 2020 (continued)**

21 Financial instruments (continued)

Credit risk (continued)

The tables below detail the credit quality of the Company's financial assets, contract assets and financial guarantee contracts, as well as the Company's maximum exposure to credit risk by credit risk rating grades.

| | Notes | External credit ratings | Internal credit ratings | 12 month or lifetime ECL | Gross carrying amount AED | Loss allowance AED | Net carrying amount AED |
|-----------------------------|-------|-------------------------|-------------------------|--------------------------|------------------------------|-----------------------|----------------------------|
| 31 December 2020 | | | | | | | |
| Trade and other receivables | 8 | N/A | i | Lifetime ECL | 5,612,433 | 1,756,742 | 3,855,691 |
| Due from related parties | 9 | N/A | N/A | 12-month ECL | 8,908,264 | 435,341 | 8,472,923 |
| Dividend receivable | 9 | N/A | N/A | 12-month ECL | 9,000,000 | 9,451 | 8,990,549 |
| Cash and cash equivalents | 11 | AA-, A, A+, A | N/A | 12-month ECL | 10,332,363 | 2,368 | 10,329,995 |
| 31 December 2019 | | | | | | | |
| Trade and other receivables | 8 | N/A | i | Lifetime ECL | 6,562,536 | 1,519,727 | 5,042,809 |
| Due from related parties | 9 | N/A | N/A | 12-month ECL | 13,194,513 | 448,730 | 12,745,783 |
| Dividend receivable | 9 | N/A | N/A | 12-month ECL | 12,000,000 | 1,680 | 11,998,320 |
| Cash and cash equivalents | 11 | AA-, A, A+, A | N/A | 12-month ECL | 4,159,423 | 951 | 4,158,472 |

- (i) For trade and other receivables, the Company has applied the simplified approach in IFRS 9 to measure the loss allowance at lifetime ECL. The Company determines the expected credit losses on these items by using a provision matrix, estimated based on historical credit loss experience based on the past due status of the debtors, adjusted as appropriate to reflect current conditions and estimates of future economic conditions. Accordingly, the credit risk profile of these assets is presented based on their past due status in terms of the provision matrix.

**Notes to the financial statements
for the year ended 31 December 2020 (continued)**

21 Financial instruments (continued)

Credit risk (continued)

The Company always measures the loss allowance for trade receivables at an amount equal to lifetime ECL using the simplified approach. The Company has recognised a loss allowance of 31% against all receivables. The loss allowance as at 31 December 2019 and 2020 was determined as follows for trade receivables:

| | Days past due | | | | | | Total AED | ECL AED |
|--|----------------|---------------------|-----------------------|------------------------|------------------------|-------------------------|-------------------|------------------|
| | Current AED | 1-90 days AED | 91-180 days AED | 181-270 days AED | 271-365 days AED | Over 365 days AED | | |
| 31 December 2020 | | | | | | | | |
| Expected credit loss rate | 7.17% | 21.43% | 6.54% | 10.79% | 31.11% | 22.96% | | |
| Gross carrying amount for trade receivables | 867,870 | 261,715 | 1,103,708 | 213,598 | 215,998 | 2,883,869 | 5,546,756 | - |
| Loss allowance | 125,958 | 376,469 | 114,891 | 189,552 | 546,522 | 403,348 | - | 1,756,741 |
| Due from related parties | 8,908,264 | | | | | | 8,908,264 | 435,341 |
| Dividend receivable | 6,749,999 | | | | | | 6,749,999 | 9,450 |
| Cash and cash equivalents | 10,332,363 | | | | | | 10,332,363 | 2,368 |
| Total | | | | | | | 31,537,382 | 2,203,900 |

| | Days past due | | | | | | Total AED | ECL AED |
|--|----------------|---------------------|-----------------------|------------------------|------------------------|-------------------------|-------------------|------------------|
| | Current AED | 1-90 days AED | 91-180 days AED | 181-270 days AED | 271-365 days AED | Over 365 days AED | | |
| 31 December 2020 | | | | | | | | |
| Expected credit loss rate | 7.17% | 28.59% | 6.54% | 10.79% | 31.11% | 22.96% | | |
| Gross carrying amount for trade receivables | 428,813 | 948,809 | 144,794 | 89,250 | 257,418 | 4,469,083 | 6,338,167 | - |
| Loss allowance | 17,018 | 63,014 | 14,420 | 23,770 | 68,559 | 1,332,946 | - | 1,519,727 |
| Due from related parties | 13,194,513 | - | - | - | - | - | 13,194,513 | 448,730 |
| Dividend receivable | 12,000,000 | - | - | - | - | - | 12,000,000 | 1,680 |
| Cash and cash equivalents | 4,144,423 | - | - | - | - | - | 4,144,423 | 951 |
| Total | | | | | | | 35,677,103 | 1,971,088 |

**Notes to the financial statements
for the year ended 31 December 2020 (continued)**

21 Financial instruments (continued)

Liquidity risk management

Liquidity risk is the risk that the Company will be unable to meet its funding requirements. The maturity profile of trade and other payables is monitored by management to ensure adequate liquidity is maintained. The contractual maturities of the financial instruments, determined on the basis of the remaining period at the end of the reporting period to the contractual maturity date, are as follows:

| | Carrying value AED | More than 1 year AED | 1 year or less AED |
|--|-----------------------------------|-------------------------------------|-----------------------------------|
| 2020 | | | |
| Trade and other payables (excluding advances from customers) | 4,094,816 | - | 4,094,816 |
| Amounts due to related parties | 1,569,910 | - | 1,569,910 |
| | <hr/> | <hr/> | <hr/> |
| | 5,664,726 | - | 5,664,726 |
| | <hr/> <hr/> | <hr/> <hr/> | <hr/> <hr/> |
| 2019 | | | |
| Trade and other payables (excluding advances from customers) | 5,956,334 | - | 5,956,334 |
| Amounts due to related parties | 26,066,050 | - | 26,066,050 |
| | <hr/> | <hr/> | <hr/> |
| | 32,022,384 | - | 32,022,384 |
| | <hr/> <hr/> | <hr/> <hr/> | <hr/> <hr/> |

Currency risk management

Assets are typically funded in the same currency as that of the business being transacted to eliminate exchange exposures. Management believes that there is a minimal risk of significant losses due to exchange rate fluctuations and, consequently, the Company does not hedge foreign currency exposure.

Fair value of financial assets and liabilities

Management considers that the fair values of financial assets and financial liabilities approximate their carrying amounts.

22 Approval of financial statements

The financial statements were approved by management and authorised for issue on 1 March 2021.