Foodco Holding PJSC

REPORT OF THE BOARD OF DIRECTORS AND
CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2020

Foodco Holding PJSC

REPORT OF THE BOARD OF DIRECTORS

31 DECEMBER 2020

Foodco Holding PJSC

REPORT OF THE BOARD OF DIRECTORS

31 DECEMBER 2020

The Directors have pleasure in submitting their report and the audited consolidated financial statements for the year ended 31 December 2020.

Principal activities

The principal activity of the Company and its subsidiaries (together, the "Group") is primarily in the import and distribution of foodstuff and household items in the United Arab Emirates, along with investing, development and management of real estate and commercial enterprises. The objectives of the Group include investment in or establishment of companies in the same line of business and investment in or establishment of factories in the processing or canning of foodstuff as well as engagement in all operations and investments in and outside the United Arab Emirates.

Results for the year

Revenue for the year amounted to AED 196,328,753 (2019: AED 162,537,475) and profit for the year amounted to AED 55,870,461 (2019: loss for the year of AED 105,587,556).

Auditors

A resolution proposing the appointment of the auditors of the Group for the year ending 31 December 2021 will be put to the shareholders at the annual general meeting.

Signed on behalf of the Directors

Chairman of the Board

Abu Dhabi

H.H

Foodco Holding PJSC

CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2020

Building a better working world

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INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF FOODCO HOLDING PJSC

Report on the Audit of the Consolidated Financial Statements

Opinion
We have audited the consolidated financial statements of Foodco Holding PJSC (the "Company") and its subsidiaries (collectively referred to as the "Group"), which comprise the consolidated statement of financial position as at 31 December 2020, and the consolidated statement of profit or loss, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2020, and its consolidated financial performance and its consolidated 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 consolidated financial statements* section of our report. We are independent of the Group in accordance with *the International Code of Ethics for Professional Accountants (including International Independence Standards)* ("IESBA Code") together with the ethical requirements that are relevant to our audit of the consolidated financial statements in the United Arab Emirates, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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

We have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the consolidated financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

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INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF FOODCO HOLDING PJSC continued

Report on the Audit of the Consolidated Financial Statements continued

Valuation of investment properties

The Group's investment properties including investment properties under development amounted to AED 264,232,156 as per notes 10 and 11 to the consolidated financial statements, representing 29% of total assets as of 31 December 2020.

The Group accounts for investment properties initially at cost and subsequently measured at fair value. Gains and losses arising from changes in the fair value of investment properties are included in profit or loss. The Group uses in-house valuations prepared by management to determine the fair value of the investment properties on an annual basis.

As the fair value is determined based on level 3 valuation methodologies, it requires management to apply significant judgement in determining the fair value of investment properties. We have identified the recognition and valuation of investment properties as a key audit matter in view of the significant judgments involved.

How the matter was addressed during our audit:

- Involved our real estate specialists to assist us in evaluating the assumptions and methodologies of the in-house valuations prepared by management.;

- Gained an understanding of the management's valuation methodologies and their assumptions and assessed the reasonableness of the valuations on a sample basis based on evidence of comparable market transactions and other publicly available information relating to the property industry; and

- Inspected agreements / title deeds to assess whether that all properties are either owned or unconditionally assigned to the Group.

Other information

Other information consists of the information included in the Board of Director's Report and Annual report, other than the consolidated financial statements and our auditor's report thereon. We obtained the Board of Director's Report prior to the date of our audit report, and we expect to obtain the Annual Report after the date of our auditor's opinion. The Board of Directors and management are responsible for the other information.

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed or the other information obtained prior to the date of the auditor's opinion, 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.

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INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF FOODCO HOLDING PJSC continued

Report on the Audit of the Consolidated Financial Statements continued

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

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

The Board of Directors are responsible for overseeing the Group's financial reporting process.

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

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

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

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

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

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INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF FOODCO HOLDING PJSC continued

Report on the Audit of the Consolidated Financial Statements continued

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

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

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

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

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

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

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

INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF FOODCO HOLDING PJSC continued

Report on Other Legal and Regulatory Requirements

Further, as required by the UAE Federal Law No. (2) of 2015, we report that for the year ended 31 December 2020:

i) the Group has maintained proper books of account;

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

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

iv) the financial information included in the report of the Board of Directors is consistent with the books of account and records of the Group;

v) note 26 to the consolidated financial statements reflects the disclosures relating to related party transactions and the terms under which they were conducted;

vi) investment in shares and stock are included in note 12 to the consolidated financial statements and include purchases and investments made by the Group for the year ended 31 December 2020; and

vii) based on the information that has been made available to us, nothing has come to our attention which causes us to believe that the 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 Articles of Association which would materially affect its activities or its consolidated financial position as at 31 December 2020.

viii) The Group has not made any social contributions during the year ended 31 December 2020.

Signed by
Raed Ahmad
Partner
Ernst & Young
Registration No 811

16 March 2021
Abu Dhabi

CONSOLIDATED STATEMENT OF PROFIT OR LOSS
For the year ended 31 December 2020

	Note	***2020 AED***	*2019 AED*
Revenue from contracts with customers	3 (a)	**62,847,721**	246,321,655
Income (loss) from investment properties	3 (b)	**28,912,024**	(10,571,004)
Income (loss) from investments	3 (c)	**104,569,008**	(73,213,176)
		196,328,753	162,537,475
Direct costs		**(65,473,157)**	(184,279,414)
Selling and distribution expenses	4	**(17,705,010)**	(19,151,645)
General and administrative expenses	5	**(28,395,367)**	(28,749,126)
Other income		**1,203,134**	2,155,682
Provision for expected credit losses on trade and other receivables	15	**(5,711,458)**	(10,813,590)
Operating profit (loss)		**80,246,895**	(78,300,618)
Finance costs		**(24,376,434)**	(27,286,938)
Profit (loss) for the year		**55,870,461**	(105,587,556)
Attributable to:			
Equity holders of the company		**56,189,217**	(105,939,925)
Non-controlling interests		**(318,756)**	352,369
		55,870,461	(105,587,556)
Basic and diluted earnings (loss) per share attributable to equity holders of the Company	27	**0.47**	(0.88)

The attached notes 1 to 32 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 December 2020

	2020	*2019*
	AED	*AED*
Profit (loss) for the year	**55,870,461**	(105,587,556)
Other comprehensive income (loss)		
Items that will not be subsequently reclassified to the consolidated statement of profit or loss		
Net changes in fair value of investments carried at fair value through other comprehensive income	**16,207,668**	(118,412,087)
Other comprehensive income (loss) for the year	**16,207,668**	(118,412,087)
TOTAL COMPREHENSIVE INCOME (LOSS) FOR THE YEAR	**72,078,129**	(223,999,643)
Attributable to:		
Equity holders of the parent	**72,392,249**	(224,330,541)
Non-controlling interests	**(314,120)**	330,898
	72,078,129	(223,999,643)

The attached notes 1 to 32 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 31 December 2020

	Note	2020 AED	2019 AED
ASSETS			
Non-current assets			
Property and equipment	7	63,611,726	5,969,837
Intangible assets under development		-	1,942,157
Intangible assets	8	1,496,977	186,745
Right of use assets	9	12,780,173	23,059,114
Investment properties under development	10	5,518,050	22,525,635
Investment properties	11	258,714,106	306,160,868
Investments carried at fair value through other comprehensive income	12	163,068,927	145,504,463
Other assets	13	5,949,510	5,949,510
		511,139,469	511,298,329
Current assets			
Inventories	14	39,186,104	16,429,234
Investments carried at fair value through profit or loss	12	334,186,853	288,307,385
Trade and other receivables	15	29,663,637	168,632,944
Amounts due from related parties	26	1,302,780	1,312,328
Bank balances and cash	16	5,293,243	4,115,031
		409,632,617	478,796,922
TOTAL ASSETS		920,772,086	990,095,251
EQUITY AND LIABILITIES			
Equity			
Share capital	17	120,000,000	120,000,000
Legal reserve	18	60,000,000	60,000,000
Regulatory reserve	19	60,000,000	60,000,000
Fair value reserve		(114,529,085)	(130,732,117)
Retained earnings		269,518,444	213,329,227
Equity attributable to equity holders of the Company		394,989,359	322,597,110
Non-controlling interests	20	3,481,541	3,795,661
Total equity		398,470,900	326,392,771
LIABILITIES			
Non-current liabilities			
Provision for employees' end of service benefits	22	3,995,667	4,773,078
Lease liabilities	23	6,480,312	15,278,046
Loans and borrowings	24	88,237,280	121,448,119
Retention payable	25	-	380,322
		98,713,259	141,879,565
Current liabilities			
Trade and other payables	25	69,539,419	97,253,896
Amounts due to related parties	26	2,449,219	1,294,101
Lease liabilities	23	8,837,771	7,990,044
Loans and borrowings	24	342,761,518	415,284,874
		423,587,927	521,822,915
Total liabilities		522,301,186	663,702,480
TOTAL EQUITY AND LIABILITIES		920,772,086	990,095,251

Ahmed Ali Khalfan Al Dhaheri
Chairman

Rashed Darwaish Ahmed Saif AlKetbi
Vice Chairman

M.Hafez
Mohammed Hafez
Chief Financial Officer

The attached notes 1 to 32 form part of these consolidated financial statements.

فودكو القابضة ش.م.ع
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أبوظبي
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Abu Dhabi
FOODCO HOLDING P.J.S.C.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the year ended 31 December 2020

	Attributable to the equity holders of the Company							
	Share capital AED	*Legal reserve AED*	*Regulatory reserve AED*	*Fair value reserve AED*	*Retained earnings AED*	*Equity attributable to equity holders of the Company AED*	*Non-controlling interests AED*	*Total equity AED*
Balance at 1 January 2019	120,000,000	60,000,000	60,000,000	(26,782,321)	345,709,972	558,927,651	3,464,763	562,392,414
Loss for the period	-	-	-	-	(105,939,925)	(105,939,925)	352,369	(105,587,556)
Other comprehensive loss	-	-	-	(103,949,796)	(14,440,820)	(118,390,616)	(21,471)	(118,412,087)
Total comprehensive loss for the year	-	-	-	(103,949,796)	(120,380,745)	(224,330,541)	330,898	(223,999,643)
Dividends (note 21)	-	-	-	-	(12,000,000)	(12,000,000)	-	(12,000,000)
Balance at 31 December 2019	120,000,000	60,000,000	60,000,000	(130,732,117)	213,329,227	322,597,110	3,795,661	326,392,771
Balance at 1 January 2020	120,000,000	60,000,000	60,000,000	(130,732,117)	213,329,227	322,597,110	3,795,661	326,392,771
Profit for the period	-	-	-	-	56,189,217	56,189,217	(318,756)	55,870,461
Other comprehensive income	-	-	-	16,203,032	-	16,203,032	4,636	16,207,668
Total comprehensive income for the year	-	-	-	16,203,032	56,189,217	72,392,249	(314,120)	72,078,129
Balance at 31 December 2020	**120,000,000**	**60,000,000**	**60,000,000**	**(114,529,085)**	**269,518,444**	**394,989,359**	**3,481,541**	**398,470,900**

The attached notes 1 to 32 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS
For the year ended 31 December 2020

	Note	*2020 AED*	*2019 AED*
OPERATING ACTIVITIES			
Profit (loss) for the year		**55,870,461**	(105,587,556)
Adjustments for:			
Depreciation	7	**4,146,419**	2,711,170
Depreciation on right of use an assets	9	**7,272,184**	8,137,331
Amotisation of intangible assets	8	**701,025**	73,030
(Gain) loss on disposal of property and equipment		**(29,880)**	565,768
Loss (gain) on sale of investments carried at FVTPL	3	**51,757**	(3,227,527)
Net changes in fair value of investments carried at FVTPL	3 &12	**(95,335,726)**	94,400,242
Provision for employees' end of service benefits	22	**482,849**	1,015,979
Dividend income	3	**(9,285,039)**	(17,959,539)
Provision for expected credit losses on trade and other receivables, net	15	**3,291,458**	8,178,701
Provision for expected credit losses on other receivables	15	**2,420,000**	2,634,889
Impairment losses relating to assets held-for-sale		**-**	180,153
Provision (reversal of provision) for slow moving inventories	14	**951,356**	(2,200,289)
Decrease in fair value of investment properties	3	**6,000,000**	47,812,094
Finance costs		**24,376,434**	27,286,938
		913,298	64,021,384
Working capital adjustments			
Inventories		**(23,708,226)**	(3,744,558)
Trade and other receivables		**133,270,977**	(32,122,668)
Amounts due from related parties		**9,548**	1,176,360
Amounts due to related parties		**1,155,118**	(26,328,518)
Trade and other payables		**(28,678,587)**	2,836,902
Cash generated from operations		**82,962,128**	5,838,902
Dividends received		**9,271,911**	17,959,539
Employees' end of service benefits paid	22	**(1,260,260)**	(980,042)
Purchase of investments	12	**(87,078,773)**	(80,451,704)
Proceeds from disposal of investments		**135,126,478**	45,225,535
Additions to investment properties under development	10	**(1,045,653)**	(27,538,257)
Net cash flows generated from (used in) operating activities		**137,975,831**	(39,946,027)
INVESTING ACTIVITIES			
Purchase of property and equipment	7	**(2,311,491)**	(1,560,002)
Purchase of intangible assets under development		**-**	(70,019)
Purchase of intangible assets	8	**(69,100)**	-
Proceeds from disposal of property and equipment		**53,063**	110,481
Net cash flows used in investing activities		**(2,327,528)**	(1,519,540)
FINANCING ACTIVITIES			
Proceeds from bank borrowings		**282,356,130**	269,772,457
Repayment of bank borrowings		**(382,064,571)**	(150,069,171)
Payment of lease liabilities		**(5,835,031)**	(8,987,649)
Finance costs paid		**(22,900,865)**	(25,381,905)
Dividends paid	21	**-**	(12,000,000)
Net cash flows (used in) generated from financing activities		**(128,444,337)**	73,333,732
NET INCREASE IN CASH AND CASH EQUIVALENTS		**7,203,966**	31,868,165
Cash and cash equivalents at 1 January		**(202,818,164)**	(234,686,329)
CASH AND CASH EQUIVALENTS AT 31 DECEMBER	16	**(195,614,198)**	(202,818,164)

The attached notes 1 to 32 form part of these consolidated financial statements.

1 CORPORATE INFORMATION

Foodco Holding P.J.S.C. (the "Company") is a public shareholding company incorporated in Abu Dhabi, United Arab Emirates. The Company was established in 1979. It is regulated and listed on the Abu Dhabi Securities Exchange. The registered address of the Company is at P O Box 2378, Port Zayed, Mina, Abu Dhabi, UAE

The principal activity of the Company and its subsidiaries (collectively referred to as the "Group") is primarily in the import and distribution of foodstuff and household items in the United Arab Emirates, along with investing, development and management of real estate and commercial enterprises. The objectives of the Company include investment in or establishment of companies in the same line of business and investment in or establishment of factories in the processing or canning of foodstuff as well as engagement in all operations and investments in and outside the United Arab Emirates.

The consolidated financial statements were authorized for issue in accordance with a resolution of the Board of Directors on 15 March 2021.

2.1 FUNDAMENTAL ACCOUNTING CONCEPT

As of 31 December 2020 the Group's current liabilities exceeded its current assets by AED 13,955,310. This factor indicates the existence of a material uncertainty that may cast a significant doubt about the Group's ability to continue as a going concern.

Management has prepared the consolidated financial statements under the going concern assumption on account that it considers the deficit to be temporary and that it will generate sufficient cash flows from its business which will allow it to meet its liabilities as they fall due.

2.2 BASIS OF PREPARATION

Accounting convention
The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and applicable requirements of the UAE Federal Law No. (2) of 2015.

Federal Decree-Law No. 26 of 2020 which amends certain provisions of Federal Law No. 2 of 2015 on Commercial Companies was issued on 27 September 2020 and the amendments came into effect on 2 January 2021. The Group is in the process of reviewing the new provisions and will apply the requirements thereof no later than one year from the date on which the amendments came into effect.

The consolidated financial statements have been presented in United Arab Emirates Dirhams ("AED"), which is the presentation and functional currency of the Group.

Statement of compliance
The consolidated financial statements have been prepared under the historical cost convention except for investments carried at fair value through profit or loss, investments carried at fair value through other comprehensive income and investment properties which have been measured at fair value.

2.2 BASIS OF PREPARATION continued

Basis of consolidation
The consolidated financial statements comprise the financial statements of the Company and its subsidiaries, as at 31 December 2020. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has:

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee);
- Exposure, or rights, to variable returns from its involvement with the investee; and
- The ability to use its power over the investee to affect its returns.

Generally, there is a presumption that a majority of voting rights result in control. To support this presumption and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of an investee;
- Rights arising from other contractual arrangements; and
- The Group's voting rights and potential voting rights.

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the period are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognizes the related assets (including goodwill), liabilities, non-controlling interest and other components of equity while any resultant gain or loss is recognized in profit or loss. Any investment retained is recognized at fair value.

The consolidated financial statements comprise the financial statements of the Company and those of its following subsidiaries::

Name of subsidiary	*Principal activity*	*Country of incorporation*	***Percentage of holding***	
			2020	*2019*
Oasis National Foodstuff Company LLC	Packing of foodstuff	United Arab Emirates	**100%**	100%
FOODCO National Foodstuff PSC	Catering services and restaurant business	United Arab Emirates	**98.75%**	98.75%
5PL Logistics Solutions LLC	Shipment, clearance and warehousing services	United Arab Emirates	**100%**	100%
Abu Dhabi National Catering LLC	Catering services and wholesale of foodstuff	United Arab Emirates	**100%**	100%
Abu Dhabi National Foodstuff Company	Catering services and wholesale of foodstuff	United Arab Emirates	**100%**	100%
Dana Plaza Real-Estate - L.L.C.	Buildings Maintenance, Real Estate Lease And Management Services	United Arab Emirates	**100%**	-

2.3 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

New and amended standards and interpretations
The accounting policies adopted are consistent with those of the previous financial year, except for the following new standards, interpretations and amendments effective as of 1 January 2020. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

- Amendments to IFRS 3: Definition of a Business
- Amendments to IFRS 7, IFRS 9 and IAS 39: Interest Rate Benchmark Reform
- Amendments to IAS 1 and IAS 8: Definition of Material
- Amendments to IFRS 16: Covid-19 Related Rent Concessions
- Conceptual Framework for Financial Reporting

2.4 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the Group’s consolidated financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosures of contingent liabilities, at the consolidated statement of financial position date. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in the future. It also requires management to exercise its judgment in the process of applying the Group’s accounting policies.

Judgements
In the process of applying the Group’s accounting policies, management has made the following judgements, which have the most significant effect on the amounts recognised in the consolidated financial statements:

Determining the lease term of contracts with renewal and termination options – Group as lessee
The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

Classification of properties
In the process of classifying properties, management has made various judgments. Judgment is needed to determine whether a property qualifies as an investment property or property and equipment. The Group develops criteria so that it can exercise that judgment consistently in accordance with the definitions of investment properties or property and equipment. In making its judgment, management considered the detailed criteria and related guidance for the classification of properties as set out in International Accounting Standards IAS 16 **-** *Property, Plant and Equipment* and IAS 40 **-** *Investment Property*, in particular, the intended usage of property as determined by management.

Classification of investments
Management designates at the time of acquisition of securities whether these should be classified as at fair value through other comprehensive income (“FVTOCI”), fair value through profit or loss (“FVTPL”) or amortised cost. In making a judgement whether investments in securities are as at FVTOCI, FVTPL or amortised cost, management has considered the detailed criteria for determination of such classification as set out in IFRS 9 Financial Instruments. Management is satisfied that its investments in securities are appropriately classified.

Estimates and assumptions
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 period are discussed below.

2.4 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS continued

Estimates and assumptions continued
Useful lives of property and equipment
The Group's management determines the estimated useful lives of its property and equipment for calculating depreciation. This estimate is determined after considering the expected usage of the asset or physical wear and tear. Management reviews the residual values and useful lives annually and the future depreciation charge is adjusted where management believes that the useful lives differ from previous estimates. Where management determines that the useful life or residual value of an asset requires amendment, the net book amount in excess of the residual value is depreciated over the revised remaining useful life.

Impairment of property and equipment and intangible assets under development
The Group determines whether property and equipment and intangible assets under development are impaired when events or conditions indicate that the carrying amount may not be recoverable. In assessing whether there is any indication that the property and equipment and intangible assets under development at the end of the reporting period may be impaired, the Group considered the following:

- Changes in the technological, market, economic or legal environment in which the Group operates that had or would have an adverse effect on the Group;
- Physical damage of assets under construction;
- Plans to discontinue or restructure the operation to which the assets under construction belong; and
- Evidence from internal reporting and external factors that indicates a potential decline in budgeted net cash flows flowing from the asset.

Estimation of the recoverable amount of the property and equipment and intangibles assets under development, where indicators of impairment were present, is made on the reporting date. Estimation of the recoverable amount requires a determination of the property and equipment's and intangible assets under development, value in use and their fair value less costs to sell. Calculation of value in use requires the Group to make an estimate of the expected future cash flows from individual cash-generating units and determination of a suitable discount rate to calculate the present value of those cash flows. Fair value less costs to sell is determined by obtaining reports from third parties.

The net carrying amount of property and equipment, intangible assets and intangible assets under development subject to impairment assessment at 31 December 2020 was AED 65,108,703 (2019: AED 8,098,739) with no provision for impairment.

Valuation of properties
Investment properties are stated at fair value as at the consolidated statement of financial position date. Gains or losses arising from changes in the fair values are included in the consolidated statement of profit or loss in the year in which they arise. The fair values of investment properties are determined by management through an in-house valuation model. The valuation techniques adopted comprise the Income Method.

Investment properties under development are measured at fair value. In the exceptional cases, when a fair value cannot be reliably determined, such properties are recorded at cost. The fair value of investment properties under development is determined using either the Comparable Sales Method and discounted cash flow valuation techniques.

The determination of the fair value of investment properties requires the use of estimates such as future cash flows from assets and discount rates applicable to those assets. In addition, development risks (such as construction and letting risks) are also taken into consideration when determining the fair value of investment properties under development. These estimates are based on local market conditions existing at the consolidated statement of financial position date. In arriving at their estimates of fair values as at 31 December 2020 and 2019, management have used their market knowledge and professional judgment and have not only relied solely on historic transactional comparables.

2.4 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS continued

Estimates and assumptions continued
Impairment of inventories
Inventories are held at the lower of cost and net realisable value. When inventories become old or obsolete, an estimate is made of their net realisable value. For individually significant amounts this estimation is performed on an individual basis. Amounts which are not individually significant, but which are old or obsolete, are assessed collectively and a provision applied according to the inventory type and the degree of ageing or obsolescence, based on anticipated selling prices.

At the reporting date, gross inventories were AED 40,510,968 (2019: AED 17,183,961) with allowance for slow moving inventories amounting to AED 1,324,864 (2019: AED 754,727).

Provision for expected credit losses for trade and other receivables
The Group uses a provision matrix to calculate ECLs for trade and other receivables. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns (i.e., by operating segment, product type, customer type and rating, and coverage by letters of credit and other forms of credit insurance).

The provision matrix is initially based on the Group's historical observed default rates. The Group then calibrates the matrix to adjust the historical credit loss experience with forward-looking information. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future.

The Group has also performed the specific assessment for some customers based on the risk profile to calculate the ECL using the simplified approach.

At the reporting date, gross trade and other receivables were AED 56,126,845 (2019: AED 197,531,376) and the allowance for expected credit losses was AED 27,629,775 (2019: AED 30,063,050). Any difference between the amounts actually collected in future periods and the net carrying amounts is recognised in the consolidated statement of profit or loss.

Leases - estimating the incremental borrowing rate
The Group cannot readily determine the interest rate implicit in its leases, therefore, it uses its incremental borrowing rate (IBR) to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Group 'would have to pay', which requires estimation when no observable rates are available.

Key sources of estimation uncertainty – COVID-19
The outbreak of Novel Coronavirus (COVID 19) continues to progress and evolve. Therefore, it is challenging now, to predict the full extent and duration and its impact on the business and overall economic impact. As a result, businesses have subsequently seen reduced customer traffic and, where governments mandated, temporary suspension of travel and closure of recreation and public facilities.

To alleviate the negative impact of the COVID-19 pandemic, the UAE Government, Central Bank and other independent jurisdictions and regulators have taken measures and issued directives to support businesses and the UAE economy at large, including extensions of deadlines, facilitating continued business through social-distancing and easing pressure on credit and liquidity in the UAE.

2.4 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS continued

Estimates and assumptions continued

Key sources of estimation uncertainty – COVID-19 continued

The situation, including the government and public response to the challenges, continue to progress and rapidly evolve. Therefore, the extent and duration of the impact of these conditions remain uncertain and depend on future developments that cannot be accurately predicted at this stage, and a reliable estimate of such an impact cannot be made at the date of approval of these consolidated financial statements. Notwithstanding, these developments could impact our future financial results, cash flows and financial position.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Revenue recognition from contracts with customers

Revenue from contracts with customers is recognised when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services. The Group has generally concluded that it is the principal in its revenue arrangements, because it typically controls the goods or services before transferring them to the customer.

Revenue from contracts with customers for sale of goods or services

The Group recognises revenue from contracts with customers based on a five-step model as set out in IFRS 15:

Step 1: Identify contract(s) with a customer: A contract is defined as an agreement between two or more parties that creates enforceable rights and obligations and sets out the criteria for every contract that must be met.

Step 2: Identify performance obligations in the contract: A performance obligation is a promise in a contract with a customer to transfer a good or service to the customer.

Step 3: Determine the transaction price: The transaction price is the amount of consideration to which the Group expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties.

Step 4: Allocate the transaction price to the performance obligations in the contract: For a contract that has more than one performance obligation, the Group allocates the transaction price to each performance obligation in an amount that depicts the amount of consideration to which the Group expects to be entitled in exchange for satisfying each performance obligation.

Step 5: Recognise revenue when (or as) the Group satisfies a performance obligation.

The Group satisfies a performance obligation and recognises revenue over time, if one of the following criteria is met:

a) The Group's performance does not create an asset with an alternate use to the Group and the Group has as an enforceable right to payment for performance completed to date.

b) The Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced.

c) The customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs.

For performance obligations where one of the above conditions are not met, revenue is recognised at the point in time at which the performance obligation is satisfied.

When the Group satisfies a performance obligation by delivering the promised goods or services it creates a contract based asset on the amount of consideration earned by the performance. Where the amount of consideration received from a customer exceeds the amount of revenue recognised this gives rise to a contract liability.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

Revenue recognition from contracts with customers continued
Revenue from contracts with customers for sale of goods or services continued
Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes and duty. The Group assesses its revenue arrangements against specific criteria to determine if it is acting as principal or agent.

Revenue is recognised to the extent it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably.

Sale of goods
Revenue from the sale of goods is recognised at the point in time when control of the asset is transferred to the customer, generally on delivery of the goods.

Management fees
The Group's performance obligation comprises providing warehouse management services to the customers and it recognises revenue over time, as the services are rendered.

Freight forwarding and storage
Revenue arising from freight forwarding and storage services is accounted for on the basis of the number of the days services are provided, and the Group recognises revenue over time, as the services are rendered.

Rental income
Rental income is recognised on a straight line basis over the term of lease. Lease incentives granted are recognised as an integral part of total rental income, over the term of the lease.

Dividend income
Dividend income from investment is recognised when the shareholder's right to receive payment has been established.

Leases
The Group assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Group as a lessee
The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

i). Right-of-use assets

The Group recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the lease term as follows:

Land	4 to 30 years

If ownership of the leased asset transfers to the Group at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

The right-of-use assets are also subject to impairment. Refer to summary of significant accounting policies for impairment of non-financial assets section.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

Leases continued
Group as a lessee continued
ii). Lease liabilities

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating the lease, if the lease term reflects the Group exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognised as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

iii). Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases that are considered of low value (i.e., below USD 5,000, when new). Lease payments on short- term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

Group as a lessor
Leases in which the Group does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. Rental income arising is accounted for on a straight-line basis over the lease terms and is included in revenue in the consolidated statement of profit or loss due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

Finance costs
The Group's finance costs include interest expenses and the foreign currency gain or loss on financial assets and financial liabilities. Interest expense is recognised using the effective interest (EIR) method. In calculating interest expense, the effective interest rate is applied to the amortised cost of the liability.

Property and equipment
Property and equipment are stated at cost less accumulated depreciation and any impairment in value. Land is not depreciated.

Cost includes expenditures that are directly attributable to the acquisition of the assets including installation costs. The cost of replacing part of an item of property and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group and its cost can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance expenses are charged to the consolidated statement of profit or loss during the reporting period in which they are incurred.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

Property and equipment continued
The estimated useful lives for the current and the comparative periods are as follows:

	Years
Warehouse and office buildings	25
Equipment, furniture and fittings	10 to 20
Motor vehicles	4

In the case of leasehold improvements, it is expected that the underlying lease will continue to be renewed over the useful life and therefore, depreciation is charged over the useful life of the leasehold improvements.

The Group assesses, at each reporting date, whether there is an indication that the carrying value of property and equipment may be impaired. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets are written down to their recoverable amount, being the higher of their fair value less costs to sell and their value in use. The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date.

The gain or loss arising on the disposal or retirement of property and equipment is determined as the difference between the sales proceeds and the carrying amount of the property and equipment and is recognised in the consolidated statement of profit or loss in the year when the property and equipment is sold or retired.

Capital work-in-progress and intangibles under development
Capital work-in-progress and intangibles under development are recorded at cost. Allocated costs directly attributable to the construction of the asset are capitalised. The capital work-in-progress and intangibles under development are transferred to the appropriate asset category and depreciated or amortised in accordance with the Group's policies when construction of the asset is completed, and the asset is commissioned.

Borrowing costs
Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation. All other borrowing costs are recognised in the consolidated statement of profit or loss in the period in which they are incurred.

Investment properties
Initial recognition and measurement
Investment properties are measured initially at cost, including transaction costs.

Subsequent measurement
Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the reporting date. Gains or losses arising from changes in the fair values of investment properties are included in the consolidated statement of profit or loss in the period in which they arise. Fair values are determined based on an annual valuation performed by management applying an in-house valuation model.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

Investment properties continued
Derecognition
Investment properties are derecognised either when they have been disposed of (i.e., at the date the recipient obtains control) or when they are permanently withdrawn from use and no future economic benefit is expected from their disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognised in consolidated statement of profit or loss in the period of derecognition. In determining the amount of consideration from the derecognition of investment property, the Group considers the effects of variable consideration, existence of a significant financing component, non-cash consideration, and consideration payable to the buyer (if any).

Transfer
Transfers are made to (or from) investment property only when there is a change in use. For a transfer from investment property to owner-occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner-occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under property and equipment up to the date of change in use.

Investment properties under development
Investment properties under development that are being constructed or developed for future use as investment properties are measured initially at cost including all direct costs attributable to the design and construction of the properties including related staff direct costs. Subsequent to initial recognition, investment properties under development are measured at fair value. Gains and losses arising from changes in the fair value of investment properties under development are included in the consolidated statement of comprehensive income in the period in which they arise. Upon completion of construction or development, such properties are transferred to completed investment properties.

Inventories
Inventories are stated at the lower of cost and net realizable value. Cost is determined on a weighted average cost basis and comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing them to their present location and condition. Net realizable value is the estimated selling price in the ordinary course of the business, based on market prices at the reporting date and discounted for the time value of money if material, less costs to completion and the estimated costs of sale.

Impairment of non-financial assets
The Group assesses, at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs of disposal and its value in use.

Recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

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. In determining fair value less costs to sell, recent market transactions are taken into account, if available. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded subsidiaries or other available fair value indicators.

The Group bases its impairment calculation on detailed budgets and forecast calculations, which are prepared separately for each of the Group's CGUs to which the individual assets are allocated. These budgets and forecast calculations cover a period to the end of useful life of the assets.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

Impairment of non-financial assets continued
For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Group estimates the assets' or cash-generating units' recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the consolidated statement of profit or loss.

Financial instruments
A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

i) Financial assets

Initial recognition and measurement
Financial assets are classified, at initial recognition as financial assets carried at fair value through profit or loss, fair value through other comprehensive income or amortized cost. All financial assets are recognised initially at fair value plus in the case of financial assets not recorded at fair value through profit or loss, transaction costs that are attributable to the acquisition of the financial asset. The Group's financial assets comprise trade and other receivables, other assets, amounts due from related parties, bank balances and cash, investments carried at fair value through other comprehensive income ("FVTOCI") and investments carried at fair value through profit or loss ("FVTPL").

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the marketplace are recognised on the trade date, which is the date that the Group commits to purchase or sell the asset.

In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level. The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

Subsequent measurement
For purposes of subsequent measurement, financial assets are classified in four categories:

a) Financial assets at amortised cost;
b) Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments);
c) Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments); and
d) Financial assets at fair value through profit or loss.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

Financial instruments continued

i) Financial assets continued

Financial assets at amortised cost
The Group measures financial assets at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective 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.

Financial assets at amortised cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognised in the consolidated statement of profit or loss when the asset is derecognised, modified or impaired.

The Group's financial assets are classified at amortised cost, which includes trade and other receivables, other assets, amounts due from related parties and bank balances and cash.

Financial assets at fair value through OCI (debt instruments)
The Group measures debt instruments at fair value through OCI if both of the following conditions are met:

- The financial asset is held within a business model with the objective of both holding to collect contractual cash flows and selling; 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.

For debt instruments at fair value through OCI, interest income, foreign exchange revaluation and impairment losses or reversals are recognised in the consolidated statement of profit or loss and computed in the same manner as for financial assets measured at amortised cost. The remaining fair value changes are recognised in OCI. Upon derecognition, the cumulative fair value change recognised in OCI is recycled to profit or loss.

The Group does not have any debt instruments at fair value through OCI.

Financial assets designated at fair value through OCI (equity instruments)
Upon initial recognition, the Group can elect to classify irrevocably its equity investments as equity instruments designated at fair value through OCI when they meet the definition of equity under IAS 32 Financial Instruments: Presentation and are not held for trading. The classification is determined on an instrument-by- instrument basis.

Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognised as income from investments in the consolidated statement of profit or loss when the right of payment has been established, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at fair value through OCI are not subject to impairment assessment.

The Group have various equity investments under this category.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

Financial instruments continued

i) Financial assets continued

Financial assets at fair value through profit or loss
Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value.

Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments.

Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortised cost or at fair value through OCI, as described above, debt instruments may be designated at fair value through profit or loss on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

Financial assets at fair value through profit or loss are carried in the consolidated statement of financial position at fair value with net changes in fair value recognised in the consolidated statement of profit or loss.

The Group has classified various investments under this category.

Derecognition
The Group derecognises a financial asset only when:

- the contractual rights to the cash flows from the asset expire; or
- it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset.

ii) Financial liabilities

Initial recognition and measurement
Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group's financial liabilities include trade and other payables, amounts due to related parties, lease liabilities and loans and borrowings.

Subsequent measurement
The measurement of financial liabilities depends on their classification. The category of financial liabilities most relevant to the Group is loans and borrowings.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

Financial instruments continued

ii) Financial liabilities continued

Financial liabilities at fair value through profit or loss
Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in IFRS 9 are satisfied. The Group has not designated any financial liability as at fair value through profit or loss, except for derivatives.

Loans and borrowings
After initial recognition, loans and borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the consolidated statement of profit or loss.

Derecognition
A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the consolidated statement of profit or loss.

Offsetting of financial instruments
Financial assets and financial liabilities are offset and the net amount reported in the consolidated statement of financial position if, and only if:

- There is a currently enforceable legal right to offset the recognised amounts; and
- There is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Impairment of financial assets
The Group recognises an allowance for expected credit losses (ECLs) for all assets at amortised cost including debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

Impairment of financial assets continued
For trade and other receivables, the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

The Group considers a financial asset in default when contractual payments are 360 days past due, considering the nature of the Group's operations. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Cash and cash equivalents
For the purpose of the consolidated statement of cash flows, cash and cash equivalents consist of cash in hand and bank balances net of bank overdrafts and term deposits with maturity of more than three months.

Provisions
Provisions are recognised when the Group has an obligation (legal or constructive) arising from a past event, and the costs to settle the obligation are both probable and able to be reliably measured.

Employees' end of service benefits
The Group provides end of service benefits to its expatriate employees. The entitlement to these benefits is usually based upon the employees' final salary and length of service, subject to the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment.

With respect to its UAE national employees, the Group makes contributions to the relevant government pension scheme calculated as a percentage of the employees' salaries. The Group's obligations are limited to these contributions, which are expensed when due.

Taxes
Value added tax ("VAT")
Expenses and assets are recognised net of the amount of VAT, except:

- When the VAT incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case, the VAT is recognised as part of the cost of acquisition of the asset or as part of the expense item, as applicable; or
- When receivables and payables are stated with the amount of VAT included.

The net amount of VAT recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the consolidated statement of financial position.

Foreign currencies
Transactions in foreign currencies are recorded at the rate ruling at the date of the transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the reporting date. All differences are taken to the consolidated statement of profit or loss. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

Fair value measurement
The Group measures financial instruments such as financial assets at fair value through other comprehensive income at fair value at each statement of consolidated financial position date.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability; or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible by the Group.
The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the consolidated financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities
Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
Level 3 —Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

Current versus non-current classification
The Group presents assets and liabilities in consolidated statement of financial position based on current / non-current classification. An asset is current when it is:

- Expected to be realised or intended to sold or consumed in normal operating cycle;
- Held primarily for the purpose of trading;
- Expected to be realised within twelve months after the reporting period; or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current.

A liability is current when:

- It is expected to be settled in normal operating cycle;
- It is held primarily for the purpose of trading;
- It is due to be settled within twelve months after the reporting period; or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

The Group classifies all other liabilities as non-current.

2.6 FUTURE CHANGES IN ACCOUNTING POLICIES – STANDARD ISSUED BUT NOT YET EFFECTIVE

The standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Group's consolidated financial statements. The following new standards / amendments to standards which were issued up to 31 December 2020 and are not yet effective for the year ended 31 December 2020 have not been applied while preparing these consolidated financial statements. The Group does not expect that the adoption of these standards / amendments will have a material impact on its consolidated financial statements:

- IFRS 17 Insurance Contracts
- Amendments to IAS 1: Classification of Liabilities as Current or Non-current
- Reference to the Conceptual Framework - Amendments to IFRS 3
- Property, Plant and Equipment: Proceeds before Intended Use - Amendments to IAS 16
- Onerous Contracts - Costs of Fulfilling a Contract – Amendments to IAS 37
- IFRS 1 First-time Adoption of International Financial Reporting Standards - Subsidiary as a first-time adopter
- IFRS 9 Financial Instruments - Fees in the '10 percent' test for derecognition of financial liabilities
- IAS 41 Agriculture - Taxation in fair value measurements

3 REVENUE

a) Revenue from contracts with customers

	2020 ***AED***	*2019* *AED*
Sale of goods	**58,901,070**	235,131,885
Management fees	**-**	8,888,889
Freight forwarding and storage	**3,946,651**	2,300,881
	62,847,721	246,321,655

Set out below is the disaggregation of the Company's revenue from contracts with customers:

	2020 ***AED***	*2019* *AED*
Geographical markets		
United Arab Emirates ("UAE")	**62,847,721**	246,321,655

	2020 ***AED***	*2019* *AED*
Timing of revenue recognition		
Revenue recognised over time	**3,946,651**	11,189,770
Revenue recognised at point in time	**58,901,070**	235,131,885
	62,847,721	246,321,655

3 REVENUE continued

a) Revenue from contracts with customers continued

Performance obligations
Sale of goods:
The Group has only one performance obligation to deliver the goods to the customers and recognises revenue at a point in time, upon delivery of the goods to the customers' locations.

Management fees
In relation to management services, the Group's performance obligation comprises of provision of warehouse management services to customers and it recognises the revenue when the services are rendered over a period of time.

Freight forwarding and storage
The Group has only one performance obligation to provide freight, forward and storage services to customers. Revenue arising from freight forwarding and storage services is accounted for on the basis of the number of days the freight forwarding and storage services are provided, and it recognises revenue over time, as the services are rendered.

b) Income (loss) from investment properties

Set out below is the disaggregation of the Group's income (loss) from investment properties:

	2020	*2019*
	AED	*AED*
Rental income	**34,912,024**	37,241,090
Changes in fair value of investment properties (note 11)	**(6,000,000)**	(47,812,094)
	28,912,024	(10,571,004)

c) Income (loss) from investments

	2020	*2019*
	AED	*AED*
Dividend income	**9,285,039**	17,959,539
(Loss) gain on sale of investments	**(51,757)**	3,227,527
Net changes in fair value of investments carried at fair value through profit or loss (note 12)	**95,335,726**	(94,400,242)
	104,569,008	(73,213,176)

4 SELLING AND DISTRIBUTION EXPENSES

	2020	*2019*
	AED	*AED*
Staff costs	**10,569,207**	12,208,915
Travelling expenses	**748,009**	2,122,767
Promotional expenses	**464,920**	1,856,671
Depreciation (note 7)	**2,775,239**	1,060,437
Depreciation on right of use assets	**441,471**	-
Tender expenses	**166,863**	689,984
Marketing department expenses	**996,086**	368,960
Other expenses	**1,543,215**	843,911
	17,705,010	19,151,645

5 GENERAL AND ADMINISTRATIVE EXPENSES

	2020	*2019*
	AED	*AED*
Staff costs	**9,047,714**	13,014,156
Directors remuneration (note 26)	**8,780,988**	4,785,654
Utilities expenses	**2,146,651**	2,784,340
Travelling expenses	**378,975**	2,109,798
Depreciation expenses (note 7)	**1,070,029**	1,248,780
Amortisation expenses (note 8)	**701,025**	73,030
Repair and maintenance expenses	**1,317,586**	1,129,096
Legal and professional fees	**2,413,761**	1,140,083
(Gain) loss on disposal of property and equipment	**(29,880)**	565,768
Licenses and registration expenses	**89,835**	460,624
Other expenses	**2,478,683**	1,437,797
	28,395,367	28,749,126

6 PROFIT FOR THE YEAR

Profit for the year is arrived at after charging the following:

	2020	*2019*
	AED	*AED*
Staff costs	**20,136,373**	29,080,204
Depreciation of property and equipment (note 7)	**4,146,419**	2,711,170
Depreciation on right-of-use assets (note 9)	**7,272,184**	8,137,331
Rental expenses	**641,185**	907,542

7 PROPERTY AND EQUIPMENT

	Warehouse and office buildings AED	*Equipment, furniture and fittings AED*	*Motor vehicles AED*	*Capital work-in-progress AED*	*Total AED*
2020					
Cost:					
At 1 January 2020	16,953,592	27,615,639	8,095,020	1,187,204	53,851,455
Additions	-	604,063	762,500	944,928	2,311,491
Transfer from investment Properties*	59,500,000	-	-	-	59,500,000
Transfer from CWIP	-	1,635,982	-	(1,635,982)	-
Disposals	-	(40,140)	(156,200)	-	(196,340)
At 31 December 2020	**76,453,592**	**29,815,544**	**8,701,320**	**496,150**	**115,466,606**
Accumulated depreciation:					
At 1 January 2020	16,190,686	24,210,985	7,479,947	-	47,881,618
Charge for the year	1,765,838	1,837,179	543,402	-	4,146,419
Relating to disposals	-	(16,987)	(156,170)	-	(173,157)
At 31 December 2020	**17,956,524**	**26,031,177**	**7,867,179**	**-**	**51,854,880**
Net carrying amount					
At 31 December 2020	**58,497,068**	**3,784,367**	**834,141**	**496,150**	**63,611,726**
2019					
Cost:					
At 1 January 2019	16,953,592	28,708,224	8,031,523	573,972	54,267,311
Additions	-	506,773	439,997	613,232	1,560,002
Disposals	-	(1,599,358)	(376,500)	-	(1,975,858)
At 31 December 2019	16,953,592	27,615,639	8,095,020	1,187,204	53,851,455
Accumulated depreciation:					
At 1 January 2019	16,024,795	23,345,670	7,099,592	-	46,470,057
Charge for the year	165,891	1,788,444	756,835	-	2,711,170
Relating to disposals	-	(923,129)	(376,480)	-	(1,299,609)
At 31 December 2019	16,190,686	24,210,985	7,479,947	-	47,881,618
Net carrying amount					
At 31 December 2019	762,906	3,404,654	615,073	1,187,204	5,969,837

* During the year ended 31 December 2020, the Group's management resolved to transfer properties amounting to AED 59,500,000 from investment properties to property and equipment due to the evidenced change of their use. The value recorded was based on the fair value of the properties as of the date of transfer.

7 PROPERTY AND EQUIPMENT continued

The depreciation charge for the period has been allocated as follows:

	2020 *AED*	*2019* *AED*
Direct costs	**301,151**	401,953
Selling and distribution expenses (note 4)	**2,775,239**	1,060,437
General and administrative expenses (note 5)	**1,070,029**	1,248,780
	4,146,419	2,711,170

Included under warehouse and office buildings are warehouses constructed on a leased land in Mina Zayed port in Abu Dhabi. The Group and the Seaport Authority, representing the Government of Abu Dhabi, signed a lease agreement covering the land for a period of 15 years with effect from 1 January 1998. The lease agreement is renewable based on terms to be determined by the Seaport Authority. The contract has been extended for 4 more years effective 1 January 2018.

Included under warehouse and office buildings, is a warehouse in Dubai constructed in 2000 on a plot of land leased from Dubai Municipality for a renewable period of 5 years with effect from 1 February 1999. Since 2004, the lease agreement is being renewed on a yearly basis.

Included under equipment, furniture and fittings, is the office complex which was completed in August 2001 on the aforesaid leased land in Mina Zayed Port in Abu Dhabi.

8 INTANGIBLE ASSETS

	2020 *AED*	*2019* *AED*
Cost:		
At 1 January	**365,150**	365,150
Transfer from intangible assets under development	**1,942,157**	-
Additions	**69,100**	-
At 31 December	**2,376,407**	365,150
Accumulated amortization:		
At 1 January	**178,405**	105,375
Charge for the year	**701,025**	73,030
At 31 December	**879,430**	178,405
Net carrying amount:		
At 31 December	**1,496,977**	186,745

9 RIGHT-OF-USE ASSETS

	2020	*2019*
	AED	*AED*
At 1 January 2020	**23,059,114**	31,196,445
Depreciation expense (note 6)	**(7,272,184)**	(8,137,331)
Lease modifications	**(3,006,757)**	-
At 31 December 2020	**12,780,173**	23,059,114

The depreciation charge for the year has been allocated as follows:

	2020	*2019*
	AED	*AED*
Direct costs	**6,830,713**	8,137,331
Selling and distribution expenses (Note 4)	**441,471**	-

10 INVESTMENT PROPERTIES UNDER DEVELOPMENT

	2020	*2019*
	AED	*AED*
At 1 January	**22,525,635**	118,870,314
Additions during the year	**1,045,653**	27,538,257
Transferred to investment properties (note 11)	**(18,053,238)**	(123,882,936)
	5,518,050	22,525,635

Fair value measurement hierarchy for investment properties under development as at 31 December 2020 and 2019:

	Date of valuation	*Total AED*	*Level 1 AED*	*Level 2 AED*	*Level 3 AED*
2020					
Residential & commercial properties	**31 December 2020**	**5,518,050**	**-**	**-**	**5,518,050**
2019					
Residential & commercial properties	31 December 2019	22,525,635	-	-	22,525,635

	Fair value 2020 AED'000	*Fair value 2019 AED'000*	*Valuation techniques*	*Key unobservable input*	***Range/ average 2020***	*Range/ Average 2019*
Investment properties Level 3	**-**	17,006	Discounted cashflow	Occupancy rate Yield	- -	90%-95% 7.50%
Investment properties Level 3	**5,518**	5,520	Discounted cashflow	Unit sales price	50% advance payment of total cost	

10 INVESTMENT PROPERTIES UNDER DEVELOPMENT continued

During the year ended 31 December 2019, investment properties under development mainly represented properties under construction in Al Barsha. These investment properties were transferred during the current year (2019: transfer of investment properties represented C-3 and C-10 properties located in Khalifa city).

The fair value of investment properties under development as at 31 December 2020 and 2019 approximates their carrying value. This has been arrived at on the basis of internal valuations carried out by the Group's management using discounted cashflows.

The fair value measurement has been categorised as a Level 3 fair value based on the inputs to the valuation technique used.

11 INVESTMENT PROPERTIES

	2020	*2019*
	AED	*AED*
Warehouses	**61,560,867**	108,441,802
Buildings – residential	**56,000,000**	80,613,224
Building - commercial and residential	**217,971,174**	199,917,936
Less: provision for fair value losses on investment Properties	**(76,817,935)**	(82,812,094)
	258,714,106	306,160,868

The movements in the investment properties during the year were as follows:

	2020	*2019*
	AED	*AED*
At 1 January	**306,160,868**	230,090,026
Transferred from investment properties under development (note 10)	**18,053,238**	123,882,936
Transfer to Property and equipment (note 7)	**(59,500,000)**	-
Change in fair value of investment properties (note 3)	**(6,000,000)**	(47,812,094)
	258,714,106	306,160,868

11 INVESTMENT PROPERTIES continued

Fair value measurement hierarchy for completed investment properties as at 31 December 2020 and 2019:

	Date of Valuation	*Total AED*	*Level 1 AED*	*Level 2 AED*	*Level 3 AED*
2020					
Residential & commercial properties	**31 December 2020**	**258,714,106**	**-**	**-**	**258,714,106**
2019					
Residential & commercial properties	31 December 2019	306,160,868	-	-	306,160,868

	Fair value 2020 AED	*Fair value 2019 AED*	*Valuation techniques*	*Key unobservable input*	***Range/ average 2020 AED***	*Range/ Average 2019 AED*
Investment properties Level 3	**258,714,106**	306,160,868	Investment method	Net rent per/ Sq feet Occupancy rate Yield	**AED 27 to 200** **88%-90%** **7 to 7.5%**	AED 53 to 218 78%-97% 7 to 7.5%

Investment properties are stated at fair value, which has been determined based on valuations performed during January 2020 by an accredited independent valuer with a recognized and relevant professional qualification and with recent experience in the location and category of investment properties as well as an internal valuation carried out by the Group's management as at 31 December 2020. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Investment properties amounting to AED 221,600,030 (2019: AED 221,600,030) are pledged against loans and borrowings (note 24) obtained by the Group to finance the construction of the properties.

As at reporting date, the future minimum lease payments to be received by the Group under non-cancellable leases are as set out below:

	2020 AED	*2019 AED*
As a lessor:		
Not later than one year	**16,980,308**	6,016,891

12 INVESTMENTS

	2020 AED	*2019 AED*
Investments carried at fair value through other comprehensive income	**163,068,927**	145,504,463
Investments carried at fair value through profit and loss	**334,186,853**	288,307,385
	497,255,780	433,811,848

12 INVESTMENTS continued

Investments carried at fair value through other comprehensive income comprise:

	2020 *AED*	*2019* *AED*
Quoted equity securities inside UAE	**152,297,176**	132,031,716
Quoted equity securities outside UAE	**5,980,224**	6,062,836
Unquoted equity securities inside UAE	**4,218,038**	6,513,953
Unquoted equity securities outside UAE	**573,489**	895,958
	163,068,927	145,504,463

Investments carried at fair value through profit and loss comprise:

	2020 *AED*	*2019* *AED*
Quoted equity securities inside UAE	**326,102,735**	278,272,224
Investments in mutual funds*	**-**	8,382,837
Quoted commodities	**2,680,273**	-
Quoted equity securities outside UAE	**5,403,845**	1,652,324
	334,186,853	288,307,385

*Investment in mutual funds have been held by a related party beneficially on behalf of the Group.

The movement in the investments is as follows:

	At fair value through profit and loss 31 December 2020 AED	***At fair value through other comprehensive income 31 December 2020 AED***	*At fair value through profit and loss 31 December 2019 AED*	*At fair value through other comprehensive income 31 December 2019 AED*
At 1 January	**288,307,385**	**145,504,463**	357,088,241	251,082,239
Purchase of investments	**85,721,977**	**1,356,796**	60,047,900	20,403,804
Disposal of investments	**(135,178,235)**	**-**	(34,428,514)	(22,010,313)
	238,851,127	**146,861,259**	382,707,627	249,475,730
Change in fair value	**95,335,726**	**16,207,668**	(94,400,242)	(103,971,267)
At end of the year	**334,186,853**	**163,068,927**	288,307,385	145,504,463

Investments having carrying value amounting to AED 65,474,579 (2019: AED 65,474,579) are pledged with commercial banks for securing term loans (note 24).

12 INVESTMENTS continued

The following table shows the fair value analysis of investments measured at fair value by level of the fair value hierarchy:

	Level 1 AED	*Level 2 AED*	*Level 3 AED*	*Total AED*
31 December 2020				
Investments carried at fair value through profit and loss				
Quoted shares	**334,186,853**	**-**	**-**	**334,186,853**
Investments carried at fair value through other comprehensive income				
Quoted shares	**158,277,400**	**-**	**-**	**158,277,400**
Unquoted shares	**-**	**-**	**4,791,527**	**4,791,527**
	158,277,400	**-**	**4,791,527**	**163,068,927**
Total	**492,464,253**	**-**	**4,791,527**	**497,255,780**
31 December 2019				
Investments carried at fair value through profit and loss				
Quoted shares	279,924,548	-	-	279,924,548
Mutual funds	-	8,382,837	-	8,382,837
	279,924,548	8,382,837	-	288,307,385
Investments carried at fair value through other comprehensive income				
Quoted shares	138,094,552	-	-	138,094,552
Unquoted shares	-	-	7,409,911	7,409,911
	138,094,552	-	7,409,911	145,504,463
Total	418,019,100	8,382,837	7,409,911	433,811,848

13 OTHER ASSETS

Other assets represent right to acquire land located in the Kingdom of Bahrain, from a third party. The Group is in the process of finalizing the transfer of land.

14 INVENTORIES

	2020 AED	*2019 AED*
Goods for resale	**38,359,023**	16,234,636
Consumables	**2,151,945**	949,325
	40,510,968	17,183,961
Less: allowance for slow moving inventories	**(1,324,864)**	(754,727)
	39,186,104	16,429,234

14 INVENTORIES continued

The movement in the allowance for slow moving inventories was as follows:

	2020 AED	2019 AED
At 1 January	**754,727**	4,047,181
Charge for the year	**951,356**	465,000
Reversal during the year	**-**	(2,665,289)
Written off during the year	**(381,219)**	(1,092,165)
	1,324,864	754,727

During the year, cost of inventories recognised as expense amounted to AED 55,673,160 (2019: AED 170,896,944).

15 TRADE AND OTHER RECEIVABLES

	2020 AED	2019 AED
Trade receivables	**50,266,537**	182,523,858
Less: allowance for expected credit losses on trade receivables	**(24,604,468)**	(25,545,890)
	25,662,069	156,977,968
Receivables against sale of investment property	**-**	6,300,000
Advances to suppliers	**4,328,401**	6,424,967
Prepayments	**1,166,567**	1,164,618
Other receivables	**1,531,907**	2,282,551
Less: allowance for expected credit losses on other receivables, advance to suppliers and receivable against sale of investment property*	**(3,025,307)**	(4,517,160)
	29,663,637	168,632,944

* Allowance for expected credit losses on other receivables, advances to suppliers and receivable against sale of investment properties includes provision against receivables against sale of investment property amounting to AED nil (2019: AED 1,500,000).

The movement in the expected credit losses on the trade receivables during the year was as follows:

	2020 AED	2019 AED
At 1 January	**25,545,890**	25,827,162
Charge for the year	**3,291,458**	8,178,701
Written off during the year	**(4,232,880)**	(8,459,973)
At 31 December	**24,604,468**	25,545,890

15 TRADE AND OTHER RECEIVABLES continued

Movement in the allowance for expected credit losses on other receivables during the year was as follows:

	2020 *AED*	*2019* *AED*
At 1 January	**4,517,160**	1,882,271
Charge for the year	**2,420,000**	2,634,889
Written off during the year	**(3,911,853)**	-
At 31 December	**3,025,307**	4,517,160

As at 31 December, the ageing analysis of unimpaired trade accounts receivable is as follows:

			Past due				
	Total *AED*	*Current* *AED*	*30 days* *AED*	*31 - 60 days* *AED*	*61 – 90 days* *AED*	*91 – 180 Days* *AED*	*>180 Days* *AED*
31 December 2020							
Expected credit losses rate		**3%**	**9%**	**8%**	**16%**	**10%**	**67%**
Estimated total gross carrying amount at default	**50,266,537**	**2,603,381**	**1,720,227**	**1,268,111**	**1,017,442**	**8,956,453**	**34,700,923**
Expected credit loss	**(24,604,468)**	**(75,941)**	**(152,957)**	**(104,210)**	**(160,908)**	**(906,310)**	**(23,204,142)**
	25,662,069	**2,527,440**	**1,567,270**	**1,163,901**	**856,534**	**8,050,143**	**11,496,781**
31 December 2019							
Expected credit losses rate		4%	10%	12%	18%	7%	17%
Estimated total gross carrying amount at default	182,523,858	11,623,837	3,526,619	1,664,232	1,352,269	30,467,580	133,889,321
Expected credit loss	(25,545,890)	(456,677)	(342,179)	(200,145)	(242,589)	(2,164,928)	(22,139,372)
	156,977,968	11,167,160	3,184,440	1,464,087	1,109,680	28,302,652	111,749,949

16 CASH AND CASH EQUIVALENTS

	2020 *AED*	*2019* *AED*
Cash in hand	**78,923**	67,852
Cash at banks – current accounts	**5,214,320**	4,047,179
Bank balances and cash	**5,293,243**	4,115,031
Less: bank overdrafts (note 24)	**(200,907,441)**	(206,933,195)
Cash and cash equivalents	**(195,614,198)**	(202,818,164)

16 CASH AND CASH EQUIVALENTS continued

Changes in liabilities arising from financing activities

	At 1 January AED	*Cash inflows AED*	*Cash outflows AED*	*31 December AED*
31 December 2020				
Term loans	**278,124,566**	**212,133,587**	**(279,279,936)**	**210,978,217**
Trust receipts	**51,675,232**	**93,015,625**	**(125,577,717)**	**19,113,140**
Lease liabilities	**23,268,090**	**-**	**(7,950,007)**	**15,318,083**
At the end of the year	**353,067,888**	**305,149,212**	**(412,807,660)**	**245,409,440**
31 December 2019				
Term loans	189,972,628	140,488,655	(52,336,717)	278,124,566
Trust receipts	20,123,884	129,283,802	(97,732,454)	51,675,232
Lease liabilities	30,832,049	-	(7,563,959)	23,268,090
Dividend	-	-	(12,000,000)	(12,000,000)
At the end of the year	240,928,561	269,772,457	(169,633,130)	341,067,888

17 SHARE CAPITAL

	2020 AED	*2019 AED*
Authorised, allotted, issued and fully paid		
120 million shares of AED 1 each	**120,000,000**	120,000,000

18 LEGAL RESERVE

In accordance with UAE Federal Law No. 2 of 2015, the Company is required to transfer 10% of its profit for the year to a non-distributable legal reserve until the balance of the legal reserve equals one half of the Company's paid up share capital.

19 REGULATORY RESERVE

In accordance with the Company's Articles of Association, the regulatory reserve account is created by appropriation of the net profit at a rate approved by the General Assembly based on the approval of the Board of Directors.

20 NON-CONTROLLING INTERESTS

Non-controlling interest represents the minority shareholder's proportionate share in the aggregate value of the net assets of subsidiaries.

21 DIVIDENDS

In its meeting held on 26 April 2020, the General Assembly resolved not to distribute any dividends. At the Annual General Meeting held on 23 April 2019, shareholders' approved cash dividends of AED 12 million, representing 10% of the issued share capital.

22 PROVISION FOR EMPLOYEES END OF SERVICE BENEFITS

	2020	*2019*
	AED	*AED*
At 1 January	**4,773,078**	4,737,141
Charge for the year	**482,849**	1,015,979
Payments during the year	**(1,260,260)**	(980,042)
	3,995,667	4,773,078

23 LEASE LIABILITIES

	2020	*2019*
	AED	*AED*
As at 1 January	**23,268,090**	-
Transition adjustment on adoption of IFRS 16	**-**	30,832,049
Interest expense	**891,781**	1,423,690
Payment	**(5,835,031)**	(8,987,649)
Lease modification	**(3,006,757)**	-
	15,318,083	23,268,090

During the year ended 31 December 2020, the Group received a 10% discount on one of its rent contracts. Further, the lessor waived-off second quarter's rent payment which was payable in 12 months equal installment starting from July 2020 to June 2021. These events triggered a reassessment of the right-of-use asset and the related lease liability of the land as per the requirements of IFRS 16. This has resulted in an adjustment amounting to AED 3,007 thousand on the right-of-use asset with a corresponding adjustment to the lease liabilities.

Analysed in the consolidated statement of financial position is as follows:

	2020	*2019*
	AED	*AED*
Current liabilities	**8,837,771**	7,990,044
Non-current liabilities	**6,480,312**	15,278,046
	15,318,083	23,268,090

The Group recognised lease liabilities at the date of initial application of IFRS 16 for leases previously classified as operating leases under IAS 17. The lessee shall measure lease liabilities at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate at the date of initial application.

The following are the amounts recognised in the consolidated statement of profit or loss:

	2020	*2019*
	AED	*AED*
Depreciation expense of right-of-use assets (note 9)	**7,272,184**	8,137,331
Interest expense on lease liabilities	**891,781**	1,423,690
Expense relating to short-term leases (note 6)	**641,185**	907,542
	8,805,150	10,468,563

24 LOANS AND BORROWINGS

	2020 *AED*	*2019* *AED*
Bank borrowings	**210,978,217**	278,124,566
Trust receipts	**19,113,140**	51,675,232
Bank overdrafts* (note 16)	**200,907,441**	206,933,195
	430,998,798	536,732,993

*The bank overdrafts are repayable on demand and are secured against certain investments.

The movement in loans and borrowings are as follows:

	2020 *AED*	*2019* *AED*
At 1 January	**538,751,612**	451,258,642
Additions during the year	**1,479,275,780**	971,117,481
Repayments during the year	**(1,585,009,975)**	(884,105,854)
Finance costs accrued	**23,573,237**	25,863,248
Finance costs repaid	**(22,900,865)**	(25,381,905)
Balance at 31 December	**433,689,789**	538,751,612

The break-up of the above-mentioned loans and borrowings is provided below:

	2020 *AED*	*2019* *AED*
Loan and borrowings	**430,998,798**	536,732,993
Accrued interest (trade and other payables)	**2,690,991**	2,018,619
Balance at 31 December	**433,689,789**	538,751,612

The Group's unutilized credit facilities at 31 December 2020 amounted to AED 199,309,145 (2019: AED 208,116,000). The unutilized limits are mainly for letter of credits and trust receipts facilities which are utilized as per the business requirements.

Bank overdrafts, trust receipts and secured bank borrowings are repayable as follows:

	2020 *AED*	*2019* *AED*
Current portion	**342,761,518**	415,284,874
Non-current portion	**88,237,280**	121,448,119
	430,998,798	536,732,993

24 LOANS AND BORROWINGS continued

Terms and conditions of bank borrowings are as follows:

Loan	*Year of maturity*	*Facility value AED*	*31 December 2020 Carrying amount AED*	*31 December 2019 Carrying amount AED*
Term loan 1 – Secured	**2019**	**25,000,000**	**-**	85
Term loan 2 – Secured	**2022**	**42,500,000**	**22,473,249**	25,000,000
Term loan 3 – Secured	**2022**	**50,000,000**	**6,093,750**	21,406,250
Term loan 4 – Secured	**2024**	**30,737,272**	**27,967,336**	30,737,272
Term loan 5 – Secured	**2023**	**21,000,000**	**13,500,000**	19,500,000
Term loan 6 – Secured	**2024**	**44,650,000**	**32,900,000**	42,300,000
Term loan 7 - Secured	**2027**	**27,537,000**	**20,850,591**	23,851,280
Term loan 8 - Secured	**2024**	**10,000,000**	**8,000,000**	10,000,000
Term loan 9 - Unsecured	**2020**	**75,000,000**	**61,364,420**	60,000,000
Term loan 10 - Secured	**2020**	**5,000,000**	**1,315,645**	5,000,000
Term loan 11 - Unsecured	**2020**	**73,359,354**	**-**	40,329,679
Term loan 12 – Unsecured	**2021**	**25,697,000**	**4,370,591**	-
Term loan 13 - Unsecured	**2021**	**4,198,534**	**4,198,534**	-
Term loan 14 – Unsecured	**2022**	**7,944,016**	**7,944,101**	-
Total			**210,978,217**	278,124,566

Term loan 1
In 1993, the Group obtained a loan of AED 25,000 thousand from the Department of Social Services and Commercial Buildings (DSSCB). The loan is repayable in annual instalments of AED 1,573,000 each through a local bank until 2019. The loan is secured by a registered mortgage over the residential and commercial buildings. The loan has been fully paid during 2019. The loan bore an interest rate at market interest rates plus an applicable margin.

Term loan 2
The loan was obtained in June 2017 from a local bank. The loan is repayable in quarterly instalments in accordance with a repayment schedule starting from 2017 until 2022. The loan is secured by a first-degree mortgage over the commercial and residential building C-169. The loan bears an interest rate at market interest rates plus an applicable margin.

Term loan 3
The loan was obtained in May 2016 from a local bank for AED 50,000 thousand. The loan is repayable with semi-annual rollover / instalments starting from 2018 until 2022. It is secured by a registered pledge over 50 million shares. The purpose of the loan is to support the Group's working capital requirements. The loan bears an interest rate at market interest rates plus an applicable margin.

Term loan 4
The loan was obtained in April 2017 from a local bank for AED 30,737 thousand. The loan is repayable in 20 quarterly instalments starting from 2020 until 2024. The purpose of the loan is to finance development and construction of residential cum commercial tower in Khalifa City A, Abu Dhabi. The loan is secured by a registered pledge over the land and building under construction. The loan bears an interest rate at market interest rates plus an applicable margin.

24 LOANS AND BORROWINGS continued

Term loan 5
The loan was obtained in February 2018 from a local bank. The loan is repayable in quarterly instalments starting from 2018 until 2022. The purpose of the loan is to support the Group's working capital requirements. It is secured by a registered pledge over shares with 200% security coverage at all time. The loan bears an interest rate at market interest rates plus an applicable margin.

Term loan 6
The loan is a revolving loan obtained in April 2019 from a local bank. The loan is repayable in quarterly instalments starting from 2018 until 2024. The purpose of the loan is to support the Group's working capital requirements. It is secured by registered mortgages against commercial and residential buildings. The loan bears an interest rate at market interest rates plus an applicable margin.

Term loan 7
The loan was obtained in December 2019 from a local bank. The loan is repayable in quarterly instalments starting from 2019 until 2027. The purpose of the loan is to support the development and construction of building C10 in Khalifa City - Abu Dhabi. It is secured by a registered pledge over land and buildings. The loan bears an interest rate at market interest rates plus an applicable margin.

Term loan 8
The loan was obtained in December 2019 from a local bank. The loan is repayable in quarterly instalments starting from 2020 until 2024. The purpose of the loan is to support the Group's working capital requirements. The loan is secured by a registered pledge over shares with 200% security coverage at all time. The loan bears an interest rate at market interest rates plus an applicable margin.

Term loan 9
The loan is a revolving loan obtained in June 2014 from a local bank for AED 75,000 thousand. The purpose of the loan is to support the Group's working capital requirements. The loan bears an interest rate at market interest rates plus an applicable margin.

Term loan 10
The loan was obtained from a local bank for AED 5,000 thousand. The purpose of the loan is to support the Group's working capital requirements. The loan bears an interest rate at market interest rates plus an applicable margin.

Term loan 11
The loan is a revolving loan obtained in November 2019 from an international bank for USD 25,000 thousand with a maturity of six months. The purpose of the loan is to support the Group's working capital requirements. The loan bears an interest rate at market interest rates plus an applicable margin.

Term loan 12
The loan is a revolving loan obtained in October 2019 from an international bank for USD 7 million. The purpose of the loan is to support the Group's working capital requirements. The loan bears an interest rate at market rate plus 1% margin.

Term loan 13
The loan is a revolving loan obtained in November 2020 from a local bank for AED 4,198 thousand. The purpose of loan is to support the Group's working capital requirements. The loan bears an interest rate at market interest rates plus an applicable margin.

Term loan 14
The loan is a revolving loan obtained in November 2020 from a local bank for AED 9,000 thousand. The purpose of loan is to support the Group's working capital requirements. The loan bears an interest rate at market interest rates plus an applicable margin.

25 TRADE AND OTHER PAYABLES

	2020	2019
	AED	*AED*
Trade payables*	**21,324,488**	63,872,549
Accruals	**24,318,437**	19,359,646
Advances from customers	**17,016,174**	6,808,464
Retention payable**	**4,947,097**	5,107,267
Other payables	**1,933,223**	2,486,292
	69,539,419	97,634,218

Classified in the consolidated statement of financial position as follows:

	2020	*2019*
	AED	*AED*
Non- current (retentions payable)	**-**	380,322
Current	**69,539,419**	97,253,896
	69,539,419	97,634,218

*Included in trade payable, is an amount payable of AED 76,570 (2019: AED 1,546,797) to a stock broker who is a related party of the Group.

**Included in retention payable, is an amount payable of AED 4,726,621 (2019: AED 4,726,621) to a contractor, who is a related party, for the construction of C-3 and C-10 buildings.

26 RELATED PARTY TRANSACTIONS AND BALANCES

Related parties comprise the Shareholders directors and key management of the company and entities in which they have the ability to control and exercise significant influence in financial and operating decisions. Pricing policies and terms of these transactions are approved by the Company's management.

	2020	*2019*
	AED	*AED*
Amounts due from related parties		
Board of directors	**834,342**	70,085
Shareholders	**468,438**	1,242,243
	1,302,780	1,312,328
Amounts due to related parties		
Board of directors	**1,522,157**	710,435
Shareholders	**927,062**	583,666
	2,449,219	1,294,101

26 RELATED PARTY TRANSACTIONS AND BALANCES continued

The Group's balances with related parties for providing construction services and broker margin account facility are included in the consolidated statement of financial position are as follows:

	2020 ***AED***	*2019* *AED*
Trade and other payables		
Retention payable	**4,726,621**	4,726,621
Trade payables	**76,570**	1,546,797
	4,803,191	6,273,418

Significant transactions with related parties comprised:

	2020 ***AED***	*2019* *AED*
Sales	**715,463**	839,064
Purchases and capital expenditure	**1,112,022**	25,559,699
Total	**1,827,485**	26,398,763

Key management personnel compensation
The remuneration of members of key management during the year was as follows:

	2020 ***AED***	*2019* *AED*
Management compensation	**1,021,129**	1,601,277
Short term benefits	**9,130,988**	4,902,381
Employees' end of service benefits	**14,788**	35,211
Total	**10,166,905**	6,538,869

27 BASIC AND DILUTED EARNINGS (LOSS) PER SHARE

Basic and diluted earnings per share is calculated by dividing the profit for the year attributable to equity holders of the Company by the weighted average number of shares outstanding during the year.

The following reflects the profit and share data used in the basic and diluted earnings per share computations:

	2020	*2019*
Profit (loss) for the period attributable to equity holders of the parent (AED)	**55,870,461**	(105,587,556)
Weighted average number of ordinary shares issued (AED)	**120,000,000**	120,000,000
Basic and diluted (loss) earnings per share (AED)	**0.47**	(0.88)

28 CONTINGENCIES AND CAPITAL COMMITMENTS

Contingent liabilities
As at reporting date, the following contingent liabilities were outstanding:

	2020 AED	*2019 AED*
Bank guarantees	**15,907,758**	48,082,163

Capital commitments
As at reporting date, the capital commitments relate to the following:

	2020 AED	*2019 AED*
Purchase of land	**5,434,050**	5,434,050
Construction of building	**-**	1,031,666
Others	**-**	659,925

29 SEGMENT INFORMATION

IFRS 8 requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the Chief Operating Officer in order to allocate resources to the segment and to assess its performance.

For operating purposes, the Group is organised into four major business segments:

i) Investing in securities ("Investment in securities");
ii) Investing in properties ("Investment properties");
iii) Marine, air and land shipment services along with management and operation of store and warehouses ("Freight forwarding and storage"); and
iv) Wholesale and distribution of food products ("Trading").

Transactions between segments are conducted at rates determined by management taking into consideration the cost of funds

The segment assets and liabilities are as follows:

	Investment in securities AED	*Investment properties AED*	*Trading AED*	*Freight forwarding and storage AED*	*Others AED*	*Eliminations AED*	*Consolidated AED*
At 31 December 2020							
Assets	**964,793,066**	**63,320,484**	**242,352,136**	**54,928,209**	**2,818,443**	**(407,440,252)**	**920,772,086**
Liabilities	**460,061,247**	**51,017,740**	**14,416,396**	**11,025,851**	**45,094**	**(14,265,143)**	**522,301,186**
At 31 December 2019							
Assets	394,933,848	369,632,315	250,799,545	4,299,017	2,929,493	(32,498,967)	990,095,251
Liabilities	516,304,555	90,106,952	55,836,637	30,443,768	(15,100)	(28,974,332)	663,702,480

29 SEGMENT INFORMATION continued

For the year ended 31 December 2020:

	Investment in securities AED	*Investment properties AED*	*Freight forwarding and storage AED*	*Trading AED*	*Others AED*	*Elimination AED*	*Consolidated AED*
Income – external	**104,569,008**	**28,912,024**	**3,946,651**	**58,901,070**	**-**	**-**	**196,328,753**
Income – internal	**-**	**1,742,667**	**14,866,874**	**31,757**	**-**	**(16,641,298)**	**-**
Profit (loss) for the year	**70,210,511**	**11,109,153**	**(5,360,536)**	**(20,103,029)**	**14,362**	**-**	**55,870,461**

For the year ended 31 December 2019:

	Investment in securities AED	*Investment properties AED*	*Freight forwarding and storage AED*	*Trading AED*	*Others AED*	*Elimination AED*	*Consolidated AED*
Income – external	(73,213,176)	(10,571,004)	2,300,881	244,020,774	-	-	162,537,475
Income – internal	-	6,071,165	3,903,000	16,153	-	(9,990,318)	-
Loss for the year	(107,400,437)	(22,034,658)	(4,823,815)	28,671,354	-	-	(105,587,556)

30 FINANCIAL RISK MANAGEMENT POLICIES

Introduction
Risk is inherent in the Group's activities and is managed through a process of ongoing identification, measurement and monitoring, subject to risk limits and other controls. This process of risk management is critical to the Group's profitability and each individual within the Group is accountable for the risk exposures relating to his or her responsibilities. The Group's activities expose it to a variety of financial risks: credit risk, market risk (including currency risk and cash flow interest rate risk) and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

The independent risk control process does not include business risks such as changes in the environment, technology and industry. They are monitored through the Group's strategic planning process.

Risk management is carried out by management under policies approved by the Board of Directors. Management identifies, evaluates and hedges financial risks in close co-operation with the Group's operating units. The Board of Directors provide principles for overall risk management, as well as policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.

In order to avoid excessive concentrations of risk, the Group's policies and procedures include guidelines to focus on maintaining a diversified portfolio. Identified concentrations of credit risks are controlled and managed accordingly.

Credit risk
Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Group attempts to control credit risk by monitoring credit exposures, limiting transactions with specific counterparties, and continually assessing the creditworthiness of counterparties.

Maximum exposure to credit risk
The table below shows the maximum exposure to credit risk for the components of the consolidated statement of financial position:

	Maximum exposure 2020 AED	*Maximum exposure 2019 AED*
Trade and other receivables	**25,662,069**	156,977,968
Bank balances (excluding cash in hand)	**5,214,320**	4,047,179
Amounts due from related parties	**1,302,780**	1,312,328
Receivables against sale of investment property	**-**	4,800,000
Advances to suppliers	**1,303,094**	3,407,806
Other assets	**5,949,510**	5,949,510
Other receivable	**1,531,907**	2,282,551
Total credit risk exposure	**40,963,680**	178,777,342

The maximum credit exposure to any individual client or counterparty as of 31 December 2020 was AED 10,835 thousand (2019: AED 138,564 thousand).

30 FINANCIAL RISK MANAGEMENT POLICIES continued

Credit risk continued
Maximum exposure to credit risk continued
An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on days past due for groupings of various customer segments with similar loss patterns. The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions. Generally, trade receivables are fully provided for if past due for more than one year and are not subject to enforcement activity. The maximum exposure to credit risk at the reporting date is the carrying value of each class of financial assets.

Liquidity risk
Liquidity risk is the risk that an institution will be unable to meet its net funding requirements. Liquidity risk can be caused by market disruptions or credit downgrades which may cause certain sources of funding to dry up immediately.

The table below summarises the maturity profile of the Group's liabilities. The contractual maturities of liabilities have been determined on the basis of the remaining period at the reporting date to the contractual maturity date on an undiscounted basis and do not take account of the effective maturities.

	Carrying value AED	*Contractual cash flows AED*	*1 year or less AED*	*More than 1 year AED*
At 31 December 2020				
Trade and other payables	**45,220,982**	**(45,220,982)**	**(45,220,982)**	**-**
Amounts due to related parties	**2,449,219**	**(2,449,219)**	**(2,449,219)**	
Lease liabilities	**15,318,083**	**(22,544,291)**	**(9,377,768)**	**(13,166,523)**
Loans and borrowings	**430,998,798**	**(456,817,904)**	**(359,886,136)**	**(96,931,769)**
Total	**493,987,082**	**(527,032,396)**	**(416,934,105)**	**(110,098,292)**
At 31 December 2019				
Trade and other payables	78,274,572	(78,274,572)	(77,894,250)	(380,322)
Amounts due to related parties	1,294,101	(1,294,101)	(1,294,101)	-
Lease liabilities	23,268,090	(31,141,821)	(8,987,649)	(22,154,172)
Loans and borrowings	536,732,993	(553,356,054)	(423,196,220)	(130,159,834)
Total	639,569,756	(664,066,548)	(511,372,220)	(152,694,328)

The Group's unutilized credit facilities at 31 December 2020 amounted to AED 199,309,145 (2019: AED 208,116,000). The unutilized limits are mainly for letter of credits and trust receipts facilities which are utilized as per the business requirements.

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. However, management also considers the factors that may influence the credit risk of its customer base, including the default risk associated with the industry and country in which customers operate.

The Group has established a credit policy under which each new customer is analysed individually for creditworthiness before the Group's standard payment and delivery terms and conditions are offered. The Group's review includes external ratings, if they are available, financial statements, credit agency information, industry information and in some cases bank references.

30 FINANCIAL RISK MANAGEMENT POLICIES continued

Market risk

Market risk arises from fluctuations in interest rates and currency rates. The management monitors the market risk on an ongoing basis and on any significant transaction.

31.4.1 Currency risk

Foreign currency risk comprises of transaction and consolidated statement of financial position risk. Transaction risk relates to the Group's cash flow being adversely affected by a change in the exchange rates of foreign currencies against UAE Dirham. Consolidated statement of financial position risk relates to the risk of the Group's monetary assets and liabilities in foreign currencies acquiring a lower or higher value, when translated into UAE Dirham, as a result of currency movements.

The Group frequently deals in US Dollars, Bahraini Dinar, Omani Riyal, Saudi Riyal, Syrian Pound and Euro. As the US Dollar is pegged to the UAE Dirham, balances in this currency are not considered to represent significant foreign currency risk.

The table below calculates the effect of a reasonably possible movement of AED currency rate (with a sensitivity of 10% increase or decrease in currency rates) against the following currencies, with all other variables held constant, on the consolidated statement of profit or loss:

	US Dollar	*Bahraini Dinar*	*Omani Riyal*	*Syrian Pound*	*EURO*
At 31 December 2020					
Financial assets (AED)	**6,708,840**	**483,689**	**270,479**	**7,096,855**	**89,800**
Effect on loss for the year (AED)	**-**	**48,369**	**27,048**	**709,686**	**8,980**
At 31 December 2019					
Financial assets	13,338,475	475,439	597,311	6,791,203	420,519
Effect on profit for the year (AED)	-	(47,544)	(59,731)	(679,120)	(42,052)

The decrease would have an opposite impact.

31.4.2 Interest rate risk

Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or the fair values of financial instruments. The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Group's profit based on the floating rate financial instruments held at 31 December 2020 and 31 December 2019.

	Increase in basis points	*Impact on profit or (loss)*
31 December 2020		
AED	**+100**	**(230,091)**
	-100	**230,091**
31 December 2019		
AED	+100	(329,799)
	-100	329,799

30 FINANCIAL RISK MANAGEMENT POLICIES continued

Capital management

The primary objective of the Group's capital management is to ensure that the Group maintains healthy capital ratios in order to support its business and to maximise shareholders' value.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. There are no regulatory imposed requirements on the level of share capital which the Group has not met. To maintain or adjust the capital structure, the Group may adjust the dividend payment to the shareholders or inject share capital. No changes were made in the objectives, policies or processes during the years ended 31 December 2019 and 2018. Capital comprises share capital, legal reserve, regulatory reserve, fair value reserve, retained earnings and non-controlling interests and is measured at AED 398,470,900 as at 31 December 2020 (31 December 2019: AED 326,392,771).

The Group monitors capital using a gearing ratio, which is net debt divided by total capital plus net debt. The Group includes within net debt, borrowings, lease liabilities, trade and other payables, amounts due to related parties, less bank balances and cash.

		2020	*2019*
		AED	*AED*
Borrowings	24	**430,998,798**	536,732,993
Lease liabilities	23	**15,318,083**	23,268,090
Trade and other payables	25	**69,539,419**	97,634,218
Amounts due to related parties	26	**2,449,219**	1,294,101
Less: bank balances and cash	16	**(5,293,243)**	(4,115,031)
Net debt		**513,012,276**	654,814,371
Total capital		**398,470,900**	326,392,771
Capital and net debt		**911,483,176**	981,207,142
Gearing ratio		**56%**	67%

31 FAIR VALUES OF FINANCIAL INSTRUMENTS

All of the Group's financial assets are measured at amortised cost except for investment properties and investment in securities which are measured at fair value. All the financial liabilities are carried at amortised cost. The fair values of financial assets and liabilities carried at amortised cost approximate their carrying values as stated in the consolidated statement of financial position. For details regarding categories - level 1, level 2 and level 3 and for fair value measurement of investment properties and investments refer notes 10, 11 and 12.

32 COMPARATIVE INFORMATION

The comparative figures have been reclassified to conform to the current period presentation. Such reclassifications have no effect on the previously reported profit or retained earnings of the Group.