Emaar Malls PJSC and its subsidiaries

CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2020

Emaar Malls PJSC and its subsidiaries

Consolidated Financial Statements
For the year ended 31 December 2020

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DIRECTORS' REPORT

The Board of Directors of Emaar Malls PJSC (the "Company") and its Subsidiaries (together the "Group") has pleasure in submitting the consolidated statement of financial position of the Group as at 31 December 2020 and the related consolidated statement of comprehensive income, consolidated statement of cash flows and consolidated statement of changes in equity for the year ended 31 December 2020.

Principal activities & business overview

The principal activities of the Group during the year ended 31 December 2020 were the development and management of shopping malls & retail centers and online general trading through its wholly owned subsidiary Namshi Holding Limited ("Namshi").

The Group is the leading owner and operator of shopping malls in Dubai, UAE. The Group's portfolio of properties comprises four shopping malls and 32 community centers and other retail properties, which together had a total Gross Leasable Area (GLA) of approximately 6.7 million sq. ft. as at 31 December 2020 and an average GLA occupancy rate of 91% during the year 2020.

The Group manages and operates business principally through five segments: Super-Regional Malls, Regional Malls, Community Retail, Specialty Retail and Online Retail. Online retail segment represents Namshi, a leading online fashion portal in GCC region.

Financial results

The Group has recorded a net profit attributable to the equity holders of the Company amounting to AED 704 million for the year ended 31 December 2020 (2019: AED 2,286 million).

In accordance with UAE Federal Commercial Company Law No. (2) of 2015 and Article number 57 of the Company's Article of Association, an appropriation of AED 70 million (2019: AED 229 million) each is made to both legal reserve and statutory reserve from the distributable profit (note 19).

In view of the current circumstances, the Board of Directors of the Company has not recommended any dividend to the shareholders for the year 2020.

The distributable profit, after considering appropriation to legal reserve, statutory reserve will be transferred to retained earnings. Total shareholders' fund as at 31 December 2020 amount to AED 19,060 million (2019: AED 18,361 million).

Outlook for 2021

Emaar Malls has emerged from 2020 in a much stronger position, having faced some of the most challenging business conditions in a generation. We expect positive trend to continue in the year ahead as we see guests returning to our malls, entertainment attractions and community-integrated retail centres. Further our position is strengthened than before by our recent strategic investment in a digital future help us grow and succeed in future.

DIRECTORS' REPORT (continued)

Transactions with related parties

The consolidated financial statements disclose related party transactions and balances in note 16. All transactions are carried out as part of our normal course of business and in compliance with applicable laws and regulations.

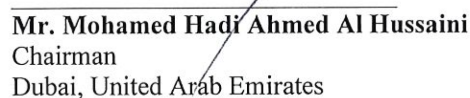
Directors

Mr. Mohamed Hadi Ahmed Al Hussaini	(Chairman)
Mr. Ahmad Thani Rashed Al Matrooshi	(Vice-Chairman)
Mr. Mohamed Ali Rashed Alabbar	(Director)
Mr. Abdulla Saeed Bin Majid Belyoahah	(Director)
Mr. Helal Saeed Al Marri	(Director)
Mr. Ali Ibrahim Mohamed Ismail	(Director)

Auditors

KPMG Lower Gulf Limited were appointed as external auditors of the Group for the year ended 31 December 2020. The Board of Directors has recommended KPMG Lower Gulf Limited as the auditors for 2021 for approval of shareholders at the forthcoming Annual General Meeting.

On behalf of the Board



Mr. Mohamed Hadi Ahmed Al Hussaini
Chairman
Dubai, United Arab Emirates

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Independent Auditors' Report

To the Shareholders of Emaar Malls PJSC

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Emaar Malls PJSC ("the Company") and its subsidiaries ("the Group"), which comprise the consolidated statement of financial position as at 31 December 2020, the consolidated statements of comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information.

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

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with International Ethics Standards Board for Accountants 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.

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Key Audit Matters (continued)

(i) Revenue recognition for rental income from leased properties

As at 31 December 2020, the Group has recognized rental income from leased properties ("*rental income* ") amounting to AED 2,191 million in the consolidated statement of comprehensive income (refer note 4).

Rental income from leased properties is recognised in accordance with the terms of the lease agreed with the tenants on a straight-line basis from the lease commencement date over the period of the lease. The lease agreements may include certain clauses relating to (i) lease income computed based on lessee turnover; and (ii) tenant incentives which may affect the amount of rental income recognized during the year.

In the current year, the COVID 19 pandemic ("the pandemic") has increased the level of uncertainty in relation to some of the tenants' ability and intent to comply with the terms of the lease agreement, and accordingly, the Group has voluntarily offered several rent reliefs ("the reliefs") to support its tenants.

Considering the inherent risks around the existence and accuracy of the rental income recognised given the uncertainty caused by the pandemic and the complexity involved in accounting for the rent reliefs provided during the year, rental income from leased properties is a matter that warrants additional audit focus.

How our audit addressed the key audit matter

Our audit procedures included:

Assessing the appropriateness of the revenue recognition accounting policies adopted by the Group and its compliance with International Financial Reporting Standards ("IFRS").

Obtaining an understanding of the revenue recognition process for rental income, including the design and implementation of relevant manual and automated controls adopted by the Group.

Testing a sample of lease agreements and rent relief offered to tenants to ensure the existence and accuracy of the revenue recognised during the year and it's compliance with International Financial Reporting Standards.

Assessed the reasonableness of the estimates and assumptions made by management in relation to the collectability of the rental income recognized during the year.

Assessed the adequacy and accuracy of the disclosures made in the consolidated financial statements and its compliance with the International Financial Reporting Standards.

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Key Audit Matters (continued)

(ii) Impairment of investment properties

Investment properties are measured at cost less accumulated depreciation and impairment if any; in addition, the Group discloses the fair value of investment properties in the notes to the consolidated financial statements. Management has used the fair value as a basis to determine the recoverable amount of the investment properties.

The Group engages a professionally qualified external valuer to assess the fair value of its investment properties.

The valuation process involves significant judgement in determining the appropriate valuation methodology to be used, and in estimating the underlying assumptions to be applied. The valuations are highly sensitive to key assumptions applied in deriving at the future growth rates, discount and terminal yield rates.

The external valuers' valuation report contains material uncertainty clauses due to the market disruption caused by the COVID-19 pandemic. These clauses do not invalidate the valuation but implies that there is substantially more uncertainty in relation to assessing the fair values of the Group's Investment properties than under normal market conditions.

The existence of significant assumptions, estimations and uncertainty heighted by the COVID-19 pandemic and its effect on some of the key inputs used in arriving at the fair values of the Group's investment properties, warrants specific audit focus in this area.

How our audit addressed the key audit matter

Assessed the Group's processes for the selection of the external valuers and the determination of their scope of work.

Evaluated the qualifications and competence of the external valuers and read the terms of engagement of the valuers to determine whether there were any matters that might have affected the external valuer's objectivity or limited the scope of their work.

Assisted by our valuation specialists, considered the valuation methodologies used by the valuer and challenged some of the key estimates and assumptions used in the valuation including future rental income, operating costs, occupancy rate, discount and terminal yield rates by comparing them against historical rates and available industry data.

Tested the accuracy of key inputs used in the valuation and performed sensitivity analysis on certain significant assumptions to assess the impact of changes in the key assumptions to the conclusions reached by management.

Assessed the adequacy of the disclosure in the consolidated financial statements.

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Key Audit Matters (continued)

(iii) Impairment of goodwill and intangible assets

As set out in note 11 of the consolidated financial statements, the Group carries goodwill and intangible assets (mainly brands with indefinite useful live) amounting to AED 365 million and AED 164 million respectively. Management performs an impairment test on the recoverability of the goodwill and intangible assets ("the impairment assessment") as required by International Financial Reporting Standards.

The Group's assessment of impairment of goodwill and intangible assets involves considerable judgement and requires the use of estimates and assumptions concerning the forecasted cash flows, discount rate, growth rate of revenue and terminal growth rate in determining the value in use.

The increase in uncertainty and market volatility caused by the COVID-19 pandemic has resulted in additional complexity in arriving at the estimates and assumptions used in determining the value in use.

How our audit addressed the key audit matter

Assessed the management's approach in the identification of Cash Generating Units ("CGUs"), the allocation of assets to each CGU and the methodology adopted in the impairment assessment with reference to the requirements of the prevailing accounting standards.

Challenged the key estimates and inputs used by management in their impairment assessment by reviewing their reasonableness and comparing them against historical performance and available industry data where applicable, with focus on key changes due to COVID-19 pandemic.

Involved our valuation specialists in assessing the valuation methodology and evaluating the appropriateness of the discount rate, terminal growth rate and the net present value calculation used by management in the impairment assessment, with focus on any assumptions adopted due to the COVID-19 pandemic.

Tested the key inputs used in the impairment assessment and performed sensitivity analysis on certain significant assumptions to assess the impact of changes in the key assumptions to the conclusions reached by management.

Assessed the adequacy and appropriateness of the disclosures made in the consolidated financial statements.

Other Information

Management is responsible for the other information. The other information comprises the Directors' report.

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

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Other Information (continued)

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

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

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

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

Those Charged with Governance are responsible for overseeing the Group's financial reporting process.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an 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.

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

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

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

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

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

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

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and 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 auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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

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

iii) the Group has maintained proper books of account;

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

v) as disclosed in note 1 to the consolidated financial statements, the Group has not purchased shares during the year ended 31 December 2020;

vi) note 16 to the consolidated financial statements discloses material related party transactions, and the terms under which they were conducted; 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 Group 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 in respect of the Company, its Articles of Association, which would materially affect its activities or its consolidated financial position as at 31 December 2020.

KPMG Lower Gulf Limited

Emilio Pera
Registration No.: 1146
Dubai, United Arab Emirates

Date: 02 MAR 2021

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CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2020

	Notes	2020 AED'000	2019 AED'000
		(US $1.00 = AED 3.673)	
Revenue	4	**3,507,561**	4,673,002
Cost of revenue	5	**(1,406,026)**	(1,241,497)
GROSS PROFIT		**2,101,535**	3,431,505
Sales and marketing expenses		**(249,551)**	(289,455)
General and administrative expenses		**(482,485)**	(236,883)
Depreciation and amortisation		**(472,451)**	(443,029)
OPERATING PROFIT FOR THE YEAR		**897,048**	2,462,138
Finance income		**14,942**	3,439
Finance costs	7	**(208,381)**	(210,015)
Gain on disposal of investment properties	6	**-**	8,490
Gain on settlement of put option over non controlling interests	25	**-**	15,689
PROFIT FOR THE YEAR	8	**703,609**	2,279,741
OTHER COMPREHENSIVE INCOME		**-**	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**703,609**	**2,279,741**
ATTRIBUTABLE TO:			
Equity holders of the parent		**703,609**	2,285,611
Non-controlling interests		**-**	(5,870)
		703,609	2,279,741
Earnings per share (AED): Equity holders of the parent basic and diluted	21	**0.05**	0.18

The attached notes 1 to 29 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2020

	Notes	2020 AED'000	2019 AED'000
		(US $1.00 = AED 3.673)	
ASSETS			
Non-current assets			
Property, plant and equipment	9	**140,618**	154,550
Investment properties	10	**22,176,399**	22,214,172
Goodwill and intangible assets	11	**546,422**	557,605
Right-of-use assets	12	**519,415**	9,012
		23,382,854	22,935,339
Current assets			
Inventories	13	**291,395**	229,281
Trade and unbilled receivables	14	**378,569**	498,515
Advances, prepayments and other receivables	15	**216,538**	232,072
Due from related parties	16	**163,184**	149,355
Cash and cash equivalents	17	**558,949**	195,202
		1,608,635	1,304,425
TOTAL ASSETS		**24,991,489**	24,239,764
EQUITY AND LIABILITIES			
Equity			
Share capital	18	**13,014,300**	13,014,300
Reserves	19	**2,343,554**	2,202,832
Retained earnings		**3,702,118**	3,143,781
Equity attributable to equity holders of the Parent		**19,059,972**	18,360,913
Non-controlling interests		-	-
TOTAL EQUITY		**19,059,972**	18,360,913
Non-current liabilities			
Provision for employees' benefits	22	**32,698**	23,377
Interest bearing loans and borrowings	23	**3,550**	780,014
Sukuk	24	**2,746,118**	2,743,873
Retentions payable after 12 months		**14,483**	16,817
Lease liabilities payable after 12 months	12	**480,996**	4,591
		3,277,845	3,568,672
Current liabilities			
Due to related parties	16	**145,293**	152,439
Accounts payable and accruals	26	**1,234,210**	950,057
Advances and security deposits		**1,129,073**	1,106,834
Retentions payable within 12 months		**16,779**	14,794
Lease liabilities payable within 12 months	12	**49,204**	5,638
Deferred income		**79,113**	80,417
		2,653,672	2,310,179
TOTAL LIABILITIES		**5,931,517**	5,878,851
TOTAL EQUITY AND LIABILITIES		**24,991,489**	24,239,764

To the best of our knowledge, the consolidated financial statements fairly present, in all material respects, the consolidated financial position, results of operations and consolidated cash flows of the Group as of, ~~and for, the year ended~~ 31 December 2020. The consolidated financial statements were authorised for issue by Board of Directors and signed on their behalf by:

Director

Director

The attached notes 1 to 29 form part of these consolidated financial statements.

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

	Notes	2020 AED'000	2019 AED'000
		(US $1.00 = AED 3.673)	
OPERATING ACTIVITIES			
Profit for the year		**703,609**	2,279,741
Adjustments for:			
Depreciation of property, plant and equipment	9	**22,742**	24,466
Depreciation of investment properties	10	**409,077**	396,506
Amortisation of intangible assets with definite useful life	11	**11,183**	11,644
Depreciation of right-of-use assets	12	**29,449**	10,413
Provision for slow moving inventories	13	**25,482**	6,737
Provision for doubtful debts	14	**220,694**	26,298
Provision for employees' end of service benefits	22	**4,048**	8,914
Provision for employees' equity option plan	22	**11,200**	(314)
Finance costs	7	**208,381**	210,015
Gain on disposal of property, plant and equipment and investment properties	6	**-**	(8,490)
Gain on settlement of put option	25	**-**	(15,689)
Finance income		**(14,942)**	(3,439)
		1,630,923	2,946,802
Working capital changes:			
Inventories		**(87,596)**	(109,668)
Trade and unbilled receivables		**(100,748)**	(120,633)
Due from related parties		**(13,829)**	9,413
Advances, prepayments and other receivables		**15,750**	(18,688)
Due to related parties		**(48,813)**	30,663
Accounts payable and accruals		**244,060**	(5,568)
Advances and security deposits		**22,239**	104,799
Retentions payable		**(349)**	832
Deferred income		**(1,304)**	(117,586)
Net cash flows from operations		**1,660,333**	2,720,366
Employees' end of service benefits paid	22	**(5,131)**	(6,007)
Net cash flows from operating activities		**1,655,202**	2,714,359
INVESTING ACTIVITIES			
Purchases of property, plant and equipment	9	**(9,021)**	(17,963)
Amounts incurred on investment properties	10	**(331,844)**	(363,682)
Interest received		**14,726**	3,445
Proceeds from disposal of property, plant and equipment and investment properties		**1**	9,000
Net cash flows used in investing activities		**(326,138)**	(369,200)
FINANCING ACTIVITIES			
Acquisition of non-controlling interests	1	**-**	(496,872)
Repayment of interest bearing loans and borrowings	23	**(2,618,849)**	(1,513,276)
Proceeds from interest bearing loans and borrowings	23	**1,836,500**	1,109,246
Dividends paid	20	**-**	(1,301,430)
Finance cost paid		**(174,446)**	(203,226)
Payment of lease liabilities	12	**(3,972)**	(5,413)
Bonus paid to Board of Directors	16	**(4,550)**	(4,550)
Net cash flows used in financing activities		**(965,317)**	(2,415,521)
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS		**363,747**	(70,362)
Cash and cash equivalents at 1 January		**195,202**	265,564
CASH AND CASH EQUIVALENTS AT 31 DECEMBER	17	**558,949**	195,202
SUPPLEMENTAL NON-CASH INFORMATION			
Investment properties' project cost accrual		**39,250**	18,812

The attached notes 1 to 29 form part of these consolidated financial statements.

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

	Equity attributable to equity holders of the Parent					
	Share capital AED'000	***Reserves AED'000***	***Retained earnings AED'000***	***Total AED'000***	***Non-controlling interests AED'000***	***Total equity AED'000***
As at 1 January 2019	13,014,300	1,277,052	2,969,732	17,261,084	147,040	17,408,124
Profit for the year	-	-	2,285,611	2,285,611	(5,870)	2,279,741
Other comprehensive income for the year	-	-	-	-	-	-
Total comprehensive income / (loss) for the year	-	-	2,285,611	2,285,611	(5,870)	2,279,741
Dividends paid (note 20)	-	-	(1,301,430)	(1,301,430)	-	(1,301,430)
Directors' bonus [note 16(c)]	-	-	(4,550)	(4,550)	-	(4,550)
Transferred to reserves (note 19)	-	457,122	(457,122)	-	-	-
Acquisition of non-controlling interests (note 1)	-	468,658	(348,460)	120,198	(141,170)	(20,972)
As at 31 December 2019	13,014,300	2,202,832	3,143,781	18,360,913	-	18,360,913
As at 1 January 2020	13,014,300	2,202,832	3,143,781	18,360,913	-	18,360,913
Profit for the year	-	-	703,609	703,609	-	703,609
Other comprehensive income for the year	-	-	-	-	-	-
Total comprehensive income for the year	-	-	703,609	703,609	-	703,609
Directors' bonus [note 16(c)]	-	-	(4,550)	(4,550)	-	(4,550)
Transferred to reserves (note 19)	-	140,722	(140,722)	-	-	-
As at 31 December 2020	**13,014,300**	**2,343,554**	**3,702,118**	**19,059,972**	-	**19,059,972**

The attached notes 1 to 29 form part of these consolidated financial statements.

1 CORPORATE INFORMATION

Emaar Malls Public Joint Stock Company (the "Company") and its subsidiaries (together the "Group") was established as a public joint stock company by Ministerial Decree number 922 of the year 2014 dated 30 September 2014.

The Company is a subsidiary of Emaar Properties PJSC (the "Parent Company"); a Company incorporated in the United Arab Emirates and listed on the Dubai Financial Market. During the year ended 31 December 2014, the Parent Company has converted the legal status of the Company from limited liability company to public joint stock company and sold 15.37% of their shareholding in the Company through an Initial Public Offering ("IPO"). The Company is listed on the Dubai Financial Market and its shares were traded with effect from 2 October 2014.

The principal activities of the Group are development and management of shopping malls and retail centers and general trading. The address of the registered office of the Group is P.O. Box 191741, Dubai, United Arab Emirates. The Group has not invested in shares or stocks during the year ended 31 December 2020 and the year ended 31 December 2019.

During the previous year, on 25 February 2019, the Company acquired the remaining 49% equity stake in its subsidiary, Namshi Holding Limited ("Namshi") for a consideration of AED 496,872 thousands. Total consideration includes the amount paid to Global Fashion Group ("GFG") amounting to AED 475,900 thousands (note 26) and other shareholders of Namshi amounting to AED 20,972 thousands. The difference in the amount of consideration paid and the non-controlling interests amounting to AED 348,460 thousands has been directly recognised in the consolidated statement of changes in equity as required under IFRS 10. The Group has not purchased any shares during the current year.

Subsequent to the reporting date, the respective Board of Directors of the Company and Parent Company have recommended an all share merger to their respective shareholders. As part of the transaction, the existing business of the Company is to be reconstituted in a wholly owned subsidiary of Parent Company which will continue to develop and hold a portfolio of premium shopping malls and retail assets. This transaction is subject to completion of necessary legal and statutory formalities and approvals including from the respective shareholders. Post completion of the transaction, the Company's shares will be delisted from the Dubai Financial Market.

The consolidated financial statements were authorised for issue on 2 March 2021.

2.1 BASIS OF PREPARATION

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board (IASB), UAE Fedral Law No. (2) of 2015 and applicable requirements United Arab Emirates laws. The consolidated financial statements have been prepared in United Arab Emirates Dirhams (AED), which is the Group's functional and presentation currency and all values are rounded to the nearest thousands except where otherwise indicated.

The consolidated financial statements have been prepared on a historical cost basis.

Basis of consolidation
The consolidated financial statements comprise the financial statements of the Company and entities controlled by the Company ("its subsidiaries") as at 31 December 2020. Control is achieved where all the following criteria are met:

(a) the Company has power over an entity;
(b) the Company has exposure, or rights, to variable returns from its involvement with the entity; and
(c) the Company has the ability to affect those returns through its power over the entity.

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 the investee
- Rights arising from other contractual arrangements
- 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 year are included in the statement of comprehensive income from the date the Group gains control until the date the Group ceases to control the subsidiary.

2.1 BASIS OF PREPARATION (continued)

Basis of consolidation (continued)

Subsidiaries
Subsidiaries are fully consolidated from the date of acquisition or incorporation, being the date on which the Group obtains control, and continue to be consolidated until the date when such control ceases. The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. All intra-group balances, transactions, unrealised gains and losses resulting from intra-group transactions and dividends are eliminated in full.

Share of comprehensive income/ (loss) within a subsidiary is attributed to the non-controlling interests even if that results in a deficit balance.

Loss of control
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:

- Derecognises the assets (including goodwill) and liabilities of the subsidiary;
- Derecognises the carrying amount of any non-controlling interest;
- Derecognises the cumulative translation differences recorded in equity;
- Recognises the fair value of the consideration received, if any;
- Recognises the fair value of any investment retained;
- Recognises any surplus or deficit in profit and loss;
- Reclassifies the parent's share of components previously recognised in other comprehensive income to profit and loss or retained earnings, as appropriate, as would be required if the Group had directly disposed of the related assets or liabilities.

The details of the Company's subsidiaries as at 31 December 2020 and 31 December 2019 are as follows:

Name of the subsidiary	*Country of incorporation*	*Principal activity*	*Legal Ownership*	
			2020	*2019*
The Dubai Mall LLC	UAE	Self owned property leasing, buying and selling of real estate and management services	**99%**	99%
Emaar Dubai Malls LLC	UAE	Self owned property leasing, buying and selling of real estate and management services	**99%**	99%
Emaar International Malls LLC	UAE	Self owned property leasing, buying and selling of real estate and management services	**99%**	99%
Namshi Holding Limited	UAE	General trading	**100%**	100%

These entities are 100% beneficially owned by the Company.

Special purpose entities
Special purpose entities are entities that are created to accomplish a narrow and well-defined objective. The financial information of special purpose entities is included in the Group's consolidated financial statements where the substance of the relationship is that the Group controls the special purpose entity and hence, they are accounted for as subsidiaries (Note 25).

2.2 CHANGES IN THE ACCOUNTING POLICIES AND DISCLOSURES

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

The accounting policies adopted in the preparation of these consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2019, except for the adoption of new standards and interpretations effective as of 1 January 2020. Although these new standards and amendments apply for the first time in 2020, they do not have a material impact on the annual consolidated financial statements of the Group except as mentioned below. The nature and the impact of each new standard or amendment is described below:

- **Definition of Material - amendments to IAS 1 and IAS 8** - These amendments to IAS 1, 'Presentation of financial statements', and IAS 8, 'Accounting policies, changes in accounting estimates and errors', and consequential amendments to other IFRSs: i) use a consistent definition of materiality throughout IFRSs and the Conceptual Framework for Financial Reporting; ii) clarify the explanation of the definition of material.

- **Definition of a Business - amendments to IFRS 3** - This amendment revises the definition of a business. According to feedback received by the IASB, application of the current guidance is commonly thought to be too complex, and it results in too many transactions qualifying as business combinations.

- **Revised Conceptual Framework for Financial Reporting** - The IASB has issued a revised Conceptual Framework which will be used in standard-setting decisions with immediate effect. Key changes include:
  - increasing the prominence of stewardship in the objective of financial reporting;
  - reinstating prudence as a component of neutrality;
  - defining a reporting entity, which may be a legal entity, or a portion of an entity revising the definitions of an asset and a liability;
  - removing the probability threshold for recognition and adding guidance on derecognition adding guidance on different measurement basis; and
  - stating that profit or loss is the primary performance indicator and that, in principle, income and expenses in other comprehensive income should be recycled where this enhances the relevance or faithful representation of the financial statements.

- **Interest Rate Benchmark Reform - amendments to IFRS 9, IAS 39 and IFRS 7** – These amendments provide certain reliefs in connection with interest rate benchmark reform. The reliefs relate to hedge accounting and have the effect that IBOR reform should not generally cause hedge accounting to terminate. However, any hedge ineffectiveness should continue to be recorded in the consolidated statement of comprehensive income. Given the pervasive nature of hedges involving IBOR based contracts, the reliefs will affect companies in all industries.

The Group did not have to make retrospective adjustments as a result of adoption of the aforementioned standards.

- **Amendments to IFRS 16 -** Amendments to IFRS 16 'Leases' (effective 1 June 2020) - On 28 May 2020, the IASB issued amendments to IFRS 16, which provide relief for lessees in accounting for rent concessions granted as a direct consequence of COVID-19. This amendment provide the lessees with an exemption from the requirement to determine whether a COVID-19-related rent concession is a lease modification, in addition it requires the lessees that apply the exemption to account for COVID-19-related rent concessions as if they were not lease modifications.

The practical expedient applies only to the rent concession occurring as a direct consequence of the COVID-19 pandemic and only if all the following criteria are met:

- the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
- any reduction in lease payments affects only payments originally due on or before 30 June 2021 (for example, a rent concession would meet this condition if it results in reduced lease payments on or before 30 June 2021 and increased lease payments that extend beyond 30 June 2021); and
- there is no substantive change to other terms and conditions of the lease.

These amendments / improvements had no material impact on the consolidated financial statements of the Group.

2.2 CHANGES IN THE ACCOUNTING POLICIES AND DISCLOSURES

(b) Standards, amendments and interpretations in issue but not effective

The new and amended standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Group's consolidated financial statements are disclosed below. The Group intends to adopt these new and amended standards, if applicable, when they become effective.

- IFRS 10 and IAS 28 - Sale or Contribution of Assets between an investor and its Associate or Joint Venture (the effective date has been deferred indefinitely, but an entity that early adopts the amendments must apply them prospectively);
- IAS 1 - Classification of Liabilities as Current or Non-current (amendments are effective for annual period beginning on or after 1 January 2023).

The Group does not expect the adoption of the above new standards, amendments and interpretations to have a material impact on the future consolidated financial statements of the Group.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Revenue recognition

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. The Group has concluded that it is acting as a principal in all of its revenue arrangements since it is the primary obligor in all the revenue arrangements has pricing latitude and is also exposed to credit risks.

Revenue is recognised in the consolidated statement of comprehensive income to the extent that it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably, regardless of when the payment is being made. The specific criteria described below must also be met before revenue is recognised:

Rental income from lease of investment property
Rental income arising from operating leases on investment properties is recognised, net of discount, in accordance with the terms of lease contracts over the lease term on a straight line basis, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased asset (Note 2.4).

Revenue recognition for turnover rent
Income from turnover rent is recognised based on the audited turnover reports submitted by the tenants. In the absence of audited reports, management makes its own assessment about the tenants achieving or exceeding the stipulated turnover in the lease contracts based on their historical performance (Note 2.4).

Income from late opening penalties
Income from late opening penalties is recognised on receipt basis.

Revenue from sale of goods and services
The Group recognises revenue from contracts with customers based on a five step model as set out in IFRS 15:

Step 1. Identify the 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 the 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 will allocate 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 entity satisfies a performance obligation.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition (continued)

Revenue from sale of goods and services (continued)
The Group satisfies a performance obligation and recognises revenue over time, if one of the following criteria is met:

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

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 asset based 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.

Interest income
Interest income is recognised as the interest accrues using the effective interest rate method, under which the rate used exactly discounts, estimated future cash receipts through the expected life of the financial asset to the gross carrying amount of the financial asset.

Finance costs
Finance cost is recognised using effective interest rate method, under which the rate used exactly discounts, estimated future cash payments through the expected life of the financial liability to the amortised cost of the financial liability. Finance costs includes interest on loans and borrowings, interest on sukuk and finance cost of put options.

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. All other borrowing costs are recognised in the consolidated statement of comprehensive income in the period in which they are incurred.

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 be 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.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant and equipment
Property, plant and equipment other than capital work-in-progress are stated at cost less accumulated depreciation and any impairment in value. Capital work-in-progress is not depreciated, and is stated at cost less any impairment value. Depreciation is calculated on a straight-line basis over the estimated useful lives as follows:

Buildings	10 - 45 years
Leasehold improvements	2 - 15 years
Computers and office equipment	3 - 20 years
Furniture and fixtures	2 - 10 years
Motor vehicles	3 - 5 years

No depreciation is charged on land and capital work-in-progress. The useful lives, residual value and depreciation method are reviewed annually to ensure that the method and period of depreciation are consistent with the expected pattern of economic benefits from these assets. Expenditure incurred to replace a component of an item of property, plant and equipment that is accounted for separately is capitalised and the carrying amount of the component that is replaced is written off. Other subsequent expenditure is capitalised only when it increases future economic benefits of the related item of property, plant and equipment. All other expenditure is recognised in the consolidated statement of comprehensive income as the expense is incurred.

An item of property, plant and equipment and any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the consolidated statement of comprehensive income when the asset is derecognised.

Property, plant and equipment are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of property, plant and equipment may not be recoverable. Whenever the carrying amount of property, plant and equipment exceeds their recoverable amount, an impairment loss is recognised in the consolidated statement of comprehensive income. The recoverable amount is the higher of fair value less costs to sell of property, plant and equipment and the value in use. Reversal of impairment losses recognised in the prior years are recorded when there is an indication that the impairment losses recognised for the property, plant and equipment no longer exist or have reduced.

Investment properties
Properties held for rental or capital appreciation purposes are classified as investment properties. Investment properties are measured at cost less any accumulated depreciation and any accumulated impairment losses. Investment properties under construction (included within capital work in progress) are measured at cost less any impairment in value. Depreciation is charged on a straight-line basis over the estimated useful lives as follows:

Buildings	10 - 45 years
Plant and machinery	3 - 10 years
Furniture, fixtures and others	2 - 15 years

No depreciation is charged on land and capital work in progress.

The useful lives, residual value and depreciation method are reviewed annually to ensure that the method and period of depreciation are consistent with the expected pattern of economic benefits from these assets. Other subsequent expenditure is capitalised only when it increases future economic benefits of the related item of investment properties. All other expenditure is recognised in the consolidated statement of comprehensive income as the expense is incurred.

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 current carrying 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, plant and equipment up to the date of change in use. The Group determines at each reporting date whether there is any objective evidence that the investment properties are impaired. Whenever the carrying amount of an investment property exceeds their recoverable amount, an impairment loss is recognised in the consolidated statement of comprehensive income. The recoverable amount is the higher of investment property's fair value less costs of disposal and the value in use. Fair value less costs of disposal is price that would be received to sell an asset in an orderly transaction between market participants at the measurement date less related costs while value in use is the present value of estimated future cash flows expected to arise from the continuing use of the investment property and from its disposal at the end of its useful life.

Reversal of impairment losses recognised in the prior years is recorded when there is an indication that the impairment losses recognised for the investment property no longer exist or have reduced.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Goodwill and Intangible assets
Goodwill and intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses. The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets with finite lives are amortised over the useful life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the consolidated statement of comprehensive income.

Intangible assets with indefinite useful lives are not amortised, but are tested for impairment annually, either individually or at the cash-generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

Amortisation is charged on a straight-line basis over the estimated useful lives as follows:

Goodwill	indefinite
Brand	indefinite
Customers relationship	5 years
Software	3 years

Goodwill and brand are not amoritised.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the consolidated statement of comprehensive income when the asset is derecognised.

Leases
At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group uses the definition of a lease in IFRS 16.

i. As a lessee
At commencement or on modification of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of its relative stand-alone prices. However, for the leases of property the Group has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Group by the end of the lease term or the cost of the right-of-use asset reflects that the Group will exercise a purchase option. In that case the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Leases (continued)

i. As a lessee (continued)
The Group determines its incremental borrowing rate by obtaining interest rates from various external financing sources and makes certain adjustments to reflect the terms of the lease and type of the asset leased.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that the Group is reasonably certain to exercise, lease payments in an optional renewal period if the Group is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Group is reasonably certain not to terminate early.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, if the Group changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Group presents right-of-use assets that do not meet the definition of investment property in 'property, plant and equipment' and lease liabilities in 'loans and borrowings' in the statement of financial position.

Short-term leases and leases of low-value assets
The Group has elected not to recognise right-of-use assets and lease liabilities for leases of low-value assets and short-term leases, including IT equipment. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

ii. As a lessor

At inception or on modification of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of their relative stand-alone prices.

When the Group acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease.

To classify each lease, the Group makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then it is an operating lease. As part of this assessment, the Group considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

When the Group is an intermediate lessor, it accounts for its interests in the head lease and the sub-lease separately. It assesses the lease classification of a sub-lease with reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset. If a head lease is a short-term lease to which the Group applies the exemption described above, then it classifies the sub-lease as an operating lease.

If an arrangement contains lease and non-lease components, then the Group applies IFRS 15 to allocate the consideration in the contract.

The Group applies the derecognition and impairment requirements in IFRS 9 to the net investment in the lease. The Group further regularly reviews estimated unguaranteed residual values used in calculating the gross investment in the lease.

The Group recognises lease payments received under operating leases as income on a straight-line basis over the lease term as part of 'other revenue'.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Inventories held on behalf of third parties are not recognised as part of the Company's inventories.

Derivative financial instruments
The Group uses derivative financial instruments to manage its exposure to interest rate risk. Derivatives are initially recognised at fair value at the date the derivative contract is entered into and are subsequently remeasured to their fair value at the end of each reporting date. The resulting gain or loss is recognised in the consolidated statement of comprehensive income immediately, unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in the consolidated statement of comprehensive income depends on the nature of the hedge relationship. A derivative with a positive fair value is recognised as a financial asset; a derivative with a negative fair value is recognised as a financial liability.

Hedge accounting
The Group designates certain hedging instruments as either fair value hedges or cash flow hedges. Hedges of interest rate risk and foreign exchange risk on firm commitments are accounted for as cash flow hedges. At the inception of the hedge relationship, the Group documents the relationship between the hedging instrument and the hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. Furthermore, at the inception of the hedge and on an ongoing basis, the Group documents whether the hedging instrument is highly effective in offsetting changes in fair values or cash flows of the hedged item.

Cash flow hedges
The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges are recognised in the consolidated other comprehensive income. The gain or loss relating to the ineffective portion is recognised immediately in the consolidated statement of comprehensive income. Amounts previously recognised in consolidated other comprehensive income and accumulated in equity are reclassified to the consolidated statement of comprehensive income in the periods when the hedged item is recognised in the consolidated statement of comprehensive income, in the same line of the consolidated statement of comprehensive income as the recognised hedged item. However, when the forecast transaction that is hedged results in the recognition of a non-financial asset or a non-financial liability, the gains and losses previously accumulated in equity are transferred from equity and included in the initial measurement of the cost of the non-financial asset or non-financial liability.

Hedge accounting is discontinued when the Group revokes the hedging relationship, when the hedging instrument expires or is sold, terminated, or exercised, or it no longer qualifies for hedge accounting. Any gain or loss accumulated in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in the consolidated statement of comprehensive income. When a forecast transaction is no longer expected to occur, the gain or loss accumulated in equity is recognised immediately in the consolidated statement of comprehensive income.

Financial assets
Initial recognition and measurement
Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income (OCI), and fair value through profit or loss.

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. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under IFRS 15.

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.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial assets (continued)

Initial recognition and measurement (continued)
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.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the Group commits to purchase or sell the asset.

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

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

Financial assets at amortised cost (debt instruments)
This category is the most relevant to the Group. 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 profit or loss when the asset is derecognised, modified or impaired.

The Group's financial assets at amortised cost includes trade and unbilled receivable, and due from related parties.

Financial assets at fair value through profit and 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 comprehensive income. This category includes derivative instruments which the Group had not irrevocably elected to classify at fair value through OCI.

A derivative embedded in a hybrid contract, with a financial liability or non-financial host, is separated from the host and accounted for as a separate derivative if: the economic characteristics and risks are not closely related to the host; a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and the hybrid contract is not measured at fair value through profit or loss. Embedded derivatives are measured at fair value with changes in fair value recognised in profit or loss. Reassessment only occurs if there is either a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required or a reclassification of a financial asset out of the fair value through profit or loss category.

A derivative embedded within a hybrid contract containing a financial asset host is not accounted for separately. The financial asset host together with the embedded derivative is required to be classified in its entirety as a financial asset at fair value through profit or loss.

The Group does not have any financial asset designated at fair value through profit and loss as at the year end.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial assets (continued)

Financial assets designated at fair value through OCI (equity instruments)
All financial assets that are equity investments are measured at fair value either through other comprehensive income or through profit or loss. This is an irrevocable choice that the Group has made on adoption of IFRS 9 or will make on subsequent acquisition of equity investments unless the equity investments are held for trading, in which case, they must be measured at fair value through profit or loss.

Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognised as other income in the consolidated statement of comprehensive income 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 does not have any financial assets designated at fair value through OCI (equity instruments) as at year end.

Financial assets at fair value through OCI (debt instruments)
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 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 comprehensive income 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 financial assets designated at fair value through OCI (debt instruments) as at year end.

Derecognition
A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is primarily derecognised when:

- The contractual rights to receive cash flows from the asset have expired; or
- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a ‘pass-through’ arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group’s continuing involvement in the asset. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset, is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Cash and cash equivalents
For the purpose of the consolidated statement of cash flows, cash and cash equivalents consist of cash in hand, bank balances and short-term deposits with an original maturity of three months or less, net of outstanding bank overdrafts.

Trade and unbilled receivables
Trade receivables are stated at original invoice amount less expected credit losses. When a trade receivable is uncollectible, it is written off against provision for doubtful debts. Subsequent recoveries of amounts previously written off are credited to the consolidated statement of comprehensive income.

Services rendered but not billed at the reporting date are accrued as per the terms of the lease agreements as unbilled receivables.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial assets (continued)

Wakala investments
Wakala investments are Shari'a compliant arrangements with local Islamic financial institutions called as "Wakala Investments". Wakala Investments are agency agreements whereby the principal (Muwakkil) provides a certain sum of money (Wakala Capital) to an agent (Wakeel) to invest it in a Sharia'a compliant manner. Wakeel is entitled to a fixed fee (Wakala fee) for the services it provides to Muwakkil and if the Wakeel achieves a return over and above the amount of expected profit Muwakkil may grant such excess to the Wakeel as an incentive. However, the Wakeel is obliged to return the invested amount in case of its default, negligence or violation of any of the terms and conditions of the Wakala. Investment in Wakala Investments are financial assets carried at amortized cost.

Foreign exchange gains and losses
The fair value of financial assets denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the end of the reporting period. The foreign exchange component forms part of its fair value gain or loss. For financial assets classified as at fair value through profit or loss, the foreign exchange component is recognised in the consolidated statement of comprehensive income. For foreign currency denominated debt instruments classified at amortised cost, the foreign exchange gains and losses are determined based on the amortised cost of the asset and are recognised in the 'other gains and losses' line item in the consolidated statement of comprehensive income.

Impairment of financial assets
The Group recognises an allowance for expected credit losses ("ECL") for all 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. The shortfall is then discounted at an approximation to the asset's original effective interest rate.

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).

For trade and unbilled receivables and other receivables, the Group applies a simplified approach in calculating ECLs based on lifetime expected credit losses. The Group has established a provision matrix that is based on the Group's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment. The expected credit losses are recognised in the consolidated statement of comprehensive income.

For other debt financial assets (i.e., loans and investment in debt securities), the ECL is based on the 12-month ECL. The 12-month ECL is the portion of lifetime ECLs that results from default events on a financial instrument that are possible within 12 months after the reporting date. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECL.

The Group considers a financial asset in default when contractual payments are 90 days past due. 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.

Credit-impaired financial assets
At each reporting date, the Group assesses whether financial assets carried at amortised cost are credit impaired.

A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Presentation of impairment
Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial liabilities and equity instruments issued by the Group

Initial recognition and measurement
Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss or amortised cost. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognised in profit or loss. Other financial liabilities are subsequently measured at amortized cost using the effective interest method. The Group's financial liabilities include trade and other payables, loans and borrowings and sukuk.

Classification as debt or equity
Debt and equity instruments are classified as either financial liabilities or as equity instruments in accordance with the substance of the contractual agreements. The Group determines the classification of its financial liabilities at the initial recognition.

Equity instruments
An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Group are recorded at the proceeds received, net of direct issue costs.

Loans and borrowings
Term loans are initially recognised at the fair value of the consideration received less directly attributable transaction costs.

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest rate method. Gains and losses are recognised in the consolidated statement of comprehensive income when the liabilities are derecognised as well as through the amortisation process.

Sukuk
Sukuk is stated at amortised cost using the effective interest rate method. Profit attributable to the sukuk is calculated by applying the prevailing market profit rate, at the time of issue, for similar sukuk instruments and any difference with the profit distributed is added to the carrying amount of the sukuk.

Trade and other payables
Liabilities are recognised for amounts to be paid in the future for goods or services received, whether billed by the supplier or not.

Other financial liabilities
Other financial liabilities are initially measured at fair value, net of transaction costs and are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

Derecognition of financial liabilities
The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire. Where 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, then the difference in the respective carrying amounts is recognised in the consolidated statement of comprehensive income.

Cash dividend and non-cash distribution to equity holders of the Company
The Company recognises a liability to make cash or non-cash distributions to equity holders of the parent when the distribution is authorised and the distribution is no longer at the discretion of the Company. A distribution is authorised when it is approved by the shareholders. A corresponding amount is recognised directly in equity. Non-cash distributions are measured at the fair value of the assets to be distributed with fair value remeasurement recognised directly in equity.

Upon distribution of non-cash assets, any difference between the carrying amount of the liability and the carrying amount of the assets distributed is recognised in the consolidated statement of comprehensive income.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of non-financial assets
The Group assesses at each reporting date whether there is an indication that a non-financial 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 to sell and its value in use and 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. Where 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 pre-tax 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, an appropriate valuation model is used.

For the purposes of assessing impairment, a cash-generating unit ("CGU") is the smallest identifiable group of assets that are largely independent of the cash inflows from other assets or group of assets. Impairment losses are recognised in the consolidated statement of comprehensive income. They are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the other assets in the CGU on a pro rata basis.

Impairment losses are recognised in the consolidated statement of comprehensive income in those expense categories consistent with the function of the impaired asset, except for properties previously revalued with the revaluation taken to consolidated statement of comprehensive income. For such properties, the impairment is recognised in consolidated statement of comprehensive income up to the amount of any previous revaluation.

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 asset's or cash-generating unit's 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 comprehensive income. An impairment loss in respect of goodwill is not reversed.

Business combinations and goodwill
Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value. For each business combination, the acquirer measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition costs incurred are expensed, except if related to issue of debt or equity.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions at fair value on the date of acquisition. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value as at the acquisition date through the consolidated statement of comprehensive income. Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability will be recognised in accordance with IFRS 9 *Financial Instruments* in the consolidated statement of comprehensive income. If the contingent consideration is classified as equity, it shall not be remeasured until it is finally settled within equity.

Goodwill is initially measured at cost (being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interest over the fair value of net identifiable tangible and intangible assets acquired and liabilities assumed). If the consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognised in the consolidated statement of comprehensive income. After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Business combinations and goodwill (continued)
Where goodwill forms part of a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

Goodwill arising on acquisition is tested for impairment annually as at the reporting date and when circumstances indicate that the carrying value may be impaired.

Impairment is determined for goodwill by assessing the recoverable amount of each cash-generating unit to which the goodwill relates. When the recoverable amount of the cash-generating unit is less than the carrying amount, an impairment loss is recognised in the consolidated statement of comprehensive income. Impairment losses relating to goodwill cannot be reversed in future periods.

End-of-service benefits
The Group provides end-of-service benefits to its 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 and GCC national employees, the Group makes contributions to a pension fund established by the UAE General Pension and Social Security Authority calculated as a percentage of the employees' salaries. The Group's obligations are limited to these contributions, which are expensed when due.

Share-based payment transactions
Eligible employees enrolled in the Namshi employee stock option program whereby employees render services over a period of time and are granted share option rights which are accounted as cash-settled transactions.

Cash-settled transaction
A liability is recognised for the fair value of cash-settled transactions. The fair value is measured at each reporting date up to and including the settlement date, with changes in fair value recognized in employee benefits expense. The fair value is expensed over the period in accordance with the individual vesting schedules and until the end of the plan with recognition of a corresponding liability. The fair value of the share options is estimated at the grant date based on valuation of the company over the duration of the plan contract, taking into account the terms and conditions on which the share options were granted. The valuation is determined using market comparables and future growth factors.

Service conditions are not taken into account with determining the grant date fair value of awards, but the likelihood of the condition being met in the future is assessed as part of the company’s best estimate on the number and value of the share based payments that will ultimately vest and therefore impacting the calculation of the liability to be recognised in cash settled transaction.

No expense is recognised for awards that do not ultimately vest because of service conditions that have not been met. Similarly, any modification of the eligibility of enrollment, or cancelation of the award is adjusted from the liability recognised during the year.

Put option over non-controlling interests
Written put option on the shares of a subsidiary held by non-controlling interests give rise to a financial liability. The liability that may become payable under the arrangement is initially recognised at present value of the redemption amount with a corresponding entry directly in equity. Subsequent changes to the value of the liability are recognised in the consolidated statement of comprehensive income.

Provisions
Provisions are recognised when the Group has a legal or constructive obligation as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and the amount can be reliably estimated. When the Group expects some or all of a provision to be reimbursed, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the consolidated statement of comprehensive income net of any reimbursement.

Provisions are measured at the present value of the cashflows expected to be required to settle the obligation at the end of the reporting period, using a rate that reflects current market assessments of the time value of money and the risks specific to the obligation.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Provisions (continued)
Provisions are reviewed at each consolidated statement of financial position date and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of resources embodying economic benefits will be required to settle the obligation, the provision is reversed.

Contingencies
Contingent liabilities are not recognised in the consolidated financial statements. They are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. A contingent asset is not recognised in the consolidated financial statements but disclosed when an inflow of economic benefits is probable.

Foreign currencies
The Group's consolidated financial statements are presented in UAE Dirhams, which is also the currency in which significant transactions are carried out by the Group.

Transactions in foreign currencies are initially recorded by the Group at the rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency spot rate of exchange ruling at the reporting date. All differences are taken to the consolidated statement of comprehensive income.

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. The gain or loss arising on retranslation of non-monetary items is treated in line with the recognition of gain or loss on change in fair value of the item (i.e., translation differences on items whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

Share capital
Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares are recognised as a deduction from equity, net of any tax effects.

Fair value measurement
The Group measures financial instruments, such as, derivatives at fair value at each reporting 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 to 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

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair value measurement (continued)
For assets and liabilities that are recognised in the consolidated financial statements on a recurring basis, the Group determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

2.4 SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the Group's consolidated financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

Judgments
In the process of applying the Group's accounting policies, management has made the following judgments, apart from those involving estimations, which have a significant impact on the amounts recognised in the consolidated financial statements.

Revenue recognition for leases
Rental income arising from operating leases on investment properties is recognised, net of discount, in accordance with the terms of lease contracts over the lease term on a straight line basis, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased asset.

Revenue recognition for turnover rent
The Group recognises income from turnover rent on the basis of audited turnover reports submitted by the tenants. In the absence of audited reports, management makes its own assessment about the tenants achieving or exceeding the stipulated turnover in the lease contracts based on their historical performance.

Investment properties
The Group has elected to adopt the cost model for investment properties. Accordingly, investment properties are carried at cost less accumulated depreciation and any accumulated impairment losses.

Classification of investment properties
The Group determines whether a property qualifies as investment property in accordance with IAS 40 Investment Property. In making its judgment, the Group considers whether the property generates cash flows largely independently of the other assets held by the Group.

Consolidation of subsidiaries
The Group has evaluated to determine whether it controls the investee as per the criteria laid out by IFRS 10 Consolidated Financial Statements. The Group has evaluated, amongst other things, its ownership interest, the contractual arrangements in place and its ability and the extent of its involvement with the relevant activities of the investee entities to determine whether it controls the investee.

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 year, are discussed below. The Group based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising that are beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

In preparing these consolidated financial statements, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation and uncertainty including the impact of COVID-19 are as follows:

2.4 SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS (continued)

Estimates and assumptions (continued)

Impact of Covid-19
In January 2020, the World Health Organization (WHO) announced a global health emergency because of a new strain of coronavirus (the "COVID-19 outbreak"). Subsequently, the WHO classified COVID-19 outbreak as a pandemic based on the rapid increase in exposure and infections across the world. The pandemic nature of this disease had necessitated global travel restrictions and lockdown in most countries of the world, with negative implications on the global economy and social life. As a result of the above and the resulting disruptions to the social and economic activities, the Group continues to assess on a regular basis, the impact of COVID-19 outbreak on its business. Management's current assessment of the impact of the COVID-19 outbreak on the relevant areas is as follows:

Revenue and receivables
As part of Group's commitment to extend support to its tenants during COVID-19 outbreak, the Group has offered voluntary arrangements of rent reliefs to its tenants, which are accounted for in accordance with the requirements of IFRS 16 "Leases".

Given the unprecedented situation, the Group announced rent relief during the year 2020. The Group has extended the rent relief to its tenants till 31 March 2021, which will have an impact on revenue and results in the current and subsequent periods. The impact of COVID-19 continues to evolve, hence there are uncertainties that may impact the business in future.

In addition, COVID-19 outbreak pandemic has increased the uncertainty over collectability of trade receivables. The management considers that it is more appropriate to only recognise lease income and the corresponding receivables to the extent that the lease income is considered to be collectible. This approach reflects the uncertainty related to collectability of lease payments and addresses the concern of recognizing income when collectability is uncertain (Note 4).

The Group reviews its receivables to assess for impairment at least on an annual basis. The Group's credit risk is primarily attributable to its trade receivables. The Group uses a provision matrix to calculate ECLs for trade receivables using the simplified approach. The Group calibrate the matrix to adjust the historical credit loss experience with forward-looking information.

At 31 December 2020 gross trade receivables were AED 581,647 thousands (2019: AED 614,358 thousands) and provision for doubtful debts is AED 203,078 thousands (2019: AED 115,843 thousands). Any difference in the amounts actually collected in future periods and the amounts expected will be recognised in the consolidated statement of comprehensive income.

Fair value measurement of financial instruments
When the fair value of financial assets and financial liabilities recorded in the consolidated statement of financial position cannot be derived from active markets, their fair value is determined using valuation techniques including the discounted cash flow model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgment is required in establishing fair values. The judgments include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

2.4 SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS (continued)

Estimates and assumptions (continued)

Useful lives of property, plant and equipment, investment properties and intangible assets
The Group's management determines the estimated useful lives of its property, plant and equipment, investment properties and intangible assets for calculating depreciation and amortisation. This estimate is determined after considering the expected usage of the asset or physical wear and tear. Management reviews the residual value and useful lives annually and future depreciation and amortisation charge would be adjusted where the management is of the opinion that the useful lives differ from previous estimates.

Allocation of cost of investment properties
The total costs incurred on the construction of investment properties have been allocated to various components such as structure, plant and machinery and furniture and fixtures based on certain percentages of the total costs as estimated by the cost consultants at the time of completion of the assets. Management is of the opinion that this method is appropriate pending determination of the final costs of the assets and settlement of contractors' claims. On conclusion of the final determination of costs on any outstanding projects, management would reassess the allocation and adjust the allocation prospectively, if necessary.

Valuation of investment properties
The Group hires the services of third party professionally qualified valuers to obtain estimates of the market value of investment properties using recognised valuation techniques for the purposes of their impairment review and disclosures in the consolidated financial statements.

Valuation of investment properties is inherently subjective due to the unique characteristics of each property, its location, expected yield and rental growth rate. Management has treated the COVID-19 outbreak as an impairment indicator and accordingly have tested its investment properties for impairment. The key area of assessment includes estimates for the impact of future cash inflows relating to the rent reliefs offered to tenants due to the closure of the malls and overall slowdown in the retail sector which impacted the rental growth rates. The discount rates applied have been modified, reflecting increased uncertainty.

The above-mentioned uncertainties due to COVID-19 have not lead to any impairment as at 31 December 2020 (Note 10).

Impairment of non-financial assets
The Group assesses whether there are any indicators of impairment for all non-financial assets at each reporting date. The non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. When value in use calculations are undertaken, management estimates the expected future cash flows from the asset or cash-generating unit and chooses a suitable discount rate in order to calculate the present value of those cash flows.

Share-based payments
Estimating fair value for share-based payment transactions requires determination of the most appropriate valuation model, which depends on the terms and conditions of the grant. This estimate also requires determination of the most appropriate inputs to the valuation model including the expected life of the share option or appreciation right, volatility and dividend yield and making assumptions about them. The Group initially measures the cost of cash-settled transactions with employees using a model to determine the fair value of the liability incurred. For cash-settled share-based payment transactions, the liability needs to be remeasured at the end of each reporting period up to the date of settlement, with any changes in fair value recognised in the consolidated statement of comprehensive income. This requires a reassessment of the estimates used at the end of each reporting period.

Funding and liquidity
In response to the pandemic situation, the Group continues to monitor and respond to all liquidity and funding requirements through its plan reflecting the current economic scenarios. The Group believes that, as at 31 December 2020, liquidity position of the Group remains strong and its existing balances of cash and cash equivalents, along with undrawn facilities will be sufficient to satisfy its working capital needs, capital expenditures and other liquidity requirements as they fall due in the foreseeable future [Note 28].

3 SEGMENT INFORMATION

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

Business segments
For management purposes, the Group is organised into six segments, namely:

Super Regional Malls:
Super regional malls include shopping centres which individually hold gross leasable area of more than 800 thousands sq. ft.

Regional Malls:
Regional malls include shopping centres individually holds gross leasable area of more than 400 thousands sq. ft. but less than 800 thousands sq. ft.

Community Retail:
Community Retail includes shopping centres or retail outlets individually hold gross leasable area of less than 400 thousands sq. ft.

Specialty Retail:
Specialty retail includes shopping centres mainly offering specialty stores for fine and casual dining, commercial offices or retail outlets of manufacturers.

Online Retail:
Namshi, a regional online fashion portal in GCC, constitutes the online retail business segment of the Group.

Others:
Other segments include businesses that individually do not meet the criteria for a reportable segment as per IFRS 8 *Operating Segments* and head office balances.

3 SEGMENT INFORMATION (continued)

Business segments (continued)
The following tables include revenue, results and other segment information for the year ended 31 December 2020 and 31 December 2019. Assets and liabilities information regarding business segments are presented as at 31 December 2020 and 31 December 2019.

Year ended 31 December 2020	*Super Regional Malls AED'000*	*Regional Malls AED'000*	*Community Retail AED'000*	*Specialty Retail AED'000*	*Online* Retail AED'000*	*Others AED'000*	*Total AED'000*
Revenue:							
Rental income from leased properties	**1,828,101**	**119,616**	**174,746**	**59,097**	-	**9,717**	**2,191,277**
Online retail	-	-	-	-	**1,316,284**	-	**1,316,284**
Total Revenue	**1,828,101**	**119,616**	**174,746**	**59,097**	**1,316,284**	**9,717**	**3,507,561**
Results:							
Profit / (loss) for the year	**883,845**	**47,702**	**48,170**	**4,567**	**(54,144)**	**(226,531)**	**703,609**
Other segment information							
Capital expenditure (Property, plant and equipment and investment properties)	**293,676**	**11,458**	**65,562**	**7,322**	**201**	**1,896**	**380,115**
Depreciation & amortisation (Property, plant and equipment, investment properties, right of use and intangible assets with definite useful life)	**360,986**	**32,601**	**37,716**	**20,368**	**17,769**	**3,011**	**472,451**
Finance costs	**26,972**	**-**	**-**	**-**	**353**	**181,056**	**208,381**
Assets and liabilities:							
Segment assets	**20,502,640**	**1,270,364**	**947,041**	**1,411,392**	**561,000**	**299,052**	**24,991,489**
Segment liabilities	**1,625,471**	**92,222**	**198,170**	**99,075**	**1,076,906**	**2,839,673**	**5,931,517**

3 SEGMENT INFORMATION (continued)

Business segments (continued)

	Super Regional Malls AED'000	*Regional Malls AED'000*	*Community Retail AED'000*	*Specialty Retail AED'000*	*Online Retail AED'000*	*Others AED'000*	*Total AED'000*
Year ended 31 December 2019:							
Revenue:							
Rental income from leased properties	3,089,259	185,788	248,201	117,917	-	4,186	3,645,351
Online retail	-	-	-	-	1,027,651	-	1,027,651
Total Revenue	3,089,259	185,788	248,201	117,917	1,027,651	4,186	4,673,002
Results:							
Profit / (loss) for the year	2,247,717	108,764	143,176	63,326	(62,819)	(220,423)	2,279,741
Other segment information							
Capital expenditure (Property, plant and equipment and investment properties)	326,791	21,622	35,363	7,904	3,634	5,143	400,457
Depreciation & amortisation (Property, plant and equipment, investment properties and intangible assets with definite useful life)	319,336	30,833	43,891	21,237	25,374	2,358	443,029
Finance costs	-	-	-	-	1,371	208,644	210,015
Assets and liabilities:							
Segment assets	20,026,752	1,278,180	970,836	1,396,084	479,886	88,026	24,239,764
Segment liabilities	1,585,936	90,592	215,240	83,772	934,012	2,969,299	5,878,851

* The Group initially applied IFRS 16 at 1 January 2019 which requires the recognition of right-of-use assets and lease liabilities for lease contracts that were previously classified as operating leases. As a result, the Group recognized right-of-use assets of AED 9,012 thousands and AED 10,229 thousand of liabilities from those lease contracts.

4 REVENUE

Rental income from leased properties	***2020 AED'000***	*2019 AED'000*
Base rent	**1,598,835**	2,746,980
Turnover rent	**58,329**	104,139
Service charges	**280,594**	364,828
Promotion and marketing contribution	**53,961**	61,310
Specialty leasing	**97,453**	194,595
Multimedia	**37,542**	62,676
Others	**64,563**	110,823
	2,191,277	3,645,351
Online retail	**1,316,284**	1,027,651
	3,507,561	4,673,002

During the year, impact of the pandemic evolved and to contain the virus, the government imposed strict measures that resulted in temporary closure of the malls. As part of the Group's commitment to support its tenants, the Group offered a rent relief program subsequent to the re-opening of the Group's shopping malls post the lockdown period.

Disaggregation of revenue from contracts with customers

Timing of revenue recognition		
Over a period of time	**2,132,948**	3,541,212
At a point of time	**1,374,613**	1,131,790
	3,507,561	4,673,002

5 COST OF REVENUE

Operating cost of leasing activities	***2020 AED'000***	*2019 AED'000*
Housekeeping and facility management	**129,499**	179,214
Direct staff costs	**52,148**	73,996
Utilities - net	**65,739**	55,977
Security	**32,432**	39,491
Others	**60,610**	73,239
	340,428	421,917
Cost of online retail revenue	**1,065,598**	819,580
	1,406,026	1,241,497

6 GAIN ON DISPOSAL OF INVESTMENT PROPERTIES

In the previous year, the Group entered into a sale and purchase agreement for the sale of certain retail units in Community Retail having a net book value of AED 510 thousands at a value of AED 9,000 thousands and consequently a gain of AED 8,490 thousands, net of selling expenses, was recognised in the consolidated statement of comprehensive income.

7 FINANCE COSTS

	2020	*2019*
	AED'000	*AED'000*
Interest on loans	**46,703**	75,551
Interest on sukuk	**127,996**	127,496
Finance cost of put option	**-**	3,138
Interest expense on lease liabilities	**27,295**	488
Others	**6,387**	3,342
	208,381	210,015

8 PROFIT FOR THE YEAR

The profit for the year is stated after charging:

	2020	*2019*
	AED'000	*AED'000*
Indirect staff costs	**113,668**	112,199

The Group has not made any social contributions during the year ended 31 December 2020 and 31 December 2019.

9 PROPERTY, PLANT AND EQUIPMENT

2020	***Buildings AED'000***	***Leasehold improvements AED'000***	***Computers and office equipment AED'000***	***Motor vehicles AED'000***	***Furniture and fixtures AED'000***	***Capital work-in-progress AED'000***	***Total AED'000***
Cost:							
At 1 January 2020	178,298	1,853	62,993	2,126	275,501	9,130	529,901
Additions	451	-	8,200	-	196	174	9,021
Transfer from capital work-in-progress	-	-	2,863	-	-	(2,863)	-
Transfer to investment properties (Note 10)	-	-	-	-	-	(283)	(283)
Disposals	-	-	-	-	(73)	-	(73)
At 31 December 2020	**178,749**	**1,853**	**74,056**	**2,126**	**275,624**	**6,158**	**538,566**
Accumulated depreciation:							
At 1 January 2020	55,719	1,417	52,275	2,016	263,924	-	375,351
Depreciation charge for the year	8,022	373	10,225	81	4,041	-	22,742
Disposals	-	-	-	-	(73)	-	(73)
Transfer to investment properties (Note 10)	-	-	-	-	(72)	-	(72)
At 31 December 2020	**63,741**	**1,790**	**62,500**	**2,097**	**267,820**	**-**	**397,948**
Net carrying amount:							
At 31 December 2020	**115,008**	**63**	**11,556**	**29**	**7,804**	**6,158**	**140,618**

9 PROPERTY, PLANT AND EQUIPMENT (continued)

2019	*Buildings AED'000*	*Leasehold improvements AED'000*	*Computers and office equipment AED'000*	*Motor vehicles AED'000*	*Furniture and fixtures AED'000*	*Capital work-in-progress AED'000*	*Total AED'000*
Cost:							
At 1 January 2019	178,298	1,853	53,064	2,069	273,485	3,169	511,938
Additions	-	-	9,906	57	2,016	5,984	17,963
Transfer from capital work-in-progress	-	-	23	-	-	(23)	-
At 31 December 2019	178,298	1,853	62,993	2,126	275,501	9,130	529,901
Accumulated depreciation:							
At 1 January 2019	47,722	1,044	42,196	1,895	258,028	-	350,885
Depreciation charge for the year	7,997	373	10,079	121	5,896	-	24,466
At 31 December 2019	55,719	1,417	52,275	2,016	263,924	-	375,351
Net carrying amount:							
At 31 December 2019	122,579	436	10,718	110	11,577	9,130	154,550

10 INVESTMENT PROPERTIES

2020	*Land AED'000*	*Buildings AED'000*	*Plant and machinery AED'000*	*Furniture, fixtures and others AED'000*	*Capital work-in-progress AED'000*	*Total AED'000*
Cost						
At 1 January 2020	13,045,926	10,599,939	438,334	890,660	730,294	25,705,153
Additions	-	46,094	-	77,225	247,775	371,094
Transfer from capital work-in-progress	-	34,257	-	94,099	(128,356)	-
Transfer from property, plant and equipment (Note 9)	-	157	-	126	-	283
Disposals	-	-	-	(147)	-	(147)
At 31 December 2020	**13,045,926**	**10,680,447**	**438,334**	**1,061,963**	**849,713**	**26,076,383**
Accumulated depreciation:						
At 1 January 2020	-	2,410,541	436,820	643,620	-	3,490,981
Depreciation charge for the year	-	287,062	63	121,952	-	409,077
Transfer from property, plant and equipment (Note 9)	-	72	-	-	-	72
Disposals	-	-	-	(146)	-	(146)
At 31 December 2020	**-**	**2,697,675**	**436,883**	**765,426**	**-**	**3,899,984**
Net carrying amount:						
At 31 December 2020	**13,045,926**	**7,982,772**	**1,451**	**296,537**	**849,713**	**22,176,399**

Capital work-in-progress mainly represents the cost incurred towards the developments related to The Dubai Mall's extensions and redevelopment of Community retail assets.

10 INVESTMENT PROPERTIES (continued)

2019	*Land* *AED'000*	*Buildings* *AED'000*	*Plant and machinery* *AED'000*	*Furniture, fixtures and others* *AED'000*	*Capital work-in-progress* *AED'000*	*Total* *AED'000*
Cost						
At 1 January 2019	13,045,926	10,573,579	438,811	791,185	474,475	25,323,976
Additions	-	16,304	-	78,984	287,206	382,494
Transfer from capital work-in-progress	-	10,896	-	20,491	(31,387)	-
Disposals	-	(840)	(477)	-	-	(1,317)
At 31 December 2019	13,045,926	10,599,939	438,334	890,660	730,294	25,705,153
Accumulated depreciation:						
At 1 January 2019	-	2,126,632	437,234	531,416	-	3,095,282
Depreciation charge for the year	-	284,239	63	112,204	-	396,506
Disposals	-	(330)	(477)	-	-	(807)
At 31 December 2019	-	2,410,541	436,820	643,620	-	3,490,981
Net carrying amount:						
At 31 December 2019	13,045,926	8,189,398	1,514	247,040	730,294	22,214,172

Capital work-in-progress mainly represents the cost incurred towards the developments related to The Dubai Mall's extensions and redevelopment of Community retail assets.

10 INVESTMENT PROPERTIES (continued)

At 31 December 2020, the fair value of investment properties is AED 45,295,970 thousands (31 December 2019: AED 52,314,988 thousands) compared with a carrying value of AED 22,176,399 thousands (2019: AED 22,214,172 thousands).

With the heightened degree of uncertainty resulting from the COVID-19 pandemic, there is increased difficulty in exercising professional judgements to determine fair values. Consequently, the valuation is subject to the following material uncertainty which is consistent with the guidance issued by RICS Valuation Global Standards:

"The outbreak of the Novel Coronavirus (COVID-19), declared by the World Health Organisation as a "Global Pandemic" on the 11 March 2020, has impacted global financial markets. Travel restrictions have been implemented by many countries and market activity is being impacted in many sectors.

The valuation is therefore reported on the basis of "material valuation uncertainty" as per VPS 3 and VPGA 10 of the Standards. Consequently, less certainty - and a higher degree of caution—should be attached to the valuation than would normally be the case. This clause does not invalidate the valuation but implies that there is substantially more uncertainty than under normal market conditions. The valuation of properties takes into account the level of pandemic, related economic impact, expected recovery including occupancy and earning levels of properties. As a result of the continued uncertainty, these assumptions may be revised significantly in 2021.

The valuation assumes no 'second-wave' of COVID-19 infections in Dubai resulting in the reintroduction of restrictions on movement or further closures due to lockdown and no significant contraction in the population of Dubai. These will fundamentally affect the performance of the tenants who operate from the Property and therefore the level of income the Property can generate and thus its value. If any of these assumptions are not met, further COVID-19 relief packages may be required and sentiment (both investor and consumer) may deteriorate in a deeper and more prolonged fashion. This will result in the value of the Property being materially lower than currently reported".

Investment properties represent the Group's interest in land and buildings situated in the UAE. The Group has no restriction on the realisability of its investment properties and no contractual obligation to purchase, construct or develop investment properties or for repairs, maintenance and enhancements.

The fair value of the freehold interest in Group's investment properties at 31 December 2020 was determined by management based on valuations performed by independent valuer. The valuation was performed in accordance with the RICS Valuation – Professional Standards, adopting IFRS 13 basis for fair value and using established valuation techniques. The value of the investment properties has been determined through analysis of the income cash flow achievable for the buildings, assuming they would be sold subject to any existing leases and takes into account the projected annual expenditure. Both the contracted rent and estimated rental values have been considered in the valuation with allowances for void periods, running costs, vacancy rates and other costs. Based on the type and location of the property, the value of each of the properties has been determined by capitalising the estimated net income at an equivalent yield in the range of 7.97% to 8.56% (2019: 7.75% to 10.34%) (income capitalisation method); or assuming rental growth rates of 1.92% (2019: 3%), discount rates of 7.97% to 11% (2019: 7.65% to 11.52%) and exit cap rates of 5.85% to 8.75% (2019: 5.75% to 11.50%) (discounted cash flow method). Where there are outstanding construction costs to complete the property these have been reflected in the valuation (residual method).

Fair value hierarchy
The Group uses the following hierarchy for determining and disclosing the fair value of its investment properties by valuation technique:

	Total AED'000	*Level 1 AED'000*	*Level 2 AED'000*	*Level 3 AED'000*
31 December 2020	**45,295,970**	-	-	**45,295,970**
31 December 2019	52,314,988	-	-	52,314,988

Any significant movement in the assumptions used for the fair valuation of investment properties such as discount rates, yield, rental growth, vacancy rate etc. would result in significantly lower/ higher fair value of those assets.

11 GOODWILL & INTANGIBLE ASSETS

	Goodwill	*Brand*	*Customers relationship*	*Software*	*Total*
	AED'000	*AED'000*	*AED'000*	*AED'000*	*AED'000*
2020					
Cost:					
At 1 January 2020	365,012	164,300	51,700	4,300	585,312
At 31 December 2020	365,012	164,300	51,700	4,300	585,312
Amortisation:					
At 1 January 2020	-	-	24,335	3,372	27,707
Charge for the year	-	-	10,255	928	11,183
At 31 December 2020	-	-	**34,590**	**4,300**	**38,890**
Net carrying amount:					
At 31 December 2020	**35,012**	**164,300**	**17,110**	-	**546,422**
2019					
Cost:					
At 1 January 2019	365,012	164,300	51,700	4,300	585,312
At 31 December 2019	365,012	164,300	51,700	4,300	585,312
Amortisation:					
At 1 January 2019	-	-	14,108	1,955	16,063
Charge for the year	-	-	10,227	1,417	11,644
At 31 December 2019	-	-	24,335	3,372	27,707
Net carrying amount:					
At 31 December 2019	365,012	164,300	27,365	928	557,605

Goodwill primarily comprises sales growth from future product offerings, new customers, expected synergies arising from the acquisition as well as certain other intangible assets that do not qualify for separate recognition under IAS 38 'Intangible Assets' which includes workforce and exclusive arrangements with suppliers. Goodwill is allocated entirely to the online retail segment, Namshi, which is considered as a CGU.

Brand name has been determined to have an indefinite useful life as it relates to the ongoing use of the Namshi brand, and are assessed for impairment annually based on their value-in-use. Brand name has been allocated for impairment testing to online retail business segment.

The Group performed its annual impairment test on the goodwill and brand. The calculation of value in use was sensitive to the following assumptions:

Gross margins - Gross margins were based on the expectations of management based on past experience, new initiatives and expectation of future market conditions.

*Discount rate*s - Discount rates reflected management's estimate of the specific risks. The discount rate was based on the risk free rate of the investment's country, market risk premium related to the industry and individual unit related risk premium/ discount. This was the benchmark used by management to assess performance and to evaluate future investment proposals. Management estimated that such discount rate to be used for evaluation of the investment should be approximately 12.6% (2019: 12.6%)

Sensitivity to changes in assumptions
With regard to the assessment of value in use of the Goodwill and Brand, management believes that no reasonably possible change in a key assumption would cause the carrying value of the goodwill to materially exceed its recoverable amount.

12 RIGHT-OF-USE ASSETS AND LEASE LIABILITIES

The carrying amounts of the Group's right-of-use assets and lease liabilities and the movements during the period:

	2020	2019
	AED'000	*AED'000*
Right-of-use assets		
As at 1 January	**9,012**	29,739
Adjustments during the year	**(4,650)**	(10,314)
Additions during the year	**544,502**	-
Depreciation expense	**(29,449)**	(10,413)
Balance as at year end	**519,415**	9,012
Lease liabilities		
As at 1 January	**10,229**	25,468
Adjustments during the year	**(2,333)**	(10,314)
Additions during the year	**544,502**	-
Interest expense	**27,295**	488
Deferred lease liabilities [Note 16(b)]	**(45,521)**	-
Payments during the year	**(3,972)**	(5,413)
Balance as at year end	**530,200**	10,229
Lease liabilities are payable as below:		
Lease liabilities payable after 12 months	**480,996**	4,591
Lease liabilities payable within 12 months	**49,204**	5,638
Balance as at year end	**530,200**	10,229

Set out below, are the amounts recognised in consolidated statement of comprehensive income:

	2020	2019
	AED'000	*AED'000*
Depreciation expense of right-of-use assets	**29,449**	10,413
Interest expense on lease liabilities	**27,295**	488
Balance as at year end	**56,744**	10,902

During the current year, the Group has recognized lease liabilities of AED 544,018 thousands and corresponding right-of-use assets in relation to the lease agreement with a related party. When measuring the lease liabilities, the Group has discounted the lease payments using its incremental borrowing rate of 5%. During the year, interest expense of AED 27,295 thousands (2019: Nil) has been booked as unwinding of the lease liability.

13 INVENTORIES

	2020	2019
	AED'000	*AED'000*
Merchandise held for resale	**283,339**	216,347
Spares and consumables	**8,056**	12,934
	291,395	229,281

The above inventories are net of allowance for slow moving inventories of AED 50,308 thousands (2019: AED 24,826 thousands).Movement in the allowance for slow-moving inventories is as follows:

	2020	2019
	AED'000	*AED'000*
At 1 January	**24,826**	18,089
Charge for the year	**25,482**	6,737
At 31 December	**50,308**	24,826

14 TRADE AND UNBILLED RECEIVABLES

	2020 AED'000	*2019 AED'000*
Trade receivables - net	**78,064**	372,397
Unbilled receivables	**300,505**	126,118
	378,569	498,515

Trade receivables include amounts due from related parties amounting to AED 47,173 thousands (2019: AED 45,364 thousands) [note 16(b)].

The above trade receivables are net of allowance for doubtful debts of AED 203,078 thousands (2019: AED 115,843 thousands).

Movement in the allowance for doubtful debts is as follows:

	2020 AED'000	*2019 AED'000*
At 1 January	**115,843**	89,581
Charge for the year*	**220,694**	26,298
Write off / adjustments during the year - net	**(133,459)**	(36)
At 31 December	**203,078**	115,843

* Included in general and administrative expenses.

At 31 December, ageing analysis of trade and unbilled receivables is as follows:

			Past due but not impaired			
	Total AED'000	*Not past due AED'000*	*Upto 30 days AED'000*	*31-60 days AED'000*	*61-90 days AED'000*	*>90 days AED'000*
2020						
Estimated total gross carrying amount at default	**581,647**	**300,505**	**118,587**	**22,684**	**2,853**	**137,018**
Expected credit loss	**203,078**	**3,005**	**73,206**	**2,262**	**433**	**124,172**
2019						
Estimated total gross carrying amount at default	614,358	126,118	60,459	58,692	22,389	346,700
Expected credit loss	115,843	1,892	285	569	4,838	108,259

Management believes that, apart from the above, no impartment allowance is necessary in respect of the remaining trade receivables.

The Group recognises lifetime expected credit loss (ECL) for trade and other receivables using the simplified approach. To determine the expected credit losses all debtors were classified into categories and the ECL rate for each category was determined using a provision matrix.

These were adjusted for factors that are specific to the debtors and general economic conditions and an assessment both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

15 ADVANCES, PREPAYMENTS AND OTHER RECEIVABLES

	2020 *AED'000*	*2019* *AED'000*
Advances to contractors and suppliers	**143,821**	149,485
Prepayments	**4,979**	12,381
Interest receivable	**218**	2
Other receivables	**67,520**	70,204
	216,538	232,072

16 RELATED PARTY DISCLOSURES

(a) During the year, the following were the significant related party transactions, which were carried out in the normal course of business on terms agreed between the parties:

	2020 *AED'000*	*2019* *AED'000*
Revenue		
Rental income from leased properties		
Parent Company	**11,070**	34,145
Affiliated entities	**77,291**	91,330
Entities owned or controlled by Directors and other related parties	**132,741**	97,897
Cost of revenue		
Operating cost of leasing activities – net		
Parent Company	**36,107**	39,770
Affiliated entities	**176,343**	263,217
Entities owned or controlled by Directors and other related parties	**(3,731)**	(1,486)
Cost of online retail revenue		
Entities owned or controlled by Directors and other related parties	**79,053**	56,135
Sales and marketing expenses		
Parent Company	**2,810**	5,360
Affiliated entities	**560**	749
Entities owned or controlled by Directors and other related parties	**60,017**	38,623
General and administrative expenses		
Parent Company	**65,184**	59,935
Affiliated entities	**226**	2,548
Entities owned or controlled by Directors and other related parties	**1,118**	2,148
Finance income		
Entities owned or controlled by Directors and other related parties	**75**	338
Finance costs		
Entities owned or controlled by Directors and other related parties	**7,006**	11,052
Capital expenditures		
Parent Company	**2,871**	-

16 RELATED PARTY DISCLOSURES (continued)

(b) Balances with related parties included in the consolidated statement of financial position are as follows:

31 December 2020	*Bank balances and cash AED '000*	*Due from related parties AED '000*	*Trade and unbilled receivables AED '000*	*Due to related parties* AED '000*	*Deferred income AED '000*	*Accounts payable and accruals AED '000*	*Right-of-use assets AED'000*	*Lease liabilities AED'000*
Non-current								
Parent Company	**-**	**-**	**-**	**-**	**-**	**-**	**513,784**	**479,948**
Entities owned or controlled by Directors and other related parties	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
	-	**-**	**-**	**-**	**-**	**-**	**513,784**	**479,948**
Current								
Parent Company	**-**	**-**	**-**	**92,980**	**1,333**	**-**	**-**	**45,521**
Affiliated entities	**-**	**163,184**	**-**	**52,313**	**22,789**	**-**	**-**	**-**
Entities owned or controlled by Directors and other related parties	**2,187**	**-**	**47,173**	**-**	**13,646**	**120**	**-**	**-**
	2,187	**163,184**	**47,173**	**145,293**	**37,768**	**120**	-	**45,521**

During the year, interest expense of AED 26,972 thousands (2019: Nil) has been booked as unwinding of the lease liability.

16 RELATED PARTY DISCLOSURES (continued)

(b) Balances with related parties included in the consolidated statement of financial position are as follows (continued):

31 December 2019	*Bank balances and cash AED '000*	*Due from related parties AED '000*	*Trade and unbilled receivables AED '000*	*Due to related parties AED '000*	*Deferred income AED '000*	*Accounts payable and accruals AED '000*	*Right-of-use assets AED'000*	*Lease liabilities AED'000*
Non-current								
Parent Company	-	-	-	-	-	-	-	-
Entities owned or controlled by Directors and other related parties	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-
Current								
Parent Company	-	-	-	93,530	1,810	-	-	-
Affiliated entities	-	149,355	-	58,909	30,106	-	-	-
Entities owned or controlled by Directors and other related parties	2,383	-	45,364	-	29,529	135	-	-
	2,383	149,355	45,364	152,439	61,445	135	-	-

For the years ended 31 December 2020 and 2019, the Group has not recorded any impairment of receivables relating to amounts owed by related parties.

16 RELATED PARTY DISCLOSURES (continued)

(c) Compensation of key management personnel

The remuneration of key management personnel during the year were as follows:

	2020 AED'000	*2019 AED'000*
Short term benefits	**16,110**	27,738
End of service benefits	**2,381**	1,336

As at 31 December 2020, the number of key management personnel was 14 (2019: 19).

During the year, the Company has paid bonus to the members of the Board of Directors amounting to AED 650 thousands for each board member (including the Chairman and Vice Chairman of the Board of Directors) for the year 2019 as approved by the shareholders at the Annual General Meeting of the Company held on 21 June 2020. An accrual for the same amount has been recorded for the year ended 31 December 2020.

17 CASH AND CASH EQUIVALENTS

	2020 AED'000	*2019 AED'000*
Cash in hand	**205**	270
Current and call accounts	**248,744**	194,932
Deposits maturing within three months	**310,000**	-
Balance at 31 December	**558,949**	195,202

Included in the bank balances and cash is an amount of AED 2,187 thousands (2019: AED 2,383 thousand) as balance held with related party [note 16(b)].

Cash at banks earn interest at fixed rates based on prevailing bank deposit rates. Short-term fixed deposits are made for varying periods between one day and six months, depending on the immediate cash requirements of the Group, and earn interest at the respective short-term deposit rates. Fixed deposits earn interest at rates between 0.75% and 2.1% per annum (2019: 2.70% and 2.84% per annum).

18 SHARE CAPITAL

	2020 AED'000	*2019 AED'000*
Authorised capital – 13,014,300,000 shares of AED 1 each (2019: 13,014,300,000 shares of AED 1 each)	**13,014,300**	13,014,300
Issued and fully paid – 13,014,300,000 shares of AED 1 each (2019: 13,014,300,000 shares of AED 1 each)	**13,014,300**	13,014,300

19 RESERVES

Movement in reserves is as follows:

	Statutory reserve AED'000	*Legal reserve AED'000*	*Put option over non-controlling interests AED'000*	*Total AED'000*
As at 1 January 2019	919,848	825,862	(468,658)	1,277,052
Acquisition of non-controlling interests	-	-	468,658	468,658
Transferred to statutory reserve	228,561	-	-	228,561
Transferred to legal reserve	-	228,561	-	228,561
As at 31 December 2019	1,148,409	1,054,423	-	2,202,832
As at 1 January 2020	**1,148,409**	**1,054,423**	-	**2,202,832**
Transferred to statutory reserve	**70,361**	**-**	**-**	**70,361**
Transferred to legal reserve	**-**	**70,361**	**-**	**70,361**
As at 31 December 2020	**1,218,770**	**1,124,784**	**-**	**2,343,554**

As required by the UAE Federal Commercial Companies Law No. (2) of 2015 and the Article number 57 of the Company's Article of Association, 10% of the net profit for the year shall be transferred to legal reserve until it reaches 50% of the share capital. Further, 10% of the net profit for the year shall be transferred to statutory reserve until it reaches 50% of the paid-up share capital. During the year, the Group has transferred AED 70,361 thousands to legal reserve from net profit for the year ended 31 December 2020. In addition, the Group has also transferred AED 70,361 thousands to statutory reserves from net profit for the year ended 31 December 2020. These reserves are not available for distribution except in the circumstances stipulated by the law.

20 DIVIDENDS

A cash dividend of AED 0.10 per share for the year 2018 was approved by the shareholders of the Company at the Annual General Meeting of the Company held on 23 April 2019 and was paid during the year ended 31 December 2019.

No dividend was paid for the year ended 2019. The Board of Directors of the Company has proposed not to pay dividend for the year ended 2020.

21 EARNINGS PER SHARE

Basic earnings per share amounts are calculated by dividing net profit or loss for the year by the weighted average number of ordinary shares outstanding during the year.

Diluted earnings per share are calculated by adjusting the weighted average number of ordinary shares outstanding assuming conversion of all dilutive potential ordinary shares.

21 EARNINGS PER SHARE (continued)

The information necessary to calculate basic and diluted earnings per share is as follows:

	2020	*2019*
	AED'000	*AED'000*
Earnings:		
Profit attributable to the equity holders of the Company	**703,609**	2,285,611
Weighted average number of ordinary shares for basic & diluted earnings per share	**13,014,300,000**	13,014,300,000
Earnings per share (AED):		
- basic and diluted	**0.05**	0.18

22 PROVISION FOR EMPLOYEES' BENEFITS

End-of-Service Benefits
The movement in the provision for employees' end of service benefits is as follows:

	2020	*2019*
	AED'000	*AED'000*
Balance as at 1 January	**20,728**	21,157
Provision during the year	**4,048**	8,914
Transferred to parent company/ related parties	**(796)**	(3,336)
Paid during the year	**(5,131)**	(6,007)
Balance as at 31 December	**18,849**	20,728
Employees' equity option plan	**13,849**	2,649
	32,698	23,377

The provision for employees' end of service benefits is based on the liability that would arise if the employment of all staff were terminated at the reporting date and is calculated in accordance with the provisions of UAE Federal Labour Law.

Employees' Equity Option Plan
The Company has an Employees' Equity Option Plan ("the Plan") to recognise and retain high performing staff. The Plan awards eligible employees notional shares which vest over a period of time. Upon a liquidity event, the shareholders may at their sole discretion, choose to settle the employee options vested to date, in cash or equity. The notional shares awarded do not carry any existing or future right, actual or conditional, or legal or beneficial interest in the share capital of the company or any other Namshi entity from time to time. At 31 December 2020, liability of AED 13,849 thousands (2019: AED 2,649 thousands) has been recognised in the consolidated statement of financial position.

23 INTEREST BEARING LOANS AND BORROWINGS

	2020 ***AED'000***	*2019* *AED'000*
Interest bearing loans and borrowings	**7,346**	789,695
Less: unamortised portion of loan arrangement fee	**(3,796)**	(9,681)
Net interest bearing loans and borrowings	**3,550**	780,014

(a) Movement for the year:

	2020 ***AED'000***	*2019* *AED'000*
Balance as at 1 January	**789,695**	1,193,725
Less: Repaid during the year	**(2,618,849)**	(1,513,276)
Add: Borrowed during the year	**1,836,500**	1,109,246
Balance as at 31 December	**7,346**	789,695

The Group has availed Revolving Islamic Finance facility of USD 2 billion (AED 7,346,000 thousands) from the commercial banks in the UAE. The facility is unsecured and carries profit rate at 3 months LIBOR + 1.25% pa.

24 SUKUK

EMG Sukuk Limited (the "Issuer"), a limited liability company registered in the Cayman Islands and a wholly-owned subsidiary of the Group, has issued trust certificates (the "Sukuk") amounting to USD 750,000 thousands (AED 2,754,750 thousands) on 18 June 2014. The Sukuk is listed on NASDAQ Dubai and is due for repayment in 2024. The Sukuk carries a profit distribution rate of 4.564% per annum to be paid semi-annually. The carrying value of the Sukuk is as follows:

	2020 ***AED'000***	*2019* *AED'000*
Proceeds from the issuance of the Sukuk	**2,754,750**	2,754,750
Less: Sukuk issuance cost	**(21,587)**	(21,587)
Sukuk liability on initial recognition	**2,733,163**	2,733,163
Amortisation of issuance cost	**12,955**	10,710
Sukuk liability as at year end	**2,746,118**	2,743,873

25 PUT OPTION OVER NON-CONTROLLING INTERESTS

Pursuant to the Shareholders' Agreement which was executed between the Company and GFG on 16 August 2017 in relation to the acquisition of Namshi, the Company granted a put option to GFG in respect of GFG's shareholding in Namshi. GFG had the right to require the Company to acquire GFG's entire shareholding in Namshi.

On 25 February 2019, the Company acquired the remaining GFG's shareholding in Namshi for a consideration of AED 475,900 thousands (note 1).

Upon acquisition of remaining GFG's shareholding in Namshi, the non-current financial liability previously recognised in the consolidated statement of financial position has been derecognised in the previous period. The Group has recognised a gain on settlement of put option over non-controlling interests amounting to AED 15,689 thousands in the consolidated statement of comprehensive income.

26 ACCOUNTS PAYABLE AND ACCRUALS

	2020 ***AED'000***	*2019* *AED'000*
Trade payables	**224,516**	193,844
Accrued expenses	**950,859**	729,245
Interest payable	**5,478**	6,968
Other payables	**53,357**	20,000
	1,234,210	950,057

Included in the trade payables is an amount of AED 120 thousands (2019: AED 135 thousands) due to related parties [note 16(b)].

27 COMMITMENTS AND CONTINGENCIES

Commitments
At 31 December 2020, the Group had commitments of AED 417,707 thousands (2019: AED 757,497 thousands) which includes project commitments of AED 404,513 thousands (2019: AED 554,514 thousands). This represents the value of contracts issued as at 31 December net of invoices received and accruals made as at that date.

Operating lease commitments – Group act as lessor
The Group leases out its property under operating leases as a lessor. The future minimum lease payments receivable (base rent) under non-cancellable operating leases contracted for at the reporting date but not recognised as receivables, are as follows:

	2020 ***AED'000***	*2019* *AED'000*
Within one year	**1,792,918**	2,586,149
After one year but not more than five years	**4,297,220**	4,861,278
More than five years	**810,333**	881,938
	6,900,471	8,329,365

In addition to the base rent, the Group also charges annual service charges to its tenants. The total amount of service charges for the year ended 31 December 2020 was AED 280,594 thousands (2019: AED 364,828 thousands).

Operating lease commitments – Group act as lessee
The Group has obtained certain under operating lease as a lessee. The maturity analysis of the undiscounted contractual cash flows is as follows:

	2020 ***AED'000***	*2019* *AED'000*
Within one year	**49,204**	6,028
After one year but not more than five years	**228,654**	4,686
More than five years	**517,507**	-
	795,365	10,714

Contingencies
As at 31 December 2020, legal proceedings are in progress against certain tenants to recover outstanding rents amounting to AED 34,694 thousands (2019: AED 17,470 thousands). Based on the advice of legal advisors, outcome of these claims will have no adverse impact on the consolidated financial statements of the Group.

Update on Covid-19
In Q3 and Q4 of 2020, the UAE Government started re-opening the economy in gradual phases with additional measures around social distancing, use of masks, increased Covid-19 testing etc. which allowed signs of recovery in several business activities. The Group's operations fall within these businesses. The Group is closely assessing the potential impact of the current situation across all relevant areas of business; specifically relating to revenue recognition, impairment of investment properties and impairment of goodwill. Although the Group has been able to gradually improve its assessment of Covid-19 impact on its business, the surge in new infections gave rise to new element of uncertainty.

27 COMMITMENTS AND CONTINGENCIES (continued)

Update on Covid-19 (continued)
As the situation is fast evolving, the effect of the outbreak of Covid-19 is subject to significant levels of uncertainty, with the full range of possible effects unknown on the date of the approval of the consolidated financial statements. The Group will continue to monitor the evolving situation and take necessary steps in a dynamic manner to cope with these uncertainties.

28 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group has exposure to the following risks from its use of financial instruments:

a) Credit risk,
b) Market risk, and
c) Liquidity risk.

This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risk, and the Group's management of capital.

The Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework. The Group's senior management are responsible for developing and monitoring the risk management policies and report regularly to the Board of Directors on their activities.

The Group’s current financial risk management framework is a combination of formally documented risk management policies in certain areas and informal risk management policies in others. The Group’s risk management policies (both formal and informal) are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group’s activities.

The Company’s Audit Committee oversees how management monitors compliance with the Company’s risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risk faced by the Company. The Company’s Audit Committee is assisted in its oversight role by Internal Audit. Internal Audit undertakes both regular and adhoc reviews of risk management controls and procedures, the results of which are reported to the Audit Committee.

The Group’s principal financial liabilities, comprise loans and borrowings, sukuk, lease liabilities, retentions payable and trade and other payables. The main purpose of these financial instruments is to raise finance for the Group’s operations. The Group has various financial assets such as bank balances and cash, trade and unbilled receivables, due from related parties and advances and other receivables, which arises directly from its operations.

The Board of Directors reviews and agrees policies for managing each of these risks which are summarised below:

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 is exposed to credit risk on the following:

	2020 ***AED’000***	*2019* *AED’000*
Bank balances	**558,744**	194,932
Trade and unbilled receivables	**378,569**	498,515
Due from related parties	**163,184**	149,355
Interest receivable	**218**	2
Other receivables	**67,520**	70,204
	1,168,235	913,008

Credit risk from balances with banks and financial institutions is managed by Group’s treasury in accordance with the Group’s policy. The Group limits its exposure to credit risk by only placing balances with international banks and local banks of good repute. Given the profile of its bankers, management does not expect any counterparty to fail to meet its obligations.

28 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

Credit risk (continued)
Credit risk from trade and unbilled receivables is managed by setting credit limits for individual tenants, monitoring outstanding receivables and obtaining security deposits under the lease arrangements. The Group establishes an allowance for impairment at each reporting date that represents its estimate of expected credit losses in respect of trade and unbilled receivables.

Due from related parties relates to transactions arising in the normal course of business with minimal credit risk.

Market risk
Market risk is the risk that changes in market prices, such as interest rate risk and currency risk, will affect the Group's income or the value of its holdings of financial instruments. Financial instruments affected by interest rate risk include interest bearing loans and borrowings. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

Interest rate risk
Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group is exposed to interest rate risk on its interest-bearing assets and liabilities (interest bearing loans and borrowings).

At the reporting date, the interest rate profile of the Group’s interest-bearing financial instruments is as under:

	2020 ***AED’000***	*2019* *AED’000*
Fixed rate instruments		
Financial assets		
Fixed deposits	**310,000**	-
Variable rate instruments		
Financial liabilities		
Interest bearing loans and borrowing	**3,550**	780,014

The following table demonstrates the sensitivity of the consolidated statement of comprehensive income to reasonably possible changes in interest rates, with all other variables held constant and net of hedged instruments. The sensitivity of the consolidated statement of comprehensive income is the effect of the assumed changes in interest rates on the Group's profit for one year, based on the floating rate financial assets and liabilities held at reporting date.

	Changes in basis points	***Sensitivity of interest income/expense AED’000***
2020		
Bank deposits	**±100**	**-**
Interest bearing loans and borrowings	**±100**	**±73**
2019		
Bank deposits	±100	-
Interest bearing loans and borrowings	±100	±7,897

Foreign currency risk
Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Group's significant monetary assets and liabilities denominated in foreign currencies are either in USD or in currencies pegged to USD. As the AED is currently pegged to the USD, balances in USD and other currencies pegged to USD are not considered to represent significant currency risk.

28 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Liquidity risk
Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group monitors its risk to a shortage of funds using a recurring liquidity planning tool. This tool considers the maturity of both its financial investments and financial assets (e.g. trade and unbilled receivables, other financial assets) and projected cash flows from operations.

The cash flows, funding requirements and liquidity of the Group are monitored on a centralised basis, under the control of Group Treasury. The objective of Group's Treasury is to optimise the efficiency and effectiveness of the management of the capital resources. The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank borrowings. The Group manages liquidity risk by maintaining adequate reserves and borrowing facilities, by continuously monitoring forecasted and actual cash flows and matching the maturity profiles of financial assets and liabilities.

The Group currently has sufficient cash and financing on demand to meet expected operational expenses, including the servicing of financial obligations.

The table below summarises the maturities of the Group's undiscounted financial liabilities at 31 December, based on contractual payment dates and current market interest rates.

At 31 December 2020

		Contractual cash flows				
	Carrying amount AED'000	***Less than 3 months AED'000***	***3 to 12 months AED'000***	***1 to 5 years AED'000***	***More than 5 years AED'000***	***Total AED'000***
Due to related parties	**145,293**	**36,323**	**108,970**	-	-	**145,293**
Interest bearing loans and borrowings	**3,550**	**7,413**	**22,239**	**893**	**7,346**	**37,891**
Sukuk	**2,746,118**	-	**125,727**	**3,069,067**	**-**	**3,194,794**
Trade payables	**224,516**	**212,755**	**11,761**	-	-	**224,516**
Accrued expenses	**950,859**	**160,724**	**790,135**	-	-	**950,859**
Retentions payable	**31,262**	**4,195**	**12,584**	**14,483**	-	**31,262**
Other payables	**53,357**	**13,340**	**40,017**	-	-	**53,357**
Lease Liabilities	**530,200**	**622**	**75,492**	**343,255**	**642,310**	**1,061,679**
Total	**4,685,155**	**435,372**	**1,186,925**	**3,427,698**	**649,656**	**5,699,651**

At 31 December 2019

		Contractual cash flows				
	Carrying amount AED'000	*Less than 3 months AED'000*	*3 to 12 months AED'000*	*1 to 5 years AED'000*	*More than 5 years AED'000*	*Total AED'000*
Due to related parties	152,439	38,110	114,329	-	-	152,439
Interest bearing loans and borrowings	780,014	7,996	23,987	127,930	789,695	949,608
Sukuk	2,743,873	-	125,727	440,044	2,754,750	3,320,521
Trade payables	193,844	186,665	7,179	-	-	193,844
Accrued expenses	729,245	182,311	546,934	-	-	729,245
Retentions payable	31,611	3,698	11,095	16,818	-	31,611
Other payables	20,000	5,000	15,000	-	-	20,000
Lease Liabilities	10,229	48	5,980	4,686	-	10,714
Total	4,661,255	423,828	850,231	589,478	3,544,445	5,407,982

28 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Capital management
Capital includes equity attributable to the equity holders of the Group. The Group's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The primary objective of the Group's capital management strategy is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximise shareholder's value.

The Group monitors capital using gearing ratio, which is net debt divided by equity plus net debt. The Group's policy is to keep the gearing ratio below 50%. The Group includes within net debt, interest bearing loans and borrowings and sukuk, less bank balances and cash. Equity includes equity attributable to the equity holders of the Group. At 31 December 2020, the Groups' gearing ratio is 10% (31 December 2019: 16%). The Board of Directors seeks to maintain a balance between the higher returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position.

The Board of Directors also monitors the return on capital, which the Group defines as net operating income divided by total shareholders' equity. The Board of Directors also monitors the level of dividends to shareholders, the return of capital to shareholders or issuance of new shares to maintain or adjust the capital structure.

The Group manages its capital structure and makes adjustments to it, in light of changes in business conditions. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2020 and 31 December 2019.

29 FAIR VALUES OF FINANCIAL INSTRUMENTS

Financial instruments comprise financial assets and financial liabilities.

Financial assets of the Group include bank balances and cash, trade and unbilled receivables, advances, other receivables and due from related parties. Financial liabilities of the Group include security deposits, interest bearing loans and borrowings, sukuk, trade payables, retention payables, lease liabilities, accrued expenses and due to related parties.

The fair values of the financial instruments are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The fair values of the financial instruments are not materially different from their carrying value unless stated otherwise.