

**Sharjah Group Company P.J.S.C.  
and its subsidiary**

Consolidated Financial Statements  
For the year ended December 31, 2020

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**Consolidated Financial Statements**  
**For the year ended December 31, 2020**

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**Board of Directors Report**

Dear, Sharjah Group Company Shareholders

We are pleased to present the Board of Directors Report and Financial Statements for the fiscal financial year ended 31/12/2020 for Sharjah Group Company.

The company earned an operating income for the year ended December 31, 2020 amounting to AED 10,627,981 (2019: AED 11,336,240).

Rental Income increased by 5.6% and the value of rent reached the amount of AED 10,523,641 (2019: AED 9,963,520).

Net loss for 2020 was AED 11,127,937, compared to AED 15,229,249 net loss in 2019. This is due to decline in properties' valuation.

The value of the Company's assets has also decreased by 6.4% reaching an amount of AED 198,162,558 (2019: AED 211,606,680), and the return of operating income on total assets is stabilized at 5.36% (2019: 5.36%).

Best Regards,

Board of Directors



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## **Independent Auditor's Report To the Shareholders of Sharjah Group Company P.J.S.C.**

### **Report on the Audit of the Consolidated Financial Statements**

#### ***Opinion***

We have audited the accompanying consolidated financial statements of Sharjah Group Company P.J.S.C. (the "Company") and its subsidiary collectively referred to as (the "Group"), which comprise the consolidated statement of financial position as at December 31, 2020 and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies and other explanatory information.

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

#### ***Basis for Opinion***

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements" section of our report. We are independent of the Group in accordance with Code of Ethics as issued by International Ethics Standards Board for Accountants (IESBA), and we have fulfilled our other ethical responsibilities in accordance with the requirements of the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### ***Other Matter***

The consolidated financial statements of the Group for the year ended December 31, 2019 were audited by another auditor who expressed an unmodified opinion on those consolidated financial statements on March 24, 2020.

#### ***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 Group for the year ended December 31, 2020. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.



## **Independent Auditor's Report**

**To the Shareholders of Sharjah Group Company P.J.S.C. (continued)**

**Report on the Audit of the Consolidated Financial Statements (continued)**

***Key Audit Matters (continued)***

### **i) Valuation of investment properties**

The Group have investment properties as at December 31, 2020 of AED 183.05 million as disclosed in Note 7 to the consolidated financial statements. The investment properties of the Group represent 92.4% of the total assets as at December 31, 2020 and are carried at fair value. The management of the Group determines the fair value of its investment properties at each reporting date and uses an independent valuer to support the valuation at year end. Valuation of the investment properties is dependent on estimates and assumptions including rental value, occupancy rates, discount rates, financial stability of tenants, market knowledge and historical transactions.

We have performed the following audit procedures:

- We have discussed with the independent valuer to understand the basis of valuation for each investment property and other judgements used in performing the valuation;
- We have assessed the appropriateness of the key assumptions and methodologies used;
- We have tested on sample basis whether property specific data supplied to the independent valuer by management reflected the underlying property records; and
- We have assessed whether the Group's disclosures in relation to the valuation of the investment properties are compliant with the relevant accounting requirements.

### **ii) Valuation of investment in unquoted securities**

The Group hold investments in unquoted equity securities of five entities as at December 31, 2020 amounting to AED 2.29 million representing 34.3% of the total amount of its investment in securities as disclosed in Note 9 and 10 to the consolidated financial statements. The valuation of these unquoted equity securities was carried out by an independent valuer and involves judgement in selecting the valuation basis for each investment and further judgement in performing the valuation when the latest market and financial data is not observable.

We have performed the following audit procedures:

- We have discussed with the independent valuer to understand the basis of valuation for each investment and other judgements used in performing the valuation;
- We have assessed the appropriateness of the underlying data, pricing methodologies and assumptions used; and
- We have assessed whether the Group's disclosures in relation to the valuation of the unquoted equity securities are compliant with the relevant accounting requirements.

## **Independent Auditor's Report**

**To the Shareholders of Sharjah Group Company P.J.S.C. (continued)**

**Report on the Audit of the Consolidated Financial Statements (continued)**

***Key Audit Matters (continued)***

### **iii) Revenue recognition**

The Group have recognised rental revenue of AED 10.52 million during the year ended December 31, 2020. Market expectation and a profit-based target may place pressure on management to overstate revenue. This may result in the manipulation of accrued/deferred revenue and/or the creation of fictitious customers to assist in meeting current or future targets and expectations.

We have performed the following audit procedures:

- We have assessed whether the revenue recognition policies adopted comply with IFRSs;
- We have performed detailed analytical procedures by developing an independent expectation of revenue based on the lease agreements for the year ended December 31, 2020 to assess whether revenue recognised was complete;
- We have performed audit procedures specifically designed to address the risk of management override of controls including journal entry testing and evaluating whether there was evidence of bias by the Directors that represents a risk of material misstatement due to fraud;
- We have agreed a sample of lease agreements to the related revenue recognised in the books to assess whether revenue had been recognised in the appropriate accounting period; and
- We have obtained the tenant listing, scanned sample contract folders of sample tenants to determine their existence and checked for duplicate customers.

### **iv) Claims and legal expenses payables**

Claims and legal expenses payable relate to a legal case filed against the Group in December 1999. The Sharjah Union Supreme Court issued its final decision dated January 29, 2019 stating the final claim amount to be paid shall include the principle and interest equal to the principle amount. The final claim amount was calculated as AED 42.408 million. As at December 31, 2020, the Group has paid an amount of AED 7.5 million as a partial settlement of these liabilities out of final claim amount. Hence, the outstanding liability amounted to AED 34.9 million as disclosed in Note 19 to the consolidated financial statements.

On March 2, 2020, the Group received a legal notice from Sharjah Court and Sharjah Land Department to attach all properties of the Group situated in the Emirate of Sharjah, United Arab Emirates. As at December 31, 2020, the total fair value of all these properties amounted to AED 183.05 million (Note 7). Consequently, the Group has appealed against this notice and requested to limit the attachment to certain properties with sufficient fair value to cover the outstanding balance.

We have performed the following audit procedures:

- We have assessed and challenged the appropriateness of calculating the liability as at December 31, 2020;
- We have met with the legal advisor of the Group and discussed the status of the legal case; and
- We have assessed whether the Group's disclosures in relation to the claims and legal expense payable are compliant with the relevant accounting requirements.



## **Independent Auditor's Report**

**To the Shareholders of Sharjah Group Company P.J.S.C. (continued)**

**Report on the Audit of the Consolidated Financial Statements (continued)**

### **Other Information**

Management is responsible for the other information. The other information comprises the information included in the *Board of Directors' Report* but does not include the consolidated financial statements and our auditor's report thereon.

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

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

### **Auditor's Responsibilities for the Audit of the Consolidated Financial Statements**

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISA's 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 ISA, 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.



## **Independent Auditor's Report**

**To the Shareholders of Sharjah Group Company P.J.S.C. (continued)**

**Report on the Audit of the Consolidated Financial Statements (continued)**

### **Auditor's 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 auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entity 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, related safeguards.

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

### **Report on Other Legal and Regulatory Requirements**

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

- i) we have obtained all the information 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 Board of Directors' Report, in so far as it relates to these consolidated financial statements, is consistent with the books of account of the Group;



**Independent Auditor's Report**

**To the Shareholders of Sharjah Group Company P.J.S.C. (continued)**

**Report on Other Legal and Regulatory Requirements (continued)**

- v) the Group has not purchased or invested in any shares during the financial year ended December 31, 2020;
- vi) note 12 to the consolidated financial statements discloses material related party transactions, and the terms under which they were conducted;
- vii) based on the information that has been made available to us, nothing has come to our attention which causes us to believe that the Group has contravened during the financial year ended December 31, 2020 any of the applicable provisions of the UAE Federal Law No. (2) of 2015 or of its Articles of Association, which would materially affect its activities or its financial position as at December 31, 2020; and
- viii) there was no social contribution made during the financial year ended December 31, 2020.



**GRANT THORNTON**

**Osama El Bakry**  
**Registration No. 935**  
**Sharjah, United Arab Emirates**



**March 28, 2021**

**Sharjah Group Company P.J.S.C. and its subsidiary  
Consolidated Financial Statements**

**Consolidated statement of financial position  
As at December 31, 2020**

	Notes	2020 AED	2019 AED
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property and equipment	5	111,348	135,970
Right-of-use assets	6	559,284	679,005
Investment properties	7	183,051,350	198,192,750
Investments at fair value through other comprehensive income	9	6,319,888	7,876,390
		<u>190,041,870</u>	<u>206,884,115</u>
<b>Current assets</b>			
Trade and other receivables	11	1,633,924	947,983
Investments at fair value through profit or loss	10	354,645	417,744
Cash and bank balances	13	6,132,119	3,356,838
		<u>8,120,688</u>	<u>4,722,565</u>
<b>TOTAL ASSETS</b>		<u><b>198,162,558</b></u>	<u><b>211,606,680</b></u>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Share capital	14	78,901,086	78,901,086
Statutory reserve	15	31,787,073	31,774,685
Voluntary reserve	16	12,106,131	12,093,743
Fair value reserve		(11,713,078)	(10,188,123)
Foreign currency translation reserve		(529,209)	(490,218)
Retained earnings		18,754,944	29,907,657
<b>Total equity</b>		<u><b>129,306,947</b></u>	<u><b>141,998,830</b></u>
<b>Non-current liabilities</b>			
Employees' end of service benefits	18	1,222,841	1,149,740
Lease liabilities	6	463,936	573,897
		<u>1,686,777</u>	<u>1,723,637</u>
<b>Current liabilities</b>			
Lease liabilities	6	118,914	112,102
Trade and other payables	19	38,077,286	38,661,606
Dividends payable		28,972,634	29,110,505
		<u>67,168,834</u>	<u>67,884,213</u>
<b>Total liabilities</b>		<u><b>68,855,611</b></u>	<u><b>69,607,850</b></u>
<b>TOTAL EQUITY AND LIABILITIES</b>		<u><b>198,162,558</b></u>	<u><b>211,606,680</b></u>

These consolidated financial statements were approved and authorised for issue by the Board of Directors on March 28, 2021 and signed on their behalf by:

  
**Mr. Ziyad Mahmoud Khairullah Al Haji**  
Chairman

  
**Mr. Mohammed Al Wazzan**  
Chief Executive Officer

The accompanying notes from 1 to 25 form an integral part of these consolidated financial statements.

**Sharjah Group Company P.J.S.C. and its subsidiary  
Consolidated Financial Statements**

**Consolidated statement of profit and loss and other comprehensive income  
For the year ended December 31, 2020**

	Notes	2020 AED	2019 AED
Rental income		10,523,641	9,963,520
Repairs and maintenance expenses		(1,584,150)	(1,108,645)
Administrative and general expenses	20	(4,810,869)	(5,688,012)
Unrealised loss on investments at fair value through profit or loss	10	(62,647)	(44,314)
Realised gain on sale of investments at fair value through profit and loss		-	1,212,919
Loss on changes in fair value of investment properties	7	(15,326,682)	(38,044,250)
Other income	21	160,241	18,473,228
Dividend income		-	24,006
Finance costs		(27,471)	(17,701)
<b>LOSS FOR THE YEAR</b>		<b>(11,127,937)</b>	<b>(15,229,249)</b>
<b>Other comprehensive (loss)/income</b>			
<i>Other comprehensive (loss)/income not to be reclassified to profit or loss in subsequent periods:</i>			
Changes in fair value of investments at fair value through other comprehensive income	9	(1,524,955)	2,490,710
<i>Other comprehensive (loss)/income to be reclassified to profit or loss in subsequent periods:</i>			
Foreign currency translation reserve		(38,991)	26,021
<b>Other comprehensive (loss)/income</b>		<b>(1,563,946)</b>	<b>2,516,731</b>
<b>TOTAL COMPERHENSIVE LOSS FOR THE YEAR</b>		<b>(12,691,883)</b>	<b>(12,712,518)</b>
<b>Basic and diluted losses per share</b>	17	<b>(0.14)</b>	<b>(0.19)</b>

The accompanying notes from 1 to 25 form an integral part of these consolidated financial statements.

Sharjah Group Company P.J.S.C. and its subsidiary  
Consolidated Financial Statements

Consolidated statement of changes in equity  
For the year ended December 31, 2020

	Share capital AED	Statutory reserve AED	Voluntary reserve AED	Fair value reserve AED	Foreign currency translation reserve AED	Retained earnings AED	Total AED
As at January 1, 2020	78,901,086	31,774,685	12,093,743	(10,188,123)	(490,218)	29,907,657	141,998,830
Transfer from retained earnings to reserves	-	12,388	12,388	-	-	(24,776)	-
Loss for the year	-	-	-	-	-	(11,127,937)	(11,127,937)
Other comprehensive loss	-	-	-	(1,524,955)	(38,991)	-	(1,563,946)
Total comprehensive loss for the year	-	-	-	(1,524,955)	(38,991)	(11,127,937)	(12,691,883)
<b>As at December 31, 2020</b>	<b>78,901,086</b>	<b>31,787,073</b>	<b>12,106,131</b>	<b>(11,713,078)</b>	<b>(529,209)</b>	<b>18,754,944</b>	<b>129,306,947</b>

	Share capital AED	Statutory reserve AED	Voluntary reserve AED	Fair value reserve AED	Foreign currency translation reserve AED	Retained earnings AED	Total AED
As at January 1, 2019	78,901,086	31,774,685	12,093,743	(12,678,833)	(516,239)	45,136,906	154,711,348
Loss for the year	-	-	-	-	-	(15,229,249)	(15,229,249)
Other comprehensive income	-	-	-	2,490,710	26,021	-	2,516,731
Total comprehensive loss for the year	-	-	-	2,490,710	26,021	(15,229,249)	(12,712,518)
<b>As at December 31, 2019</b>	<b>78,901,086</b>	<b>31,774,685</b>	<b>12,093,743</b>	<b>(10,188,123)</b>	<b>(490,218)</b>	<b>29,907,657</b>	<b>141,998,830</b>

The accompanying notes from 1 to 25 form an integral part of these consolidated financial statements.

**Sharjah Group Company P.J.S.C. and its subsidiary  
Consolidated Financial Statements**

**Consolidated statement of cash flows  
For the year ended December 31, 2020**

	Notes	2020 AED	2019 AED
<b>OPERATING ACTIVITIES</b>			
Loss for the year		(11,127,937)	(15,229,249)
<i>Adjustments for non-cash items:</i>			
Depreciation on property and equipment	5	66,708	61,451
Depreciation on right-of-use assets	6	125,631	61,576
Fair value losses from investment properties	7	15,326,682	38,044,250
Unrealised loss on investment at fair value through profit or loss	10	62,647	44,314
Allowance for expected credit losses of trade receivables	11	339,895	562,523
Reversal of provision for expected credit losses	11	(29,222)	(207,720)
Provision for employees' end of service benefits	18	150,723	160,252
Reversal of claims and legal expenses payable	21	-	(18,129,713)
Finance cost		27,471	17,701
		<u>4,942,598</u>	<u>5,385,385</u>
<i>Changes in working capital:</i>			
Trade and other receivables		(996,615)	(134,345)
Trade and other payables		(584,320)	(6,320,848)
<b>Cash generated from/(used in) operations</b>		<u>3,361,663</u>	<u>(1,069,808)</u>
Employees' end of service benefits paid	18	(77,622)	(67,189)
<b>Net cash flow from/(used in) operating activities</b>		<u>3,284,041</u>	<u>(1,136,997)</u>
<b>INVESTING ACTIVITIES</b>			
Addition of investment properties	7	(185,282)	-
Purchase of property and equipment	5	(42,086)	-
Proceeds from sale of investments at fair value through profit or loss		-	2,096,483
Lease payments	6	(127,711)	(72,480)
<b>Net cash flow (used in)/from investing activities</b>		<u>(355,079)</u>	<u>2,024,003</u>
<b>FINANCING ACTIVITY</b>			
Dividends paid		(137,871)	(529,272)
<b>Net cash flow used in financing activity</b>		<u>(137,871)</u>	<u>(529,272)</u>
<b>Net change in cash and bank balance</b>		<b>2,791,091</b>	<b>357,734</b>
Cash and bank balance at the beginning of year		3,356,838	2,992,679
Foreign currency translation reserve movement		(15,810)	6,425
<b>Cash and bank balance at the end of year</b>	13	<u>6,132,119</u>	<u>3,356,838</u>

The accompanying notes from 1 to 25 form an integral part of these consolidated financial statements.

# Sharjah Group Company P.J.S.C. and its subsidiary Consolidated Financial Statements

## Notes to the consolidated financial statements For the year ended December 31, 2020

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### 1 Legal status and principle activities

Sharjah Group Company P.J.S.C. (the "Company") is a public share holding company, registered in the Emirate of Sharjah, United Arab Emirates under Emiri Decree number 133/76 dated November 16, 1976. The registered office of the Company is P O. Box 5440, Sharjah, United Arab Emirates. The shares of the Company are traded on the Abu Dhabi Securities Market.

The Company holds the following investment as at December 31, 2020 which has been consolidated in these consolidated financial statements:

Name of subsidiary	Legal/beneficial ownership interest		Country of operation and incorporation	Principal activity
	2020	2019		
Tarfan General Trading and Contracting (Ebrahim Ahmed Al-Manna'ei and Partners) W.L.L	100%	100%	State of Kuwait	General trading and contracting – purchase and sale of shares and bonds for the Subsidiary's sake

The principal activities of the Company and its Subsidiary (collectively referred to as the "Group") comprise investing in financial instruments, and leasing of rental properties.

### 2 Basis of preparation

#### Statement of compliance

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards (IFRSs) and with the applicable requirements of the UAE Federal Law No. 2 of 2015.

#### Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis except for investment properties, investments measured at fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVTPL), which are measured at their fair values.

#### Functional and presentation currency

These consolidated financial statements are presented in Arab Emirates Dirhams ("AED"), which is also the functional currency of the Company. The Subsidiary determines the Kuwaiti Dinar ("KD") as its own functional currency and items included in its financial statements are measured using the KD.

As at the reporting date, the assets and liabilities of the Subsidiary with KD are translated into AED at the rate of exchange ruling at the reporting date and statement of profit and loss is translated at the weighted average exchange rates for the year. Foreign exchange differences arising from monetary items that in substance form part of the net investment in Subsidiary's operations are recognised directly in equity as part of foreign currency reserve.

#### Fundamental accounting concept

These consolidated financial statements have been prepared on a going concern basis notwithstanding the fact that Group's current liabilities exceeded the current assets as at December 31, 2020 by AED 59,048,146 (2019: AED 63,161,648).

The Group's management has prepared its business and cash flow forecasts for the twelve months period after the reporting date on a conservative basis and is of the opinion that the Group will be able to continue its operations in the future and accordingly, the going concern assumption used in the preparation of these consolidated financial statements is appropriate.

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## Sharjah Group Company P.J.S.C and its subsidiary Consolidated Financial Statements

### Notes to the consolidated financial statements (continued) For the year ended December 31, 2020

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#### **2 Basis of preparation (continued)**

##### **Basis for consolidation**

The consolidated financial statements comprise the financial statements of the Company and its subsidiary as at December 31, 2020. Control is achieved when the Company is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

Specifically, the Company controls an investee if and only if the Company has:

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

When the Company has less than a majority of the voting or similar rights of an investee, the Company considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- a. The contractual arrangement with the other vote holders of the investee;
- b. Rights arising from other contractual arrangements; and
- c. The Company's voting rights and potential voting rights.

The Company 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 Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Income and expenses of a subsidiary acquired or disposed of during the year are included in the statement of income from the date the Company gains control until the date the Company ceases to control the subsidiary.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation. Unrealised losses are also eliminated unless the transaction provides evidence of impairment of the assets transferred.

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance.

The financial statements of the subsidiary are prepared for the same reporting year as of the Parent Company.

#### **3 New standards, interpretations and amendments adopted by the Group**

The following accounting pronouncements which have become effective from January 1, 2020 and have therefore been adopted in these consolidated financial statements.

- Definition of a Business (Amendments to IFRS 3)
- Definition of Material (Amendments to IAS 1 and IAS 8)
- Interest Rate Benchmark Reform (Amendments to IFRS 9, IAS 39 and IFRS 7)
- Amendments to References to the Conceptual Framework (Various Standards)
- COVID-19 Rent Related Concessions (Amendments to IFRS 16)

These amendments do not have a significant impact on these consolidated financial statements of the Group.

**Sharjah Group Company P.J.S.C and its subsidiary  
Consolidated Financial Statements**

**Notes to the consolidated financial statements (continued)**

**For the year ended December 31, 2020**

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**4 Summary of significant accounting policies**

**Overall considerations**

These consolidated financial statements have been prepared using the measurement bases specified by IFRS for each type of asset, liability, income and expense. The significant accounting policies and measurement bases are more fully described in the accounting policies below:

**Foreign currency transactions and balances**

Foreign currency transactions are translated into the functional currency, using the exchange rates prevailing at the dates of the transactions (spot exchange rate). Foreign exchange gains and losses resulting from the settlement of such transactions and from the re-measurement of monetary items denominated in foreign currency at period-end exchange rates are recognised in the consolidated statement of comprehensive income.

Non-monetary items are not re-translated at period-end and are measured at historical cost (translated using the exchange rates at the transaction date), except for non-monetary items measured at fair value which are translated using the exchange rates at the date when fair value was determined.

**Foreign operations**

In the consolidated financial statements, all assets, liabilities and transactions of the Group entities with a functional currency other than the AED (the Group's presentation currency) are translated into AED upon consolidation. The functional currency of the entities in the Group has remained unchanged during the reporting period.

On consolidation, assets and liabilities of foreign operations have been translated into AED at the closing rate prevailing at the reporting date. Income and expenses of foreign operations have been translated into the Group's presentation currency at the average rate over the reporting period. The exchange differences arising on translation for consolidation are recognised in other comprehensive income (OCI).

**Property and equipment**

Property and equipment are initially recognised at acquisition cost, including any costs directly attributable to bringing the assets to the location and condition necessary for it to be capable of operating in the manner intended by the Group's management.

These assets are subsequently measured using the cost model, cost less subsequent depreciation and impairment loss, if any.

Depreciation is recognised on a straight-line basis to write down the cost less estimated residual value of the property and equipment. The following useful lives are applicable:

Motor vehicles	4
Other facilities	3 - 5
Furniture, fixtures and office equipment	3 - 5

Material residual value and estimates of useful life are updated as required, but at least annually, whether or not the asset is revalued. Gains or losses on disposal of an item of property and equipment are determined by comparing the proceeds from disposal with the carrying amount of property and equipment and are recognised in the consolidated statement of profit or loss.



**Sharjah Group Company P.J.S.C and its subsidiary  
Consolidated Financial Statements**

**Notes to the consolidated financial statements (continued)  
For the year ended December 31, 2020**

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**4 Summary of significant accounting policies (continued)**

**Leases and right of use assets**

The Group has recorded right-of-use assets representing the right to use the underlying assets under property and equipment, net investment in lease representing the net present value of receivables from intermediate lease, and the corresponding lease liabilities to make lease payments under other liabilities.

*The Group as a lessee*

**I. Right-of-use assets**

The Group recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any re-measurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets is depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. Right-of-use assets are subject to impairment.

Office	6 years
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**II. Lease liabilities**

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

The Group has elected to account for short-term leases and leases of low-value assets using the practical expedients. Instead of recognizing a right-of-use asset and lease liability, the payments in relation to these are recognised as an expense in profit or loss on a straight-line basis over the lease term.

**Sharjah Group Company P.J.S.C and its subsidiary  
Consolidated Financial Statements**

**Notes to the consolidated financial statements (continued)  
For the year ended December 31, 2020**

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**4 Summary of significant accounting policies (continued)**

**Investment properties**

Investment properties are measured initially at cost, including transaction costs. The carrying amount includes the cost of replacing part of an existing investment property at the time that cost is incurred if the recognition criteria are met; and excludes the costs of day-to-day servicing of an investment property. Subsequent to initial recognition, investment properties are stated at fair value, which reflect market conditions at the reporting date. Gains or losses arising from changes in the fair values of investment properties are included in the consolidated statement of profit and loss in the year in which they arise. The fair value of investment properties is determined by independent real estate valuation experts using recognised valuation techniques.

Investment properties are derecognised when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognised in the consolidated statement of profit and loss in the year of retirement or disposal.

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

**Impairment of non-financial assets**

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

Recoverable amount is the higher of fair value less cost to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

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

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

**Sharjah Group Company P.J.S.C and its subsidiary  
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**Notes to the consolidated financial statements (continued)  
For the year ended December 31, 2020**

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**4 Summary of significant accounting policies (continued)**

**Financial instruments**

***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.

In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the marketplace (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, the Group's financial assets are classified in three categories:

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

***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 most other receivables and cash and bank balances.

***Financial assets designated at fair value through OCI (equity instruments)***

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

**Sharjah Group Company P.J.S.C and its subsidiary  
Consolidated Financial Statements**

**Notes to the consolidated financial statements (continued)  
For the year ended December 31, 2020**

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**4 Summary of significant accounting policies (continued)**

**Financial instruments (continued)**

***Financial assets (continued)***

*Financial assets designated at fair value through OCI (equity instruments) (continued)*

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

*Financial assets at fair value through profit or loss*

Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments.

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

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

This category includes derivative instruments and listed equity investments which the Group had not irrevocably elected to classify at fair value through OCI.

Dividends on listed equity investments are also recognised as in the consolidated statement of profit or loss when the right of payment has been established.

**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 (i.e., removed from the Group's consolidated statement of financial position) when:

- The 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 passthrough 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 of the risks and rewards of the asset, nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of its continuing involvement. 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.

**Sharjah Group Company P.J.S.C and its subsidiary  
Consolidated Financial Statements**

**Notes to the consolidated financial statements (continued)  
For the year ended December 31, 2020**

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**4 Summary of significant accounting policies (continued)**

**Financial instruments (continued)**

***Financial assets (continued)***

**Derecognition (continued)**

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.

**Impairment of financial assets**

The Group recognises an allowance for expected credit losses (ECLs) 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, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

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

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

The Group considers a financial asset in default when contractual payments are one day 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.

***Financial liabilities***

**Initial recognition and measurement**

Financial liabilities are classified, at initial recognition, as payables.

All financial liabilities are recognised initially at fair value and subsequently measured at amortized cost using the effective yield method.

The Group's financial liabilities include trade and most other payables, dividends payables and lease liabilities.

**Subsequent measurement**

The measurement of financial liabilities depends on their classification, as described below:

***Trade and other payables***

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

**Sharjah Group Company P.J.S.C and its subsidiary  
Consolidated Financial Statements**

**Notes to the consolidated financial statements (continued)  
For the year ended December 31, 2020**

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**4 Summary of significant accounting policies (continued)**

**Financial instruments (continued)**

***Financial liabilities (continued)***

**Derecognition**

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

***Offsetting of financial instruments***

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

***Fair value of financial instruments***

The fair value of financial instruments that are traded in active markets at each reporting date is determined by reference to quoted market prices or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs.

For financial instruments not traded in an active market, the fair value is determined using appropriate valuation techniques. Such techniques may include:

- Using recent arm's length market transactions;
- Reference to the current fair value of another instrument that is substantially the same; and
- A discounted cash flow analysis or other valuation models.

**Short-term employee benefits**

The cost of short-term employee benefit (those payable within 12 months after the service is rendered such as paid vacation leave and sick leave, bonuses and non-monetary benefits such as medical care) are recognised in the period in which the service is rendered and are not discounted.

The expected cost of compensated absences is recognised as an expense when the employee renders services that increase their entitlement or, in the case of non-accumulating absences, when the absences occur.

**Employee's end of service benefits**

A provision for employees' end of service benefits to non-UAE national employees is made for the full amount due to employees for their periods of service up to the reporting date in accordance with the UAE Labour Law and is reported as separate line item under non-current liabilities.

Provision is made annually to cover obligations estimated by the management of the Group which is 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. If the liability as calculated is materially different from the liability under the provisions of UAE Labour Law, the difference is immediately recognised in the statement of comprehensive income.

The provision for staff terminal benefit is based on the liability that would arise if the employment of all the employees was terminated at the end of the reporting period.

## Sharjah Group Company P.J.S.C and its subsidiary Consolidated Financial Statements

### Notes to the consolidated financial statements (continued) For the year ended December 31, 2020

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#### **4 Summary of significant accounting policies (continued)**

##### **Provisions and contingent liabilities**

Provisions are recognised when present obligations as a result of a past event will probably lead to an outflow of economic resources from the Group and amounts can be estimated reliably. Timing or amount of the outflow may still be uncertain. A present obligation arises from the presence of a legal or constructive commitment that has resulted from past events, for example, legal disputes or onerous contracts. Provisions are not recognised for future operating losses. Provisions are measured at the estimated expenditure required to settle the present obligation, based on the most reliable evidence available at the reporting date, including the risks and uncertainties associated with the present obligation. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. Provisions are discounted to their present values, where the time value of money is material.

##### **Revenue recognition**

The Group follows a 5-step model to determine when to recognise revenue, and at what amount as follows:

1. Identifying the contract with a customer
2. Identifying the performance obligations
3. Determining the transaction price
4. Allocating the transaction price to the performance obligations
5. Recognising revenue when/as performance obligation(s) are satisfied

##### *Rental income*

Rental income from investment property represents the amounts charged to tenants against the rental of the Group's investment property and are recognised in the consolidated statement of profit or loss over time on a straight-line basis over the term of the lease.

##### *Dividend income*

Dividend income is recognised in the consolidated statement of profit or loss at a point of time on the date that the Group's right to receive payment is established.

##### *Income from sale of investments*

Revenue from sale of investments is recognised on the date when all significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable and there is no continuing management involvement with the asset.

##### **Value added tax (VAT)**

The Group is subject to a VAT of 5% for rental income from commercial properties and 0% for rental income from residential properties. The amount of VAT liability is determined by applying the applicable tax rate to the invoiced amount of services (output VAT) less VAT paid on purchases made with the relevant supporting invoices (input VAT). The Group reports revenue net value added tax for all the periods presented in the consolidated financial statements.

##### **Operating expenses**

Operating expenses are recognised in the consolidated statement of profit or loss upon utilisation of the service or at the date of their origin.

**Sharjah Group Company P.J.S.C and its subsidiary  
Consolidated Financial Statements**

**Notes to the consolidated financial statements (continued)  
For the year ended December 31, 2020**

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**4 Summary of significant accounting policies (continued)**

**Use of estimates and judgments**

The preparation of these consolidated financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historic experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making judgements about the carrying values of assets and liabilities. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

In particular, information about significant areas of estimation, uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amount recognised in the consolidated financial statements are described in Note 25.



**Sharjah Group Company P.J.S.C and its subsidiary  
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**Notes to the consolidated financial statements (continued)  
For the year ended December 31, 2020**

**5 Property and equipment**

	Motor vehicles AED	Other facilities AED	Furniture, fixtures and office equipment AED	Total AED
<b>2020</b>				
<b>Cost</b>				
As at January 1, 2020	204,460	294,267	1,082,364	1,581,091
Additions	-	-	42,086	42,086
As at December 31, 2020	204,460	294,267	1,124,450	1,623,177
<b>Accumulated depreciation</b>				
As at January 1, 2020	129,585	294,267	1,021,269	1,445,121
Charge for the year	29,392	-	37,316	66,708
As at December 31, 2020	158,977	294,267	1,058,585	1,511,829
<b>Net carrying amount at December 31, 2020</b>	<b>45,483</b>	<b>-</b>	<b>65,865</b>	<b>111,348</b>
<b>2019</b>				
<b>Cost</b>				
As at January 1, 2019	204,460	294,267	1,082,364	1,581,091
As at December 31, 2019	204,460	294,267	1,082,364	1,581,091
<b>Accumulated depreciation</b>				
As at January 1, 2019	100,193	294,267	989,210	1,383,670
Charge for the year	29,392	-	32,059	61,451
As at December 31, 2019	129,585	294,267	1,021,269	1,445,121
<b>Net carrying amount at December 31, 2019</b>	<b>74,875</b>	<b>-</b>	<b>61,095</b>	<b>135,970</b>

Sharjah Group Company P.J.S.C and its subsidiary  
Consolidated Financial Statements

Notes to the consolidated financial statements (continued)  
For the year ended December 31, 2020

**6 Leases**

**Right-of-use assets**

	Office	
	2020	2019
	AED	AED
Gross carrying amount		
As at January 1,	740,734	-
Additions	-	740,734
Translation reserve	8,082	-
As at December 31,	<u>748,816</u>	<u>740,734</u>
Accumulated depreciation		
As at January 1,	61,729	-
Charge for the year	125,631	61,576
Translation reserve	2,172	153
At December 31,	<u>189,532</u>	<u>61,729</u>
Net carrying amounts at December 31,	<u>559,284</u>	<u>679,005</u>

**Lease liabilities**

	2020	2019
	AED	AED
As at January 1,	685,999	-
Additions during the year	-	740,778
Interest charge during the year	27,471	17,701
Payments during the year	(127,711)	(72,480)
Translation reserve	(2,909)	-
As at December 31,	<u>582,850</u>	<u>685,999</u>

The above represents present value of lease payments discounted at the rate of 4.79% per annum comprising:

	2020	2019
	AED	AED
Current portion	118,914	112,102
Non-current portion	463,936	573,897
	<u>582,850</u>	<u>685,999</u>

**7 Investment properties**

	2020	2019
	AED	AED
As at January 1,	198,192,750	236,237,000
Additions during the year	185,282	-
Unrealised loss on revaluation of investment properties at fair value	(15,326,682)	(38,044,250)
As at December 31,	<u>183,051,350</u>	<u>198,192,750</u>

**Sharjah Group Company P.J.S.C and its subsidiary  
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**Notes to the consolidated financial statements (continued)  
For the year ended December 31, 2020**

**7 Investment properties (continued)**

Investment properties consist of residential and commercial buildings and warehouses. It also includes undeveloped two parcels of land.

**Fair value**

Investment properties are stated at market value based on a valuation carried out by an independent valuer as at December 31, 2020 and 2019.

The investment properties are valued using the direct capitalization method which is used to convert the estimate of a single year's income expectancy into an indication of value. Direct capitalization is market oriented and infers the assumptions of investors. The annual net income has been divided by an appropriate rate factor to determine value. The chosen rate or factor represents the relationship between income and value as observed by the market. This implicit rate is deemed to satisfy a typical investor assuming that the prospects for future monetary benefit over and above the amount originally invested are sufficient.

The Directors of the Group have reviewed the assumption and methodology used by the independent valuer and in their opinion the assumption and the methodology are reasonable as at the reporting date considering the current economic and real estate outlook of the UAE.

**8 Categories of financial assets and financial liabilities**

The carrying amounts presented in the consolidated statement of financial position relate to the following categories of financial assets and liabilities:

	2020	2019
	AED	AED
<b><i>Financial assets at amortised cost</i></b>		
Trade and other receivables	1,445,456	739,014
Cash and bank balances	6,132,119	3,356,838
<b><i>Investments at fair value through other comprehensive income</i></b>	6,319,888	7,876,390
<b><i>Investments at fair value through profit or loss</i></b>	354,645	417,744
	<b>14,252,108</b>	<b>12,389,986</b>
<b><i>Financial liabilities at amortised cost</i></b>		
Trade and other payables	36,752,148	37,797,770
Dividends payable	28,972,634	29,110,505
Lease liabilities	582,850	573,897
	<b>66,307,632</b>	<b>67,482,172</b>

A description of the Group's financial statements risk, including risk management objectives and policies is given in Note 23 and methods used to measure fair value are described in Note 24.

**9 Investments at fair value through other comprehensive income**

	2020	2019
	AED	AED
Quoted investments	4,119,494	5,972,884
Unquoted investments	2,200,394	1,903,506
	<b>6,319,888</b>	<b>7,876,390</b>

**Sharjah Group Company P.J.S.C and its subsidiary  
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**Notes to the consolidated financial statements (continued)  
For the year ended December 31, 2020**

**9 Investments at fair value through other comprehensive income (continued)**

The movement in investments classified at fair value through other comprehensive income is as follows:

	2020 AED	2019 AED
As at January 1,	7,876,390	5,366,119
Changes in fair value	(1,524,955)	2,490,710
Translation reserve	(31,547)	19,561
As at December 31,	<u>6,319,888</u>	<u>7,876,390</u>

**10 Investments classified at fair value through profit or loss**

	2020 AED	2019 AED
Quoted investments	264,062	324,076
Unquoted investments	90,583	93,668
	<u>354,645</u>	<u>417,744</u>

Investments classified at fair value through profit or loss comprises of investment with a carrying value of AED 264,062 (2019: AED 324,076) in the UAE and AED 90,583 (2019: AED 93,668) in State of Kuwait.

The movement in investment classified at fair value through profit and loss is as follows:

	2020 AED	2019 AED
As at January 1,	417,744	2,558,309
Sold during the year	-	(2,096,483)
Change in fair value	(62,647)	(44,314)
Translation reserve	(452)	232
As at December 31,	<u>354,645</u>	<u>417,744</u>

**11 Trade and other receivables**

	2020 AED	2019 AED
<i>Financial assets at amortised cost</i>		
Trade receivables, gross	4,124,924	3,175,343
Less: allowance for expected credit losses of trade receivables	(2,839,475)	(2,561,431)
Trade receivable, net	<u>1,285,449</u>	<u>613,912</u>
Deposits	112,186	106,881
Staff advances	6,300	8,875
Other receivables	41,521	9,346
	<u>1,445,456</u>	<u>739,014</u>
<i>Non-financial assets</i>		
Prepayments	188,468	208,969
	<u>1,633,924</u>	<u>947,983</u>

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**11 Trade and other receivables (continued)**

As at December 31, 2020, all of the Group's trade and other receivables have been reviewed for indicators of impairment. Certain trade receivables were found to be impaired amounting to AED 2,839,475 (2019: AED 2,561,431). The movement in allowance for expected credit losses of trade receivables can be reconciled as follows:

	2020 AED	2019 AED
As at January 1,	2,561,431	2,207,563
Charge for the year (Note 20)	339,895	562,523
Write-off during the year	(32,629)	(935)
Reversal of provision (Note 21)	(29,222)	(207,720)
As at December 31,	<u>2,839,475</u>	<u>2,561,431</u>

As at December 31, 2020, the ageing of unimpaired trade receivables is as follows:

	Total AED	<i>Past due but not impaired</i>				
		<i>0 - 3 months AED</i>	<i>3 - 6 months AED</i>	<i>6 - 9 months AED</i>	<i>9 - 12 months AED</i>	<i>More than 1 Year AED</i>
2020	1,285,449	1,012,684	155,298	70,960	46,507	-
2019	613,912	224,978	234,723	88,154	66,057	-

Trade receivable are non-interest bearing and generally customers issue post-dated cheques in advance for total contract value. Unimpaired trade receivables are expected, on the basis of past experience, to be recoverable. It is not the practice of the Group to obtain collateral over trade receivable and the vast majority are, therefore, unsecured.

The following table shows the expected credit losses for trade receivables in accordance with the simplified approach set out in IFRS 9:

	Total AED	<i>Past due but not impaired</i>				
		<i>0 - 3 months AED</i>	<i>3 - 6 months AED</i>	<i>6 - 9 months AED</i>	<i>9 - 12 months AED</i>	<i>More than 1 Year AED</i>
2020						
Expected credit loss rate		1.63%	2.47%	2.5%	2.5%	100%
Gross carrying amount	4,124,924	1,016,772	159,227	72,779	47,699	2,828,447
Expected credit loss	<u>2,839,475</u>	<u>4,088</u>	<u>3,929</u>	<u>1,819</u>	<u>1,192</u>	<u>2,828,447</u>

	Total AED	<i>Past due but not impaired</i>				
		<i>0 - 3 months AED</i>	<i>3 - 6 months AED</i>	<i>6 - 9 months AED</i>	<i>9 - 12 months AED</i>	<i>More than 1 Year AED</i>
2019						
Expected credit loss rate	80.67%	1.13%	1.86%	2.18%	2.40%	100%
Gross carrying amount	3,175,343	227,975	239,180	90,115	67,681	2,550,392
Expected credit loss	<u>2,561,431</u>	<u>2,997</u>	<u>4,457</u>	<u>1,961</u>	<u>1,624</u>	<u>2,550,392</u>

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**12 Related parties**

In the normal course of business, the Group carries on business with other entities, which fall within the definition of a related party in accordance with IFRS. These transactions are carried out in the normal course of business and are measured at the amounts agreed by both the parties.

For the purpose of the consolidated financial statements, entities are considered to be related to the Company or the Group if the Company or the Group has the ability, directly or indirectly, to exercise significant influence over the entities in making financial and operating decisions, or vice versa, or where the Company or the Group are subject to common control or significant influence.

**Compensation of key management personnel**

Key management personnel of the Group include the Managing Director and Directors. Key management personnel compensation includes the following:

	2020	2019
	AED	AED
Salaries and other short-term employee benefits	696,517	689,344
End of service benefits	54,360	54,225
Other expenses for Directors	-	31,089
	<u>750,877</u>	<u>774,658</u>

**13 Cash and bank balances**

	2020	2019
	AED	AED
Cash at banks	6,073,631	3,340,235
Cash in hand	58,488	16,603
	<u>6,132,119</u>	<u>3,356,838</u>

**14 Share capital**

The authorised, issued and fully paid share capital of the Group consists of 78,901,086 fully paid ordinary shares with a par value of AED 1 each.

**15 Statutory reserve**

In accordance with the Articles of Association of the Group and Article 103 of the UAE Federal Law No. (2) of 2015, a minimum of 10% of the net profit of the Group is required to be allocated every year to statutory reserve. Such transfers are required to be made until the balance on the reserve equals one half of the Group's paid-up share capital. The reserve is not available for distribution except as provided for in the UAE Commercial Law.

**16 Voluntary reserve**

As required by the Group's Articles of Association, 10% of Group's net profit for the year is required to be transferred to the voluntary reserve until such reserve equals one half of the Group's share capital, the reserve is available for distribution at the desecration of the Group's General Assembly.

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**17 Basic and diluted loss per share**

	2020 AED	2019 AED
Loss for the year	(11,127,937)	(15,229,249)
Weighted average number of shares	78,901,086	78,901,086
Basic and diluted losses per share	<u>(0.14)</u>	<u>(0.19)</u>
Basic and diluted losses per share	<u>(14) fills</u>	<u>(19) fills</u>

**18 Employees' end of service benefits**

	2020 AED	2019 AED
As at January 1,	1,149,740	1,056,677
Provisions made during the year	150,723	160,252
Payment made during the year	(77,622)	(67,189)
As at December 31,	<u>1,222,841</u>	<u>1,149,740</u>

**19 Trade and other payables**

	2020 AED	2019 AED
<i>Financial liabilities</i>		
Trade payables	392,551	488,089
Refundable deposits	882,027	869,270
Claims and legal expenses payables	34,900,000	35,901,046
Other payables	-	23,132
Accrued expenses	577,570	516,233
	<u>36,752,148</u>	<u>37,797,770</u>
<i>Non-financial liability</i>		
Rental income received in advance	1,325,138	863,836
	<u>38,077,286</u>	<u>38,661,606</u>

Claims and legal expense payables relate to a legal case filed against the Group in December 1999. The Sharjah Union Supreme Court issued its final decision dated January 29, 2019 stating the final claim amount to be paid shall include the principle and interest equal to the principle amount. The final claim amount was calculated as AED 42.408 million. In 2019, the Group reversed the excess provision for claims and other legal expenses to other income amounting to AED 18.13 million, which was previously based on an earlier judgement (Note 21). During the year ended December 31, 2020, the Group has paid an amount of AED 1 million as a partial settlement of these liabilities (2019: AED 6.5 million), totalling to AED 7.5 million. Hence, the outstanding liability amounted to AED 34.9 million as at December 31, 2020, including interest (December 31, 2019: AED 35.9 million).

On March 2, 2020, the Group received a legal notice from Sharjah Court and Sharjah Land Department to attach all properties of the Group situated in the Emirate of Sharjah, United Arab Emirates. As at December 31, 2020, the total fair value of all these properties amounted to AED 183.05 million (Note 7). Consequently, the Group has appealed against this notice and requested to limit the attachment to certain properties with sufficient fair value to cover the outstanding balance.

As of the date of approval of these consolidated financial statements, there were no further progresses on the Group's legal request.

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**20 Administrative and general expenses**

	2020 AED	2019 AED
Staff cost	2,150,778	2,291,382
Salaries and other benefits to Executive Director (Note 12)	750,877	743,569
Legal, visa and professional	575,874	893,116
Utilities	402,426	466,184
Allowance for expected credit losses of trade receivables (Note 11)	339,895	562,523
Depreciation on right-of-use assets (Note 6)	125,631	61,576
Depreciation on property and equipment (Note 5)	66,708	61,451
Rent expense	-	72,300
Other benefits expenses for Directors (Note 12)	-	31,089
Other expenses	398,680	504,822
	<u>4,810,869</u>	<u>5,688,012</u>

**21 Other income**

	2020 AED	2019 AED
Reversal of provision for expected credit losses (Note 11)	29,222	207,720
Fire policy claim settlement	26,679	-
Reversal of claims and legal expenses payable (Note 19)	-	18,129,713
Other income	104,340	135,795
	<u>160,241</u>	<u>18,473,228</u>

**22 Commitments**

**Capital commitment**

At December 31, 2020, the Group had no capital commitments of construction of investment properties as the construction was already completed (2019: AED Nil).

**Operating lease agreements – Group as lessor**

The Group has entered into various operating lease agreements for investment properties. As at the year end, the future lease amounting to AED 3,908,813 (2019: AED 3,966,742) are due within one-year, future lease amounting to AED 105,000 (2019: AED Nil) are due above one year to five years, from the consolidated statement of financial position date under these operating leases.

**23 Financial instrument risk**

**Risk management objectives and policies**

The Group is exposed to various risks in relation to financial instruments. The Group's financial assets and liabilities by category are summarised in Note 8. The main types of risks are market risk, credit risk and liquidity risk.

The Group's risk management is coordinated at Group level, in close cooperation with the Directors, and focuses on actively securing the Group's short to medium-term cash flows by minimising the exposure to financial markets. Long-term financial investments are managed to generate lasting returns.



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**23 Financial instrument risk (continued)**

**Risk management objectives and policies (continued)**

The Group does not actively engage in the trading of financial assets for speculative purposes, nor does it write options. The most significant financial risks to which the Group is exposed are described below.

**Market risk**

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of changes in market prices whether those changes are caused by factors specific to the individual security or its issuer or factors affecting all securities traded in the market.

The Group is exposed to market risk through its use of financial instruments and specifically to interest rate risk, foreign currency risk and price risks, which result from both its operating and investing activities.

**i. Interest rate risk**

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. The Group's income and operating cash flows are substantially independent of changes in market interest rates. The Group is not significantly exposed to interest rate sensitivity since the Group has no significant interest-bearing assets and liabilities.

**ii. Foreign currency risk**

Foreign currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates.

Most of the Group's transactions are carried out in AED. Exposures to currency exchange rates arise from the Subsidiary's trading transaction and investment in financial instrument which are primarily denominated in Kuwaiti Dinar (KD).

To mitigate the Group's exposure to foreign currency risk, non-AED cash flows are monitored and are entered into in accordance with the Group's risk management policies. Foreign currency denominated financial assets and liabilities which expose the Group to currency risk are disclosed below. The amounts shown are those reported to key management translated into AED at the closing rate:

	2020 AED	2019 AED
Financial assets	8,339,787	10,857,821
Financial liabilities	(695,592)	(722,001)
	<u>7,644,195</u>	<u>10,135,820</u>

The following table illustrates the sensitivity of profit and equity in regard to the Group's financial assets and financial liabilities and the KD/AED exchange rate 'all other variables held constant'. It assumes a  $\pm 10\%$  change of the KD/AED exchange rate for the year ended at December 31, 2020 (2019:  $\pm 10\%$ ). This percentage has been determined based on the average market volatility in exchange rates in the previous 12 months. The sensitivity analysis is based on the Group's foreign currency financial instruments held at each reporting date.

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**23 Financial instrument risk (continued)**

**Risk management objectives and policies (continued)**

**ii. Foreign currency risk (continued)**

If the AED had strengthened against the KD by 10% (2019: 10%) then this would have had the following impact:

	2020 AED	2019 AED
Profit	132,431	225,943
Other comprehensive income	631,989	787,639
Equity	<u>764,420</u>	<u>1,013,582</u>

If the AED had weakened against the KD by 10% (2019: 10%) then this would have had the following impact:

	2020 AED	2019 AED
Profit	(132,431)	(225,943)
Other comprehensive income	(631,989)	(787,639)
Equity	<u>(764,420)</u>	<u>(1,013,582)</u>

Exposures to foreign exchange rates vary during the year depending on the volume of overseas transactions. Nonetheless, the analysis above is considered to be representative of the Group's exposure to currency risk.

**iii. Other price risk sensitivity**

The Group is exposed to other price risk in respect of its listed and unlisted equity securities (see note 9).

For the listed equity securities, an average volatility of 19% has been observed during 2020 (2019: 47%). This volatility figure is considered to be a suitable basis for estimating how profit or loss and equity would have been affected by changes in market risk that were reasonably possible at the reporting date. If the quoted stock price for these securities increased or decreased by that amount, other comprehensive income and equity would have changed by AED 48,900 (2019: AED 152,316). The listed securities are classified as investments at fair value through profit or loss. The investments in listed equity securities are considered short-term, strategic investments. In accordance with the Group's policies, no specific hedging activities are undertaken in relation to these investments. The investments are continuously monitored and voting rights arising from these equity instruments are utilised in the Group's favour.

**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 this risk for various financial instruments, for example trade receivables from customers, placing deposits, etc. The Group's maximum exposure to credit risk is limited to the carrying amount of financial assets recognised at the reporting date, as summarised below.

	2020 AED	2019 AED
Trade and other receivables	1,445,457	739,014
Cash at banks	<u>6,073,631</u>	<u>3,340,235</u>
	<u>7,519,088</u>	<u>4,079,249</u>

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**23 Financial instrument risk (continued)**

**Risk management objectives and policies (continued)**

**Credit risk (continued)**

The following policies and procedures are in place to mitigate the Group's exposure to credit risk:

*Trade receivables*

Trade receivable represents the rent receivable from tenants that is due at the reporting date. The Group has a policy of obtaining post-dated cheque for the rent period covered under the lease agreement, as at the reporting date the value of the post-dated cheques were AED 3,324,851 (2019: AED 3,678,940).

The Group seeks to limit its credit risk with respect to contract customers by setting credit limits for individual customers and monitoring outstanding receivables.

*Cash at banks*

The Group's bank balances are maintained with a range of international and local banks in accordance with limits set by the management.

Credit risk is limited to the carrying values of financial assets in the consolidated statement of financial position.

**Liquidity risk**

Liquidity risk also referred to as funding risk is the risk that an enterprise will encounter difficulty in raising funds to meet commitments associated with financial instruments. Liquidity risk may result from an inability to sell a financial asset quickly at close to its fair value.

As at the reporting date the current liabilities of the Group exceed its current assets by AED 59,048,146. Group's liquidity risk mainly relates to claims and legal expenses payables and dividends payables amounting to AED 34,900,000 and AED 28,972,634 respectively.

With respect to claims and legal expenses liability management is in negotiation with a local commercial bank to borrow funds to pay off this liability by mortgaging certain properties, owned by the Group, with bank. However, as mentioned in Note 19 all the properties owned by the Group, situated in the Emirates of Sharjah, United Arab Emirates, are attached as per the legal notice from Sharjah Court having total fair value of AED 183.05 million. Consequently, the Group has appealed against this notice and requested to limit the attachment to certain properties with sufficient fair value to cover the outstanding balance.

With respect to dividends payables, as per Securities & Commodities Authority (SCA) guidelines all listed companies shall transfer all dividends payable as at March 1, 2015 to SCA latest by December 2021. Management is in the process of evaluating its liquidity and funding position and looking at various options to settle this liability.

The table below summarises the maturities of the Group's financial liabilities at December 31:

	Less than 3 months AED	3-12 months AED	1 to 5 years AED	Total AED
<b>At December 31, 2020</b>				
Trade and other payables	-	36,752,148	-	36,752,148
Dividends payable	-	28,972,634	-	28,972,634
Lease liabilities	29,197	89,717	463,936	582,850
	<u>29,197</u>	<u>65,814,499</u>	<u>463,936</u>	<u>66,307,632</u>

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**23 Financial instrument risk (continued)**

**Risk management objectives and policies (continued)**

**Liquidity risk (continued)**

	Less than 3 months AED	3-12 months AED	1 to 5 years AED	Total AED
At December 31, 2019				
Trade and other payables	1,869,341	35,928,429	-	37,797,770
Dividends payable	-	29,110,505	-	29,110,505
Lease liabilities	28,026	84,076	573,897	685,999
	<u>1,897,367</u>	<u>65,986,846</u>	<u>573,897</u>	<u>68,458,110</u>

**24 Fair value measurement**

Assets and liabilities measured at fair value in the statement of financial position are grouped into three levels of fair value hierarchy. This grouping is determined based on the lowest level of significant inputs used in fair value measurement, as follows:

- level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities
- level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices)
- level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

If the inputs used to measure the fair value of an asset or a liability fall into different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

The Group recognises transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred. Fair value of the financial assets at fair value through profit or loss (FVPL) is determined on the basis of the net asset value of the investment as provided by the valuator.

**Fair value measurement of financial instruments**

The following table shows the Levels within the hierarchy of financial assets measured at fair value on a recurring basis at December 31, 2020 and December 31, 2019.

	Level 1 AED	Level 2 AED	Level 3 AED	Total AED
<b>At December 31, 2020</b>				
Investments at fair value through profit or loss	264,062	-	90,583	354,644
Investments at fair value through other comprehensive income	<u>4,119,494</u>	<u>-</u>	<u>2,200,394</u>	<u>6,319,888</u>
	Level 1 AED	Level 2 AED	Level 3 AED	Total AED
<b>At December 31, 2019</b>				
Investments at fair value through profit or loss	324,076	-	93,668	417,744
Investments at fair value through other comprehensive income	<u>5,972,884</u>	<u>-</u>	<u>1,903,506</u>	<u>7,876,390</u>

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**24 Fair value measurement (continued)**

**Fair value measurement of financial instruments (continued)**

The following table shows a reconciliation of all movements in the fair value of financial assets categorised within Level 3.

	2020 AED	2019 AED
Balance at January 1,	1,997,174	1,753,228
Changes in the fair value	303,901	238,987
Translation reserve	(10,098)	4,959
Balance at December 31,	<u>2,290,977</u>	<u>1,997,174</u>

The Group's finance team performs valuations of financial items for financial reporting purposes, including Level 3 fair values, in consultation with third party valuation specialists for complex valuations.

Valuation techniques are selected based on the characteristics of each instrument, with the overall objective of maximising the use of market-based information.

During the years ended December 31, 2020 and December 31, 2019, there were no transfers between Level 1 and Level 2 fair value measurements and no transfers into and out of level 3 fair value measurements.

**Description of significant unobservable inputs to valuation of financial assets:**

Unquoted equity securities are valued based on book value and the price to book value multiple method. Multiples are determined using the latest financial statements available of the investee entities, by analyzing the performance of other companies in the same industry and by taking into account specific industry factors that may impact the valuation.

The following table shows the levels within the hierarchy of non-financial assets measured at fair value on a recurring basis as at December 31, 2020 and December 31, 2019:

December 31, 2020	Level 1 AED	Level 2 AED	Level 3 AED	Total AED
Investment properties	-	-	183,051,350	<u>183,051,350</u>
December 31, 2019	Level 1 AED	Level 2 AED	Level 3 AED	Total AED
Investment properties	-	-	198,192,750	<u>198,192,750</u>

**Fair value measurement of non-financial instruments**

The following table shows a reconciliation of all movements in the fair value of non-financial assets categorised within Level 3.

	2020 AED	2019 AED
As at January 1,	198,192,750	236,237,000
Additions during the year	185,282	-
Unrealised loss on revaluation of investment properties at fair value	(15,326,682)	(38,044,250)
As at December 31,	<u>183,051,350</u>	<u>198,192,750</u>

Fair value of the Group's main investment properties are estimated based on appraisals performed by independent, professionally qualified property valuers. The significant inputs and assumptions are developed in close consultation with management. The valuation processes and fair value changes are reviewed by the Board of Directors at each reporting date.

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**24 Fair value measurement (continued)**

**Fair value measurement of non-financial instruments (continued)**

During the years ended December 31, 2020 and December 31, 2019, there were no transfers between Level 1 and Level 2 fair value measurements and no transfers into and out of level 3 fair value measurements.

**Description of valuation methods used in the fair valuation of investment properties:**

The investment properties are valued using the direct capitalization method which is used to convert the estimate of a single year's income expectancy into an indication of value. Direct capitalization is market oriented and infers the assumptions of investors. The annual net income has been divided by an appropriate rate factor to determine value. The chosen rate or factor represents the relationship between income and value as observed by the market. This implicit rate is deemed to satisfy a typical investor assuming that the prospects for future monetary benefit over and above the amount originally invested are sufficient.

**25 Accounting estimates and judgment**

The Group makes estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

***Estimated useful life and residual value of property and equipment***

The Group's management determines the estimated useful lives and related depreciation charge for its property and equipment on an annual basis. The Group has carried out a review of the residual values and useful lives of property and equipment as at December 31, 2020 and the management has not highlighted any requirement for an adjustment to the residual lives and remaining useful lives of the assets for the current or future periods.

***Valuation of investment properties***

Investment properties are accounted for using the "Fair Value Model". The Group fair values investment properties at regular intervals, should the significant assumptions used for the purposes of valuation have changed, the fair value of investment properties would impact the disclosure of the fair value in the financial statements.

***Valuation of financial instruments***

The Group's accounting policy on fair value measurements is discussed in note 4.

The Group measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.

Level 2: Valuation techniques based on observable inputs, either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in the market that are considered less than active; or other valuation techniques where all significant inputs are directly or indirectly observable from market data.

Level 3: Valuation techniques using significant unobservable inputs. This category includes all instruments where the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuations.

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**25 Accounting estimates and judgment (continued)**

*Allowance for expected credit losses*

The Group applies the IFRS 9 simplified model of recognising lifetime expected credit losses for all trade receivables as these items do not have a significant financing component. In measuring the expected credit losses, the trade receivables have been assessed on a collective basis as they possess shared credit risk characteristics. They have been grouped based on the days past due.

Trade receivables are written off (i.e. derecognised) when there is no reasonable expectation of recovery. Failure to make payments in advance and failure to engage with the Group on alternative payment arrangement amongst other is considered indicators of no reasonable expectation of recovery.

*Determination of lease term of contracts with renewal and termination options*

In determining the lease term, management considers all relevant factors and circumstances that create an economic incentive to exercise a renewal option or not exercise a termination option. Renewal options and/or periods after termination options are only included in the lease term if the lease is reasonably certain to be extended or not terminated.

For leases offices and labour accommodation the factors that are normally the most relevant are (a) if there are significant penalties should the Group pre-terminate the contract, and (b) if any leasehold improvements are expected to have a significant remaining value, the Group is reasonably certain to extend and not to terminate the lease contract. Otherwise, the Group considers other factors including historical lease durations and the costs and business disruption required to replace the leased asset.

The lease term is reassessed if an option is actually exercised or not exercised or the Group becomes obliged to exercise or not exercise it. The assessment of reasonable certainty is only revised if a significant event or a significant change in circumstances occurs, which affects this assessment, and that is within the control of the Group.

*Current versus non-current classification*

The Group presents assets and liabilities in the 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 the 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 the 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.