MULTIPLY MARKETING CONSULTANCY LLC

Reports and financial statements for the year ended 31 December 2019

MULTIPLY MARKETING CONSULTANCY LLC

Reports and financial statements
for the year ended 31 December 2019

Directors' Report
for the year ended 31 December 2019

The Directors have the pleasure in submitting their report, together with the audited financial statements of Multiply Marketing Consultancy LLC ("the Company") for the year ended 31 December 2019.

Principal activities

The Company's principal activity is to provide advertisement designing and production.

Results and appropriation

Revenue for the year was AED 21,472,150 (2018: AED 19,525,069) and profit for the year was AED 10,767,303 (2018: AED 7,369,583).

Appropriation of results during the year is as follows:

	AED
Retained earnings at the beginning of the year	**23,280,531**
Profit for the year	**10,767,303**
Retained earnings at the end of the year	**34,047,834**

Directors

The Directors of the Company during the year ended 31 December 2019 were:

Mr. Osama Hussein Saleh Al Ahdaly
Mr. Readh Faraj Ahmed Al-Kindin

Release

The Directors released from liability the Company's management and the external auditor in connection with their duties for the year ended 31 December 2019.

Auditor

A resolution proposing the reappointment of Deloitte & Touche (M.E.) as auditor of the Company for the year ending 31 December 2020 will be put to the annual general meeting.

On behalf of the Board

Director

Deloitte & Touche (M.E.)
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INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF MULTIPLY MARKETING CONSULTANCY LLC

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of Multiply Marketing Consultancy LLC ("the Company"), which comprise the statement of financial position as at 31 December 2019, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2019, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for Opinion

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

Other Information

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

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Deloitte.

Responsibilities of Management and the Board of Directors for the Financial Statements

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

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

The Board of Directors is responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risk, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than the one resulting from error, as fraud may involve collusion, forgery, intentional omission, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

Deloitte.

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

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

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

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

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

- We have obtained all the information we considered necessary for the purposes of our audit;
- The financial statements of the Company have been prepared and comply, in all material respects, with the applicable provisions of the UAE Federal Law No. (2) of 2015;
- The Company has maintained proper books of account;
- The financial information included in the Directors' report is consistent with the Company's books of account;
- As disclosed in note 9 to the financial statements, the Company has invested in shares of an associate during the financial year ended 31 December 2019;
- Note 8 to the financial statements of the Company discloses material related party transactions, balances and the terms under which they were conducted; and
- Based on the information that has been made available to us nothing has come to our attention which causes us to believe that the Company has contravened during the financial year ended 31 December 2019 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 31 December 2019.

Deloitte & Touche (M.E.)

Mohammad Khamees Al Tah
Registration No. 717
5 May 2020
Abu Dhabi
United Arab Emirates

Statement of financial position
as at 31 December 2019

	Notes	2019 AED	2018 AED
ASSETS			
Non-current assets			
Property and equipment	5	3,045,184	3,373,444
Intangible assets	6	18,290	20,190
Investment in equity accounted associate	9	32,876,150	22,838,293
Total non-current assets		35,939,624	26,231,927
Current assets			
Trade and other receivables	7	7,478,958	5,352,712
Due from related parties	8	12,745,783	10,413,756
Dividend receivable	9	11,998,320	7,340,078
Cash and bank balances	10	4,158,472	12,619,394
Total current assets		36,381,533	35,725,940
Total assets		72,321,157	61,957,867
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	11	300,000	300,000
Statutory reserve	12	150,000	150,000
Contributed capital	13	3,146,640	3,146,640
Retained earnings		34,047,834	23,280,531
Total equity		37,644,474	26,877,171
LIABILITIES			
Non-current liability			
Provision for employees' end of service benefit	14	2,271,178	2,152,961
Total non-current liabilities		2,271,178	2,152,961
Current liabilities			
Trade and other payables	15	6,339,455	5,334,784
Due to related parties	8	26,066,050	27,592,951
Total current liabilities		32,405,505	32,927,735
Total liabilities		34,676,683	35,080,696
Total equity and liabilities		72,321,157	61,957,867

Managing Director

Chief Accountant

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

Statement of profit or loss and other comprehensive income for the year ended 31 December 2019

	Notes	2019 AED	2018 AED
Revenue	**16**	**21,472,150**	19,525,069
Direct costs	**16**	**(13,147,258)**	(9,962,675)
Gross profit		**8,324,892**	9,562,394
General and administrative expenses	**17**	**(7,250,948)**	(7,400,626)
Impairment losses on financial assets	**7, 8, 9, 10**	**(94,498)**	(114,240)
Share of profit of equity accounted associate	**9**	**9,787,857**	5,322,055
Profit for the year		**10,767,303**	7,369,583
Other comprehensive income for the year		**-**	-
Total comprehensive income for the year		**10,767,303**	7,369,583

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

Statement of changes in equity
for the year ended 31 December 2019

	Share capital AED	Statutory reserve AED	Contributed capital AED	Retained earnings AED	Total equity AED
Balance at 1 January 2018	300,000	150,000	3,146,640	20,302,764	23,899,404
Cumulative effect of first time adoption of IFRS 9	-	-	-	(1,762,350)	(1,762,350)
Cumulative effect of first time adoption of IFRS 9 from associate	-	-	-	(1,929,466)	(1,929,466)
As at 1 January 2018 – restated	300,000	150,000	3,146,640	16,610,948	20,207,588
Total comprehensive income for the year	-	-	-	7,369,583	7,369,583
Dividends (note 20)	-	-	-	(700,000)	(700,000)
As at 1 January 2019	300,000	150,000	3,146,640	23,280,531	26,877,171
Total comprehensive income for the year	-	-	-	10,767,303	10,767,303
Balance at 31 December 2019	**300,000**	**150,000**	**3,146,640**	**34,047,834**	**37,644,474**

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

Statement of cash flows
for the year ended 31 December 2019

	2019 **AED**	2018 AED
Cash flows from operating activities		
Profit for the year	**10,767,303**	7,369,583
Adjustments for:		
Depreciation of property and equipment	**397,348**	465,100
Impairment losses on financial assets	**94,498**	114,240
Amortisation of intangible assets	**1,900**	43,333
Employees' end of service benefit charge	**185,043**	237,041
Share of results of equity accounted associate	**(9,787,857)**	(5,322,055)
	1,658,235	2,907,241
Movements in working capital		
(Increase)/decrease in trade and other receivables	**(2,222,738)**	2,874,825
(Increase)/decrease in due from related parties	**(2,338,463)**	852,648
Increase in development work-in-progress	**-**	(10,649)
Increase in trade and other payables	**903,566**	1,615,252
Decrease in due to related parties	**(1,425,796)**	(591,856)
Cash (used in)/generated from operations	**(3,425,008)**	6,546,146
Employees' end of service benefit paid	**(66,826)**	(278,502)
Net cash (used in)/generated from operating activities	**(3,491,834)**	6,267,644
Cash flows from investing activities		
Payment for purchase of property and equipment	**(69,088)**	(15,500)
Payment for investment in associate	**(7,000,000)**	-
Dividend received	**2,100,000**	-
Net cash used in investing activities	**(4,969,088)**	(15,500)
Net (decrease)/increase in cash and cash equivalents	**(8,460,922)**	6,252,144
Cash and cash equivalents at the beginning of the year	**12,619,394**	6,367,250
Cash and cash equivalents at the end of the year (note 10)	**4,158,472**	12,619,394
Non-cash transaction		
Dividend receivable	**12,000,000**	7,340,078

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

Notes to the financial statements
for the year ended 31 December 2019

1 General information

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

The Company's principal activity is to provide advertisement designing and production.

2 Adoption of new and revised International Financial Reporting Standards (IFRSs)

2.1 New and amended IFRS Standards that are effective for the current year

The following new and revised IFRSs, which became effective for annual periods beginning on or after 1 January 2019, have been adopted in these financial statements.

<u>Impact of initial application of IFRS 16 Leases</u>

In the current year, the Company, for the first time, has adopted IFRS 16 Leases (as issued by the IASB in January 2016). The standard replaces the existing guidance on leases, including IAS 17 'Leases", IFRIC 4 'Determining whether an Arrangement contains a Lease", SIC 15 "Operating Leases – Incentives" and SIC 27 "Evaluating the Substance of Transactions in the Legal Form of a Lease". The impact of the adoption of IFRS 16 on the Company's financial statements is described below.

The date of initial application of IFRS 16 for the Company is 1 January 2019.

IFRS 16 introduces new or amended requirements with respect to lease accounting. It introduces significant changes to the lessee accounting by removing the distinction between operating and finance leases and requiring the recognition of a right-of-use asset and a lease liability at the lease commencement for all leases, except for short-term leases and leases of low value assets. In contrast to lessee accounting, the requirements for lessor accounting have remained largely unchanged. Therefore, IFRS 16 does not have an impact for leases where the Company is the lessor. The impact of the adoption of IFRS 16 on the Company's financial statements is described below.

The Company has opted for the modified retrospective application permitted by IFRS 16 upon adoption of the new standard. The application of IFRS 16 has had no material impact on the Company's financial statements.

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

2.2 New and amended IFRS applied with no material effect on the financial statements

The following new and revised IFRSs, which became effective for annual periods beginning on or after 1 January 2019, have been adopted in these financial statements. The application of these revised IFRSs has not had any material impact on the amounts reported for the current and prior years but may affect the accounting for future transactions or arrangements.

New and revised IFRSs	**Effective for annual periods beginning on or after**
Amendments to IFRS 9 *Prepayment Features with Negative Compensation and Modification of financial liabilities*	1 January 2019
The amendments to IFRS 9 clarify that for the purpose of assessing whether a prepayment feature meets the SPPI condition, the party exercising the option may pay or receive reasonable compensation for the prepayment irrespective of the reason for prepayment. In other words, prepayment features with negative compensation do not automatically fail SPPI.	
The amendment applies to annual periods beginning on or after 1 January 2019, with earlier application permitted. There are specific transition provisions depending on when the amendments are first applied, relative to the initial application of IFRS 9.	
Amendments to IAS 28 *Investment in Associates and Joint Ventures*: Relating to long-term interests in associates and joint ventures.	1 January 2019
These amendments clarify that an entity applies IFRS 9 *Financial Instruments* to long-term interests in an associate or joint venture that form part of the net investment in the associate or joint venture but to which the equity method is not applied.	
Annual Improvements to IFRSs 2015-2017 *Cycle Amendments to IFRS 3 Business Combinations, IFRS 11 Joint Arrangements, IAS 12 Income Taxes and IAS 23 Borrowing Costs*	1 January 2019
IAS 12 *Income Taxes*	1 January 2019
The amendments clarify that an entity should recognise the income tax consequences of dividends in profit or loss, other comprehensive income or equity according to where the entity originally recognised the transactions that generated the distributable profits. This is the case irrespective of whether different tax rates apply to distributed and undistributed profits.	
IAS 23 *Borrowing costs*	1 January 2019
The amendments clarify that if any specific borrowing remains outstanding after the related asset is ready for its intended use or sale, that borrowing becomes part of the funds that an entity borrows generally when calculating the capitalisation rate on general borrowings.	

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

2.2 New and amended IFRS applied with no material effect on the financial statements (continued)

New and revised IFRSs	**Effective for annual periods beginning on or after**
IFRS 3 *Business Combinations*	1 January 2019
The amendments to IFRS 3 clarify that when an entity obtains control of a business that is a joint operation, the entity applies the requirements for a business combination achieved in stages, including re-measuring its previously held interest (PHI) in the joint operation at fair value. The PHI to be re-measured includes any unrecognised assets, liabilities and goodwill relating to the joint operation.	
IFRS 11 *Joint Arrangements*	1 January 2019
The amendments to IFRS 11 clarify that when a party that participates in, but does not have joint control of, a joint operation that is a business obtains joint control of such a joint operation, the entity does not re-measure its PHI in the joint operation.	
Amendments to IAS 19 *Employee Benefits Plan Amendment, Curtailment or Settlement*	1 January 2019
The amendments to IAS 19 Employee Benefits clarify the accounting for defined benefit plan amendments, curtailments and settlements.	
IFRIC 23 *Uncertainty over Income Tax Treatments*	1 January 2019
The interpretation addresses the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under IAS 12. It specifically considers:	

- Whether tax treatments should be considered collectively;
- Assumptions for taxation authorities' examinations;
- The determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates; and
- The effect of changes in facts and circumstances.

Notes to the financial statements
for the year ended 31 December 2019 (continued)

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

2.3 New and amended IFRSs in issue but not yet effective and not early adopted

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

New and revised IFRSs	**Effective for annual periods beginning on or after**
Definition of Material - Amendments to IAS 1 *Presentation of Financial Statements* and IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*	1 January 2020
The new definition states that, 'Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.'	
Definition of a Business – Amendments to IFRS 3 *Business Combinations*	1 January 2020
The amendments clarify that to be considered a business, an integrated set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. IASB also clarify that a business can exist without including all of the inputs and processes needed to create outputs. That is, the inputs and processes applied to those inputs must have 'the ability to contribute to the creation of outputs' rather than 'the ability to create outputs'.	
Amendments to *References to the Conceptual Framework in IFRS Standards*	1 January 2020
Amendments to References to the Conceptual Framework in IFRS Standards related IFRS 2, IFRS 3, IFRS 6, IFRS 14, IAS 1, IAS 8, IAS 34, IAS 37, IAS 38, IFRIC 12, IFRIC 19, IFRIC 20, IFRIC 22, and SIC-32 to update those pronouncements with regard to references to and quotes from the framework or to indicate where they refer to a different version of the Conceptual Framework.	
IFRS 7 Financial Instruments: Disclosures and IFRS 9 — Financial Instruments	1 January 2020
Amendments regarding pre-replacement issues in the context of the IBOR reform	

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

2.3 New and revised IFRSs in issue but not yet effective and not early adopted (continued)

New and revised IFRSs	Effective for annual periods beginning on or after
IFRS 17 *Insurance Contracts*	1 January 2022
IFRS 17 requires insurance liabilities to be measured at a current fulfilment value and provides a more uniform measurement and presentation approach for all insurance contracts. These requirements are designed to achieve the goal of a consistent, principle-based accounting for insurance contracts. IFRS 17 supersedes IFRS 4 *Insurance Contracts* as at 1 January 2022.	
IAS 1 *Presentation of Financial Statements*	1 January 2022
The amendments in *Classification of Liabilities as Current or Non- Current* (Amendments to IAS 1) effect only the presentation of liabilities in the statement of financial position.	
Amendments to IFRS 10 *Consolidated Financial Statements* and IAS 28 *Investments in Associates and Joint Ventures* (2011) relating to the treatment of the sale or contribution of assets from and investor to its associate or joint venture.	Effective date deferred indefinitely. Adoption is still permitted.

Management anticipates that these new standards, interpretations and amendments will be adopted in the Company’s financial statements as and when they are applicable and adoption of these new standards, interpretations and amendments may have no material impact on the financial statements of the Company in the period of initial application.

3 Summary of significant accounting policies

Statement of compliance

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

Basis of preparation

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

3 Summary of significant accounting policies (continued)

Revenue recognition

The Company recognised the revenue from marketing and consultancy services.

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

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

Investments in equity-accounted investees

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

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

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

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

Notes to the financial statements
for the year ended 31 December 2019 (continued)

3 Summary of significant accounting policies (continued)

Investments in equity-accounted investees (continued)

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

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

Property and equipment

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

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. All other repairs and maintenance expenses are charged to the profit or loss in the period in which they are incurred.

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

	Years
Buildings	20
Computer and office equipment	3
Furniture and fittings	3
Interior decoration	3
Motor vehicles	3

Notes to the financial statements
for the year ended 31 December 2019 (continued)

3 Summary of significant accounting policies (continued)

Property and equipment (continued)

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

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

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

Development work in progress

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

The costs of projects incurred will be kept in development work in progress until the completion and will be subsequently billed to the customers.

Intangible assets

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

<u>Computer software</u>

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

Impairment of non-financial assets

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

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

3 Summary of significant accounting policies (continued)

Impairment of non-financial assets (continued)

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

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

Employee benefits

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

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

Pension contributions are made in respect of UAE national employees to the UAE General Pension and Social Security Authority, calculated in accordance with UAE Law No. (2) 2000 for Pension and Social Security. Such contributions are charged to the statement of income during the employees' period of service.

Foreign currencies

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

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

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

Provisions

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

3 Summary of significant accounting policies (continued)

Provisions (continued)

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

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

Financial instruments

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

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

Financial assets

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

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

Classification of financial assets

Debt instruments designated at amortised cost

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

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

Amortised cost and effective interest rate method

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

3 Summary of significant accounting policies (continued)

Financial assets (continued)

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

Impairment of financial assets

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

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

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

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

(i) Significant increase in credit risk

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

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

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

3 Summary of significant accounting policies (continued)

Financial assets (continued)

Impairment of financial assets (continued)

(i) Significant increase in credit risk (continued)

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

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

(ii) Definition of default

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

(iii) Credit-impaired financial assets

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

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

(iv) Write-off policy

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

3 Summary of significant accounting policies (continued)

Financial assets (continued)

Impairment of financial assets (continued)

(v) Measurement and recognition of expected credit losses

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

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

Derecognition of financial assets

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

Financial liabilities

Financial liabilities measured subsequently at amortised cost

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

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

Derecognition of financial liabilities

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

Notes to the financial statements
for the year ended 31 December 2019 (continued)

3 Summary of significant accounting policies (continued)

Offsetting

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

4 Critical accounting judgments and key sources of estimation uncertainty

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

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

Critical judgments in applying the Company's accounting policies

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

<u>Revenue recognition</u>

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

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

<u>Contributed capital</u>

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

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

Critical judgments in applying the Company's accounting policies (continued)

Business model assessment

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

Significant increase in credit risk

ECL are measured as an allowance equal to 12-month ECL for stage 1 assets, or lifetime ECL assets for stage 2 or stage 3 assets. An asset moves to stage 2 when its credit risk has increased significantly since initial recognition. IFRS 9 does not define what constitutes a significant increase in credit risk. In assessing whether the credit risk of an asset has significantly increased the Company takes into account qualitative and quantitative reasonable and supportable forward looking information. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The Company has identified the credit risks of the customers to which it sells its goods and services to be the most relevant factors, and accordingly adjusts the historical loss rates based on expected changes in these factors. The Company has recognised a loss allowance of 33% against all receivables.

Key sources of estimation uncertainty

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

Useful lives of property and equipment and intangible assets

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

Notes to the financial statements
for the year ended 31 December 2019 (continued)

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

Key sources of estimation uncertainty (continued)

Accruals

As part of the accounts preparation, management makes regular estimates of work performed for which no bills have been received. Management believes that the accrual process is consistent and reliable as with the previous period. The actual expense may differ from the accrual and the difference is booked in the following period. Management has estimated an accrual amounting to AED 981,490 (2018: AED 1,474,564) as at 31 December 2019.

Calculation of loss allowance

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

Loss given default is an estimate of the loss arising on default. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, taking into account cash flows from collateral and integral credit enhancements.

If the ECL rates on trade receivables for past due had been 5% higher (lower) as of 31 December 2019, the loss allowance on trade receivables would have been AED 11,867 (2018: AED 4,688) higher (lower) as follows:

Age buckets	**2019 AED**	2018 AED
0 to 90	**4,001**	-
91 to 180	**720**	3,716
181 to 270	**1,188**	584
271 to 365	**3428**	388
>365	**2,530**	-
	11,867	4,688

5 Property and equipment

	Buildings AED	Computer and office equipment AED	Furniture and fittings AED	Interior decoration AED	Motor vehicles AED	Total AED
Cost						
At 1 January 2018	5,230,745	1,463,446	68,431	28,776	115,000	6,906,398
Additions	-	15,500	-	-	-	15,500
At 1 January 2019	5,230,745	1,478,946	68,431	28,776	115,000	6,921,898
Additions	-	69,088	-	-	-	69,088
At 31 December 2019	**5,230,745**	**1,548,034**	**68,431**	**28,776**	**115,000**	**6,990,986**
Accumulated depreciation						
At 1 January 2018	1,668,940	1,203,092	68,431	27,892	115,000	3,083,355
Charge for the year	300,310	163,905	-	884	-	465,099
At 1 January 2019	1,969,250	1,366,997	68,431	28,776	115,000	3,548,454
Charge for the year	300,310	97,038	-	-	-	397,348
At 31 December 2019	**2,269,560**	**1,464,035**	**68,431**	**28,776**	**115,000**	**3,945,802**
Carrying amount						
At 31 December 2019	**2,961,185**	**83,999**	**-**	**-**	**-**	**3,045,184**
At 31 December 2018	3,261,495	111,949	-	-	-	3,373,444

Notes to the financial statements
for the year ended 31 December 2019 (continued)

6 Intangible assets

	Computer software AED
Cost	
At 1 January 2018 and 2019	**244,833**
Additions	**-**
At 31 December 2019	**244,833**
Accumulated amortisation	
At 1 January 2018	181,310
Charge for the year	43,333
At 1 January 2019	224,643
Charge for the year	1,900
At 31 December 2019	**226,543**
Carrying amount	
At 31 December 2019	**18,290**
At 31 December 2018	20,190

7 Trade and other receivables

	2019 AED	2018 AED
Trade receivables	**6,338,167**	4,576,302
Contract assets	**224,369**	797,171
Less: Impairment of trade and contract assets	**(1,519,727)**	(1,421,376)
Net trade and unbilled receivables	**5,042,809**	4,132,097
Prepayments and deposits	**1,678,974**	628,502
Advances to suppliers	**757,175**	592,113
	7,478,958	5,352,712

7 Trade and other receivables (continued)

The average credit period on sale of goods or services is 30 days. No interest is charged on trade and other receivables. Allowances for doubtful debts are recognised against trade receivables based on estimated irrecoverable amounts determined by reference to past default experience of the counterparty and an analysis of the counterparty's current financial position.

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

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

	2019 **AED**	2018 AED
Balance at beginning of the year	**1,421,376**	-
Adjustment upon initial application of IFRS 9	**-**	1,322,204
Charge for the year	**98,351**	99,172
Balance at the end of the year	**1,519,727**	1,421,376

8 Related parties

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

Notes to the financial statements
for the year ended 31 December 2019 (continued)

8 Related parties (continued)

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

	2019 AED	2018 AED
Due from related parties		
RG Procurement RSC LTD	**6,027,841**	3,242,705
Infinity TV FZ LLC	**2,510,010**	2,510,010
Al Tamouh Investments Company LLC	**861,438**	1,332,653
Paragon Malls - LLC	**717,092**	-
Trojan General Contracting LLC	**700,879**	854,117
Barari Natural Resources LLC	**590,063**	156,225
H.h Sheikh Tahnoon Bin Zayed Al Nahyan	**440,584**	1,574,361
Hydra Properties LLC	**417,815**	417,815
Royal Group - Mina Office	**330,128**	330,128
Three60 Estates Management LLC	**296,500**	254,500
Viola Communications LLC	**105,000**	-
Al Ajban Poultry LLC	**76,067**	147,136
Royal Group Holding LLC	**68,400**	-
Wadi Adventure LLC	**32,500**	32,500
H2o Interior Design LLC	**14,400**	-
Al Rabeeh School - LLC	**2,100**	2,100
Reem Building Materials LLC	**1,800**	1,800
Tower Clinic	**1,845**	-
Bunya	**50**	-
Less: Impairment allowance	**(448,730)**	(442,294)
	12,745,783	10,413,756

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

	2019 AED	2018 AED
Balance at the beginning of the year	**442,294**	-
Adjustment upon initial application of IFRS 9	**-**	430,035
Charge for the year	**6,436**	12,259
Balance at the end of the year	**448,730**	442,294

Notes to the financial statements
for the year ended 31 December 2019 (continued)

8 Related parties (continued)

	2019 AED	2018 AED
Due to related parties		
Hydra Commercial Investments LLC	**24,308,315**	24,305,940
Royal Group Holding LLC	**353,351**	984,951
Viola Communications LLC	**331,691**	18,500
Pal Technology Solutions LLC	**270,680**	371,785
Royal Legal Consultancy LLC	**179,011**	179,011
Al Jaraf Travel and Tourism LLC	**165,609**	165,609
Cine Royal Cinema LLC	**141,530**	1,232,436
Pal Computer Systems LLC	**101,105**	-
Dar Al Ummah Printing Publishing and Distribution LLC	**67,346**	208,505
H2O Interior Design LLC	**82,100**	82,100
National Projects Constructions LLC	**31,372**	31,372
Bunya Enterprises LLC	**26,279**	-
Decovision	**5,000**	-
Vision Hotel Apartments LLC	**2,661**	-
Others	**-**	12,742
	26,066,050	27,592,951

	2019 AED	2018 AED
Dividend receivable (note 9)		
Viola Communications LLC	**11,998,320**	7,340,078
Contract costs		
His Highness Sheikh Tahnoon Bin Zayed Al Nahyan	**440,537**	411,964

Significant transactions with related parties are as follows:

	2019 AED	2018 AED
Revenues	**9,630,998**	9,440,338
Purchases of materials and services	**640,531**	1,121,763

Notes to the financial statements for the year ended 31 December 2019 (continued)

8 Related parties (continued)

These balances of due to related parties represent amounts obtained from the partners to meet short term working capital requirements and are repayable on demand.

During the year, the Company provided 5% and 1% of net profit in consideration of the performance of the services rendered by management and the directors, respectively.

In addition, the managing director received non-cash compensation from the Company in the form of rent paid on her behalf amounting to AED 190,000 (2018: AED 220,000).

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

9 Investment in equity accounted associate

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

During 2019, the Company invested further in the associate, accordingly the shareholding has increased by 15% with the payment of consideration of AED 7,000,000.

The movement in investment in an associate is as follows:

	2019 **AED**	2018 AED
At 1 January	**22,838,293**	24,695,704
Impact of application of new standards	**-**	(1,929,466)
Investment made during the year	**7,000,000**	**-**
Share of profit for the year	**9,787,857**	5,322,055
Dividend receivable (note 8)	**(6,750,000)**	(5,250,000)
At 31 December	**32,876,150**	22,838,293

Included in share of profits during the year, AED 2,787,840 relates to the gain on acquisition of additional 15% shareholding during the year being difference of fair value of investments and cost of additional investments.

Notes to the financial statements
for the year ended 31 December 2019 (continued)

9 Investment in equity accounted associate (continued)

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

	2019 AED	2018 AED
Current assets	**138,891,937**	99,373,041
Non-current assets	**23,504,329**	25,543,113
Current liabilities	**(82,572,769)**	(52,687,674)
Non-current liabilities	**(14,071,196)**	(6,976,214)
Net assets	**65,752,301**	65,252,266
Company's share of net assets of the associates at 31 December	**32,876,150**	22,838,293

	2019 AED	2018 AED
Revenue	**151,109,301**	136,364,067
Profit for the year	**14,000,034**	15,205,872
Company's share of net profit of the associate at 31 December	**7,000,017**	5,322,055

10 Cash and bank balances

	2019 AED	2018 AED
Cash in hand	**15,000**	15,000
Cash at bank – current account	**4,144,423**	12,607,392
Less: Impairment loss	**(951)**	(2,998)
Cash and bank balances	**4,158,472**	12,619,294

Notes to the financial statements
for the year ended 31 December 2019 (continued)

10 Cash and bank balances (continued)

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

	2019 **AED**	2018 AED
Balance at the beginning of the year	**2,998**	-
Adjustment upon initial application of IFRS 9	**-**	1,606
(Reversal)/charge for the year	**(2,047)**	1,392
Balance at the end of the year	**951**	2,998

11 Share capital

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

	31 December 2019 and 2018	
	Ownership Percentage %	**Amount AED**
Royal Group Holding LLC	99.67	299,000
Royal Group for Companies and Establishment Management LLC	0.33	1,000
	100%	**300,000**

12 Statutory reserve

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

13 Contributed capital

In 2009, the Shareholders of the Company resolved to transfer an amount of AED 3,146,640 to contributed capital. This amount is repayable at the discretion of the Company. In addition, in the event of dissolution of the Company, the rights, benefits and obligations in the residual net asset and liabilities, attached to the amounts rank pari passu with those attached to the share capital of the Company, therefore, this amount is more akin to an equity instrument rather than liabilities, and accordingly is presented as part of equity.

**Notes to the financial statements
for the year ended 31 December 2019 (continued)**

14 Provision for employees' end of service benefit

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

	2019 **AED**	2018 AED
At 1 January	**2,152,961**	2,194,422
Charge during the year	**185,043**	237,041
Payments during the year	**(66,826)**	(278,502)
s		
31 December	**2,271,178**	2,152,961

15 Trade and other payables

	2019 **AED**	2018 AED
Trade payables	**2,069,149**	2,041,268
Accrued expenses	**1,802,940**	1,452,447
Advances from customers	**383,121**	61,940
Payable to key management	**1,097,052**	1,121,053
Accrual for leave	**221,061**	221,061
Accrual for air tickets	**23,298**	137,372
Other payable	**742,834**	299,643
	6,339,455	5,334,784

16 Revenue and cost of sales

	2019 **AED**	2018 AED
Disaggregation of revenue		
Revenue from rendering marketing services	**16,128,507**	15,448,734
Revenue from consultancy services	**5,343,643**	4,076,335
	21,472,150	19,525,069
Direct costs		
Cost of materials and services	**6,986,739**	4,391,037
Staff costs	**6,160,519**	5,571,638
	13,147,258	9,962,675

Notes to the financial statements for the year ended 31 December 2019 (continued)

16 Revenue and cost of sales (continued)

The transaction price allocated to (partially) unsatisfied performance obligations at 31 December 2019 and 2018 are as set out below:

	2019 AED	2018 AED
Unsatisfied performance obligations	**332,982**	773,750

Management expects that the transaction price allocated to the unsatisfied contracts as at 31 December 2019 would be recognised as revenue during 2020.

17 General and administrative expenses

	2019 AED	2018 AED
Staff costs	**3,870,177**	3,963,050
Depreciation and amortisation (notes 5 and 6)	**397,348**	508,431
Director's remuneration and management fees	**719,744**	524,826
Professional fees	**271,247**	471,146
Communications	**233,218**	235,710
Office supplies	**142,473**	271,142
Travel expense	**602,096**	564,080
Repairs and maintenance expenses	**9,008**	29,933
Bank charges	**60,514**	13,548
Others	**945,123**	652,711
	7,250,948	7,400,626

18 Contingent liabilities

	2019 AED	2018 AED
Letters of guarantee	**821,879**	470,755

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

Notes to the financial statements
for the year ended 31 December 2019 (continued)

19 Financial instruments (continued)

Significant accounting policies

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

Financial risk management

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

Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Company. As at 31 December 2019, the Company's maximum exposure to credit risk without taking into account any collateral held or other credit enhancements, which will cause a financial loss to the Company due to failure to discharge an obligation by the counterparties and financial guarantees provided by the Company arises from the carrying amount of the respective recognised financial assets as stated in the statement of financial position.

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

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

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

Notes to the financial statements
for the year ended 31 December 2019 (continued)

19 Financial instruments (continued)

Credit risk (continued)

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

	Notes	External credit ratings	Internal credit ratings	12 month or lifetime ECL	Gross carrying amount	Loss allowance	Net carrying amount
31 December 2019							
Trade and other receivables	7	N/A	i	Lifetime ECL	**6,562,536**	**1,519,727**	**5,042,809**
Due from related parties	7	N/A	i	12-month ECL	**13,194,513**	**448,730**	**12,745,783**
Dividend receivable		N/A	i	12-month ECL	**12,000,000**	**1,680**	**11,998,320**
Cash and cash equivalents	9	AA-, A, A+, A	N/A	12-month ECL	**4,159,423**	**951**	**4,158,472**
31 December 2018							
Trade and other receivables	7	N/A	i	Lifetime ECL	6,774,088	1,421,376	5,352,712
Due from related parties	7	N/A	i	12-month ECL	10,444,086	442,294	10,001,792
Dividend receivable		N/A	i	12-month ECL	7,350,000	9,923	7,340,077
Cash and cash equivalents	9	AA-, A, A+, A	N/A	12-month ECL	12,622,392	2,998	12,619,394

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

Notes to the financial statements for the year ended 31 December 2019 (continued)

19 Financial instruments (continued)

Credit risk (continued)

The Company always measures the loss allowance for trade receivables at an amount equal to lifetime ECL using the simplified approach. The Company has recognised a loss allowance of 5.9% against all receivables. The loss allowance as at 31 December 2018 and 2019 was determined as follows for trade receivables:

	Days past due							
	Current AED	**1-90 days AED**	**91-180 days AED**	**181-270 days AED**	**271-365 days AED**	**Over 365 days AED**	**Total AED**	**ECL AED**
31 December 2019								
Expected credit loss rate	7.17%	28.59%	6.54%	10.79%	31.11%	22.96%		
Gross carrying amount for trade receivables	428,813	948,809	144,794	89,250	257,418	4,469,083	6,338,167	-
Loss allowance	17,018	63,014	14,420	23,770	68,559	1,332,946	-	1,519,727
Due from related parties	13,194,513	-	-	-	-	-	13,194,513	448,730
Dividend receivable	12,000,000	-	-	-	-	-	12,000,000	1,680
Cash and cash equivalents	4,144,423	-	-	-	-	-	4,144,423	951
Total							**35,677,103**	**1,971,088**

	Days past due							
	Current AED	1-90 days AED	91-180 days AED	181-270 days AED	271-365 days AED	Over 365 days AED	Total AED	ECL AED
31 December 2018								
Expected credit loss rate	1.28%	3.29%	8.29%	23.48%	23.48%	100%		
Gross carrying amount for trade receivables	980,953	677,896	1,303,412	49,784	33,014	1,284,016	4,329,075	-
Loss allowance	12,695	20,907	74,316	11,690	7,752	1,284,016	-	1,411,375
Due from related parties	10,444,084	-	-	-	-	-	10,444,084	442,294
Dividend receivable	7,350,000	-	-	-	-	-	7,350,000	9,923
Cash and cash equivalents	12,622,392	-	-	-	-	-	12,622,392	2,998
Total							34,745,553	1,866,591

Notes to the financial statements
for the year ended 31 December 2019 (continued)

19 Financial instruments (continued)

Liquidity risk management

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

	Carrying value AED	**More than 1 year AED**	**1 year or less AED**
2019			
Trade and other payables (excluding advances from customers)	**5,956,334**	**-**	**5,956,334**
Amounts due to related parties	**26,066,050**	**-**	**26,066,050**
	32,022,384	**-**	**32,022,384**
2018			
Trade and other payables (excluding advances from customers)	5,139,347	-	5,139,347
Amounts due to related parties	27,491,846	-	27,491,846
	32,631,193	-	32,631,193

Currency risk management

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

Fair value of financial assets and liabilities

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

Notes to the financial statements
for the year ended 31 December 2019 (continued)

20 Subsequent event

On 30 January 2020, following the reporting of a cluster of cases in China, the World Health Organisation (WHO) declared the outbreak of Covid-19 a "Public Health Emergency of International Concern". Since then, more cases have been diagnosed, in a number of countries across the globe. Strict measures have been taken and a number of policies have been imposed by a number of governments to contain the spread of this new virus that will have economic impact. Gradually more information has become available leading WHO to declare Covid-19 as a global pandemic on 11 March 2020.

The impact of the virus and the resulting economic impact of individual government measures and policies is a non-adjusting event. The Company's current projects and other services to customers have not been interrupted as the Company has been able to deliver these services remotely. Management have prepared and reviewed updated forecasts. Based on realistic cash projections and available cash balances to the Company should the situation continue, Management have concluded that the Company will be able to discharge its liabilities as they fall due and therefore have concluded that it remains appropriate to continue to prepare these financial statements on a going concern basis. Given the unpredictable outcome of this virus and the resulting policies for containment, the impact on the operating activities of the Company and the recoverability along with the ECL impact of its assets will be assessed during the course of the coming financial year.

21 Approval of financial statements

The financial statements were approved by management and authorised for issue on 5 May 2020.