DIFC Investments Ltd.
(formerly DIFC Investments LLC)

CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2020

DIFC Investments Ltd.

Consolidated financial statements
For the year ended 31 December 2020

Contents

Building a better working world

Ernst & Young Middle East (Dubai Branch)
P.O. Box 9267
Ground Floor, ICD Brookfield Place
Al Mustaqbal Street
Dubai International Financial Centre
Dubai
United Arab Emirates

Tel: +971 4 701 0100
+971 4 332 4000
Fax: +971 4 332 4004
dubai@ae.ey.com
ey.com

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDER OF DIFC INVESTMENTS LTD. (FORMERLY DIFC INVESTMENTS LLC)

Report on the audit of the consolidated financial statements

Opinion

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

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

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. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Group and the shareholder of the Group as a body, for our audit work, for this report, or for the opinions we have formed. We are independent of the Group in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) ("IESBA Code") together with the ethical requirements that are relevant to our audit of the consolidated financial statements in the Dubai International Financial Centre ("DIFC"), and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

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

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

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDER OF DIFC INVESTMENTS LTD. (FORMERLY DIFC INVESTMENTS LLC) (continued)

Report on the audit of the consolidated financial statements (continued)

Key audit matters (continued)

Key audit matter	How our audit addressed the key audit matter
Valuation of investment properties	
The Group holds investment properties amounting to USD 3.4 billion recorded at fair value. A fair value loss of USD 22.4 million has been recognised in the consolidated statement of profit or loss for the year ended 31 December 2020. We considered this a key audit matter as the valuations are subjective and are dependent on a number of assumptions and there is a risk of inaccurate valuation of investment properties of the Group. Note 12 to the consolidated financial statements include disclosure relating to methods and assumptions used by the valuers in estimating the fair value of investment properties and note 2.4 includes significant judgments and estimates in applying the accounting policies.	Our procedures to test the fair value of investment properties included the following: ▪ We assessed the independence, qualifications and experience of the independent valuer and the scope (and any limitations) of that valuer's work. We read the valuation report provided by the independent valuer and confirmed that the amounts reported in the consolidated financial statements are consistent with the valuation report. ▪ On a sample basis, we reviewed the valuation model, and underlying assumptions, used by the independent valuer and, using our own valuation experts, compared them to internationally recognised frameworks and local and external valuation benchmarks. ▪ We tested, on a sample basis, that the underlying data provided to the independent valuer by the Group (such as occupancy, rental income and operational expenditure) was consistent with the Group's financial and other records. ▪ We assessed the reasonableness of the key assumptions and related estimation uncertainty. ▪ We also assessed the adequacy of the Groups disclosures in note 12 to the consolidated financial statements.

Other information

Other information consists of the information included in the Group's 2020 Annual Report, other than the consolidated financial statements and our auditors' report there on. We obtained the report of the Group's Chairman, prior to the date of our auditors' report, and we expect to obtain the remaining sections of the Group's 2020 Annual Report after the date of our auditors' report. Management is responsible for the other information.

**INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDER OF
DIFC INVESTMENTS LTD. (FORMERLY DIFC INVESTMENTS LLC) (continued)**

Report on the audit of the consolidated financial statements (continued)

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

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

Responsibilities of management and those charged with governance for the consolidated financial statements
Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRSs and in compliance with the applicable provisions of the Companies Law pursuant to DIFC Law No. 5 of 2018, 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 the Directors either intend to liquidate the Group or to cease operations, or have 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 ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism 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.

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDER OF DIFC INVESTMENTS LTD. (FORMERLY DIFC INVESTMENTS LLC) (continued)

Report on the audit of the consolidated financial statements (continued)

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

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

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

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

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

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

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

Building a better working world

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDER OF DIFC INVESTMENTS LTD. (FORMERLY DIFC INVESTMENTS LLC) (continued)

Report on other legal and regulatory requirements

We also confirm that, in our opinion, the consolidated financial statements include, in all material respects, the applicable requirements of the Companies Law pursuant to DIFC Law No. 5 of 2018. We have obtained all the information and explanations which we required for the purpose of our audit and, to the best of our knowledge and belief, no violations of the Companies Law pursuant to DIFC Law No. 5 of 2018 have occurred during the year which would have had a material effect on the business of the Group or on its financial position.

Ernst + Young

4 March 2021

Dubai, United Arab Emirates

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2020

	Notes	**2020 USD'000**	2019 USD'000
Revenue			
Income from investment properties	12	**161,370**	161,017
Revenue from contracts with customers	5	**24,488**	40,618
		185,858	201,635
Direct cost		**(46,055)**	(45,159)
GROSS PROFIT		**139,803**	156,476
Depreciation on property and equipment	13	**(3,007)**	(2,218)
General and administration expenses	6	**(21,271)**	(29,192)
Foreign exchange (loss) / gain - net		**(32)**	8
OPERATING PROFIT BEFORE FAIR VALUE CHANGES		**115,493**	125,074
Fair value (loss) / gain on investment properties – net	12	**(22,350)**	35,340
Reversal of previously recognised revaluation loss building	13	**1,429**	-
Gain from investments in securities- net	4	**4,014**	26
Fair value (loss) / gain – net		**(16,907)**	35,366
Finance income		**11,454**	11,860
Finance cost		**(70,389)**	(54,609)
Finance cost – net		**(58,935)**	(42,749)
Loss on impairment of net assets relating to subsidiaries under liquidation /liquidated	11	**(6,652)**	-
Share of (loss) / profit in joint ventures	10	**(1,684)**	311
PROFIT FOR THE YEAR BEFORE TAX		**31,315**	118,002
Tax expense		**(441)**	(234)
PROFIT FOR THE YEAR		**30,874**	117,768
Attributable to:			
Equity holder of the Parent		**31,003**	117,913
Non-controlling interest		**(129)**	(145)
		30,874	117,768

The notes 1 to 28 are an integral part of these consolidated financial statements.

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

	Notes	***2020 USD'000***	*2019 USD'000*
PROFIT FOR THE YEAR		**30,874**	117,768
OTHER COMPREHENSIVE INCOME			
Other comprehensive income to be reclassified to profit or loss in subsequent periods:			
Net gain on debt instruments designated at fair value through other comprehensive income	8	**1,338**	-
Reserves transferred to consolidated statement of profit or loss on liquidation of a subsidiary		**677**	-
Foreign currency translation reserve	15	**355**	211
		2,370	211
Other comprehensive loss that will not to reclassified to profit or loss in subsequent periods:			
Net gain on equity instruments designated at fair value through other comprehensive income	8	**10,000**	-
Revaluation reserve loss		**-**	(3,350)
		10,000	(3,350)
TOTAL OTHER COMPREHENSIVE INCOME / (LOSS) FOR THE YEAR		**12,370**	(3,139)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**43,244**	114,629
Attributable to:			
Equity holder of the Parent		**43,373**	114,774
Non-controlling interest		**(129)**	(145)
		43,244	114,629

The notes 1 to 28 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 31 December 2020

	Notes	***2020 USD'000***	*2019 USD'000*
ASSETS			
Cash at bank and term deposits	7	**354,846**	324,700
Investment in securities	8	**86,784**	45,479
Trade and other receivables	9	**35,574**	29,470
Investment in joint ventures	10	**2,196**	3,295
Goodwill	11	**-**	5,472
Investment properties	12	**3,370,572**	3,397,998
Property and equipment	13	**49,731**	44,721
TOTAL ASSETS		**3,899,703**	3,851,135
EQUITY AND LIABILITIES			
EQUITY			
Share capital	14(a)	**500,000**	200,000
Proposed increase in capital	14(b)	**-**	300,000
Other reserves	15	**(23,751)**	(12,808)
Revaluation reserve		**(19,414)**	(20,843)
Retained earnings		**1,956,596**	1,936,088
Equity attributable to the holder of the parent		**2,413,431**	2,402,437
Non-controlling interests		**-**	129
Total equity		**2,413,431**	2,402,566
LIABILITIES			
Due to the Government of Dubai	16	**604,319**	581,006
Due to Sukuk certificate holders	17	**649,013**	648,754
Trade and other payables	18	**232,940**	218,809
Total liabilities		**1,486,272**	1,448,569
TOTAL EQUITY AND LIABILITIES		**3,899,703**	3,851,135

These consolidated financial statements were approved by the Board of Directors on 04 March 2021 and signed on their behalf by:

Chairman

Chief Financial Officer

The notes 1 to 28 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2020

	Attributable to the equity holder of the Parent							
	Share capital USD'000	***Proposed increase in capital USD'000***	***Other reserves (see note 15) USD'000***	***Revaluation reserve USD'000***	***Retained earnings USD'000***	***Total USD'000***	***Non-controlling interests USD'000***	***Total equity USD'000***
At 1 January 2020	200,000	300,000	(12,808)	(20,843)	1,936,088	2,402,437	129	2,402,566
Profit for the year	-	-	-	-	31,003	31,003	(129)	30,874
Other comprehensive income for the year	-	-	12,370	-	-	12,370	-	12,370
Total comprehensive income / (loss) for the year	-	-	12,370	-	31,003	43,373	(129)	43,244
Issue of share capital (note 14(b))	300,000	(300,000)	-	-	-	-	-	-
Transfer of revaluation gain to retained earnings	-	-	-	1,429	(1,429)	-	-	-
Unwinding of discount on loan (note 16)	-	-	(23,313)	-	23,313	-	-	-
Settlement of financial liabilities (note 21 (h))	-	-	-	-	9,855	9,855	-	9,855
Dividend (note 25)	-	-	-	-	(42,234)	(42,234)	-	(42,234)
At 31 December 2020	**500,000**	**-**	**(23,751)**	**(19,414)**	**1,956,596**	**2,413,431**	**-**	**2,413,431**

The notes 1 to 28 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (continued)

For the year ended 31 December 2020

	Attributable to the equity holder of the Parent							
	Share capital USD'000	*Proposed increase in capital USD'000*	*Other reserves (see note 15) USD'000*	*Revaluation reserve USD'000*	*Retained earnings USD'000*	*Total USD'000*	*Non-controlling interests USD'000*	*Total equity USD'000*
At 1 January 2019	200,000	-	9,397	(17,493)	1,810,311	2,002,215	274	2,002,489
Profit for the year	-	-	-	-	117,913	117,913	(145)	117,768
Other comprehensive loss for the year	-	-	211	(3,350)	-	(3,139)	-	(3,139)
Total comprehensive income /(loss) for the year	-	-	211	(3,350)	117,913	114,774	(145)	114,629
Proposed increase in share capital (note 14(b))	-	300,000	-	-	-	300,000	-	300,000
Unwinding of discount on loan (note 16)	-	-	(22,416)	-	22,416	-	-	-
Settlement of financial liabilities (note 21 (h))	-	-	-	-	12,696	12,696	-	12,696
Dividend (note 25)	-	-	-	-	(27,248)	(27,248)	-	(27,248)
At 31 December 2019	200,000	300,000	(12,808)	(20,843)	1,936,088	2,402,437	129	2,402,566

The notes 1 to 28 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2020

	Notes	*2020* *USD'000*	*2019* *USD'000*
OPERATING ACTIVITIES			
Profit for the year before tax		**31,315**	118,002
Adjustments for:			
Depreciation on property and equipment	13	**3,007**	2,218
Share of loss / (profit) in joint ventures	10	**1,684**	(311)
Reversal of onerous lease provisions	18	**(3,699)**	(1,480)
Fair value loss on investment in securities	4	**486**	3,169
Dividend income	4	**(4,933)**	(2,945)
Foreign currency gain / (loss) on investment in securities	4	**2**	(250)
Finance income		**(11,454)**	(11,860)
Finance cost		**47,086**	54,609
Provision for expected credit losses	9	**1,575**	807
Provision for employees' end of service benefits		**28**	166
Amortisation of Sukuk issuance cost	17	**259**	257
Write off relating to investment in funds	8	**431**	-
Fair value loss / (gain) on investment properties	12	**22,350**	(35,340)
Revaluation surplus on buildings	13	**(1,429)**	-
Loss on impairment of net assets relating to subsidiaries under liquidation /liquidated		**6,672**	-
		93,380	127,042
Working capital adjustments:			
Trade and other receivables		**(5,714)**	21,665
			-
Trade and other payables (net of transfer for employees' end of service benefits)		**32,021**	(31,814)
Net cash generated from operations		**119,687**	116,893
Tax paid		**(441)**	(234)
Employees' end of service benefits paid		**(154)**	(175)
Net cash generated from operating activities		**119,092**	116,484
INVESTING ACTIVITIES			
Additions to investment in securities	8	**(31,747)**	(10,844)
Capital distribution relating to investment in funds	8	**861**	1,932
Additions to property and equipment	13	**(2,313)**	(3,036)
Encashment of guarantee relating to investment properties	12(b)	**31,465**	-
Additions in investment in joint venture	10	**(585)**	-
Additions to investment properties	12	**(30,739)**	(36,791)
Net movement in short term-deposits		**(39,041)**	(291,802)
Dividend received	4	**4,933**	2,945
Finance income received		**8,557**	9,892
Net cash used in investing activities		**(58,609)**	(327,704)
FINANCING ACTIVITIES			
Finance cost paid		**(27,144)**	(28,020)
Dividends paid to Government of Dubai	25	**(42,234)**	(27,248)
Net cash used in financing activities		**(69,378)**	(55,268)
NET DECREASE IN CASH AND CASH EQUIVALENTS		**(8,895)**	(266,488)
Cash and cash equivalents at 1 January		**32,898**	299,386
CASH AND CASH EQUIVALENTS AT 31 DECEMBER	7	**24,003**	32,898

The notes 1 to 28 are an integral part of these consolidated financial statements.

NON-CASH TRANSACTIONS:
Material non-cash transactions for the year ended 31 December are as follows:

	Notes	***2020 USD'000***	*2019 USD'000*
Fair value gain on investment in equity instruments through other comprehensive income	8	**10,000**	-
Fair value gain on investment in listed debt instruments through other comprehensive income	8	**1,338**	-
Transfer from investment properties to property and equipment	12	**(4,350)**	(3,692)
Issuance of share capital	14	**300,000**	-
Proposed increase in share capital	14	**-**	300,000
Unwinding of interest on due to the Government of Dubai	16	**23,313**	22,416

Net debt analysis

This section sets out an analysis of net debt for each of the periods presented:

	Notes	***2020 USD'000***	*2019 USD'000*
Cash at bank and term deposits	7	**354,846**	324,700
Borrowings repayable after one year:			
Due to the Government of Dubai	16	**(604,319)**	(581,006)
Due to Sukuk certificate holders	17	**(649,013)**	(648,754)
Net Debt		**(898,486)**	(905,060)

1. ACTIVITIES

DIFC Investments Ltd. (formerly DIFC Investments LLC) (the "Company" or the "Parent Company") was established on 27 November 2005, as a Company Under Formation under the Companies Law, DIFC Law No. 3 of 2006 and was subsequently formally incorporated as a limited liability company by the Registrar of Companies of the Dubai International Financial Centre ("DIFC") on 22 May 2006. The Company is legally a wholly owned subsidiary of the Dubai International Financial Centre Authority ("DIFCA"). It is, however, held by DIFCA for the beneficial interest of the Government of Dubai and therefore the Company is not consolidated in the financial statements of DIFCA.

During the year ended 31 December 2019, to comply with the requirements of the new DIFC Law no. 5 of 2018, the name of the Company has been changed from DIFC Investments LLC to DIFC Investments Ltd. This does not impact the classification of the Parent Company as a limited liability company.

The principal activities of the Company are to possess, own, sell and lease land and any other immovable and movable properties, and develop such properties in order to achieve the objectives of the Dubai International Financial Centre ("DIFC") and to deal in financial instruments, invest in and incorporate banking, investment and other financial projects and companies.

The assets of DIFC Master Community (the "Master Community") are held by the Company for the beneficial interest of the individual body corporates within the Master Community. Similarly, the liabilities of Master Community are entered into by the Company on behalf of the individual body corporates within the Master Community, and hence these are not included as part of these consolidated financial statements.
Dubai International Financial Centre Authority ("DIFCA") is the Master Developer of the Master Community legally but the beneficial owner is the Parent Company.

The Company's registered office is at Level 14, The Gate Building, Gate District, Dubai International Financial Centre, P.O. Box 74777, Dubai, United Arab Emirates.

These consolidated financial statements incorporate the results and the financial position of the Company and its subsidiaries (together the "Group").

The details of the significant subsidiaries of the Group which have been consolidated in these financial statements are given below:

Name	***% Ownership***		***Country of incorporation***	***Principal activities***
	2020	2019		
FinTech Hive at DIFC Ltd	**100%**	100%	DIFC, UAE	To promote Fintech start-ups.
DIFC Fintech Fund Investments Limited	**100%**	100%	DIFC, UAE	To invest in start-up tech companies in Middle East and North Africa (MENA) region
Middle East Fashion Group Ltd. (formerly known as DIFC Lifestyle LLC)	**100%**	100%	DIFC, UAE	Retail Management, Retail Hospitality, Event Management
Gate Media Ltd. (note (b))	**100%**	100%	DIFC, UAE	Production, advertisement, design, communication and all audio / video related media platforms and products
DIFC Global Limited	**100%**	100%	United Kingdom	General commercial company
The First Technologies Trading (L.L.C)	**100%**	100%	Dubai, UAE	General trading

1. ACTIVITIES (continued)

Name	*% Ownership* **2020**	2019	*Country of incorporation*	*Principal activities*
Art Limitless Ltd. (formerly known as DIFC Art LLC)	**100%**	100%	DIFC, UAE	Art exhibitions, art logistics, art investments, art club and education
Art Dubai Ltd.	**100%**	100%	DIFC, UAE	Intermediate holding company
Kuwait Investments Ltd.	**100%**	100%	DIFC, UAE	Investment activities through itself and through wholly owned subsidiaries and affiliates
Global Interlink Ltd. (formerly known as DIFC Global LLC)	**100%**	100%	DIFC, UAE	Holding company for all overseas business centres owned by the Company
Tech Point (L.L.C) (note (d))	**100%**	100%	Dubai, UAE	Computer software and equipment trading and data processing
Tech Fort (L.L.C) (note (d))	**100%**	100%	Dubai, UAE	Computer software and equipment trading and data processing
DIFC Sukuk Limited (note (c)	**100%**	100%	Dubai, UAE	Issuer of DIFCI Sukuk

a) During 2019, the Group fully dissolved the Hungary based intermediate holding company DIFC Connections Korlatolt Felossegu Tarsasag which owned 100% of BHB Bedford Properties Inc. which owns 100% of BHB Master Partnership LLC, which in turn wholly owns BHB Owner LLC. BHB Bedford Properties Inc., BHB Master Partnership LLC and BHB Owner LLC are all incorporated in United States of America. BHB Bedford Properties Inc. is an intermediate holding company while the principal activities of BHB Master Partnership LLC and BHB Owner LLC is to hold investment properties. The liquidation process for this company with all legal formalities has been completed in 2020.

b) Gate Media Ltd. owns 75% of CPI Financial FZ LLC, a company incorporated in Dubai, UAE. CPI Financial FZ LLC is involved in publishing of financial magazines and other materials for the Middle East region through both print and digital media. During 2020, CPI Financial FZ LLC is under liquidation and legal formalities are in process at 31 December 2020.

c) The Group's ownership stake in DIFC Sukuk Limited is held through beneficial ownership arrangement with the legal owner.

d) The Group's 1% ownership stake in these entities is held through beneficial ownership arrangement with the legal owner.

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation and statement of compliance

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards (IFRS) and the applicable provisions of the Companies law pursuant to DIFC Law No.5 of 2018.

These consolidated financial statements have been prepared under the historical cost convention basis, except for the measurement of investment in securities, building and investment properties that have been measured at fair values.

The functional currency of the Parent Company is AED. However, the consolidated financial statements are presented in US Dollars (USD) for the convenience of the users. This does not have any significant effect on the consolidated financial statements as the UAE Dirham is pegged to US Dollar. The conversion rate used is AED 3.67 for 1 USD. All the amounts in the consolidated financial statements are rounded to the nearest thousand USD except where otherwise stated.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2 Changes in accounting policies and disclosures

The accounting policies adopted in the preparation of the consolidated financial statements are consistent with those used in the previous year, except as follows

a) New and amended standards and interpretations

The Group applied for the first-time certain amendments to the standards, which are effective for annual periods beginning on or after 1 January 2020. The Group has not early adopted any standards, interpretations or amendments that have been issued but are not yet effective.

- Amendments to IFRS 3 - Definition of a Business
- Amendments to IFRS 7, IFRS 9 and IAS 39 Interest Rate Benchmark Reform
- Amendments to IAS 1 and IAS 8 - Definition of Material
- Conceptual Framework for Financial Reporting issued on 29 March 2018

Annual Improvements 2018-2020 cycle (issued in May 2020)

- Amendments to the illustrative examples accompanying IFRS 16 Leases - Lease incentives

The amendments and interpretations apply for the first time in 2020, but do not have an impact on the consolidated financial statements of the Group.

b) Standards issued but not yet effective

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

- IFRS 17 Insurance Contracts (effective for reporting periods beginning on or after 1 January 2023 and apply prospectively)
- Classification of Liabilities as Current or Non-current - Amendments to IAS 1(effective from annual periods beginning on or after 1 January 2023 and must be applied retrospectively)
- Reference to the Conceptual Framework – Amendments to IFRS 3 (effective from annual periods beginning on or after 1 January 2022. The amendments must be applied prospectively. Earlier application is permitted if, at the same time or earlier, an entity also applies all of the amendments contained in the Amendments to References to the Conceptual Framework in IFRS Standards (March 2018))
- Property, Plant and Equipment: Proceeds before Intended Use – Amendments to IAS 16 (effective from annual periods beginning on or after 1 January 2022 and must be applied retrospectively to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented when the entity first applies the amendment)
- Onerous Contracts – Costs of Fulfilling a Contract – Amendments to IAS 37 (effective from annual periods beginning on or after 1 January 2022. The amendments must be applied prospectively to contracts for which an entity has not yet fulfilled all of its obligations at the beginning of the annual reporting period in which it first applies the amendments (the date of initial application). Earlier application is permitted and must be disclosed.)
- Covid-19 Related Rent Concessions - Amendments to IFRS 16 (effective for annual periods beginning on or after 1 June 2020. Earlier application is permitted, including in financial statements not yet authorised for issue at 28 May 2020)
- Interest Rate Benchmark Reform – Phase 2 – Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 (effective from annual periods beginning on or after 1 January 2021 with earlier application permitted)
- Sale or Contribution of Assets between an Investor and its Associate or Joint Venture – Amendments to IFRS 10 and IAS 28 (In December 2015, the IASB decided to defer the effective date of the amendments until such time as it has finalised any amendments that result from its research project on the equity method. The amendments must be applied prospectively. Early application is permitted and must be disclosed).

Annual Improvements 2018-2020 cycle (issued in May 2020)

- IFRS 1 First-time Adoption of International Financial Reporting Standards – Subsidiary as a first-time adopter (effective from annual periods beginning on or after 1 January 2022 with earlier application permitted)
- IFRS 9 Financial Instruments – Fees in the '10 per cent' test for derecognition of financial liabilities (effective from annual periods beginning on or after 1 January 2022 with earlier application permitted)
- IAS 41 Agriculture – Taxation in fair value measurements (effective from annual periods beginning on or after 1 January 2022 with earlier application permitted)

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3 Basis of consolidation

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

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

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

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

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

Profit or loss and each component of consolidated other comprehensive income (OCI) are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

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

2.4 Significant accounting judgements estimates and assumptions

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

Management is also required to exercise its judgement in the process of applying the Group's accounting policies. These 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.

Other disclosures relating to the Group' exposure to risks and uncertainties include:

- Capital management — note 24
- Financial instruments risk management objectives and policies — note 22

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.4 Significant accounting judgements estimates and assumptions (continued)

Judgements

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

a) Going concern

The Group's management has made an assessment of the Group's ability to continue as a going concern and believes that the Group has the necessary required resources to enable it to continue its operations and meet its obligations as and when they fall due.

Based on the above, the management believes that the Group will be able to continue as a going concern for the foreseeable future, and accordingly, the consolidated financial statements of the Group have been prepared on a going concern basis.

b) Classification of investments

Management decides on acquisition of an investment whether it should be classified as a financial asset at amortised cost, a financial asset at fair value through profit or loss or a financial asset at fair value through other comprehensive income. For those investments deemed to be financial assets at amortised cost, management ensures that the requirements of IFRS 9 are met and, in particular, that the financial asset has met the business model and contractual cashflow characteristics as defined in IFRS 9.

The Group classifies financial assets at fair value through profit or loss, including trading securities, if they are acquired primarily for the purpose of making a short term profit.

Classification of financial assets at fair value through profit or loss depends on how management monitors the performance of these investments. When they are not classified as for trading but have readily available reliable fair values and the changes in fair values are reported as part of profit or loss in the management accounts, these are classified as financial assets at fair value through profit or loss.

All other investments are classified as financial assets at fair value through other comprehensive income.

c) Classification of property leases

The Group has entered into commercial property leases on its investment property portfolio. The Group has determined, based on an evaluation of the terms and conditions of the arrangements, such as the lease term not constituting a major part of the economic life of the commercial property and the present value of the minimum lease payments not amounting to substantially all of the fair value of the commercial property, that it retains substantially all the risks and rewards incidental to ownership of these properties and accounts for the contracts as operating leases.

d) Determining the lease term of contracts with renewal and termination options – Group as lessor

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain to be exercised to amortize lease related incentives. It considers all relevant factors that create an economic incentive for customers to exercise either the renewal or termination. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is not within its control and affects ability of customer to exercise or not to exercise the option to renew or to terminate.

Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Group based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising that are beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

a) Impairment of goodwill

The Group tests annually, in accordance with the Group's accounting policy, whether goodwill has suffered any impairment. The recoverable amounts of cash-generating units are determined based on either their relative fair value or by using value-in-use calculations. The value-in-use calculations and the determination of relative fair values require significant management judgements and the use of estimates.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.4 Significant accounting judgements estimates and assumptions (continued)

Estimates and assumptions (continued)

b) Valuation of unquoted equity investments

Valuation of unquoted equity investments is normally based on one of the following:

- recent arm's length market transaction;
- current fair value of another investment that is substantially the same;
- the expected cash flows discounted at current rates applicable for items with similar terms and risk characteristics; or
- other valuation models

When the fair values of financial assets recorded in the consolidated statement of financial position cannot be measured based on quoted prices in active markets, their fair value is measured using valuation techniques including the EBITDA Multiple model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgement is required in establishing fair values. Group calibrates the valuation techniques periodically and tests them for validity using either inputs from observable comparable current market transactions or from other available observable market data. Changes in assumptions relating to these factors could affect the reported fair value of financial instruments.

c) Valuation of investment properties and buildings classified as property and equipment

Management usually utilises the services of independent accredited valuers for the valuation of its Level 3 investment properties and building classified as property and equipment. The assumptions used by such valuers are reviewed and approved by management. Significant assumptions used in such valuations include the following:

- appropriate discount rates;
- future construction cost and expected time of construction in case of property subject to development;
- Long term occupancy rates;
- Equivalent yield;
- market rentals, and
- marketability of the property

The above requires use of significant judgement and estimates.

For level 3 investment properties, the valuation of lands is based on recent sales data of similar properties and in case of developed properties, the valuation is based on income approach model.

d) Useful lives of property and equipment

The Group's property and equipment are depreciated using the straight-line method over their estimated useful lives which are based on management's business plans and operations estimates related to those assets. The factors that could affect that estimation of the useful lives and residual values include the following:

- Changes in asset utilisation rates
- Changes in maintenance technology
- Changes in regulations and legislations; and
- Unforeseen operational issues.

Any of the above could affect prospective depreciation of property and equipment and their carrying and residual values. Management periodically reviews the appropriateness of assets' useful economic lives. This review is based on current condition of the assets and the estimated period during which they will continue to bring economic benefit to the Group.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.4 Significant accounting judgements estimates and assumptions (continued)

Estimates and assumptions (continued)

e) Impairment of non-financial assets

Impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The fair value less costs of disposal calculation is based on available data from binding sales transactions, conducted at arm's length for similar assets or observable market prices less incremental costs of disposing of the asset. The value in use calculation is based on a DCF model. The cash flows are derived from the budget for the next five years and do not include restructuring activities that the Group is not yet committed to or significant future investments that will enhance the performance of the assets of the CGU being tested. The recoverable amount is sensitive to the discount rate used for the DCF model as well as the expected future cash-inflows and the growth rate used for extrapolation purposes. These estimates are most relevant to goodwill. The key assumptions used to determine the recoverable amount for the different CGUs, including a sensitivity analysis, are disclosed in the consolidated financial statements.

f) Provision for expected credit losses

The Group uses a provision matrix to calculate the expected credit loss (ECL) for trade receivables. The provision rates are based on days past due for groupings of various customers segments that have similar loss patterns.

The provision matrix is initially based on the Groups historical observed default rates. The Group will calibrate the matrix to adjust the historical credit loss experience with forward looking information. For instance, if forecast economic conditions (i.e gross domestic product) are expected to deteriorate over the next year which can lead to an increase number of defaults, the historical default rates are adjusted.

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1 Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree. For each business combination, the acquirer measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition costs incurred are expensed and included in administrative expenses.

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

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through the consolidated statement of profit or loss.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of IFRS 9 *Financial Instruments*, is measured at fair value with the changes in fair value recognised in the consolidated statement of profit or loss in accordance with IFRS 9. Other contingent consideration that is not within the scope of IFRS 9 is measured at fair value at each reporting date with changes in fair value recognised in profit or loss.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.1 Business combinations and goodwill

Goodwill is initially measured at cost (being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests and any previous interest held over the net identifiable assets acquired and liabilities assumed). If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognised at the acquisition date. If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognised in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

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

3.2 Foreign currency translation

For each entity, the Group determines the functional currency and items included in the financial statements of each entity are measured using that functional currency. The Group uses the direct method of consolidation and on disposal of a foreign operation, the gain or loss that is reclassified to profit or loss reflects the amount that arises from using this method.

a) Transactions and balances

Transactions in foreign currencies are recorded at the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the reporting date. All differences are taken to the consolidated statement of profit or loss. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the date of the initial transaction. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. When a gain or loss on a non-monetary item is recognised directly in equity, any exchange component of that gain or loss shall be recognised directly in equity. Conversely, when a gain or loss on a non-monetary item is recognised in the consolidated statement of profit or loss, any exchange component of that gain or loss is also recognised in the consolidated statement of profit or loss.

In determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which the Group initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, the Group determines the transaction date for each payment or receipt of advance consideration.

b) Group companies

The results and financial position of all the Group entities (none of which has the currency of a hyper-inflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- all the assets and liabilities are translated at the rate of exchange prevailing at the reporting date;
- income and expenses are translated at average exchange rates; and
- all resulting exchange differences are recognised as a separate component of equity.

On consolidation, exchange differences arising from the translation of the net investment in foreign operations, and of borrowings and other currency instruments designated as hedges of such investments, are taken to equity. When a foreign operation is disposed of or sold, exchange differences relating to such foreign operations that were recorded in equity are recognised in the consolidated statement of profit or loss as part of the gain or loss on sale.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.3 Revenue recognition

a) Revenue from contracts with customers

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

The specific criteria described below must be met before revenue is recognised:-

Fees and other income

Revenue from service charges is recognised when the services are rendered. Fee and other income mainly comprise of fees on services provided to DIFC tenants such as employment visa issuance and authority fees.

b) Rental income from lease of investment property

The Group earns revenue from acting as a lessor in operating leases which do not transfer substantially all of the risks and rewards incidental to ownership of an investment property. Rental income arising from operating leases on investment property is recognised net of discounts in accordance with the terms of lease contract as income on a straight-line basis over the lease term, except where alternative basis is more representative of pattern of benefits derived from the leased asset.

Lease incentives that are paid or payable to the lessee are deducted from lease payments. Accordingly, tenant lease incentives are recognised as a reduction of rental revenue on a straight-line basis over the term of the lease. The lease term is the non-cancellable period of the lease together with any further term for which the tenant has the option to continue the lease, where, at the inception of the lease, the Group is reasonably certain that the tenant will exercise that option.

c) Interest income

Interest income is recognised on a time proportionate basis using the effective interest method.

d) Dividends

Revenue is recognised when the Group's right to receive the dividend is established.

Contract balances

Trade receivables

A receivable is recognised if an amount of consideration that is unconditional is due from the customer (i.e., only the passage of time is required before payment of the consideration is due).

Contract liabilities

A contract liability is recognised if a payment is received or a payment is due (whichever is earlier) from a customer before the Group transfers the related goods or services. Contract liabilities are recognised as revenue when the Group performs under the contract (i.e., transfers control of the related goods or services to the customer).

3.4 Cash and short-term deposits

Cash and short-term deposits in the consolidated statement of financial position comprise cash at banks and on hand and short-term deposits with an original maturity of less than twelve months or less.

Cash and cash equivalents in the consolidated statement of cashflow comprises cash at banks and on hand and short-term highly liquid deposits with an original maturity of three months or less, that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

3.5 Financial instruments – initial recognition and subsequent measurement

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

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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.5 Financial instruments – initial recognition and subsequent measurement (continued)

Financial assets (continued)
Initial recognition and measurement (continued)
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. The Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs.

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.

Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model

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. Financial assets classified and measured at amortised cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows while financial assets classified and measured at fair value through OCI are held within a business model with the objective of both holding to collect contractual cash flows and selling.

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

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

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

Financial assets at amortised cost
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 bank balances, term deposits trade and other receivables and due from related parties.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.5 Financial instruments – initial recognition and subsequent measurement (continued)

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

- The financial asset is held within a business model with the objective of both holding to collect contractual cash flows and selling; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding

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

The Group's debt instruments at fair value through OCI includes investments in quoted debt instruments.

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

Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognised as other income in the consolidated statement of profit or loss when the right of payment has been established, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI.

The Group elected to classify irrevocably its non-listed equity investments under this category.

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

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

This category includes listed and other equity investments which the Group had not irrevocably elected to classify at fair value through OCI. Dividends on listed and other equity investments are also recognised as other income 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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.5 Financial instruments – initial recognition and subsequent measurement (continued)

Financial assets (continued)
Derecognition (continued)
When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership.

When it has neither transferred nor retained substantially all 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.

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

Financial liabilities
Initial recognition and measurement
Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, as appropriate.

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

The Group's financial liabilities include trade and other payables, due to sukuk certificate holders and due to the government of Dubai.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.5 Financial instruments – initial recognition and subsequent measurement (continued)

Financial assets (continued)
Subsequent measurement
The measurement of financial liabilities depends on their classification, as described below:

- Financial liabilities at fair value through profit or loss
- Financial liabilities at amortised cost (loans and borrowings)

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

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

Financial liabilities at amortised cost (loans and borrowings)
After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest rate (EIR) method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the consolidated statement of profit or loss.

This category generally applies to trade and other payables, due to sukuk certificate holders and due to the government of Dubai.

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.

3.6 Fair value measurement

The Group measures financial instruments and certain non-financial assets at fair value at each reporting date.

The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

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

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.6 Fair value measurement (continued)

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

The Group's management determines the policies and procedures for both recurring fair value measurement, such as investment properties and unquoted financial assets carried at fair value and for non-recurring measurement, such as assets held for distribution in discontinued operation.

External valuers are involved for valuation of significant assets, such as investment properties. Selection criteria include market knowledge, reputation, independence and whether professional standards are maintained.

At each reporting date, the management analyses the movements in the values of assets and liabilities which are required to be re-measured or re-assessed as per the Group's accounting policies. For this analysis, management verifies the major inputs applied in the latest valuation by agreeing the information in the valuation computation to contracts and other relevant documents.

Management, in conjunction with the Group's external valuers, also compares the change in the fair value of each asset and liability with relevant external sources to determine whether the change is reasonable.

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

3.7 Investment in joint ventures

The Group has investments in joint ventures which are jointly controlled entities, whereby the venturers have contractual arrangements that establish joint control over the economic activities of the respective entities. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control. The consideration made in determining joint control are similar to the necessary to determine control over subsidiaries. The Group recognises its investment in joint ventures using the equity method of accounting.

Under the equity method, the investment in a joint venture is carried in the consolidated statement of financial position at cost plus post acquisition changes in the Group's share of net assets of the respective joint venture, less any impairment in value. Good will relating to the joint venture is included in the carrying amount of the investment and is not tested for impairment separately. The consolidated statement of profit or loss reflects the post-acquisition share of the results of operations of the joint venture. After the carrying value of an investment in a joint venture is reduced to nil, additional losses are provided for, and a liability is recognised, only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the joint venture. If the joint venture subsequently reports profits, the Group resumes recognising its share of those profits only after its share of the profits equal to the share of losses not recognised. Where there has been a change recognised directly in the equity of the joint ventures, the Group recognises its share of any changes and discloses this, when applicable, in the consolidated statement of comprehensive income.

Adjustments are made in the Group's consolidated financial statements to eliminate the Group's share of unrealised gains and losses on transactions between the Group and its joint ventures. Losses on transactions are recognised immediately if the loss provides evidence of a reduction in the net realisable value of current assets or an impairment loss. The use of equity method of accounting is discontinued from the date on which the Group ceases to have a joint control over, or have significant influence in, a jointly controlled entity.

The aggregate of the Group's share of profit or loss a joint venture is shown on the face of the consolidated statement of profit or loss outside operating profit and represents profit or loss after tax and non-controlling interests in the joint venture.

After application of the equity method, the Group determines whether it is necessary to recognise an impairment loss on its investment in its joint venture. At each reporting date, the Group determines whether there is objective evidence that the investment in the joint venture is impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the joint venture and its carrying value, and then recognises the loss within 'Share of profit of a joint venture' in the consolidated statement of profit or loss.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.7 Investment in joint ventures (continued)

Upon loss of joint control over the joint venture, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the joint venture upon loss of joint control and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

The financial statements of the joint ventures are prepared for the same accounting period as the Group. Where necessary, adjustments are made to bring the accounting policies of joint ventures in line with those of the Group.

3.8 Investment properties

Properties held by the Group for the purpose of earning rentals or for capital appreciation or both are classified as investment properties. This also includes properties which are in the course of construction or development for future use as investment properties. Land held for currently undetermined future use is also classified as an investment property.

Investment properties including investment properties under construction 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 reflects market conditions at the reporting date. Gains or losses arising from changes in the fair values of investment properties are included in the consolidated statement of profit or loss in the period in which they arise. Fair values are evaluated annually by an accredited external, independent valuer, applying acceptable valuation models.

Investment properties are derecognised when either they have been disposed of or when the investment properties are permanently withdrawn from use and no future economic benefit is expected from their disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognised in the consolidated statement of profit or loss in the period of derecognition.

Transfers are made to or from investment property 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, as a result of change in use, the Group accounts for such property in accordance with the policy stated in property, plant and equipment up to the date of change in use.

3.9 Property and equipment

The Group's buildings are measured at fair value less accumulated depreciation and impairment losses recognised after the date of revaluation. Valuations are performed with sufficient frequency to ensure that the carrying amount of a revalued asset does not differ materially from its fair value.

A revaluation surplus is recorded in OCI and credited to the asset revaluation surplus in equity. However, to the extent that it reverses a revaluation deficit of the same asset previously recognised in profit or loss, the increase is recognised in profit and loss. A revaluation deficit is recognised in the consolidated statement of profit or loss, except to the extent that it offsets an existing surplus on the same asset recognised in the asset revaluation surplus.

An annual transfer from the asset revaluation surplus to retained earnings is made for the difference between depreciation based on the revalued carrying amount of the asset and depreciation based on the asset's original cost. Additionally, accumulated depreciation as at the revaluation date is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. Upon disposal, any revaluation surplus relating to the particular asset being sold is transferred to retained earnings.

Property and equipment excluding building is stated at cost less accumulated depreciation and accumulated impairment in value. Cost includes expenditure that is directly attributable to the acquisition of the items.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.9 Property and equipment (continued)

Property under development is not depreciated. Depreciation is calculated on a straight-line basis over the estimated useful lives of the assets as follows:

	Years
Building	30
Computer equipment and software	3
Furniture, fixtures, office equipment and accessories	3-10
Motor vehicles	3

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

The assets' residual values, useful lives and methods of depreciation are reviewed at each financial year end, and adjusted prospectively, if appropriate.

Expenditure incurred to replace a component of an item of property and equipment that is accounted for separately is capitalised and the carrying amount of the component that is replaced is written off. Other subsequent expenditure is capitalised only when it increases future economic benefits of the related item of property and equipment. All other expenditure is recognised in the consolidated statement of profit or loss as the expense is incurred.

Property under development is stated at cost together with financing costs incurred from the date of commencement of the project to the date on which it is commissioned. When commissioned, property under development is transferred to the appropriate category of property and equipment and depreciated in accordance with the Group's accounting policies.

Non-depreciable assets such as Artworks are stated at cost less accumulated impairment, if any.

3.10 Provisions and contingent liabilities

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

In cases where based on management's best estimate the possibility of outflow in settlement is less likely but not remote, the Group discloses contingent liability at the end of the reporting period.

3.11 Provision for staff benefits

Provision for defined benefit plan is made for the full amount of end of service benefits due to expatriate employees based upon the employees' final salary and length of service, subject to the completion of a minimum service period in accordance with the DIFC laws. A provision is also made for the estimated liability in respect of expatriate employees' entitlements to leave passage and leave pay as a result of services rendered by the employees up to the reporting date.

Effective 1 February 2020, employees end of service gratuity in DIFC has been replaced by the new DIFC employee workplace saving plan ("DEWS") (*defined contribution plan*). Under the plan, all companies registered within DIFC will have to make mandatory contribution of every employee's fixed percentage based on each employee's monthly basic salary. Employees can also make voluntary additional contributions to their funds and have the option to manage their funds based on their risk profile.

A provision is made for pension costs for eligible UAE national employees in accordance with Federal Law No. 7 of 1999 (as amended) relating to General Pension and Social Security Law and is charged to the consolidated statement of profit or loss.

Provision for employees' end of service benefits for subsidiary companies not subject to UAE or DIFC laws is made in accordance with the governing labour or similar law in the country of incorporation of respective entities.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.12 Value added tax (VAT)

Revenue, expenses, assets and liabilities are recognised net of the amount of value added tax (VAT), except:

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

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

3.13 Income tax

Income tax is provided by the subsidiaries of the Group in accordance with the applicable local regulations.

Deferred income tax is provided in full, using the liability method, on temporary differences at the reporting date arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred income tax is not accounted for if it arises from the initial recognition of an asset or liability, in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss.

Deferred income taxes and liabilities are measured at the tax rates that are expected to apply to the period when the asset is expected to be realised or the liability is expected to be settled, based on laws that have been enacted at the reporting date.

Deferred income tax asset is recognised for all deductible temporary differences and carry-forward of unused tax assets and unused tax losses to the extent that it is probable that taxable profits will be available against which the deductible temporary differences and the carry-forward of unused tax assets and unused tax losses can be utilised.

The amount of deferred income tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Income tax relating to the items recognised directly in equity is recognised in equity and not in the consolidated statement of profit or loss.

3.14 Leases

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

Group as a lessee
The Group does not have any material short term leases or long term leases.

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.15 Related parties

The definition of a related party includes the following persons and entities:

(a) A person or a close member of that person's family is related to the Group if that person:

(i) has control or joint control of the Group;
(ii) has significant influence over the Group; or
(iii) is a member of the key management personnel of the Group.

(b) An entity is related to a Group if any of the following conditions applies:

(i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
(iii) Both entities are joint ventures of the same third party.
(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
(v) The entity is controlled or jointly controlled by a person identified in (a).
(vi) A person identified in (a) (i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

3.16 Current versus non-current classification

The Group presents assets and liabilities in notes to the consolidated financial statements based on current/non-current classification.

An asset is current when it is:

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

The Group classifies all other assets as non-current.

A liability is current when:

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

The Group classifies all other liabilities as non-current.

3.17 Dividend

The Parent Company recognises a liability to pay a dividend when the distribution is authorised and the distribution is no longer at the discretion of the Parent Company. As per DIFC Law, a distribution is authorised when it is approved by the shareholders. A corresponding amount is recognised directly in equity.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.18 Impairment of non-financial assets

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

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

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies or other available fair value indicators.

The Group bases its impairment calculation on most recent budgets and forecast calculations, which are prepared separately for each of the Group's CGUs to which the individual assets are allocated. These budgets and forecast calculations generally cover a period of five years. A long-term growth rate is calculated and applied to project future cash flows after the fifth year.

Impairment losses of continuing operations are recognized in the consolidated statement of profit or loss in expense categories consistent with the function of the impaired asset, except for properties previously revalued with the revaluation taken to OCI. For such properties, the impairment is recognised in OCI up to the amount of any previous revaluation.

For assets excluding goodwill, an assessment is made at each reporting date to determine whether there is an indication that previously recognised impairment losses no longer exist or have decreased. If such indication exists, the Group estimates the asset's or CGU's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised.

The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the consolidated statement of profit or loss unless the asset is carried at a revalued amount, in which case, the reversal is treated as a revaluation increase.

4. GAIN FROM INVESTMENTS IN SECURITIES– NET

	2020 ***USD'000***	*2019* *USD'000*
Fair value losses on investment in securities – net (note 8)	**(486)**	(3,169)
Loss on disposal of investment in funds (note 8)	**(431)**	-
Foreign currency (loss) / gain	**(2)**	250
Dividend income	**4,933**	2,945
	4,014	26

5. REVENUE FROM CONTRACTS WITH CUSTOMERS

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

	2020 USD'000	*2019 USD'000*
Type of revenue		
Fees and other income	**24,488**	40,618

	2020 USD'000	*2019 USD'000*
Geographical markets		
Within UAE	**24,488**	40,618

	2020 USD'000	*2019 USD'000*
Timing of revenue recognition		
Services rendered at a point in time	**24,488**	40,618

6. GENERAL AND ADMINISTRATION EXPENSES

	2020 USD'000	*2019 USD'000*
Shared service costs charged by a related party (note 21)	**13,544**	17,744
Staff costs (note (a))	**8,321**	10,664
Provision for expected credit losses (note 9)	**1,575**	807
Legal and professional fees	**656**	600
Office administration expenses	**59**	554
Advertising expenses	**815**	303
Reversal of provision for onerous lease contracts (note 18)	**(3,699)**	(1,480)
	21,271	29,192

a) STAFF COSTS

	2020 USD'000	*2019 USD'000*
Salaries	**3,974**	5,506
Recruitment, training and other benefits	**6**	12
Bonuses, incentives and other benefits	**4,341**	5,146
	8,321	10,664

7. CASH AT BANK AND TERM DEPOSITS

	2020 USD'000	*2019 USD'000*
Cash at bank and financial institutions	**22,797**	32,898
Term deposits	**332,049**	291,802
Cash at bank and term deposits	**354,846**	324,700
Less: term deposits (with original maturity of more than 3 months)	**(330,843)**	(291,802)
Cash and cash equivalents	**24,003**	32,898

a) Short term deposits with banks carried an effective interest rate of 1.25% to 3.20 % per annum (2019: 1 % to 4 % per annum) and have original maturities of less than three months.

b) There are certain bank accounts and term deposits operated and managed by Parent Company on behalf of master community development. Bank balances as at 31 December 2020 amounting USD 3,300 thousand (2019: USD 3,465 thousands) and term deposits amounting USD 12,725 thousands (2019: USD 12,534 thousands) are excluded from above cash and cash equivalents.

c) One of the Company's bank account having a balance of USD 84 thousands (2019: USD 147 thousand) is held in the name of a related party, however, the bank account is being beneficially owned by the Company. Hence, the balance of this account as of 31 December 2020 and 31 December 2019 is being recorded in these consolidated financial statements.

8. INVESTMENT IN SECURITIES

	2020 USD'000	*2019 USD'000*
Financial assets at fair value through other comprehensive income		
- Unlisted equity instruments	**42,973**	31,247
- Listed debt instruments	**41,367**	10,008
	84,340	41,255
Financial assets at fair value through profit or loss:		
- Listed equity instruments	**110**	572
- Funds	**2,334**	3,652
	2,444	4,224
	86,784	45,479

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities.
Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly.
Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

At the year-end, the Group held the following investments:

	Investments carried at fair value			
	Level 1 USD'000	***Level 2 USD'000***	***Level 3 USD'000***	***Total USD'000***
2020				
Unlisted equity instruments		**-**	**42,973**	**42,973**
Listed equity instruments	**110**			**110**
Funds	**-**	**2,334**	**-**	**2,334**
Listed debt instruments	**41,367**	**-**	**-**	**41,367**
	41,477	**2,334**	**42,973**	**86,784**

8. INVESTMENT IN SECURITIES (continued)

	Investments carried at fair value			
	Level 1 *USD'000*	*Level 2* *USD'000*	*Level 3* *USD'000*	*Total* *USD'000*
2019				
Unlisted equity instruments	-	432	31,247	31,679
Listed equity instruments	140			140
Funds	-	3,652	-	3,652
Listed debt instruments	10,008	-	-	10,008
	10,148	4,084	31,247	45,479

There were no transfers of securities between the Level 1, level 2 and level 3 categories of the fair value hierarchy in the current and prior years.

The movement in Level 1 & 2 investment securities is as follows:

	2020 ***USD'000***	*2019* *USD'000*
At 1 January	**14,232**	9,075
Purchases during the year	**30,021**	10,008
Capital distribution during the year	**(861)**	(1,932)
Write off relating to investment in funds (note 4)	**(431)**	-
Foreign currency (loss) / gain	**(2)**	250
Fair value loss on investment in securities (note 4)	**(486)**	(3,169)
Fair value gain on investment in listed debt instruments	**1,338**	-
At 31 December	**43,811**	14,232

The movement in Level 3 investment securities is as follows:

	2020 ***USD'000***	*2019* *USD'000*
At 1 January	**31,247**	30,998
Fair value changes	**10,000**	-
Additional investment during the year	**1,726**	249
At 31 December	**42,973**	31,247

As at 31 December 2020, the valuation of investment classified within Level 3 of fair value hierarchy is based on EBITDA multiples of comparable companies.

The fair value change on investment securities classified as level 3 amounted to USD 10,000 thousands (2019: USD nil). Any change in the mentioned above assumptions will have an impact on the carrying value.

9. TRADE AND OTHER RECEIVABLES

	2020			*2019*		
	Current USD'000	***Non-current USD'000***	***Total USD'000***	*Current USD'000*	*Non-current USD'000*	*Total USD'000*
Trade receivables - gross	**21,539**	**-**	**21,539**	17,556	-	17,556
Less: provision for expected credit losses (note (a))	**(15,423)**	**-**	**(15,423)**	(14,081)	-	(14,081)
	6,116		**6,116**	3,475	-	3,475
Due from related parties (note 21)	**11,645**	**-**	**11,645**	13,184	-	13,184
Unbilled revenue	**1,050**	**-**	**1,050**	4,368	-	4,368
Refundable deposits	**-**	**9,252**	**9,252**	-	445	445
Prepayments	**1,185**	**352**	**1,537**	1,478	-	1,478
Advances – net of provision	**753**	**-**	**753**	2,382	-	2,382
VAT recoverable	**862**	**-**	**862**	855	-	855
Others	**4,359**	**-**	**4,359**	3,283	-	3,283
	25,970	**9,604**	**35,574**	29,025	445	29,470

a) At year end, trade receivables and advances to suppliers, sub-contractors and developers at nominal value of USD 35,362 thousand (2019: USD 34,020 thousand) were impaired. Movement in the provision for expected credit losses during the year is as follows:

	2020 USD'000	*2019 USD'000*
At 1 January	**34,020**	33,213
Charge for the year (note 6)	**1,575**	807
Reversals during the year	**(233)**	-
At 31 December	**35,362**	34,020

b) The above provision includes an amount for impaired advances of USD 19,939 thousand at 31 December 2020 (2019: 19,939 thousand).

c) At the year end, ageing of trade receivables is as follows:

				Past due but not impaired				
	Total	***Impaired***	***Neither past due nor impaired***	***Up to 30 days***	***30-60 days***	***60-90 days***	***90-120 days***	***More than 120 days***
			USD'000					
2020	**21,539**	**15,423**	**-**	**2,540**	**983**	**300**	**1588**	**705**
2019	17,556	14,081	-	-	432	660	1,659	724

d) The normal credit period allowed by the Group is 30 days after which trade receivables are considered to be past due. Unimpaired receivables are expected, on the basis of past experience, to be fully recoverable. It is the practice of the Group to obtain security deposits against the contractual rentals (note 18).

10. INVESTMENT IN JOINT VENTURES

The Group's interest in its joint ventures are as follows:

	Carrying amount of investments		***Percentage of equity owned***		***Country of Incorporation***
	2020	*2019*	***2020***	*2019*	
	USD'000	*USD'000*			
Art Dubai Fair LLC	**1,854**	2,710	**51%**	51%	DIFC, UAE
Dubai Fintech Ventures Limited	**342**	585	**33%**	33%	DIFC, UAE
	2,196	3,295			

a) These joint ventures do not have a quoted market price.

b) Movement in investments in joint ventures:

	2020	*2019*
	USD'000	*USD'000*
At 1 January	**3,295**	2,909
Additional investment	**585**	585
Share of loss for the year	**(1,684)**	(199)
At 31 December	**2,196**	3,295

c) During 2019, the Group entered into a joint venture "DIFC Fintech Ventures Ltd" in which the Group holds a 33% investment. The principal activities of the joint venture will be to run the accelerator program and promote fintech companies within the DIFC. Management of the Group has classified the investment as a joint venture as the strategic financial and operating decisions relating to the entity required consent of all the shareholders of the entity.

During 2020, Group made an additional investment of USD 585 thousand which did not dilute or enhance the percentage of holding as all partners contributed in proportion to their respective shareholding.

d) During prior years, the Group entered into a joint venture agreement through one of its subsidiaries, Art Dubai LLC to form Art Dubai Fair LLC, a joint venture in which the Group holds 51% investment. Management of the Group classified this investment as a joint venture as the strategic financial and operating decisions relating to the entity required consent of both the shareholders of the entity. The principal activities of the joint venture are arranging art fairs in the Gulf region.

	2020	*2019*
	USD'000	*USD'000*
Investment in share capital	**5,276**	4,691
Share of post-acquisition results – (net of dividend)	**(3,080)**	(1,396)
	2,196	3,295

11. GOODWILL

The carrying value of goodwill appearing in the consolidated financial statements as at 31 December 2019 related to the investment made by the Group in CPI Financial FZ LLC.

During the year ended 31 December 2020, owing to the dissolution of CPI Financial FZ LLC, management has written off the carrying value of goodwill relating to the investment made by the Group in the entity and classified the write off in the consolidated statement of profit or loss as part of "Loss on liquidation of subsidiaries".

12. INVESTMENT PROPERTIES

	2020	*2019*
	USD'000	*USD'000*
At 1 January	**3,397,998**	3,029,559
Add: land contribution (a)	**-**	300,000
Additions	**30,739**	36,791
Transfer to property and equipment (note 13)	**(4,350)**	(3,692)
Other cost adjustments (refer note below)	**(31,465)**	-
Fair value (loss)/ gain on investment properties	**(22,350)**	35,340
At 31 December	**3,370,572**	3,397,998

a) During 2019, investment property comprising of land was contributed by the Government of Dubai and legally registered in the name of DIFC Investments Ltd in April 2019. Accordingly, the land is registered at its fair value, amounting USD 300 million based on an independent third-party valuation undertaken on 31 December 2019. The valuation was carried out on the basis of market value, prevailing at the valuation date. The land has been accounted against issue of share capital of USD 300 million (note 14).

b) Other cost adjustments pertain to encashment of guarantees provided by the contractors for a project development due to unsatisfactory performance obligations as per court directives.

c) Investment properties are stated at fair value, determined based on valuations performed as at 31 December 2020. The valuation of level 3 investment properties amounting to USD 3.37 billion (2019 USD 3.40 billion) have been fair valued by an accredited independent external valuer which specialises in valuing these types of investment properties.

The valuation of the developed properties was carried out using the income approach while the valuation of undeveloped land was based on the comparable method. The valuation is based on assumptions made by the valuer in relation to the future rental yields, discount rates and occupancy rates. In case of undeveloped land, the valuer adopted a rate of AED per sq. ft. on Gross Floor Area.

d) No interest was capitalised within the carrying value of investment property during the current and prior year.

e) The income earned by the Group from these investment properties has been disclosed in the consolidated statement of profit or loss and comprises:

	2020	*2019*
	USD'000	*USD'000*
Rental income from investment properties	**161,370**	161,017

f) The significant direct operating expenses incurred during the year, in relation to the investment properties on which rental income is earned by the Group amounted to USD 19,573 thousand (2019: USD 16,477 thousand) and are included in direct cost. Fees and other income represent those fees that arise indirectly from the investment property operations and mainly comprise employment visa fees.

12. INVESTMENT PROPERTIES (continued)

g) *Fair value hierarchy*

These investment properties are categorised in Level 3 for fair value measurement.

	Investment properties carried at fair value			
	Level 1	***Level 2***	***Level 3***	***31 December***
	USD'000	***USD'000***	***USD'000***	***USD'000***
2020	**-**	**-**	**3,370,572**	**3,370,572**
2019	-	-	3,397,998	3,397,998

There were no transfers between different levels during 2020 and 2019.

h) The key assumptions made for the valuation of investment properties are as follows:

(i) Developed Properties:

The value of the investment properties has been determined through analysis of the income achievable for the buildings, subject to any existing leases and takes into account the projected annual expenditure. Both the contracted rent and estimated rental values have been considered in the valuation with allowances for void periods, running costs, vacancy rates and other costs. Based on the type and location of the properties, the value of each of property has been determined by targeting an equivalent yield in the range of 6.50% to 7.50% (2019: 6.50% to 7.50%).

(ii) Undeveloped land:

Estimated benchmark values per square foot of the maximum permitted gross floor area.

(iii) Significant increases (decreases) in estimated rental value and rent growth per annum in isolation would result in a significantly higher (lower) fair value of the properties. Significant increases (decreases) in long-term vacancy rate and equivalent yield in isolation would result in a significantly lower (higher) fair value.

i) Operating leases – Group as lessor

The future minimum lease payments receivable (base rent) under non-cancellable operating lease contracted for at the reporting date but not recognised as receivable, are as follows:

	2020	*2019*
	USD'000	*USD'000*
Within one year	**126,867**	95,480
After one year, but not more than five years	**213,504**	144,058
More than five years	**32,650**	21,616
	373,021	261,154

In addition to the base rent, the Group also charges annual service charge to its tenants.

13. PROPERTY AND EQUIPMENT

	Building USD '000	*Computer equipment and software USD '000*	*Furniture fixtures, office equipment and accessories USD '000*	*Motor vehicles USD '000*	*Property under development USD '000*	*Total USD '000*
Cost or fair value:						
At 1 January 2020	25,959	5,794	28,041	77	22,954	82,825
Additions	-	1,665	602	17	29	2,313
Revaluation gain	1,429	-				1,429
Transfer from Investment properties (note 12)	-	-	4,350			4,350
Written off	-	(87)	(1,612)		(21,387)	(23,086)
Reversal of depreciation	(865)	-	-	-	-	(865)
At 31 December 2020	**26,523**	**7,372**	**31,381**	**94**	**1,596**	**66,966**
Depreciation and impairment:						
At 1 January 2020	-	5,717	9,451	74	22,862	38,104
Charge for the year	865	249	1,888	5	-	3,007
Reversal of depreciation	(865)					(865)
Write off		(97)	(1,609)		(21,305)	(23,011)
At 31 December 2020	**-**	**5,869**	**9,730**	**79**	**1,557**	**17,235**
Net carrying amount:						
At 31 December 2020	**26,523**	**1,503**	**21,651**	**15**	**39**	**49,731**

a) Furniture, fixtures, office equipment and accessories include assets with indefinite lives amounting to USD 12,192 thousand (2019: USD 12,176 thousand), the fair value for the mentioned assets is not significantly different to its carrying value.

b) The revaluation gain on buildings has been recognized in the consolidated statement of profit or loss, since it reverses a revaluation deficit of the same asset previously recognised in the consolidated statement of profit or loss in accordance with the requirements of IAS 16.

13. PROPERTY AND EQUIPMENT (continued)

	Building USD '000	*Computer equipment and software USD '000*	*Furniture fixtures, office equipment and accessories USD '000*	*Motor vehicles USD '000*	*Property under development USD '000*	*Total USD '000*
Cost or fair value:						
At 1 January 2019	30,318	5,595	21,512	77	22,954	80,456
Additions	-	199	2,837	-	-	3,036
Revaluation loss	(3,350)	-	-	-	-	(3,350)
Transfer from Investment properties (note 12)	-	-	3,692	-	-	3,692
Reversal of depreciation	(1,009)	-	-	-	-	(1,009)
At 31 December 2019	25,959	5,794	28,041	77	22,954	82,825
Depreciation and impairment:						
At 1 January 2019	-	5,492	8,469	72	22,862	36,895
Charge for the year	1,009	225	982	2	-	2,218
Reversal of depreciation	(1,009)	-	-	-	-	(1,009)
At 31 December 2019	-	5,717	9,451	74	22,862	38,104
Net carrying amount:						
At 31 December 2019	25,959	77	18,590	3	92	44,721

14. SHARE CAPITAL

a) *Authorised and issued share capital*

	2020 ***USD'000***	*2019* *USD'000*
Authorised, issued and fully paid up share capital: 500,000,000 ordinary shares of USD 1 each (2019: 200,000,000 ordinary shares of USD 1 each)	**500,000**	200,000

b) Issue of share capital

During 2019, investment property comprising of land was contributed by the Government of Dubai and legally registered in the name of DIFC Investments Ltd in April 2019. Accordingly, the land is registered at its fair value, amounting USD 300 million based on an independent valuation undertaken on 31 December 2019. The Valuation was carried out on the basis of market value, prevailing at the valuation date. The land has been accounted against issue of share capital of USD 300 million (note 12), legal formalities for issuing the share capital were under process.

During 2020, the share capital for USD 300 million has been issued. Accordingly, authorised, issued and fully paid up capital of the Parent Company has increased and all legal formalities have been completed during the year ended 31 December 2020.

15. OTHER RESERVES

	Fair value reserve USD'000	***Other reserves USD'000***	***Currency translation reserve USD'000***	***Total USD'000***
At 1 January 2020	**(156,495)**	**122,422**	**21,265**	**(12,808)**
Unwinding of discount on loan (note 16)	**-**	**(23,313)**	**-**	**(23,313)**
Fair value changes	**11,338**	**-**	**-**	**11,338**
Reserves reclassified to consolidated statement of profit or loss on liquidation of a subsidiary	**-**	**677**	**-**	**677**
Currency translation movements	**-**	**-**	**355**	**355**
At 31 December 2020	**(145,157)**	**99,786**	**21,620**	**(23,751)**

	Fair value reserve USD'000	*Other reserves USD'000*	*Currency translation reserve USD'000*	*Total USD'000*
At 1 January 2019	(156,495)	144,838	21,054	9,397
Unwinding of discount on loan (note 16)	-	(22,416)	-	(22,416)
Currency translation movements	-	-	211	211
At 31 December 2019	(156,495)	122,422	21,265	(12,808)

16. DUE TO THE GOVERNMENT OF DUBAI

In 2016, the Group entered into an agreement with the Government of Dubai to convert the loan and outstanding interest into an interest free loan repayable post 2024. Accordingly, the loan of USD 500 million and interest accrued of USD 203 million was recognised as due to Government of Dubai. The Group in accordance with its accounting policy has discounted this loan balance to its net present value of USD 604 million (2019: USD 581 million), with the difference being recorded in other reserves. During the year, part of this discount on loan, amounting to USD 23.3 million (2019: USD 22.4 million), was charged as part of finance costs within the consolidated statement of profit or loss.

	2020	*2019*
	USD'000	*USD'000*
At 1 January	**581,006**	558,590
Unwinding of discount on loan (note 15)	**23,313**	22,416
	604,319	581,006

17. DUE TO SUKUK CERTIFICATE HOLDERS

	2020	*2019*
	USD'000	*USD'000*
Proceeds from the issuance of the Sukuk	**700,000**	700,000
Repurchase	**(50,000)**	(50,000)
Sukuk issuance cost	**(987)**	(1,246)
Sukuk liability at the end of the year	**649,013**	648,754

On 4 November 2014, DIFC Sukuk Limited (the "Issuer"), a limited liability company registered in the Dubai International Financial Centre and a wholly-owned subsidiary of DIFC Investments Ltd, has issued trust certificates (the "Sukuk") amounting to USD 700,000 thousands. The transaction costs amounted to USD 2,575 thousand. The Sukuk is listed on the NASDAQ Dubai and is due for repayment in 2024. The Sukuk carries a profit distribution rate of 4.325% per annum to be paid bi-annually. In prior years, the Group repurchased 500,000 units (USD 50 million) of Sukuk certificates. The gain on repurchase had been taken to the consolidated statement of profit or loss.

Sukuk certificates have been issued by the Issuer and the proceeds were passed onto the Parent Company under an arrangement between the Issuer and the Parent Company. The legal obligation of Sukuk certificates is with the Issuer which issued the certificates, and this would be paid through amounts to be received from the Parent Company under an agreement between the Issuer and the Parent Company. As a result of this arrangement all the risks and rewards of the Sukuk certificates have been passed onto the Parent Company and accordingly the liability under the Sukuk certificates have been recorded in the books of the Parent Company.

During the year, the Group has amortised the Sukuk issuance cost over the period of Sukuk amounting to USD 259 thousand (2019: USD 257 thousand).

18. TRADE AND OTHER PAYABLES

	2020			2019		
	Current USD'000	***Non-current USD'000***	***Total USD'000***	*Current USD'000*	*Non-current USD'000*	*Total USD'000*
Security deposits	**-**	**64,041**	**64,041**	-	61,630	61,630
Deferred revenue	**13,659**	**-**	**13,659**	20,176	-	20,176
Advances from customers	**301**	**-**	**301**	1,202	-	1,202
Accrued expenses	**20,766**	**-**	**20,766**	13,501	-	13,501
Construction cost accruals	**4,638**	**-**	**4,638**	8,925	-	8,925
Accounts payable	**15,553**	**-**	**15,553**	7,550	-	7,550
Provision for onerous lease contracts (note 18.2)	**2,636**	**-**	**2,636**	6,178	-	6,178
Due to related parties (note 21)	**11,573**	**-**	**11,573**	9,456	-	9,456
Accrued interest	**4,220**	**-**	**4,220**	4,173	-	4,173
Retention payable	**-**	**5,082**	**5,082**	-	7,614	7,614
Provision for employees 'end of service benefits (note 19)	**-**	**690**	**690**	-	816	816
Others (note 18.1)	**15,822**	**73,959**	**89,781**	5,441	72,147	77,588
	89,168	**143,772**	**232,940**	76,602	142,207	218,809

18.1 In prior years a claim was made against the Group requiring the Group to contribute to the costs of certain infrastructure development. After negotiation between the Group and the claiming party, an agreement has been reached according to which a liability has been made for the payable amount. As per the agreement, the Group will pay the payable amount on instalments till 2029. The payable amount is discounted by using a discount rate of 4.75%.

18.2 Movement in the provision for onerous lease contracts during the year is as follows:

	2020 USD'000	*2019 USD'000*
At 1 January	**6,178**	7,433
Reversal during the year (note 6)	**(3,699)**	(1,480)
Foreign exchange currency translations	**157**	225
At 31 December	**2,636**	6,178

19. PROVISION FOR EMPLOYEES' END OF SERVICE BENEFITS

Effective 1 February 2020, employees end of service gratuity in DIFC has been replaced by the new DIFC employee workplace saving plan ("DEWS"). Under the plan, all companies registered within DIFC will have to make mandatory contribution of 5.83 per cent of every employee's monthly basic salary (for employees who have less than five years' service), and 8.33 per cent of the basic salary for employees who have longer service. Employees can also make voluntary additional contributions to their funds and have the option to manage their funds based on their risk profile.

The management of the Group has decided that the provision for employees' end of service benefits as at 31 January 2020 will be kept with the Group and any decision to transfer the balance will be taken based on the performance of the fund.

20. COMMITMENTS AND CONTINGENCIES

20.1 The Group has the following commitments at the end of the year:

	2020	*2019*
	USD'000	*USD'000*
Capital commitments	**30,522**	26,144
Other commitments	**23,300**	41,428

20.2 In earlier years, the Group entered into a joint venture agreement with a third party concerning an investment property in the DIFC with a carrying value of USD 146 million as at 31 December 2020. The joint venture agreement has since been terminated by the third party and a claim has been lodged by it in the DIFC Courts against both DIFCA and DIFCI for losses and damage allegedly suffered by the third party as a consequence of the termination. Based on the advice received from outside legal counsel (also confirmed by a senior barrister), the Group has concluded it is unlikely that the third party will be successful with this action and hence no provision has been recorded in the consolidated financial statements for the year ended 31 December 2020.

21. RELATED PARTY TRANSACTIONS AND BALANCES

Related parties represent associated entities, the legal and beneficial shareholder and key management personnel of the Group, and entities controlled, jointly controlled or significantly influenced by such parties (note 3). Pricing policies and terms of these transactions are approved by the Group's management.

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

a) Transactions with related parties

	2020	*2019*
	USD'000	*USD'000*
Income from investment properties	**2,718**	2,165
Finance income	**1,485**	2,776
Finance cost on Government loan (note 16)	**23,313**	22,416

b) Affiliates

	2020	*2019*
	USD'000	*USD'000*
Shared service costs (note 6)	**13,544**	17,744

Shared services relate to costs on supporting services and centralised administration cost. During 2019, recharge of shared service cost methodology has changed from a specific allocated percentage to scientific model, taking into account the overall contribution to the Group.

c) Compensation to key management personnel

	2020	*2019*
	USD'000	*USD'000*
Short term benefits	**772**	1,388
Employees' end of service benefits	**57**	166
	829	1,554

21. RELATED PARTY TRANSACTIONS AND BALANCES (continued)

Significant related party balances and the consolidated statement of financial position caption within which these are included are as follows:

d) Due from related parties (net of provision)

	2020	*2019*
	USD'000	*USD'000*
Receivables from (note 9)		
Affiliates	**8,447**	9,757
Others	**3,198**	3,427
	11,645	13,184

For the year ended 31 December 2020, the Group has not recognised any provision for expected credit losses relating to amounts owed by related parties (2019: AED nil).

e) Due to related parties

	2020	*2019*
	USD'000	*USD'000*
Payable to (note 18)		
Affiliates	**9,109**	6,987
Others	**2,464**	2,469
	11,573	9,456

f) Directors, key management personnel and their related parties

	2020	*2019*
	USD'000	*USD'000*
Cash and bank	**139,488**	159,577
Security deposit from customers	**562**	289
Other receivables	**18**	
	140,068	159,866

g) As per the terms of the financing obtained by the Group, the Group procures surplus funds of certain of its related parties and utilises them in making payments of outstanding amount to bank as well as profit payment for the financing on a regular basis. Such funds procured by the Group during the period and outstanding at period-end mainly represents amounts due to the related parties at the reporting date. Such amounts are unsecured, interest free and repayable upon lender's demand.

All the other balances arose in the normal course of business and are interest free, unsecured and repayable upon lender's demand except for loans from the Government of Dubai and interest accrued thereon, repayment terms of which are disclosed in note 16 to these consolidated financial statements.

h) During the year, financial liabilities of the Group amounting to USD 9.9 million (2019: USD 12.7 million) reflecting debt repayments made on its behalf were settled by the Dubai International Financial Centre Registrar of Real Properties for USD 3.7 million (2019: USD 5.3 million) and Dubai International Financial Centre Registrar of Companies for USD 6.2 million (2019: USD 7.4 million). This has been accounted for as equity in order to meet its financial obligations under the debt and/or Sukuk arrangement which reflects the co-dependencies of each of the entities.

Other transactions with related parties have been disclosed in notes 9, 10, 12, 17 and 18 to these consolidated financial statements.

22. FINANCIAL INSTRUMENTS RISK MANAGEMENT OBJECTIVES AND POLICIES

Financial risk factors
Risk is inherent in the Group's activities, but it is managed through a process of ongoing identification, measurement and monitoring, subject to risk limits and other controls. This process of risk management is critical to the Group's continuing profitability and each individual within the Group is accountable for the risk exposures relating to his or her responsibilities.

The Group's activities expose it to a variety of financial risks and involve the analysis, evaluation, acceptance and management of some degree of risk or combination of risks. Taking risk is core to the financial business, and the operational risks are an inevitable consequence of being in business. The Group's aim is, therefore, to achieve an appropriate balance between risk and return and minimise potential adverse effects on the Group's financial performance.

The Group's risk management policies are designed to identify and analyse these risks, to set appropriate risk limits and controls, and to monitor the risks and adherence to limits by means of realisable and up-to-date information systems. The Group regularly reviews its risk management policies and systems to reflect changes in markets, products and emerging best practice.

The senior management is responsible for the independent review of risk management and the control environment. The most important types of risk are credit risk, market risk and liquidity risk. Market risk includes currency risk, interest rate risk and price risk.

Credit risk
Credit risk is the risk that a customer or counterparty will fail to meet a commitment, resulting in financial loss to the Group. Such risk arises from investment, treasury and other activities undertaken by the Group. Credit risk is actively monitored in accordance with the credit policies which clearly define delegated authorities, policies and procedures. The management of credit risk also involves the monitoring of risk concentrations by industrial sector as well as by geographic location.

The Group has an internal credit quality review process to provide early identification of possible changes in the creditworthiness of counterparties. The credit quality review process allows the Group to assess the potential loss as a result of the risks to which it is exposed and take corrective action.

Trade receivables
An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on days past due for groupings of various customer segments with similar loss patterns (i.e., by geographical region, product type, customer type and rating, and coverage by letters of credit or letter of guarantees). The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions. Generally, trade receivables are written-off if past due for more than one year and are not subject to enforcement activity. The maximum exposure to credit risk at the reporting date is the carrying value of each class of financial assets. Security deposits obtained from the customers are considered integral part of trade receivables and considered in the calculation of impairment.

Amounts due from related parties, deposits and other receivables
An impairment analysis is performed at each reporting date by reviewing internal and external information available (historical and forward looking) for each amount due from related parties, deposits and other receivables, to assess expected credit loss and the likelihood to receive the outstanding contractual amount. The maximum exposure to credit risk at the reporting date is the carrying value of each amount due from related parties.

Bank balances
Credit risk from balances with banks is managed by the Group's treasury department in accordance with the Group's policy. Counterparty credit limits are reviewed and updated throughout the year. Credit risk on bank balances are assessed to be minimal as these balances are callable on demand and held with reputable financial institutions in the UAE.

Other financial assets
Credit risk on other financial assets are assessed to be minimal based on historical default and the fact that they are held with counterparties with creditworthiness evaluated to be good by the Group's internal process.

22. FINANCIAL INSTRUMENTS RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Financial risk factors (continued)

Credit risk (continued)
Set out below is the information about the credit risk exposure on the Group's trade and other receivables , bank balances, amount due from related parties and investment in securities using a provision matrix:

	2020		
	Gross value USD'000	***Allowance for expected credit losses USD'000***	***Expected credit loss (ECL)***
Trade receivables	**21,539**	**15,423**	**71.6%**
Deposits and other receivables	**4,359**	**-**	**0%**
Bank balances and term deposits	**354,846**	**-**	**0%**
Amount due from related parties	**11,645**	**-**	**0%**
Other financial assets	**43,701**	**-**	**0%**

	2019		
	Gross value AED	*Allowance for expected credit losses AED*	*Expected credit loss (ECL)*
Trade receivables	17,556	14,081	80.2%
Deposits and other receivables	3,283	-	0%
Bank balances and term deposits	324,700	-	0%
Amount due from related parties	13,184	-	0%
Other financial assets	13,660	-	0%

The table below shows the maximum exposure to credit risk for the components of Group's consolidated statement of financial position. The maximum exposure is shown gross, before the effect of mitigation through the use of master netting and collateral agreements, if any.

		Gross maximum exposure	
	Notes	***2020 USD'000***	*2019 USD'000*
Cash at bank term deposits	7	**354,846**	324,700
Investment in securities	8	**43,701**	13,660
Trade and other receivables (less prepayments, VAT and unbilled revenue)	9	**22,120**	19,942
Total credit risk exposure		**420,667**	358,302

Where financial instruments are recorded at fair value the amounts shown above represent the current credit risk exposure but not the maximum risk exposure that could arise in the future as a result of changes in values.

For more detail on the maximum exposure to credit risk for each class of financial instrument, references have been made to the specific notes.

Risk concentrations of the maximum exposure to credit risk
Concentrations arise when a number of counterparties are engaged in similar business activities, or activities in the same geographical region, or have economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations indicate the relative sensitivity of the Group's performance to developments affecting a particular industry.

22. FINANCIAL INSTRUMENTS RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Financial risk factors (continued)

Credit risk (continued)

Risk concentrations of the maximum exposure to credit risk (continued)

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

The table below shows a geographical segment analysis of the maximum exposure to credit risk for the components of the Group's consolidated statement of financial position without taking into account any collateral and other credit enhancements.

	Assets 2020 USD'000	*Assets 2019 USD'000*
GCC & other Middle Eastern countries	**409,609**	349,525
Other countries	**11,168**	8,777
	420,667	358,302

The table below shows an industry wise analysis of the maximum exposure to credit risk for the components of the Group's consolidated statement of financial position without taking into account any collateral and other credit enhancements.

	Gross maximum exposure	
	2020 USD'000	*2019 USD'000*
Banks and financial institutions	**354,846**	324,700
Commercial and business	**22,120**	19,942
Investment companies and funds	**43,701**	13,660
	420,667	358,302

The Group's 5 largest customers account for 69% of outstanding accounts receivable at 31 December 2020 (2019: 43%).

Liquidity risk

Liquidity risk is the risk that an institution will be unable to meet its net funding requirements. Liquidity risk can be caused by market disruptions or credit downgrades which may cause certain sources of funding to dry up immediately. To guard against this risk, management has diversified funding sources and assets are managed with liquidity in mind and by maintaining a healthy balance of cash and cash equivalents.

The Group maintains a portfolio of highly marketable and diverse assets that can be easily liquidated in the event of an unforeseen interruption of cash flow. The liquidity position is assessed and managed under a variety of scenarios, giving due consideration to stress factors relating to both the market in general and specifically to the Group.

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

2020	***Less than 3 months USD'000***	***3 to 12 3 months USD'000***	***1 to 5 years USD'000***	***Over 5 years USD'000***	***Total USD'000***
Due to the Government of Dubai	**-**	**-**	**-**	**703,390**	**703,390**
Due to Sukuk certificate holders	**-**	**30,275**	**740,825**	**-**	**771,100**
Trade and other payables	**35,298**	**37,274**	**53,311**	**111,725**	**237,608**
Total	**35,298**	**67,549**	**794,136**	**815,115**	**1,712,098**

22. FINANCIAL INSTRUMENTS RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Liquidity risk (continued)

2019	*Less than 3 months USD'000*	*3 to 12 3 months USD'000*	*1 to 5 years USD'000*	*Over 5 years USD'000*	*Total USD'000*
Due to the Government of Dubai	-	-	-	703,390	703,390
Due to Sukuk certificate holders	-	30,275	771,100	-	801,375
Trade and other payables	27,930	29,304	36,224	135,199	228,657
Total	27,930	59,579	807,324	838,589	1,733,422

Due to the Government of Dubai , due to Sukuk certificate holders and other payables also include future interest / profit.

Market risk

The Group is exposed to market risks, which is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risks arise from open positions in interest rate, currency and equity products, all of which are exposed to general and specific market movements and changes in the level of volatility of market rates or prices such as interest rates, credit spreads, foreign exchange rates and equity prices.

Market risk arises from fluctuations in interest rates, foreign exchange rates and equity prices.

a) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group is exposed to interest rate risk on its interest bearing assets and liabilities, principally comprising its variable rate borrowings and cash and cash equivalents. As at 31 December 2020 and 2019, the Group has no variable rate borrowing.

The following table demonstrates the sensitivity of the consolidated statement of profit or loss to reasonably possible changes in interest rates, with all other variables held constant.

Assumed change in benchmark rate:

	Sensitivity of consolidated statement of profit or loss	
	2020 USD'000	*2019 USD'000*
± 100 basis points	**±3,320**	±2,918

There is no other impact on Group's equity as a result of changes in interest rates.

The sensitivity of the consolidated statement of profit or loss is the effect of the assumed changes in interest rates on the Group's results for one year, based on the floating rate financial assets and financial liabilities held at the year-end.

b) Currency risk

Currency risk represents the risk of change in the value of financial instruments due to changes in foreign exchange rates.

The assets of the Group are typically funded in the same currency as that of the business transacted in order to eliminate foreign exchange exposure. However, the Group does have some exposures due to open positions being held in certain other currencies. At the year-end, the Group had the following significant net exposures denominated in foreign currencies:

	Net overall long / (short) position	
	2020 USD'000 Equivalent	*2019 USD'000 equivalent*
Pound Sterling	**19,653**	18,446
Egyptian Pound	**41,107**	31,569
	60,760	50,015

22. FINANCIAL INSTRUMENTS RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Market risk (continued)

b) Currency risk (continued)

The analysis in the table below calculates the effect of a reasonably possible increase of the relevant currency rate against the USD, with all other variables held constant on the consolidated statement of profit or loss and equity. A negative amount in the table reflects a potential deterioration of the consolidated profit / equity while a positive amount reflects a potential improvement in the consolidated profit / equity.

Currency	***2020*** Change in currency rate in % %	Effect on profit USD'000	*2019* Change in currency rate in % %	Effect on profit USD'000
Pound Sterling	**±5**	**983**	±5	922

Currency	***2020*** Change in currency rate %	Effect on equity in USD'000	*2019* Change in currency rate %	Effect on equity USD'000
Egyptian Pound	**±5**	**2,055**	±5	1,578

The effect of a reasonably possible decrease of the relevant currency rate by 5% against USD with all the other variables held constant would be exactly opposite to the effect shown in the above table.

As the UAE Dirham is currently pegged to the US Dollar, balances in UAE Dirhams are not considered to represent significant currency risk.

c) Equity price risk

Equity price risk is the risk that the fair values of equities may change as a result of changes in the levels of equity indices and the value of individual stocks. The non-trading equity price risk exposure arises from the Group's investment portfolio.

The effect on the consolidated statement of profit or loss/ equity (as a result of a change in the fair value of equity instruments held as fair value at year-end) due to a reasonably possible change in investment prices, with all other variables held constant, is as follows:

	2020		
	Change in equity price %	***Effect on consolidated profit USD'000***	***Effect on consolidated OCI***
Unlisted equity instruments			**4,297**
Listed debt instruments	**±10**	**11**	
Listed equity instruments	**±10**	**-**	**4,137**
Funds	**±10**	**233**	

	2019		
	Change in equity price %	*Effect on consolidated profit USD'000*	*Effect on consolidated OCI*
Unlisted equity instruments			3,125
Listed debt instruments	±10	14	
Listed equity instruments	±10	-	1,001
Funds	±10	408	

22. FINANCIAL INSTRUMENTS RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Operational risk

Operational risk is the risk of loss arising from systems failure, human error, fraud or external events. When controls fail to perform, operational risks can cause damage to reputation, have legal or regulatory implications, or lead to financial loss. The Group cannot expect to eliminate all operational risks, but through a control framework and by monitoring and responding to potential risks, the Group is able to manage the risks. Controls include effective segregation of duties, access, authorisation and reconciliation procedures, staff education and assessment processes, including the use of internal audit.

23. OPERATING SEGMENTS

An operating segment is a significant distinguishable component of the Group's business activities, which is subject to risks and rewards different from those of other segments. The financial information of Group's operating segments is regularly monitored and evaluated by the Group's Chief operating decision maker which is the board of directors.

For such monitoring and evaluation purposes, the Group is organised into major reportable operating segments being (a) Investments, including investment properties; and (b) Other operations. The first segment operations represents the business segment responsible for acquisitions of businesses and for making investments in equities, funds and derivatives, management of investment portfolio and investment properties while the second segment represents all other miscellaneous activities of the Group.

The first segment "Investments including investment property" represents almost the entire operations of the Group and the segment "Other operations" is below the reporting threshold prescribed by IFRS and therefore no segment related information has been disclosed in these consolidated financial statements

Management further monitors some selected financial information of the first segment bifurcated between (a) property investments; and (b) other investments. However other investments related segment also does not meet the reporting threshold prescribed by IFRS and thus such information is also not disclosed in these consolidated financial statements.

Geographical information

The Group operates mainly in one geographic area, UAE. The volume of Group's operations and assets based outside of UAE does not meet the reporting threshold prescribed by IFRS and thus such information is not disclosed in these consolidated financial statements.

24. CAPITAL MANAGEMENT

For the purpose of the Group's capital management, capital includes issued capital, and all other equity reserves attributable to the equity holders of the parent.

The primary objective of the Group's capital management is to maximise the shareholder value.

The Group manages its capital structure and makes adjustments in light of changes in economic conditions and the requirements of the financial covenants. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. The Group monitors capital using a gearing ratio, which is 'net debt' divided by total capital plus net debt. The Group's policy is to keep the gearing ratio between 20% and 50%. The Group includes within net debt, interest bearing loans and borrowings, less cash and bank deposits.

	Notes	***2020 USD'000***	*2019 USD'000*
Loan and borrowings			
Due to the Government of Dubai	16	**604,319**	581,006
Due to Sukuk certificate holders	17	**649,013**	648,754
		1,253,332	1,229,760
Less: Cash and bank deposits	7	**(354,846)**	(324,700)
Net Debt		**898,486**	905,060
Total equity		**2,413,431**	2,402,566
Capital and net debt		**3,311,917**	3,307,626
Gearing ratio		**27.13%**	27.36%

24. CAPITAL MANAGEMENT (continued)

In order to achieve this overall objective, the Group's capital management, among other things, aims to ensure that it meets financial covenants attached to the interest-bearing loans and borrowings that define capital structure requirements. There have been no breaches of the financial covenants of any interest-bearing loans and borrowing in the current period.

No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2020 and 2019.

25. DIVIDENDS

During the year, the Group has paid dividends of USD 42,234 thousand (2019: USD 27,248 thousand) to the Government of Dubai on behalf of DIFCA.

26. FAIR VALUE OF FINANCIAL INSTRUMENTS

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

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

The principal or the most advantageous market must be accessible to by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

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

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs. Differences can therefore arise between book-value under the historical cost method and fair value estimates. The fair values of the Group's financial instruments are not materially different from their carrying values at reporting date since assets and liabilities not already measured at fair value have either short-term maturities or in the case of borrowings are frequently repriced and the prevalent interest rates reflect risks associated with the borrowings.

27. COMPARATIVE FIGURES

The corresponding figures for 2019 have been reclassified in order to conform to the presentation for the current year. Such reclassifications do not affect previously reported profit or total equity.

28. IMPACT OF COVID

The outbreak of novel coronavirus (COVID-19) continues to progress and evolve, causing disruption to business and economic activity. During the year, there has been macro economic uncertainty with regards to prices and demand for commodities. However, the scale and duration of these developments remain uncertain but could impact our earnings, cash flow and financial condition. The Group is monitoring the evolution of the COVID 19 pandemic and will continue to assess further impacts going forward.

In light of the rapidly escalating situation, the Group has considered whether any adjustments and changes in judgments, estimates and assumptions, as disclosed in note 2.4, and its financial risk management, as disclosed in note 22, are required to be considered and reported in the consolidated financial statements. The Group concluded that as of the date of authorisation of these consolidated financial statements all the relevant impacts have been appropriately recorded in the consolidated financial statements and no additional changes are required to the judgements and key estimates.