

**Union Coop**

**Report and financial statements  
for the year ended 31 December 2021**

## **Union Coop**

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## INDEPENDENT AUDITOR'S REPORT

**The Shareholders**  
**Union Coop**  
**United Arab Emirates (UAE)**

### Report on the audit of the financial statements

#### *Qualified opinion*

We have audited the financial statements of **Union Coop** (the "Society"), which comprise the statement of financial position as at 31 December 2021, the statement of comprehensive income, statement of changes in the equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, except for the effects of the matter described in the Basis for Qualified Opinion section of our report, the accompanying financial statements present fairly, in all material respects, the financial position of the Society as at 31 December 2021 and its financial performance and its cash flow for the year then ended in accordance with International Financial Reporting Standards ("IFRSs").

#### *Basis for qualified opinion*

The legal reserve is carried in the statement of financial position at AED 1,029 million (2020: AED 1,046 million). Management has stated the legal reserve net of a reversal of an allocation of 20% of the profit for the year ended 31 December 2020 and 2019 as a result of shareholders decisions in the general assemblies on 28 March 2021 and 25 March 2020, which is not in consistent with UAE Federal Law Number 13 of 1976 pertaining to co-operative societies. The Society's records indicate that, had management not stated the legal reserve net of a reversal of an allocation of 20% of the profit for the year ended 31 December 2020 and 2019, the legal reserve would have been increased by AED 100 million (2020: AED 102 million) and distributable profit would have been reduced by AED 100 million (2020: AED 102 million).

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

#### *Responsibilities of management and those charged with governance for the financial statements*

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRSs, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Those charged with governance are responsible for overseeing the Society's financial reporting process.

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## INDEPENDENT AUDITOR'S REPORT to the Shareholders of Union Coop (continued)

### *Auditor's responsibilities for the audit of the financial statements*

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

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

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

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.

**Deloitte & Touche (M.E.)**



Mohammad Jallad  
Registration No: 1164  
28 February 2022  
Dubai  
United Arab Emirates

**Statement of financial position  
as at 31 December 2021**

	Notes	31 December 2021 AED	31 December 2020 AED
<b>ASSETS</b>			
<i>Non-current assets</i>			
Property and equipment	5	2,103,329,538	1,980,542,503
Investment properties	6	349,944,530	356,711,537
Intangible assets	7	6,298,938	5,472,932
Right of use assets	8	152,382,547	125,830,839
Capital advances	10	124,966,681	114,943,401
Financial asset at fair value through other comprehensive income	11	500,000	500,000
<b>Total non-current assets</b>		<b>2,737,422,234</b>	<b>2,584,001,212</b>
<i>Current assets</i>			
Inventories	12	274,494,348	262,335,242
Trade and other receivables	13	121,983,244	110,748,039
Due from a related party	23	36,960	900
Short-term deposits	14	366,988,175	628,425,012
Cash and cash equivalents	15	190,626,670	167,860,955
<b>Total current assets</b>		<b>954,129,397</b>	<b>1,169,370,148</b>
<b>Total Assets</b>		<b>3,691,551,631</b>	<b>3,753,371,360</b>
<b>EQUITY AND LIABILITIES</b>			
<i>Equity</i>			
<i>Capital and reserves</i>			
Share capital	16	1,764,138,140	1,764,138,140
Legal reserve	17	1,029,134,821	1,046,503,573
Distributable profit	18	330,550,986	400,025,996
Treasury stock	19	(95,527,209)	(92,383,809)
<b>Total Shareholders' Equity</b>		<b>3,028,296,738</b>	<b>3,118,283,900</b>
<i>Liabilities</i>			
<i>Non-current liabilities</i>			
Provision for employees' end of service benefits	20	82,830,542	58,359,585
Lease liability	33	112,165,094	87,927,493
Long term liability	21	9,967,146	32,130,094
<b>Total non-current liabilities</b>		<b>204,962,782</b>	<b>178,417,172</b>
<i>Current liabilities</i>			
Trade and other payables	22	431,250,582	436,945,304
Lease liability	33	25,550,062	17,919,700
Due to a related party	23	1,491,467	1,805,284
<b>Total current liabilities</b>		<b>458,292,111</b>	<b>456,670,288</b>
<b>Total Liabilities</b>		<b>663,254,893</b>	<b>635,087,460</b>
<b>Total Equity and Liabilities</b>		<b>3,691,551,631</b>	<b>3,753,371,360</b>

Chairman

Secretary

The accompanying notes form an integral part of these financial statements

**Statement of comprehensive income  
for the year ended 31 December 2021**

	Notes	2021 AED	2020 AED
Revenue	24	<b>1,996,278,087</b>	2,244,083,548
Cost of sales	25	<b>(1,233,436,922)</b>	(1,471,020,501)
<b>Gross profit</b>		<b>762,841,165</b>	773,063,047
Income from other operating activities	26	<b>162,132,542</b>	136,273,512
Other income	27	<b>58,463,988</b>	79,910,341
General and administrative expenses	28	<b>(497,873,206)</b>	(430,603,032)
Selling and distribution expenses	29	<b>(75,496,000)</b>	(75,470,746)
<b>Operating profit</b>		<b>410,068,489</b>	483,173,122
Finance income, net	30	<b>3,120,244</b>	16,859,373
<b>Profit for the year</b>		<b>413,188,733</b>	500,032,495
Other comprehensive income		-	-
<b>Total comprehensive income for the year</b>		<b>413,188,733</b>	500,032,495

The accompanying notes form an integral part of these financial statements

**Statement of changes in equity  
for the year ended 31 December 2021**

	Share capital AED	Legal reserve AED	Distributable profit AED	Treasury stock AED	Total AED
<i>At 1 January 2020</i>	1,764,138,140	1,049,072,719	410,302,582	(39,350,834)	3,184,162,607
Profit and total comprehensive income for the year	-	-	500,032,495	-	500,032,495
Reversal of legal reserve for 2019 (Note 17)	-	(102,575,645)	102,575,645	-	-
Transfer to legal reserve (Note 17)	-	100,006,499	(100,006,499)	-	-
<i>Transactions with owners:</i>					
Dividend paid (Note 18)	-	-	(479,016,094)	-	(479,016,094)
Area development fund (Note 18)	-	-	(27,112,133)	-	(27,112,133)
Directors' remuneration (Note 18)	-	-	(6,750,000)	-	(6,750,000)
Repurchase of treasury stocks (Note 19)	-	-	-	(53,032,975)	(53,032,975)
Total transactions with owners	-	-	(512,878,227)	(53,032,975)	(565,911,202)
At 31 December 2020	1,764,138,140	1,046,503,573	400,025,996	(92,383,809)	3,118,283,900
<i>At 1 January 2021</i>					
Profit and total comprehensive income for the year	-	-	413,188,733	-	413,188,733
Reversal of legal reserve for 2020 (Note 17)	-	(100,006,499)	100,006,499	-	-
Transfer to legal reserve (Note 17)	-	82,637,747	(82,637,747)	-	-
<i>Transactions with owners:</i>					
Dividend paid (Note 18)	-	-	(480,270,235)	-	(480,270,235)
Area development fund (Note 18)	-	-	(13,012,260)	-	(13,012,260)
Directors' remuneration (Note 18)	-	-	(6,750,000)	-	(6,750,000)
Repurchase of treasury stocks (Note 19)	-	-	-	(3,143,400)	(3,143,400)
Total transactions with owners	-	-	(500,032,495)	(3,143,400)	(503,175,895)
<b>At 31 December 2021</b>	<b>1,764,138,140</b>	<b>1,029,134,821</b>	<b>330,550,986</b>	<b>(95,527,209)</b>	<b>3,028,296,738</b>

In accordance with Article 44 of the UAE Federal Law No. 13 of 1976 pertaining to co-operative societies, approved commitments in respect of the area development fund and directors remuneration have been treated as appropriations of distributable profit.

The accompanying notes form an integral part of these financial statements

**Statement of cash flows  
for the year ended 31 December 2021**

	Notes	2021 AED	2020 AED
<b>Operating activities</b>			
Profit for the year		413,188,733	500,032,495
<i>Adjustments for:</i>			
Depreciation	5,6	50,798,516	38,977,133
Amortisation of intangible assets	7	2,616,826	2,108,829
Amortisation of right of use of assets	8	26,849,246	22,334,824
Gain on disposal of property and equipment and investment properties	27	(408,886)	(141,751)
Provision for employees' end of service benefits	20	29,194,103	6,754,735
Provision for impairment of trade receivables	13	2,244,182	2,294,821
Provision for slow moving imported inventories - net	12	551,699	(16,633)
Finance income	30	(6,212,983)	(19,265,482)
Finance cost - lease liability	33	3,092,739	2,406,109
Adjustment of right of use and lease liability- net		-	(5,949,061)
		<hr/>	<hr/>
<b>Operating cash flows before payment in respect of area development fund, directors' remuneration, employees' end of service benefits and changes in working capital</b>		<b>521,914,175</b>	<b>549,536,019</b>
Payment in respect of area development fund		(16,998,481)	(40,053,923)
Directors' remuneration		(6,750,000)	(6,750,000)
Payment of employees' end of service benefits	20	(4,723,146)	(1,631,545)
<b>Changes in working capital</b>			
Inventories		(12,710,805)	(70,110,210)
Trade and other receivables		(9,493,166)	(26,099,221)
Due from a related party		(36,060)	(706)
Due to a related party		(313,817)	63,633
Trade and other payables		(5,694,722)	71,354,397
Long term liability		(22,162,948)	(11,333,046)
		<hr/>	<hr/>
<b>Net cash generated from operating activities</b>		<b>443,031,030</b>	<b>464,975,398</b>
<b>Investing activities</b>			
Purchase of property and equipment	5	(163,078,102)	(220,624,214)
Purchase of investment properties	6	(3,816,113)	(2,073,948)
Purchase of intangible assets	7	(3,436,239)	(3,256,505)
Proceeds from disposal of property and equipment and investment property		477,964	281,808
Profit received from deposits		6,212,983	19,265,482
Movement in short-term deposits		261,436,837	271,729,278
Movement in capital advances		(10,023,280)	(580,560)
		<hr/>	<hr/>
<b>Net cash generated from investing activities</b>		<b>87,774,050</b>	<b>64,741,341</b>
<b>Financing activities</b>			
Dividend paid	18	(480,270,235)	(479,016,094)
Purchase of treasury stock		(3,143,400)	(53,032,975)
Payment of lease liability	33	(24,625,730)	(22,069,501)
		<hr/>	<hr/>
<b>Net cash used in financing activities</b>		<b>(508,039,365)</b>	<b>(554,118,570)</b>
		<hr/>	<hr/>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>22,765,715</b>	<b>(24,401,831)</b>
Cash and cash equivalents, beginning of the year		167,860,955	192,262,786
		<hr/>	<hr/>
<b>Cash and cash equivalents, end of the year</b>	15	<b>190,626,670</b>	<b>167,860,955</b>
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The accompanying notes form an integral part of these financial statements

## Notes to the financial statements for the year ended 31 December 2021

### 1. Legal status and activities

Union Coop (the “Society”) is registered as a limited liability Society in the Emirate of Dubai via a ministerial decree No. 31/2, dated 24 May 1982, issued by the Ministry of Social Affairs and is registered with the Federal Authority under No. 12 in the Co-operative management records. The registered office address of the Society is P.O. Box 3861, Dubai, United Arab Emirates. The Society changed its name from Union Co-operative Society to Union Coop on 1 August 2016.

The principal activity of the Society is establishing and managing hypermarkets in the United Arab Emirates (“UAE”). The purpose of incorporation of the Society is to improve the social and economic affairs of its members and to serve the society by following the co-operative principles documented in the Society’s Memorandum of Association and the UAE Federal Law No. 13 of 1976 pertaining to co-operative societies.

The share capital of the Society comprises of undividable shares of AED 10 each payable in full on application to be a member of the Society. Each member is entitled to a share in the Society’s share capital up to a maximum of 10%.

The maximum number of the Society’s members is unlimited and membership may be granted to any UAE national on application. There were 36,659 members of the Society as at 31 December 2021 (2020: 35,938 members). The members’ responsibility is limited to the value of shares owned by each of them.

For each member one vote is allowed in the general assembly, regardless of the number of shares owned by a particular member.

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

#### *2.1 New and revised IFRSs and interpretations that are effective for the current year*

The following new and revised IFRSs, which became effective for annual periods beginning on or after 1 January 2021, have been adopted in these financial statements.

In the current year, the Society has applied a number of amendments to IFRSs and Interpretations issued by the International Accounting Standards Board (IASB) that are effective for an annual period that begins on or after 1 January 2021.

Their adoption has not had any material impact on the disclosures or on the amounts reported in these financial statements but may affect the accounting for future transactions or arrangements.

- Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 relating to phase 2 of interest rate benchmark reforms.
- Amendments of IFRS 16 *Leases* relating to Covid-19 Related Rent Concessions

Other than the above, there are no other significant IFRSs and amendments that were effective for the first time for the financial year beginning on or after 1 January 2021.

#### *2.2 New and revised IFRSs in issue but not yet effective and not early adopted*

The Society has not early adopted the following new and revised standards that have been issued but are not yet effective.

#### New and revised IFRS

#### *Effective for annual periods beginning on or after*

Amendments to IAS 16 <i>Property, plant and equipment</i> relating to proceeds before intended use.	1 January 2022
Amendment to IAS 37 <i>Provisions, Contingent Liabilities and Contingent Assets</i> relating to onerous contracts.	1 January 2022

## Notes to the financial statements for the year ended 31 December 2021 (continued)

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

#### 2.2 *New and revised IFRSs in issue but not yet effective and not early adopted (continued)*

<u><i>New and revised IFRSs</i></u>	<u><i>Effective for annual periods beginning on or after</i></u>
Amendments to IFRS 3 <i>Business Combinations</i> relating to reference to conceptual framework.	1 January 2022
Annual improvements to IFRS standards 2018 – 2020.	1 January 2022
Amendments to IAS 8 <i>Accounting policies, Changes in accounting estimates and errors</i> .	1 January 2023
Amendments to IAS 1 <i>Presentation of Financial Statements</i> relating to classification of Liabilities as Current or Non-Current.	1 January 2023
IFRS 17 <i>Insurance Contracts</i> and Amendment to IFRS 17 <i>Insurance Contracts</i> .	1 January 2023
Amendments to IFRS 4 <i>Insurance Contracts</i> Extension of the Temporary Exemption from Applying IFRS 9.	1 January 2023
Amendments to IAS 1 <i>Presentation of Financial Statements</i> and IFRS Practice Statement 2.	1 January 2023
Amendment to IFRS 10 <i>Consolidated Financial Statements</i> and IAS 28 <i>Investments in Associates and Joint Ventures</i> relating to treatment of sale or contribution of assets from investors.	Effective date deferred indefinitely.

The Society anticipates that these new standards, interpretations and amendments will be adopted in the Society's financial statements as and when they are applicable and adoption of these new standards, interpretations and amendments may have no material impact on the financial statements.

### 3. Summary of significant accounting policies

The principal accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

#### **Basis of preparation**

The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"), interpretations issued by the IFRS Interpretations Committee (IFRS IC) applicable to companies reporting under IFRS and the requirements of UAE Federal Law No. 13 of 1976 pertaining to co-operative societies. The financial statements comply with IFRS as issued by the International Accounting Standards Board (IASB). The financial statements have been prepared under the historical cost convention.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Society's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 4.

#### **Property and equipment**

Property and equipment is stated at cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Society and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset is derecognised when replaced. All other repairs and maintenance are charged to the income statement during the financial year in which they are incurred.

**Notes to the financial statements  
for the year ended 31 December 2021 (continued)**

**3. Summary of significant accounting policies (continued)**

**Property and equipment (continued)**

Land are not depreciated. Depreciation is computed using the straight line method to allocate the cost of assets less their estimated residual values over their estimated useful lives, as follows:

	<u>Years</u>
Buildings	40
Computer hardware	5
Motor vehicles	5 - 7
Furniture and fixtures	4
Equipment and tools	4 - 15

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each Statement of financial position date. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with carrying amount and are recognised within the statement of comprehensive income.

**Investment properties**

Property that is held for long-term rental yields or for capital appreciation or both, and that is not occupied by the Society, is classified as investment properties.

Investment properties are stated at cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Society and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset is derecognised when replaced. All other repairs and maintenance are charged to the income statement during the financial year in which they are incurred.

Land is not depreciated. Depreciation is computed using the straight line method to allocate the cost of assets less their estimated residual values over their estimated useful lives, as follows:

	<u>Years</u>
Buildings	40

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with carrying amount and are recognised within the statement of comprehensive income.

**Intangible assets**

Acquired computer software licenses are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful lives of three years. Costs associated for maintaining computer software programmes are recognised as an expense as incurred.

## Notes to the financial statements for the year ended 31 December 2021 (continued)

### 3. Summary of significant accounting policies (continued)

#### Capital work-in-progress

Assets in the course of construction are stated at cost. When commissioned, capital work-in-progress is transferred to the relevant category within property and equipment and is depreciated on a straight-line-method over its expected useful life. Once a project is completed, management re-assesses the intended use of the completed asset. As such, the asset will be transferred into the relevant category within property and equipment or investment property or both.

#### Impairment of non-financial assets

Assets that are subject to depreciation and amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are Society at the lowest levels for which there are largely independent cash inflows (cash-generating units). Prior impairments of non-financial assets (other than goodwill) are reviewed for possible reversal at each reporting date.

#### Financial assets

##### *(a) Classification*

##### *Amortised cost*

Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. A gain or loss on a debt investment that is subsequently measured at amortised cost and is not part of a hedging relationship is recognised in profit or loss when the asset is derecognised or impaired. Interest income from these financial assets is included in finance income using the effective interest rate method.

##### *Financial asset at fair value through other comprehensive income (FVOCI)*

Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in other gains/(losses). Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in other gains and losses and impairment expenses in other expenses.

The classification depends on the Society's business model for managing the financial assets and the contractual terms of the cash flows.

Assets that do not meet the criteria for amortised cost or FVOCI are measured at fair value through profit or loss. A gain or loss on a debt investment that is subsequently measured at fair value through profit or loss and is not part of a hedging relationship is recognised in profit or loss and presented net in profit or loss within other gains/(losses) in the period in which it arises.

##### *(b) Recognition and derecognition*

Regular purchases and sales of financial assets are recognised on the trade-date, the date on which the Society commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Society has transferred substantially all risks and rewards of ownership.

**Notes to the financial statements  
for the year ended 31 December 2021 (continued)****3. Summary of significant accounting policies (continued)****Financial assets (continued)***(c) Measurement*

At initial recognition, the Society measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

*(d) Subsequent measurement**Amortised cost*

These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised through profit or loss.

*Equity investments*

The Society subsequently measures all equity Financial asset at fair value. Where the Society's management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognised in profit or loss as other income when the Society's right to receive payments is established.

**Offsetting financial instruments**

The Society recognises a loss allowance for expected credit losses trade receivables. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

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

For all other financial instruments, the Society recognises lifetime ECL when there has been a significant increase in credit risk since initial recognition. However, if the credit risk on the financial instrument has not increased significantly since initial recognition, the Society measures the loss allowance for that financial instrument at an amount equal to 12-month ECL.

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

## Notes to the financial statements for the year ended 31 December 2021 (continued)

### 3. Summary of significant accounting policies (continued)

#### Impairment of financial assets

IFRS 9 replaces the “incurred loss” model in IAS 39 with an expected credit loss” (ECL) model. The new impairment model applies to financial assets measured at amortised cost, contract assets and debit Financial asset at FVOCI, but not to investments in equity instruments.

An assessment is made at each financial position date to determine whether there is objective evidence that a specific financial asset may be impaired. The impact of the change in impairment methodology on the Society’s distributable profit and equity was not material to the financial statements.

#### Inventories

Inventories are stated at the lower of cost or net realisable value. Cost is determined using the weighted average method and includes all costs incurred in acquiring the inventories and bringing them to their present location and condition. Net realisable value is the estimate of the selling price in the ordinary course of business, less variable selling expenses.

#### Trade and other receivables

Trade receivables are amounts due from customers for merchandise sold in the ordinary course of business. If collection is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less loss provision. A provision for impairment of trade receivables is established based on the expected lifetime losses to be recognised from initial recognition of the receivables.

Due to the short-term nature of the current receivables, their carrying amount is considered to be the same as their fair value.

Other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less loss provision. A provision for impairment of other receivables is established based on the expected lifetime losses to be recognised from initial recognition of the receivables.

#### Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and balances in current accounts. Where balances have a maturity over 3 months they are classified as short-term deposits.

#### Share capital

Ordinary shares are classified as equity.

#### Trade payables

These amounts represent liabilities for goods and services provided to the Society prior to the end of financial year which are unpaid. The amounts are unsecured. Trade and other payables are presented as current liabilities unless payment is not due within 12 months after the reporting period. They are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method.

## Notes to the financial statements for the year ended 31 December 2021 (continued)

### 3. Summary of significant accounting policies (continued)

#### Provisions

Provisions are recognised when the Society has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expense.

#### Provision for employees' benefits

A provision is made for the estimated liability for employees' entitlements to annual leave and leave passage as a result of services rendered by the employees up to the statement of financial position date. Provision is also made for the end of service benefits due to employees in accordance with UAE labour law.

The provision relating to annual leave, airfare and leave passage is disclosed as a current liability and included in trade and other payables, while that relating to employees' end of service benefits is disclosed as a non-current liability.

Under UAE Federal Law No. 7 of 1999 for Pension and Social Security, employers are required to contribute 12.5% of the 'contribution calculation salary' of those employees who are UAE nationals. These employees are also required to contribute 5% of the 'contribution calculation salary' to the scheme. The Society's contribution is recognised as an expense in profit or loss.

#### Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable, and represents amounts receivable for goods supplied, stated net of discounts as rebates and returns. The Society recognises revenue when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the entity; and when specific criteria have been met, as described below. The Society bases its estimate of return on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

The Society recognises revenue from contracts with customers based on a five step model as set out in IFRS 15.

##### *Step 1 - Identify the contract(s) with a customer*

A contract is defined as an agreement between two or more parties that creates enforceable rights and obligations and sets out the criteria for each of those rights and obligations.

##### *Step 2 - Identify the performance obligations in the contract*

A performance obligation in a contract is a promise to transfer a good or service to the customer. The Society has determined that there is two distinct performance obligations in a shipment contract, being the goods promised to the customer and the delivery of the goods.

## Notes to the financial statements for the year ended 31 December 2021 (continued)

### 3. Summary of significant accounting policies (continued)

#### Revenue recognition (continued)

##### *Step 3 - Determine the transaction price*

Transaction price is the amount of consideration to which the Society expects to be entitled in exchange for transferring the promised goods or services to a customer, excluding amounts collected on behalf of third parties. The transaction price is determined net of returns, rebates, and discounts.

##### *Step 4 - Allocate the transaction price to the performance obligations in the contract*

For a contract that has more than one performance obligation, the Society will allocate the transaction price to each performance obligation in an amount that depicts the consideration to which the Society expects to be entitled in exchange for satisfying each performance obligation.

##### *Step 5 - Recognise revenue when (or as) the entity satisfies a performance obligation*

The Society recognises revenue at the point in time at which the performance obligation is satisfied.

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

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

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

The Society has assessed the above criteria and determined that it does not satisfy the criteria for recognising revenue over time, therefore revenue is recognised as below:

##### *Sales of goods - retail*

The Society operates a chain of retail outlets for selling consumer and durable goods. Sales of goods are recognised when the Society sells a product to the customer. Retail sales are usually in cash or by credit card.

#### Income from other operating activities

##### *(a) Rebate of target sales*

Rebate of target sales is the charge to suppliers for displaying goods for sale in branches. Rebate for target sales is recognised on straight line basis over the term of the display agreement.

##### *(b) Income from shop and play area rentals*

The Society has lease agreements for shops and play areas in its various branches and malls. The Society recognises income from shop rentals in line with IAS 17 "Leases". Income is recognised over the term of the lease agreement.

**Notes to the financial statements  
for the year ended 31 December 2021 (continued)****3. Summary of significant accounting policies (continued)****Income from other operating activities (continued)***(c) Commission income*

Income from commission from rented departments is a percentage of sales, mutually agreed by the Society and the tenants and to be paid to the Society for operating the departments inside Society branches. Income from commission from rented departments is recognised at the time the sale is made in the rented department.

*(d) Dividend income*

Dividend income is recognised when the right to receive payment is established.

*(e) Profit on investment deposits*

Profit on deposits is recognised using the effective interest method. When a loan and receivable is impaired, the Society reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loan and receivables is recognised using the original effective interest rate.

**Foreign currency translation***(a) Functional and presentation currency*

Items included in the financial statements are measured using the currency of the primary economic environment in which the Society operates ('the functional currency'). The financial statements are presented in UAE Dirhams ("AED"), which is the Society's functional and presentation currency.

*(b) Transactions and balances*

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of comprehensive income.

**Dividend distribution**

Provision is made for the amount of any dividend declared and being appropriately authorised and no longer at the discretion of the Society, on or before the end of the reporting period but not distributed at the end of the reporting period.

**Leases***The Society as lessee*

The Society assesses whether contract is or contains a lease, at inception of the contract. The Society recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets. For these leases, the Society recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Society uses its incremental borrowing rate.

## Notes to the financial statements for the year ended 31 December 2021 (continued)

### 3. Summary of significant accounting policies (continued)

#### Leases (continued)

##### *The Society as lessee (continued)*

Lease payments included in the measurement of the lease liability comprise: fixed lease payments (including in-substance fixed payments), less any lease incentives; variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date; the amount expected to be payable by the lessee under residual value guarantees; the exercise price of purchase options, if the lessee is reasonably certain to exercise the options; and payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease. The lease liability is presented as a separate line item in the statement of financial position.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using effective interest method) and by reducing the carrying amount to reflect the lease payments made.

The Society re-measures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

The lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the lease liability is re-measured by discounting the revised lease payments using a revised discount rate.

The lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is re-measured by discounting the revised lease payments using the initial discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used).

A lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is re-measured by discounting the revised lease payments using a revised discount rate.

The Society did not make any such adjustments during the periods presented.

The right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use of asset reflects that the Society expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

The right-of-use of assets are presented as a separate line in the statement of financial position.

The Society applies IAS 36 to determine whether a right-of-use asset is impaired and accounts for an identified impairment loss as described in the 'Property, plant and equipment' policy.

Variable rents that do not depend on an index or rate are not included in the measurement of the lease liability and the right-of-use asset. The related payments are recognised as an expense in the period in which the event or condition that triggers those payments occurs and are included in the line 'Other expenses' in the statement of profit or loss.

As a practical expedient, IFRS 16 permits a lessee not to separate non-lease components, and instead account for any lease and associated non-lease components as a single arrangement. The Society has not used this practical expedient.

## Notes to the financial statements for the year ended 31 December 2021 (continued)

### 3. Summary of significant accounting policies (continued)

#### Leases (continued)

##### *The Society as lessor*

The Society enters into lease agreements as a lessor with respect to some of its investment properties. The Society also rents equipment to retailers necessary for the presentation and customer fitting and testing of footwear and equipment manufactured by the Society.

Leases for which the Society is a lessor are classified as finance or operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases.

When the Society is an intermediate lessor, it accounts for the head lease and the sublease as two separate contracts. The sublease is classified as a finance or operating lease by reference to the right-of-use asset arising from the head lease.

##### *The Society as lessor*

Amounts due from lessees under finance leases are recognised as receivables at the amount of the Society's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Society's net investment outstanding in respect of the leases.

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term

##### *The Society as lessee*

Assets held under finance leases are initially recognised as assets of the Society at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

#### **Financial risk management**

##### *Financial risk factors*

The Society's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, price risk and cash flow and fair value interest rate risk), credit risk and liquidity risk. The Society's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Society's financial performance.

##### *(a) Market risk*

##### *(i) Foreign exchange risk*

Foreign exchange risk arises when future commercial transactions or recognised assets or liabilities are denominated in a currency that is not the entity's functional currency. The Society has minimal foreign currency exposure, since all major transactions are denominated in UAE Dirham ('AED').

##### *(ii) Price risk*

Price risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices, whether those changes are caused by factors specific to the individual instrument or its issuer or factors affecting all the instruments traded in the market. The Society has no significant exposure to price risk, since its purchases are based on prices predetermined with the suppliers.

**Notes to the financial statements  
for the year ended 31 December 2021 (continued)**

**3. Summary of significant accounting policies (continued)**

**Financial risk management (continued)**

*Financial risk factors (continued)*

*(a) Market risk (continued)*

*(iii) Cash flow and fair value interest rate risk*

The Society is exposed to interest rate risk on its interest bearing assets. Short-term deposits at variable rates expose the Society to cash flow interest rate risk.

The table indicates the interest rate exposure on short-term deposits with variable interest rates at 31 December 2021 and 2020. The analysis calculates the effect on the statement of comprehensive income of a reasonably possible movement in interest rate:

	<b>2021</b>	2020
	<b>AED</b>	AED
<i>Interest income</i>		
+ 100 basis points	<b>3,669,881</b>	6,284,250
-100 basis points	<b>(3,669,881)</b>	(6,284,250)

*(b) Credit risk*

Credit risk is the risk of financial loss to the Society if a customer or counterparty to a financial instrument fails to meet its contractual obligations. Credit risk arises from credit exposure to customers, due from a related party, short-term deposits and cash and cash equivalents.

The maximum exposure to credit risk at the reporting date represented by the carrying amounts of the financial assets classified as 'loans and receivables' is set out below:

	<b>2021</b>	2020
	<b>AED</b>	AED
Trade and other receivables (excluding prepayments and advance to suppliers)	<b>93,791,821</b>	87,296,312
Due from a related party	<b>36,960</b>	900
Short-term deposits	<b>366,988,175</b>	628,425,012
Cash and cash equivalents	<b>190,626,670</b>	167,860,955
	<b>651,443,626</b>	883,583,179

Management does not expect any losses from non-performance of the carrying amounts of the financial assets. The credit quality of trade receivables is disclosed in Note 13.

Banking transactions are limited to branches of local commercial banks.

**Notes to the financial statements  
for the year ended 31 December 2021 (continued)**

**3. Summary of significant accounting policies (continued)**

**Financial risk management (continued)**

*Financial risk factors (continued)*

*(b) Credit risk (continued)*

The table below shows the credit quality of cash and bank balances and short-term deposits with external counterparties at the statement of financial position date:

	<b>2021</b>	2020
	<b>AED</b>	AED
<i>Cash at bank with credit rating (Moody's)</i>		
A1	<b>186,148,528</b>	162,834,560
A2	<b>50,459</b>	264,333
A3	<b>37,369</b>	638,561
	<hr/>	<hr/>
Total (excluding cash in hand)	<b>186,236,356</b>	163,737,454
	<hr/> <hr/>	<hr/> <hr/>
<i>Short-term deposits with credit rating (Moody's)</i>		
A1	<b>16,988,175</b>	33,425,012
A2	<b>200,000,000</b>	250,000,000
A3	<b>150,000,000</b>	295,000,000
Not rated	-	50,000,000
	<hr/>	<hr/>
Total	<b>366,988,175</b>	628,425,012
	<hr/> <hr/>	<hr/> <hr/>

*(c) Liquidity risk*

Prudent liquidity risk management implies maintaining sufficient cash and the availability of funding through an adequate amount of committed credit facilities. The Society maintains flexibility in funding by keeping committed credit lines available.

The contractual cash flows for Society's financial liabilities equal their carrying balances as the impact of discounting is not significant.

*(d) Capital risk management*

The Society's objectives when managing capital are to safeguard the Society's ability to continue as a going concern in order to provide returns to its shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Society may adjust the amount of dividends paid to shareholders.

The Society does not have any debt at the statement of financial position date and hence is not geared.

**Notes to the financial statements  
for the year ended 31 December 2021 (continued)**

**4. Critical accounting estimates and judgements**

Estimates and judgements 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.

*Critical accounting estimates and assumptions*

The Society's management makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. 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.

*(a) Depreciation of property, equipment and investment properties*

Management assigns the useful life and the residual values of the property, equipment and investment properties based on its intended use of assets and economies of the lives of those assets. Subsequent changes in the circumstances such as technological advances or prospective utilisation of the assets concerned could result in the actual useful lives or residual value differing from initial estimate. When the management determines that the useful life of the asset Society or the residual value of the asset requires amendment, the net book amount in excess of the residual value is depreciated over the revised remaining useful life. Management has reviewed the residual values and useful lives of the major items of property, equipment and investment properties and determined that no adjustment is necessary.

*(b) Incremental borrowing rate*

The Company's Management determines the present value of future lease payments by discounting using incremental borrowing rate ("IBR") determined by the Company. In order to determine the IBR the Company used the borrowing rate of the overdraft facility. The average weighted IBR applied during the transition is 3%.

*(c) Determining the lease term*

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated).

**Notes to the financial statements  
for the year ended 31 December 2021 (continued)**

**5. Property and equipment**

	<b>Land AED</b>	<b>Buildings AED</b>	<b>Computer hardware AED</b>	<b>Motor vehicles AED</b>	<b>Furniture and fixtures AED</b>	<b>Equipment and tools AED</b>	<b>Capital work-in- progress AED</b>	<b>Total AED</b>
<i>Cost</i>								
At 31 December 2019	1,173,216,581	589,740,476	22,108,814	12,466,139	19,224,894	141,546,215	291,120,114	2,249,423,236
Additions	10,739,517	2,094,580	2,387,579	1,751,030	1,355,419	9,685,310	192,610,779	220,624,214
Transfers (Note 7)	-	364,287,334	1,171,712	1,645,000	3,201,200	13,276,018	(383,585,498)	(4,234)
Transfer to Investment property (Note 6)	-	(127,577,271)	-	-	-	-	-	(127,577,271)
Disposals	-	(82,933)	(657,780)	(501,450)	(63,343)	(222,495)	-	(1,528,001)
At 31 December 2020	1,183,956,098	828,462,186	25,010,325	15,360,719	23,718,170	164,285,048	100,145,398	2,340,937,944
Additions	-	12,948,174	1,695,297	1,604,500	4,070,745	16,998,827	125,760,559	163,078,102
Transfers (Note 7)	-	98,441,122	665,426	949,500	200,707	4,077,098	(104,340,446)	(6,593)
Transfer to Investment property (Note 6)	-	(4,301,672)	-	-	-	-	-	(4,301,672)
Disposals	-	-	(145,251)	(274,500)	(1,013,919)	(3,139,826)	-	(4,573,496)
<b>At 31 December 2021</b>	<b>1,183,956,098</b>	<b>935,549,810</b>	<b>27,225,797</b>	<b>17,640,219</b>	<b>26,975,703</b>	<b>182,221,147</b>	<b>121,565,511</b>	<b>2,495,134,285</b>
<i>Accumulated depreciation</i>								
At 31 December 2019	-	201,718,934	16,928,456	10,340,205	11,959,955	92,412,011	-	333,359,561
Charge for the year (Note 28)	-	10,597,644	2,446,512	936,602	3,500,327	11,002,787	-	28,483,872
Disposals	-	(22,288)	(657,426)	(501,450)	(56,407)	(210,421)	-	(1,447,992)
At 31 December 2020	-	212,294,290	18,717,542	10,775,357	15,403,875	103,204,377	-	360,395,441
Charge for the year (Note 28)	-	15,125,174	2,517,937	1,211,648	3,928,211	13,130,754	-	35,913,724
Disposals	-	-	(144,690)	(274,500)	(965,952)	(3,119,276)	-	(4,504,418)
<b>At 31 December 2021</b>	<b>-</b>	<b>227,419,464</b>	<b>21,090,789</b>	<b>11,712,505</b>	<b>18,366,134</b>	<b>113,215,855</b>	<b>-</b>	<b>391,804,747</b>
<i>Net carrying amount</i>								
<b>At 31 December 2021</b>	<b>1,183,956,098</b>	<b>708,130,346</b>	<b>6,135,008</b>	<b>5,927,714</b>	<b>8,609,569</b>	<b>69,005,292</b>	<b>121,565,511</b>	<b>2,103,329,538</b>
At 31 January 2020	1,183,956,098	616,167,896	6,292,783	4,585,362	8,314,295	61,080,671	100,145,398	1,980,542,503

**Notes to the financial statements  
for the year ended 31 December 2021 (continued)**

**5. Property and equipment (continued)**

- a) Certain buildings of the Society are constructed on plots of land granted by H.H. Ruler of Dubai. These plots of land are recorded in the Society's books at nominal value of AED 1. The value of other plots of land carried at cost represents the value of plots purchased in Muhaisanah, Umm Suqeim, Jumeirah, Hamriya, Warqa, Al Nahda, Al Habyah First, Khawaneej in Dubai, Al Aweer First, and Maydan land.
- b) Capital work in progress primarily represents the costs incurred by the Society for construction of new shopping Centre in Jumeirah, Barsha 3, Habya, Nahda, and Barsha south.
- c) As at 31 December 2021, the Society transferred buildings amounting to AED 4,301,672 (2020 – AED 127,577,271) from property and equipment to investment properties (Note 6)
- d) Capital work in progress addition during the year includes capitalization of employee cost of AED 20,852,873 (2020 – AED 11,761,128)

**6. Investment properties**

	<b>Buildings AED</b>	<b>Total AED</b>
<i>Cost</i>		
At 31 December 2019	350,481,397	350,481,397
Additions	2,073,948	2,073,948
Transfer from property and equipment (Note 5)	127,577,271	127,577,271
Disposals	(82,117)	(82,117)
At 31 December 2020	480,050,499	480,050,499
Additions	3,816,113	3,816,113
Transfer from property and equipment (Note 5)	4,301,672	4,301,672
<b>At 31 December 2021</b>	<b>488,168,284</b>	<b>488,168,284</b>
<i>Accumulated depreciation</i>		
31 December 2019	112,867,770	112,867,770
Charge for the year (Note 28)	10,493,261	10,493,261
Disposals	(22,069)	(22,069)
31 December 2020	123,338,962	123,338,962
Charge for the year (Note 28)	14,884,792	14,884,792
Disposals	-	-
<b>31 December 2021</b>	<b>138,223,754</b>	<b>138,223,754</b>
<i>Net book amount</i>		
<b>At 31 December 2021</b>	<b>349,944,530</b>	<b>349,944,530</b>
At 31 December 2020	356,711,537	356,711,537

Shops and other areas held for long-term rental yields had been classified as investment properties.

**Notes to the financial statements  
for the year ended 31 December 2021 (continued)**

**6. Investment properties (continued)**

Income and expenses from investment properties:

	<b>2021</b>	2020
	<b>AED</b>	AED
Rental income	<b>116,464,469</b>	86,197,900
Direct expenses	<b>(71,053,698)</b>	(61,179,757)
Depreciation	<b>(14,884,792)</b>	(10,493,261)
	<b>30,525,979</b>	14,524,882

**7. Intangible assets**

	<b>2021</b>	2020
	<b>AED</b>	AED
<i>Computer software</i>		
<i>Cost</i>		
At 1 January	<b>16,021,110</b>	12,806,212
Additions	<b>3,436,239</b>	3,256,505
Transfer from capital work in progress (Note 5)	<b>6,593</b>	4,234
Disposals	<b>(55,659)</b>	(45,841)
<b>At 31 December</b>	<b>19,408,282</b>	16,021,110
<i>Accumulated amortisation</i>		
At 1 January	<b>10,548,178</b>	8,485,190
Charge for the year (Note 28)	<b>2,616,826</b>	2,108,829
Disposals	<b>(55,659)</b>	(45,841)
<b>At 31 December</b>	<b>13,109,345</b>	10,548,178
<i>Net carrying amount</i>		
<b>At 31 December</b>	<b>6,298,938</b>	5,472,932

**Notes to the financial statements  
for the year ended 31 December 2021 (continued)**

**8. Right of use asset**

	<b>Land AED</b>	<b>Buildings AED</b>	<b>Total AED</b>
<i>Cost</i>			
At 31 December 2019	6,077,770	136,221,148	142,298,918
Additions	35,457,580	5,328,006	40,785,586
Transfer	1,500,999	(1,500,999)	-
Disposals	-	(7,334,195)	(7,334,195)
	<hr/>	<hr/>	<hr/>
At 31 December 2020	43,036,349	132,713,960	175,750,309
Additions	-	53,400,954	53,400,954
Disposals	-	(10,064,688)	(10,064,688)
	<hr/>	<hr/>	<hr/>
<b>At 31 December 2021</b>	<b>43,036,349</b>	<b>176,050,226</b>	<b>219,086,575</b>
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
<i>Accumulated amortisation</i>			
At 1 January 2019	960,397	28,186,986	29,147,383
Transfer	270,242	(270,242)	-
Charge for the year	3,301,450	19,033,374	22,334,824
Disposals	-	(1,562,737)	(1,562,737)
	<hr/>	<hr/>	<hr/>
At 31 December 2020	4,532,089	45,387,381	49,919,470
Charge for the year	3,301,451	23,547,795	26,849,246
Disposals	-	(10,064,688)	(10,064,688)
	<hr/>	<hr/>	<hr/>
<b>At 31 December 2021</b>	<b>7,833,540</b>	<b>58,870,488</b>	<b>66,704,028</b>
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
<i>Net book amount</i>			
<b>At 31 December 2021</b>	<b>35,202,809</b>	<b>117,179,738</b>	<b>152,382,547</b>
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
At 31 December 2020	38,504,260	87,326,579	125,830,839
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

The Society has leased plots of land from the Government of Dubai that are renewable on an annual basis. The Society's management and board of directors are of the view that these plots of leasehold land will continue to be available to the Society in the foreseeable future.

**9. Investment in a joint venture**

On 30 June 2015, the Society has established a joint venture with Noor Awqaf LLC where the Society holds a 50% interest in the newly established entity.

The aforementioned partners jointly control fresh N 1, a limited liability Society registered in the UAE. The principal activity is establishing and managing grocery stores and supermarkets.

On 28 February 2019, it was agreed that Noor Awqaf LLC transfers 100% of its shares in the joint venture to Union coop and change the legal name to Mini coop.

On 31 December 2019, Union coop has decided to liquidate Mini coop and acquire all assets and liabilities, and recognise the loss of AED 4,594,082 and operate it as one of its branches.

**Notes to the financial statements  
for the year ended 31 December 2021 (continued)**

**10. Capital advances**

Capital advances represents cash paid as advance payments towards two projects in Al Warqa and Nad Al Sheba and the purchase of Land in Al Barsha south area and Warsan area, Al Bada and Barsha three projects, the risk and rewards have not been transferred to the Society as at 31 December 2021.

**11. Financial asset at fair value through other comprehensive income**

Financial asset at fair value through other comprehensive income represents an equity investment in 18,000 unquoted shares for a par value of AED 100 per share (2020: 18,000 unquoted shares for a par value of AED 100 per share) in the Consumer Co-operative Union. The cost of these shares when initially acquired were AED 500,000. The investment is recorded at cost since its fair value cannot be measured reliably as the shares are not actively traded, there is no comparable asset with an active market and the investment is not material to these financial statements. The Society receives dividends from the Consumer Co-operative Union based on its shareholding and also based on the volume of business transactions (Refer to Notes 21 and 27). The percentage of ownership as at 31 December 2021 is 20% (2020: 20%).

**12. Inventories**

	<b>2021</b>	2020
	<b>AED</b>	AED
Goods for resale	<b>259,986,341</b>	250,131,161
Imported goods for sale	<b>9,020,133</b>	7,773,408
Less: provision for slow moving imported inventories	<b>(1,349,183)</b>	(797,484)
	<b>267,657,291</b>	257,107,085
Consumables	<b>6,580,402</b>	5,216,905
Goods in transit	<b>256,655</b>	11,252
	<b>274,494,348</b>	262,335,242

The cost of inventories recognised as expense and included in 'Cost of sales' amounted to AED 1,233,436,922 (2020: AED 1,471,020,501).

The movement in the provision for slow moving imported inventories is as follows:

	<b>2021</b>	2020
	<b>AED</b>	AED
At 1 January	<b>797,484</b>	814,117
Additions for the year	<b>620,985</b>	-
Write off for the year	<b>(69,286)</b>	(16,633)
<b>At 31 December</b>	<b>1,349,183</b>	797,484

The Society has the right to return or substitute the expired or slow moving good purchased from local suppliers, therefore the local inventory is not subject to impairment as per the agreements with the suppliers. This is only applicable for the local suppliers' purchases, however the imported goods are subject to impairment and are recognised initially at fair value and subsequently measured at net realisable value less provision for impairment of slow moving, obsolete, or damaged items.

**Notes to the financial statements  
for the year ended 31 December 2021 (continued)**

**13. Trade and other receivables**

	<b>2021</b>	2020
	<b>AED</b>	AED
Trade receivables	<b>29,657,201</b>	31,446,830
Less: provision for impairment	<b>(11,384,719)</b>	(9,140,537)
	<b>18,272,482</b>	22,306,293
Rent receivables	<b>18,597,319</b>	23,456,305
Accrued income on short-term deposits	<b>987,216</b>	3,028,072
Area development fund	<b>24,557,865</b>	20,571,644
Prepaid expenses	<b>14,276,734</b>	10,205,626
Advance to suppliers	<b>13,914,689</b>	13,246,101
Other receivables	<b>31,376,939</b>	17,933,998
	<b>121,983,244</b>	110,748,039

As of 31 December 2021, trade receivables of AED 8,262,525 (2020: AED 12,309,116) were fully performing.

As of 31 December 2021, trade receivables of AED 9,982,549 (2020: AED 9,997,177) were past due but not impaired. These relate to a number of independent receivables for whom there is no history of default.

The ageing analysis of the total trade receivables balance is as follows:

	<b>2021</b>	2020
	<b>AED</b>	AED
Over 3 months	<b>9,982,549</b>	9,997,177

As of 31 December 2021, trade receivables of AED 11,412,127 (2020: AED 9,140,537) aged over a year were impaired and fully provided for.

The other classes within trade and other receivables do not contain impaired assets.

The maximum exposure to credit risk at the reporting date is the carrying amount of each class of receivable mentioned above.

Trade and other receivables are denominated in AED and their fair value approximate their carrying amount less impairment. The Society does not hold any collateral as security.

Movements on the provision for impairment of trade receivables are as follows:

	<b>2021</b>	2020
	<b>AED</b>	AED
At 1 January	<b>9,140,537</b>	6,845,716
Charge for the year	<b>2,244,182</b>	2,294,821
At 31 December	<b>11,384,719</b>	9,140,537

**14. Short-term deposits**

Short-term deposits constitute investments with Islamic banks in fixed term deposits, which carry returns at an average rate of 1.43% (2020: 2.92%) per annum, have maturities of more than 3 months, and do not exceed one year.

**Notes to the financial statements  
for the year ended 31 December 2021 (continued)**

**15. Cash and cash equivalents**

	<b>2021</b>	2020
	<b>AED</b>	AED
Cash at bank	<b>186,236,356</b>	163,737,454
Cash on hand	<b>4,390,314</b>	4,123,501
	<b>190,626,670</b>	167,860,955

**16. Share capital**

	<b>Number of shares</b>	<b>Ordinary shares AED</b>
<i>Issued and fully paid-up shares of AED 10 each</i>		
At 1 January 2020	<b>176,413,814</b>	1,764,138,140
Issuance of bonus shares [Note 18(a)]	-	-
At 31 December 2020	<b>176,413,814</b>	1,764,138,140
Issuance of bonus shares [Note 18(a)]	-	-
<b>At 31 December 2021</b>	<b>176,413,814</b>	1,764,138,140

**17. Legal reserve**

According to article 44 (a) of the Society's Memorandum of Association and the requirements of UAE Federal Law No. 13 of 1976 pertaining to co-operative societies, a minimum of 20% of the net profit is allocated to a legal reserve. Such allocation may be ceased when the legal reserve equals to two times the paid-up share capital of the Society.

An amount of AED 82,637,747 (2020: AED 100,006,499) was transferred to the legal reserve during the year. The legal reserve amount for 2020 and 2019 was not approved by the shareholders during the annual general meeting held on 28 March 2021 and 25 March 2020 this was reversed in 2021 and 2020 respectively.

**18. Distributable profits**

The profit for the year ended 31 December 2020 and 2019 was appropriated as follows:

	<b>2020</b>	2019
	<b>AED</b>	AED
Area development fund [Note 18(b)]	<b>13,012,260</b>	27,112,133
Dividends paid [Note 18(c)]	<b>480,270,235</b>	479,016,094
Directors' remuneration [Note 18(d)]	<b>6,750,000</b>	6,750,000
	<b>500,032,495</b>	512,878,227

- a) No bonus shares were issued for 2021 and 2020.
- b) This represents the Society's contribution towards the social welfare of the community. The area improvement fund is determined pursuant to the Society's memorandum of association and the requirements of UAE Federal Law No. 13 of 1976 pertaining to co-operative societies and should not exceed 10% of the profit for the year.

**Notes to the financial statements  
for the year ended 31 December 2021 (continued)**

**18. Distributable profits (continued)**

c) Dividends paid to the shareholders were calculated as follows:

	<b>2020</b>	2019
	<b>AED</b>	AED
Return on share capital (2020: 24% and 2019: 24%)	<b>419,085,671</b>	421,607,250
Return on shareholders' purchases from the Society (2020: 6% and 2019: 6%)	<b>61,184,564</b>	57,408,844
	<b>480,270,235</b>	479,016,094

d) This represents Directors remuneration in respect of the year ended 31 December 2020 that was approved in 2021. This amount was paid to the Society's directors for serving on Board of Directors or any of its committees, for devoting special time and attention to the business or affairs of the Society and for otherwise performing services outside the scope of their ordinary activities. In accordance with bylaw 44 of the Society, directors' remuneration is approved at the Annual General Meeting following the year-end. Remuneration in respect of the current year has not been determined and approved.

e) The Board of Directors members were nine as at 31 December 2021 (2020: Nine).

**19. Treasury stock**

During 2021, Union coop has repurchased 62,000 shares of previously issued share capital for a total amount of 3,134,400, for an average cost per share of AED 50.70:

	<b>2021</b>	2020
<i><b>Outstanding number of shares</b></i>		
As of 1 January	<b>174,619,012</b>	175,669,674
Less: Treasury shares	<b>(62,000)</b>	(1,050,662)
<b>At 31 December</b>	<b>174,557,012</b>	174,619,012
<i><b>Outstanding value of shares</b></i>		
As of 1 January	<b>1,671,754,331</b>	1,724,77,306
Less: Treasury shares	<b>(3,143,400)</b>	(53,032,975)
<b>At 31 December</b>	<b>1,668,610,931</b>	1,671,754,331
Share capital	<b>1,764,138,140</b>	1,764,138,140
Treasury shares	<b>(95,527,209)</b>	(92,383,809)
<i><b>Outstanding value of shares</b></i>	<b>1,668,610,931</b>	1,671,754,331

**Notes to the financial statements  
for the year ended 31 December 2021 (continued)**

**20. Provision for employees' end of service benefits**

	<b>2021</b>	2020
	<b>AED</b>	AED
At 1 January	<b>58,359,585</b>	53,236,395
Charge for the year (Note 29)	<b>29,194,103</b>	6,754,735
Payments	<b>(4,723,146)</b>	(1,631,545)
<b>At 31 December</b>	<b>82,830,542</b>	58,359,585

Provision for employees' end-of-service indemnity is made in accordance with U.A.E. Labour Law and is based on the current remuneration and cumulative years of service at the reporting date.

During the year, the Board of Directors approved the memorandum of end-of-service gratuity for UAE national employees whose total salaries exceeded the maximum contribution account salary of AED 50,000, which resulted in an increase in the provision by AED 22,035,100.

**21. Long term liability**

This balance represents post-dated cheques issued toward a purchase of land in Al Barsha south and Warsan, which will be paid in 2023 till 2025, and fees to the Roads and Transport Authority for the issuance of a report on the impact of traffic, which will be paid in 2023:

	<b>2021</b>	2020
	<b>AED</b>	AED
<i>Post-dated cheques payable</i>		
MERAAS Real Estates LLC	<b>9,112,146</b>	30,420,094
Roads and Transportation Authority ("RTA")	<b>855,000</b>	1,710,000
	<b>9,967,146</b>	32,130,094

**22. Trade and other payables**

	<b>2021</b>	2020
	<b>AED</b>	AED
Trade payables	<b>214,383,038</b>	215,849,899
Provision for staff benefits	<b>77,127,041</b>	70,987,662
Capital liabilities	<b>22,162,948</b>	23,716,051
Advance receipts	<b>7,729,393</b>	13,659,729
Retentions payable	<b>28,906,537</b>	33,620,480
Accruals	<b>7,083,680</b>	6,110,456
Unearned income	<b>14,388,791</b>	8,694,669
Other payables	<b>59,469,154</b>	64,306,358
	<b>431,250,582</b>	436,945,304

**Notes to the financial statements  
for the year ended 31 December 2021 (continued)**

**23. Related party transactions and balances**

Related parties comprise the Society's directors, joint venture and other businesses over which the members have the ability to control or exercise significant influence over their financial and operating decisions ("affiliates") and key management personnel.

*(a) Related party transactions*

During the year, the following significant transactions were carried out with related parties at mutually agreed terms and conditions:

	<b>2021</b>	2020
	<b>AED</b>	AED
Purchases of goods from Consumer Co-operative Union-affiliate	<b>19,775,414.82</b>	23,761,768
Dividend income from Consumer Co-operative Union-affiliate (Note 30)	<b>974,564</b>	942,518
Sale of goods to directors	<b>448,736</b>	554,784
Directors' remuneration	<b>6,750,000</b>	6,750,000
<i>Key management remuneration:</i>		
Salaries	<b>17,778,994</b>	16,817,389
Short-term employment benefits	<b>940,431</b>	930,199
Provision for end of service benefits*	<b>17,965,290</b>	1,090,211
Contribution paid to social security scheme	<b>525,000</b>	525,000
	<b>37,209,715</b>	19,362,799

\*Out of AED 17.9 million, AED 8.6 million capitalised in Capital work in process.

*(b) Related party balances*

The Society maintains significant balances with related parties which arise in the normal course of business from transactions that are carried out at terms mutually agreed between the parties:

	<b>2021</b>	2020
	<b>AED</b>	AED
<i>Due to a related party</i>		
Consumer Co-operative Union - affiliate	<b>1,491,467</b>	1,805,284
<i>Due from a related party</i>		
Umm Al Quwain Market Cooperative	<b>36,960</b>	900

**24. Revenue**

	<b>2021</b>	2020
	<b>AED</b>	AED
Sale of goods	<b>2,064,689,939</b>	2,301,489,420
Discounts	<b>(68,411,852)</b>	(57,405,872)
	<b>1,996,278,087</b>	2,244,083,548

**Notes to the financial statements  
for the year ended 31 December 2021 (continued)**

**25. Cost of sales**

	<b>2021</b>	2020
	<b>AED</b>	AED
Cost of goods	<b>1,876,760,566</b>	2,070,405,733
Discounts	<b>(190,177,061)</b>	(173,164,891)
Net cost of goods	<b>1,686,583,505</b>	1,897,240,842
Rebate of target sales	<b>(453,146,583)</b>	(426,220,341)
	<b>1,233,436,922</b>	1,471,020,501

**26. Income from other operating activities**

	<b>2021</b>	2020
	<b>AED</b>	AED
Income from shop rentals	<b>115,785,679</b>	85,631,216
Income from commission on sales from speciality department	<b>45,668,073</b>	50,075,612
Income from play area rentals	<b>678,790</b>	566,684
	<b>162,132,542</b>	136,273,512

Commission on specialty departments' sales represents commission earned on sales made by specialty departments by third parties. Specialty department sales amounted to AED 205,029,184 (2020: AED 238,813,832). Commission rates are between 20% to 25%.

**27. Other income**

	<b>2021</b>	2020
	<b>AED</b>	AED
Listing Fees	<b>18,739,882</b>	17,414,231
Supplier contributions towards promotions	<b>12,075,222</b>	23,026,778
Advertisements and special offers income	<b>9,434,063</b>	15,890,630
Speciality departments service fees	<b>6,125,766</b>	5,692,840
Supplier registration fees	<b>1,900,201</b>	2,212,623
Gain on disposal of property and equipment and investment properties	<b>408,886</b>	141,751
Management fees and expense charges [Note 27(a)]	<b>551,749</b>	348,558
Miscellaneous income	<b>9,228,219</b>	15,182,930
	<b>58,463,988</b>	79,910,341

- a) In 2018, Union Coop has entered into an operating and management agreement with Umm Al Quwain Coop, where 2% service fees has been charged by Union Coop to Umm Al Quwain Coop for pre-operating expenses.

**Notes to the financial statements  
for the year ended 31 December 2021 (continued)**

**28. General and administrative expenses**

	<b>2021</b>	2020
	<b>AED</b>	AED
Staff costs [Note 29(a)]	<b>278,770,290</b>	251,783,552
Utilities	<b>66,682,050</b>	56,746,916
Depreciation [Notes 5 and 6]	<b>50,798,516</b>	38,977,133
Depreciation- Right of use [Note 8]	<b>26,849,246</b>	22,334,824
Repair and maintenance	<b>12,787,318</b>	10,948,635
Government fees and subscriptions	<b>10,126,928</b>	8,640,634
Insurance	<b>10,052,573</b>	8,913,000
Consumables	<b>7,748,566</b>	5,441,728
Cleaning services	<b>7,707,349</b>	5,859,225
Professional fees	<b>5,714,052</b>	2,987,400
Rent	<b>3,191,892</b>	3,377,414
Amortisation [Note 7]	<b>2,616,826</b>	2,108,829
Transportation	<b>2,017,048</b>	1,788,678
Security services	<b>1,164,139</b>	1,341,428
Other expenses	<b>11,646,413</b>	9,353,636
	<b>497,873,206</b>	430,603,032

**29. Selling and distribution expenses**

	<b>2021</b>	2020
	<b>AED</b>	AED
Promotion and advertisement	<b>28,582,914</b>	27,560,166
Loyalty card redemption*	<b>22,774,870</b>	20,705,721
Credit card charges	<b>14,550,725</b>	16,563,586
Staff costs [Note 29(a)]	<b>4,991,329</b>	5,727,280
Consumables	<b>4,596,162</b>	4,913,993
	<b>75,496,000</b>	75,470,746

*\*This represents the expenses incurred on the customers` loyalty card redemption in accordance with its terms.*

**(a) Staff costs**

	<b>2021</b>	2020
	<b>AED</b>	AED
Salaries and wages	<b>243,735,878</b>	230,169,117
Other benefits	<b>61,701,978</b>	60,441,923
End of service benefits (Note 20)	<b>29,804,550</b>	7,824,377
	<b>335,242,406</b>	298,435,417
<i>Staff costs are included in:</i>		
General and administrative expenses (Note 28)	<b>278,762,848</b>	251,783,552
Selling and distribution expenses (Note 29)	<b>4,991,329</b>	5,727,280
Cost of sales	<b>30,635,356</b>	29,163,457
Capitalised work in progress	<b>20,852,873</b>	11,761,128
	<b>335,242,406</b>	298,435,417

**Notes to the financial statements  
for the year ended 31 December 2021 (continued)**

**30. Finance income, net**

	<b>2021</b>	2020
	<b>AED</b>	AED
Profit on short-term deposits	<b>5,238,419</b>	18,322,964
Dividend income from Consumer Co-operative Union (Note 23)	<b>974,564</b>	942,518
Finance cost - lease liability	<b>(3,092,739)</b>	(2,406,109)
	<b>3,120,244</b>	16,859,373

**31. Commitments and contingencies**

	<b>2021</b>	2020
	<b>AED</b>	AED
Capital commitments	<b>259,523,549</b>	240,020,444
Letters of credit	<b>1,286,892</b>	6,954,310
Letters of guarantee	<b>2,034,958</b>	2,034,958

**32. Financial instruments by category**

	<b>2021</b>	2020
	<b>AED</b>	AED
Financial asset at fair value through other comprehensive income	<b>500,000</b>	500,000
<b><i>Financial assets - Amortised cost</i></b>		
Trade receivables and other receivables (excluding prepayments and advance to suppliers)	<b>93,791,821</b>	87,296,312
Due from a related party	<b>36,960</b>	900
Short-term deposits	<b>366,988,175</b>	628,425,012
Cash and cash equivalents	<b>190,626,670</b>	167,860,955
	<b>651,443,626</b>	883,583,179
<b><i>Financial liabilities - Other financial liabilities</i></b>		
Long term liabilities	<b>122,132,240</b>	120,057,587
Trade and other payables (excluding unearned income)	<b>416,861,791</b>	428,250,635
Due to a related party	<b>1,491,467</b>	1,805,284
	<b>540,485,498</b>	550,113,506

Prepayments of AED 14,276,734 (2020: AED 10,205,626) have been excluded.

**Notes to the financial statements  
for the year ended 31 December 2021 (continued)**

**33. Lease liability**

	<b>2021</b>	2020
	<b>AED</b>	AED
At 1 January	<b>105,847,193</b>	96,445,518
Additions	<b>53,400,954</b>	29,065,067
Accretion of interest	<b>3,092,739</b>	2,406,109
Payments	<b>(24,625,730)</b>	(22,069,501)
	<hr/>	<hr/>
At 31 December	<b>137,715,156</b>	105,847,193
	<hr/> <hr/>	<hr/> <hr/>
<i>Break-up is as follows:</i>		
Current	<b>25,550,062</b>	17,919,700
Non-current	<b>112,165,094</b>	87,927,493
	<hr/>	<hr/>
	<b>137,715,156</b>	105,847,193
	<hr/> <hr/>	<hr/> <hr/>

**34. Covid-19**

On 11 March 2020, COVID-19 was declared as pandemic by the World Health Organisation and is causing disruptions to businesses and economic activities. The Society is closely monitoring as the situation progresses and has activated its business continuity planning and other risk management practices to manage the potential business operations disruption and financial performance.

COVID-19 has brought about uncertainties in the global economic environment. In light of the rapidly escalating situation, the Society has considered whether any adjustments and changes in judgments, estimates and risk management are required to be considered and reported in the financial statements. The Society's business operations remain largely unaffected by the current situation. Key assumptions about the future and other key sources of estimation are disclosed in the note 4 of the financial statements.

**35. Approval of financial statements**

The financial statements were approved by the board of directors and authorised for issue on 28 February 2022.