

**GENERAL HOLDING  
CORPORATION PJSC (SENAAT)**

**Reports and consolidated  
financial statements for the  
year ended 31 December 2020**

## **GENERAL HOLDING CORPORATION PJSC (SENAAT)**

### **Reports and consolidated financial statements for the year ended 31 December 2020**

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**Report of the Board of Directors  
 for the year ended 31 December 2020**

The Directors have pleasure in submitting their report, together with the audited consolidated financial statements of General Holding Corporation PJSC (SENAAT) (“SENAAT” or “the Company”) and its subsidiaries, collectively referred to as (“the Group”), for the year ended 31 December 2020.

**Nature of the Business**

SENAAT is one of the largest industrial conglomerates in the UAE, managing industrial assets for the Abu Dhabi Government and employing thousands of people across the Group. SENAAT is seen as a key driver for realising the vision of Abu Dhabi’s leadership to diversify the Emirate’s economy away from its traditional reliance on the hydrocarbon sector. SENAAT contributes to the creation of national assets and skill-intensive jobs by developing strong and profitable industrial capabilities from a leading position in the metals, oil and gas services, building materials and food and beverage sectors.

During 2020, pursuant to Law No (02) of 2018 and Executive Council Resolution No. (33) of 2020, the ownership of the Company was transferred from the Government of Abu Dhabi to Abu Dhabi Developmental Holding Company PJSC (“ADQ”), which became the Parent company. ADQ’s ultimate owner is the Government of Abu Dhabi.

**2020 Results of Operations and Financial Position**

<i>AED millions</i>	<b>2020</b>	<b>2019</b>
<b>Revenue</b>	<b>12,753</b>	15,750
<b>EBITDA*</b>	<b>(375)</b>	2,007
<b>EBITDA Margin</b>	<b>(2.9%)</b>	12.7%
<b>(Loss)/profit for the year (Net)*</b>	<b>(1,726)</b>	645
<b>Net (loss)/profit margin</b>	<b>(13.5%)</b>	4.1%
<b>Total Assets</b>	<b>25,355</b>	27,466
<b>Net Borrowings</b>	<b>5,181</b>	4,911
<b>Equity</b>	<b>12,923</b>	14,891

\*During the year, SENAAT recognised impairment loss on non-financial assets of AED 1,195 million which resulted in negative EBITDA of AED 375 million and total losses of AED 1,726 million for the Group.

During the year, due to onset of COVID 19, the operations have been impacted across the Group which led to lower revenues and EBITDA resulting to loss for the year.

Group revenue reduced by 19% in 2020 and EBITDA declined by 119%. During the year, revenue from Oil and gas contracting companies decreased by AED 1.6 billion, revenue for Steel industries reduced by AED 1.2 billion, and revenue for building material reduced by AED 74 million.

**Report of the Board of Directors  
 for the year ended 31 December 2020 (continued)**

**Alternative Performance Measures**

The below includes certain non-IFRS measures which constitute Alternative Performance Measures ("APMs"). Although not defined in accordance with IFRS, SENAAT believes that such measures provide useful supplementary information to shareholders, investors, security analysts and other interested parties, as supplemental measures of the Group's operating performance and financial position.

Definitions, method of calculation and reconciliation to financial statement line item of critical performance measures are listed below:

<b>Measure</b>	<b>Definition, method of calculation and reconciliation to financial statement line item</b>
Net debt	It is calculated as debt minus cash and bank balances.
EBITDA	EBITDA is derived by adding back Income tax expense, Finance costs (net) and Depreciation and amortisation to (loss)/profit for the year.

There are certain limitations of using EBITDA as a financial measure, in particular:

- it does not reflect the Group's cash expenditures or future requirements for capital expenditure or contractual commitments;
- it does not reflect changes in, or cash requirements for, the Group's working capital needs; and
- although depreciation and amortisation are non-cash charges, the assets being depreciated and amortised will often have to be replaced in the future, and the measure does not reflect any cash requirements for such replacement.

**Report of the Board of Directors  
 for the year ended 31 December 2020 (continued)**

**Alternative Performance Measures (continued)**

<b>Measure</b>	<b>Definition, method of calculation and reconciliation to financial statement line item</b>
Return on assets	Calculated as profit for the year divided by total assets as at the end of the year.
Return on average equity	Calculated as profit for the year divided by average equity with the average being calculated based on the balances at the start and end of each year.
Current ratio	Calculated as current assets divided by current liabilities.
Debt to equity	Calculated as total loans and borrowings divided by total equity.
Net debt to equity	Calculated as net debt divided by total equity.

*Assets*

The Group's total assets were AED 25.4 billion (2019: AED 27.5 billion).

*Gearing*

The Group's gearing position deteriorated with Debt to Equity at 0.54x (2019 0.48x) and Net Debt to Equity 0.40x (2019: 0.33x).

*Liquidity*

The liquidity position continues to be strong with total cash at AED 1.8 billion (2019: AED 2.2 billion) and a current ratio of 1.53x at year-end 2020 (year-end 2019: 1.26x).

*Return on Capital*

The large impairment losses recognised by the Group, in addition to the difficult market condition experienced in 2020, resulted in a negative Return on Equity of (13.36%) as compared to a positive Return on Equity of 4.4% in 2019. Due to the same reasons SENAAT generated a negative Return on Assets of (6.8%) compared to a positive Return on Assets of 2.3% in 2019.

**Report of the Board of Directors  
for the year ended 31 December 2020 (continued)**

**Board of Directors**

The Directors who held office during the year were:

H.E. Khalifa S. Alsuwaidi	Chairman
Dr. Jacob Barend	Member
Marcos De Quadros	Member
Nabeel Qadir	Member
Amna Al Zaabi	Member

**Future Outlook**

SENAAT has laid a solid foundation for future growth and will continue to achieve its overall objective of developing the industrial sector in the Emirate of Abu Dhabi. Our future strategy is to continue to add value to our portfolio companies while seeking to continue to invest in key industrial sectors.

For and on behalf of the Board of Directors of General Holding Corporation PJSC (SENAAT)

**H.E. Khalifa S. Alsuwaidi**  
Chairman

## INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDER OF GENERAL HOLDING CORPORATION PJSC (SENAAT)

### REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

#### Opinion

We have audited the consolidated financial statements of General Holding Corporation PJSC (SENAAT) (“the Company”), and its subsidiaries (together “the Group”) which comprise the consolidated statement of financial position as at 31 December 2020, and the consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the 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 (‘IFRSs’).

#### Basis for Opinion

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

#### Key Audit Matters

The key audit matters are the matters that, in our professional judgment, was of most significance in our audit of the consolidated financial statements of the current period. This matter was 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.

**INDEPENDENT AUDITOR’S REPORT TO THE SHAREHOLDER OF  
GENERAL HOLDING CORPORATION PJSC (SENAAT) (continued)**

**Key audit matters (continued)**

<b>Key audit matters</b>	<b>How our audit addressed the key audit matters</b>
<p><b><i>Goodwill impairment</i></b></p> <p>As of 31 December 2020, the carrying value of goodwill amounted to AED 198,809 thousand, or 0.7% of total assets, as disclosed in Note 6.</p> <p>In accordance with IAS 36 <i>Impairment of Assets</i>, the Group is required to test goodwill for impairment at least annually irrespective of whether there is any indication of impairment.</p> <p>An impairment is recognized when the recoverable amount is less than the net carrying amount in accordance with IAS 36, as described in Note 3 to the consolidated financial statements. The determination of the recoverable amount is value-in-use derived from a discounted cash flow model, which was based on the most recent formal business plan prepared by the Group’s management and included the effects of the Covid-19 global pandemic.</p> <p>We considered the impairment of goodwill to be a key audit matter, given the method for determining the recoverable amount and the significance of the account in the Group’s consolidated financial statements. In addition, the recoverable amounts are based on discounted future cash flow projections, which require an estimate of the discount rates and long-term growth rates to be made by management.</p>	<p>We have familiarized ourselves with the process implemented by the Group to determine the recoverable amount of goodwill regrouped in Cash-Generating Units (CGU). Our work consisted of:</p> <ul style="list-style-type: none"> <li>• evaluating the design and implementation of controls over the Group’s testing of goodwill for impairment;</li> <li>• assessing the principles and methods used for determining the recoverable amount of the CGU to which the goodwill is allocated and assessing that the methods used are in accordance with the requirement of IAS 36;</li> <li>• reconciling the net carrying amount of the goodwill allocated to the CGU tested with the Group’s accounting records;</li> <li>• engaging our internal valuation specialist to assess the discount rate applied by benchmarking against independent data, testing the source information underlying the determination of the discount rate and the mathematical accuracy of the calculation and developing a range of independent estimates and comparing those to the discount rate selected by management;</li> <li>• corroborating by interviews with management the main assumptions on which budget estimates underlying the cash flows used in the valuation models are based, including those which have been impacted by the Covid-19 global pandemic. For this purpose, we have also compared the estimates of cash flow projections of previous periods with actual corresponding results, to assess management’s historical accuracy in making forecasts;</li> <li>• performing sensitivity analyses and comparing the results to the sensitivity analyses performed by management; and</li> <li>• verifying the mathematical accuracy of the valuations used by the Group.</li> </ul> <p>We also assessed the appropriateness of the disclosures to the consolidated financial statements relating to this matter against the requirements of IFRSs.</p>

**INDEPENDENT AUDITOR’S REPORT TO THE SHAREHOLDER OF  
GENERAL HOLDING CORPORATION PJSC (SENAAT) (continued)**

**Key audit matters (continued)**

<b>Key audit matters</b>	<b>How our audit addressed the key audit matters</b>
<p><b><i>Impairment of property, plant and equipment</i></b></p> <p>As of 31 December 2020, the total carrying value of property, plant and equipment and right of use assets amounted to AED 12,208 million and AED 830 million respectively, or 51% of total assets, as disclosed in Notes 5 and 9.</p> <p>The evaluation of the recoverable amount of these assets requires significant judgement in determining the key assumptions supporting the expected future cash flows of the business and the utilisation of the relevant assets.</p> <p>Further, as a result of the COVID-19 pandemic, and other economic factors, demand for the Group’s products in both its regional and international markets was adversely impacted. As a consequence, decisions were taken to cease certain of the Group’s plants for the foreseeable future and to reduce production volumes in others.</p> <p>We have identified the impairment of property, plant and equipment as a key audit matter as there is no reliable basis to estimate the fair value of the plants within steel industries and the value in use is determined based on non-observable inputs and requires management to apply significant judgements and making significant estimates.</p> <p>As a result of the decisions to cease using certain assets for a foreseeable future and to reduce volumes in other plants the Group re-assessed the value in use of property, plant and equipment. Consequently, the Group has recognized an impairment loss of AED 1,079 million relating to property, plant and equipment and an impairment loss of AED 55 million related to the right of use assets arising from the associated land leases.</p>	<p>Our work consisted of, but was not limited to, the following:</p> <ul style="list-style-type: none"> <li>• evaluating the design and implementation of controls in this area.</li> <li>• with the assistance of our internal specialists, obtaining an understanding and reviewing the methodology and assumptions used in the valuation of the assets.</li> <li>• meeting with management to understand the valuation process adopted and to identify and challenge the critical judgment areas in the valuation model, including the changes made to the key assumptions arising from the impact of COVID-19.;</li> <li>• evaluating whether the model used by management to calculate the value in use of each CGU in accordance with the requirements of IAS 36;</li> <li>• obtaining and analysing the business plans provided by management for each subject asset to determine whether they are reasonable and supportable;</li> <li>• analysing the discount rates calculated by management and recalculating Weighted Average Cost of Capital independently; and reperforming the mathematical accuracy of the valuations, where applicable; performing sensitivity analysis over the key assumptions used by management to ascertain the extent of change in those assumptions that either individually or collectively would be required for an additional impairment charge. We also assessed the appropriateness of the disclosures to the consolidated financial statements relating to this matter against the requirements of IFRSs.</li> </ul>

**Other Information**

The Board of Directors is responsible for the other information. The other information comprises the Directors’ report, which we obtained prior to the date of this auditor’s report and the integrated report, which is expected to be made available to us after that date. The other information does not include the consolidated financial statements and our auditor’s report thereon.

## **INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDER OF GENERAL HOLDING CORPORATION PJSC (SENAAT) (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 or 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 on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

### **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 UAE Federal Law (2) of 2015, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risk, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than the one resulting from error, as fraud may involve collusion, forgery, intentional omission, misrepresentations, or the override of internal control.

## INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDER OF GENERAL HOLDING CORPORATION PJSC (SENAAT) (continued)

### Auditor's Responsibilities for the Audit of the Consolidated Financial Statements (consolidated)

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidenced 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 disclosure 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 represents 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, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law and regulations preclude 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.

## INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDER OF GENERAL HOLDING CORPORATION PJSC (SENAAT) (continued)

### REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Further, as required by the UAE Federal Law No. (2) of 2015, we report for the year ended 31 December 2020 that:

- We have obtained all the information we considered necessary for the purposes of our audit;
- The consolidated financial statements have been prepared and comply, in all material respects, with the applicable provisions of the UAE Federal Law No. (2) of 2015;
- The Group has maintained proper books of account;
- The financial information included in the Directors' report is consistent with the books of account of the Group;
- As disclosed in notes 3 and 9, the Group has not purchased or invested in shares during the year ended 31 December 2020;
- Note 32 to the consolidated financial statements discloses material related party transactions and the terms under which they were conducted; and
- Based on the information that has been made available to us nothing has come to our attention which causes us to believe that the Company has contravened during the financial year ended 31 December 2020 any of the applicable provisions of the UAE Federal Law No. (2) of 2015 or of its Articles of Association which would materially affect its activities or its financial position as at 31 December 2020.

Further, as required by the Resolution of the Chairman of the Abu Dhabi Accountability Authority No. (1) of 2017 pertaining to Auditing the Financial Statements of Subject Entities, we report that based on the procedures performed and information provided to us, nothing has come to our attention that causes us to believe that the Company has not complied, in all material respects, with any of the provisions of the following laws, regulations and circulars as applicable, which would materially affect its activities or the financial statements as at 31 December 2020:

- Law of establishment; and
- Relevant provisions of the applicable laws, resolutions and circulars organising the Company's operations.

Deloitte & Touche (M.E.)



Mohammad Khamees Al Tah  
Registration No. 717  
29 April 2021  
Abu Dhabi  
United Arab Emirates

**Consolidated statement of financial position  
as at 31 December 2020**

	Notes	2020 AED'000	2019* AED'000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	5	12,208,653	14,102,554
Intangible assets and goodwill	6	284,920	289,135
Investment properties	7	14,682	49,588
Right-of-use assets	8	830,007	953,013
Investments in equity accounted investees	9	1,430,057	1,481,951
Biological assets	10	-	45,293
Accounts and other receivables	11	50,981	7,587
		<hr/>	<hr/>
<b>Total non-current assets</b>		<b>14,819,300</b>	16,929,121
<b>Current assets</b>			
Inventories	12	2,433,535	2,549,942
Derivative financial instruments	23	7,174	5,625
Accounts and other receivables	11	6,342,483	5,798,963
Cash and bank balances	13	1,752,923	2,182,042
		<hr/>	<hr/>
<b>Total current assets</b>		<b>10,536,115</b>	10,536,572
		<hr/>	<hr/>
<b>Total assets</b>		<b>25,355,415</b>	27,465,693
		<hr/> <hr/>	<hr/> <hr/>

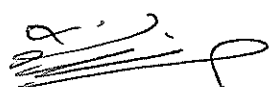
\* The comparative balances for 2019 has been reclassified as the Group has changed the presentation in the current year. The reclassification has been explained in note 36.

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

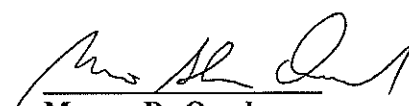
**Consolidated statement of financial position  
as at 31 December 2020 (continued)**

	Notes	2020 AED'000	2019* AED'000
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Share capital	14	2,000	2,000
Statutory reserve	15	1,000	1,000
Restricted reserve	15	628,286	626,528
Shareholder's contributions	17	1,321,824	1,513,327
Hedging reserve		(17,339)	(24,753)
Translation reserve		(39,271)	(34,051)
Other reserve		(10,011)	(8,566)
Retained earnings		8,404,772	10,154,354
<b>Equity attributable to owners of the Company</b>		<b>10,291,261</b>	<b>12,229,839</b>
Non-controlling interests		2,631,329	2,661,394
<b>Total equity</b>		<b>12,922,590</b>	<b>14,891,233</b>
<b>Non-current liabilities</b>			
Loans and borrowings	18	4,034,631	2,629,346
Lease liabilities	19	859,316	901,432
Government grants	20	26,329	38,800
Provision for end of service benefits	21	617,542	638,282
<b>Total non-current liabilities</b>		<b>5,537,818</b>	<b>4,207,860</b>
<b>Current liabilities</b>			
Loans and borrowings	18	2,899,590	4,464,768
Lease liabilities	19	58,920	41,697
Accounts and other payables	22	3,910,025	3,845,221
Derivative financial instruments	23	11,535	1,321
Government grants	20	14,937	13,593
<b>Total current liabilities</b>		<b>6,895,007</b>	<b>8,366,600</b>
<b>Total liabilities</b>		<b>12,432,825</b>	<b>12,574,460</b>
<b>Total equity and liabilities</b>		<b>25,355,415</b>	<b>27,465,693</b>

\* The comparative balances for 2019 has been reclassified as the Group has changed the presentation in the current year. The reclassification has been explained in note 36.



**H.E. Khalifa S. Alsuwaidi**  
Chairman



**Marcos De Quadros**  
Board member

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

**Consolidated statement of profit or loss  
for the year ended 31 December 2020**

	Notes	2020 AED'000	2019* AED'000
<b>Revenue</b>	<b>24</b>	<b>12,753,232</b>	15,750,058
Government grants		8,400	8,400
Materials and consumables		(7,270,857)	(8,672,082)
Staff costs	25	(2,535,867)	(3,043,822)
Professional and consultancy charges		(46,382)	(34,609)
Depreciation and amortisation	26	(1,075,681)	(1,070,384)
Impairment loss on non-financial assets	27	(1,195,497)	-
Impairment loss on financial assets	27	(128,477)	(50,630)
Other operating expenses	28	(2,056,587)	(2,103,979)
		<hr/>	<hr/>
<b>Operating (loss)/profit</b>		<b>(1,547,716)</b>	782,952
Other income (net)	29	75,265	120,447
Finance costs (net)	30	(219,944)	(252,690)
Share of profits of equity accounted investees	9	21,535	35,037
		<hr/>	<hr/>
<b>(Loss)/profit for the year before income tax</b>		<b>(1,670,860)</b>	685,746
Income tax expense		(55,228)	(40,871)
		<hr/>	<hr/>
<b>(Loss)/profit for the year</b>	<b>31</b>	<b>(1,726,088)</b>	644,875
		<hr/>	<hr/>
<b>Attributable to:</b>			
Owners of the Company		(1,747,824)	410,489
Non-controlling interests		21,736	234,386
		<hr/>	<hr/>
		<b>(1,726,088)</b>	644,875
		<hr/> <hr/>	<hr/> <hr/>

\* The comparative balances for 2019 has been reclassified as the Group has changed the presentation from function to nature in the current year. The reclassification has been explained in note 36.

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

	<b>2020</b> <b>AED'000</b>	2019 AED'000
<b>(Loss)/profit for the year</b>	<b>(1,726,088)</b>	644,875
<b>Other comprehensive income, net of tax</b>		
<u>Items that may be reclassified subsequently to profit or loss:</u>		
Changes in fair values of hedging instruments	<b>(9,987)</b>	(30,822)
Currency translation reserve	<b>(9,589)</b>	(2,293)
Equity-accounted investees – share of OCI	<b>15,278</b>	(398)
	<b>(4,298)</b>	(33,513)
<u>Items that will not be reclassified subsequently to profit or loss:</u>		
Re-measurement of end of service benefits	<b>(2,654)</b>	(8,825)
Other comprehensive loss for the year	<b>(6,952)</b>	(42,338)
<b>Total comprehensive (loss)/income for the year</b>	<b>(1,733,040)</b>	602,537
<b>Attributable to:</b>		
Owners of the Company	<b>(1,747,075)</b>	378,981
Non-controlling interests	<b>14,035</b>	223,556
	<b>(1,733,040)</b>	602,537

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

**Consolidated statement of changes in equity  
for the year ended 31 December 2020**

	Share capital AED'000	Statutory reserve AED'000	Restricted reserve AED'000	Shareholder's contributions AED'000	Hedging reserve AED'000	Translation reserve AED'000	Other reserve AED'000	Retained earnings AED'000	Attributable to Owners of the Company AED'000	Non- controlling interests AED'000	Total equity AED' 000
Balance at 1 January 2019	2,000	1,000	607,707	1,513,327	427	(32,224)	(4,065)	9,837,686	11,925,858	2,563,376	14,489,234
Profit for the year	-	-	-	-	-	-	-	410,489	410,489	234,386	644,875
Other comprehensive income	-	-	-	-	(25,180)	(1,827)	(4,501)	-	(31,508)	(10,830)	(42,338)
Total comprehensive income	-	-	-	-	(25,180)	(1,827)	(4,501)	410,489	378,981	223,556	602,537
Transfer to restricted reserve (note 15)	-	-	18,821	-	-	-	-	(18,821)	-	-	-
Dividends declared (note 21)	-	-	-	-	-	-	-	(75,000)	(75,000)	-	(75,000)
Distribution to NCI holders	-	-	-	-	-	-	-	-	-	(125,538)	(125,538)
Balance at 1 January 2020	2,000	1,000	626,528	1,513,327	(24,753)	(34,051)	(8,566)	10,154,354	12,229,839	2,661,394	14,891,233
Loss for the year	-	-	-	-	-	-	-	(1,747,824)	(1,747,824)	21,736	(1,726,088)
Other comprehensive income	-	-	-	-	7,414	(5,220)	(1,445)	-	749	(7,701)	(6,952)
Total comprehensive income	-	-	-	-	7,414	(5,220)	(1,445)	(1,747,824)	(1,747,075)	14,035	(1,733,040)
Transfer to restricted reserve (note 15)	-	-	1,758	-	-	-	-	(1,758)	-	-	-
Distribution to NCI holders	-	-	-	-	-	-	-	-	-	(44,100)	(44,100)
Transfer of net assets to a related party (note 17)	-	-	-	(158,161)	-	-	-	-	(158,161)	-	(158,161)
Transfer of investment property to a related party (note 7)	-	-	-	(33,342)	-	-	-	-	(33,342)	-	(33,342)
<b>Balance at 31 December 2020</b>	<b>2,000</b>	<b>1,000</b>	<b>628,286</b>	<b>1,321,824</b>	<b>(17,339)</b>	<b>(39,271)</b>	<b>(10,011)</b>	<b>8,404,772</b>	<b>10,291,261</b>	<b>2,631,329</b>	<b>12,922,590</b>

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

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

	2020 AED'000	2019* AED'000
<b>Cash flows from operating activities</b>		
(Loss)/profit for the year before income tax	(1,670,860)	685,746
Adjustments for:		
Depreciation of property, plant and equipment	1,000,842	997,311
Depreciation of investment properties	1,564	2,420
Amortisation of intangible assets	6,321	5,079
Depreciation of right-of-use assets	66,954	65,574
Share of profit from equity accounted investees	(21,535)	(35,037)
Impairment loss on equity accounted investees	53,627	-
Impairment loss on property, plant and equipment	1,086,470	-
Impairment loss on right of use assets	55,400	-
Write-off of property, plant and equipment	49,362	2,011
Write-off of intangible assets	2,926	-
Finance income	(27,420)	(55,462)
Finance expense	247,363	306,421
Amortisation of government grants	(1,459)	(24,383)
Provision for impairment of trade receivables and due from related parties, net	23,038	67,589
Loss allowance on bank balances	-	407
Provision for slow moving and obsolete inventories	(44,931)	6,904
Loss on disposal of property, plant and equipment	36,258	18,404
Change in fair value of biological assets	-	(932)
Provision for end of service benefits	79,633	74,417
<b>Operating cash flows before changes in operating assets and liabilities</b>	<b>943,553</b>	<b>2,116,469</b>
Decrease in inventories	161,338	30,516
Increase in accounts and other receivables	(544,028)	(419,130)
(Increase)/decrease in accounts and other payables	28,331	(995,822)
Decrease in provisions	(40,569)	-
Increase in government grants	3,813	41,634
(Increase)/decrease in government compensation receivable	(15,331)	9,945
<b>Cash generated from operations</b>	<b>537,107</b>	<b>783,612</b>
Income tax paid	(37,737)	(48,871)
Employees end of service benefits paid	(100,373)	(46,555)
<b>Net cash generated from operating activities</b>	<b>398,997</b>	<b>688,186</b>

\* The comparative balances for 2019 has been reclassified as the Group has changed the presentation in the current year. The reclassification has been explained in note 36.

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

**Consolidated statement of cash flows  
for the year ended 31 December 2020 (continued)**

	2020 AED'000	2019* AED'000
<b>Cash flows from investing activities</b>		
Payments for property, plant and equipment	(420,718)	(744,558)
Payments for intangible assets	(5,971)	(5,102)
Payment for investment in associate	-	(94,318)
Long term investment in joint ventures	(4,849)	(39,254)
Loan provided to a related party	(45,081)	(7,795)
Increase in escrow accounts and term deposits with original maturities over 3 months	33,412	675,626
Proceeds from disposal of property, plant and equipment	3,773	30,613
Dividend income from associates	36,200	27,200
Finance income received	27,420	55,462
<b>Net cash used in investing activities</b>	<b>(375,814)</b>	<b>(102,126)</b>
<b>Cash flows from financing activities</b>		
Settlement of derivative – net	16,079	26,770
Payment for investment in subsidiary	(700,000)	-
Proceed from sale of investment in subsidiary	700,000	-
Proceeds from bank borrowings	3,824,915	641,961
Finance costs paid	(208,901)	(301,497)
Repayment of borrowings	(3,984,806)	(800,275)
Lease payments	(62,731)	(113,756)
Distribution to NCI holders	(44,100)	(127,222)
Dividend paid	-	(75,000)
<b>Net cash used in financing activities</b>	<b>(459,544)</b>	<b>(749,019)</b>
<b>Net decrease in cash and cash equivalents</b>	<b>(436,361)</b>	<b>(162,959)</b>
Net effect of difference in foreign exchange	(4,395)	110
Cash and cash equivalents at the beginning of the year	1,574,048	1,736,897
<b>Cash and cash equivalents at the end of the year (note 13)</b>	<b>1,133,292</b>	<b>1,574,048</b>

\* The comparative balances for 2019 has been reclassified as the Group has changed the presentation in the current year. The reclassification has been explained in note 36.

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

### 1 General information

General Holding Corporation PJSC (SENAAT) (“the Company”) is registered as a public joint stock company in the Emirate of Abu Dhabi. The Company was established by Law No. 5 of 2004, and is wholly owned by the Government of Abu Dhabi (“the Shareholder”). Pursuant to this law, all assets and liabilities belonging to the General Industrial Corporation and its subsidiaries were transferred to the Company.

Higher Corporation for Specialised Economic Zones previously owned 100% of the Company’s share capital. However, pursuant to Law No. 3 of 2012, dated 26 September 2012, the ownership of General Holding Corporation (SENAAT) was changed from Higher Corporation for Specialised Economic Zones to be directly owned by the Government of Abu Dhabi which was the ultimate owner prior to the transfer.

During 2020, pursuant to Law No (02) of 2018 and executive Council Resolution No. (33) of 2020, the Abu Dhabi Development Holding Company “Public Joint Stock Company” became the Parent company, ultimate owner being Government of Abu Dhabi.

The principal activities of the Company are the investment in, and the development, management and operation of, industrial projects and related entities.

These consolidated financial statements include the financial performance and the net assets of the Company and its subsidiaries (collectively referred to as “the Group”), and the Group’s interests in its equity-accounted investees (*refer notes 3 and 9*).

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

#### 2.1 New and revised IFRSs applied with no material effect on the financial statements

The following new and revised IFRSs, which became effective for annual periods beginning on or after 1 January 2020, have been adopted in these financial statements. The application of these revised IFRSs has not had any material impact on the amounts reported for the current and prior years but may affect the accounting for future transactions or arrangements.

- **Amendments to *Interest Rate Benchmark Reform in IFRS 9 and IFRS 7*:**

The amendments modify specific hedge accounting requirements to allow hedge accounting to continue for affected hedges during the period of uncertainty before the hedged items or hedging instruments affected by the current interest rate benchmarks are amended as a result of the on-going interest rate benchmark reforms.

- **Amendments to *IFRS 16 Leases relating to Covid-19-Related Rent Concessions*:**

The amendments provides practical relief to lessees in accounting for rent concessions occurring as a direct consequence of COVID-19, by introducing a practical expedient to IFRS 16. The practical expedient permits a lessee to elect not to assess whether a COVID- 19-related rent concession is a lease modification. A lessee that makes this election shall account for any change in lease payments resulting from the COVID-19-related rent concession the same way it would account for the change applying IFRS 16 if the change were not a lease modification. The amendment applies to annual reporting periods beginning on or after 1 June 2020.

**Notes to the financial statements  
for the year ended 31 December 2020 (continued)**

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

**2.1 New and revised IFRSs applied with no material effect on the financial statements  
(continued)**

• **Amendments to *Reference to the Conceptual Framework in IFRS Standards*:**

The amendments include consequential amendments to affected Standards so that they refer to the new Framework. The Standards which are amended are IFRS 2, IFRS 3, IFRS 6, IFRS 14, IAS 1, IAS 8, IAS 34, IAS 37, IAS 38, IFRIC 12, IFRIC 19, IFRIC 20, IFRIC 22, and SIC-32.

• **Amendments to *IFRS 3 Definition of a business*:**

The amendments clarify that while businesses usually have outputs, outputs are not required for an integrated set of activities and assets to qualify as a business. To be considered a business an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs. The amendments remove the assessment of whether market participants are capable of replacing any missing inputs or processes and continuing to produce outputs. The amendments also introduce additional guidance that helps to determine whether a substantive process has been acquired. The amendments introduce an optional concentration test that permits a simplified assessment of whether an acquired set of activities and assets is not a business. Under the optional concentration test, the acquired set of activities and assets is not a business if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar assets.

• **Amendments to *IAS 1 and IAS 8 Definition of material*:**

The amendments make the definition of material in IAS 1 easier to understand and are not intended to alter the underlying concept of materiality in IFRS Standards. The concept of 'obscuring' material information with immaterial information has been included as part of the new definition. The threshold for materiality influencing users has been changed from 'could influence' to 'could reasonably be expected to influence'. The definition of material in IAS 8 has been replaced by a reference to the definition of material in IAS 1. In addition, the IASB amended other Standards and the Conceptual Framework that contain a definition of 'material' or refer to the term 'material' to ensure consistency.

**Notes to the financial statements  
for the year ended 31 December 2020 (continued)**

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

**2.2 New and revised IFRS in issue but not yet effective**

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

<u>New and revised IFRSs</u>	<u>Effective for annual periods beginning on or after</u>
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IFRS 17 *Insurance Contracts*

1 January 2023

IFRS 17 establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts and supersedes IFRS 4 Insurance Contracts. IFRS 17 outlines a general model, which is modified for insurance contracts with direct participation features, described as the variable fee approach. The general model is simplified if certain criteria are met by measuring the liability for remaining coverage using the premium allocation approach.

The general model uses current assumptions to estimate the amount, timing and uncertainty of future cash flows and it explicitly measures the cost of that uncertainty. It takes into account market interest rates and the impact of policy holders' options and guarantees.

In June 2020, the IASB issued Amendments to IFRS 17 to address concerns and implementation challenges that were identified after IFRS 17 was published. The amendments defer the date of initial application of IFRS 17 (incorporating the amendments) to annual reporting periods beginning on or after 1 January 2023. At the same time, the IASB issued Extension of the Temporary Exemption from Applying IFRS 9 (Amendments to IFRS 4) that extends the fixed expiry date of the temporary exemption from applying IFRS 9 in IFRS 4 to annual reporting periods beginning on or after 1 January 2023. IFRS 17 must be applied retrospectively unless impracticable, in which case the modified retrospective approach or the fair value approach is applied.

**Notes to the financial statements  
for the year ended 31 December 2020 (continued)**

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

**2.2 New and revised IFRS in issue but not yet effective (continued)**

**New and revised IFRSs**

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

*Amendments to IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

Effective date not yet decided

The amendments to IFRS 10 and IAS 28 deal with situations where there is a sale or contribution of assets between an investor and its associate or joint venture. Specifically, the amendments state that gains or losses resulting from the loss of control of a subsidiary that does not contain a business in a transaction with an associate or a joint venture that is accounted for using the equity method, are recognised in the parent's profit or loss only to the extent of the unrelated investors' interests in that associate or joint venture. Similarly, gains and losses resulting from the remeasurement of investments retained in any former subsidiary (that has become an associate or a joint venture that is accounted for using the equity method) to fair value are recognised in the former parent's profit or loss only to the extent of the unrelated investors' interests in the new associate or joint venture. The effective date of the amendments has yet to be set by the Board; however, earlier application of the amendments is permitted.

*Amendments to IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-current*

1 January 2023

The amendments to IAS 1 affect only the presentation of liabilities as current or non-current in the statement of financial position and not the amount or timing of recognition of any asset, liability, income or expenses, or the information disclosed about those items. The amendments clarify that the classification of liabilities as current or non-current is based on rights that are in existence at the end of the reporting period, specify that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability, explain that rights are in existence if covenants are complied with at the end of the reporting period, and introduce a definition of 'settlement' to make clear that settlement refers to the transfer to the counterparty of cash, equity instruments, other assets or services. The amendments are applied retrospectively.

**Notes to the financial statements  
for the year ended 31 December 2020 (continued)**

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

**2.2 New and revised IFRS in issue but not yet effective (continued)**

**New and revised IFRSs**

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

Amendments to IFRS 3 *Business Combinations: Reference to the Conceptual Framework* 1 January 2022

The amendments update IFRS 3 so that it refers to the 2018 Conceptual Framework instead of the 1989 Framework. They also add to IFRS 3 a requirement that, for obligations within the scope of IAS 37, an acquirer applies IAS 37 to determine whether at the acquisition date a present obligation exists as a result of past events. For a levy that would be within the scope of IFRIC 21 Levies, the acquirer applies IFRIC 21 to determine whether the obligating event that gives rise to a liability to pay the levy has occurred by the acquisition date. Finally, the amendments add an explicit statement that an acquirer does not recognise contingent assets acquired in a business combination.

The amendments are effective for business combinations for which the date of acquisition is on or after the beginning of the first annual period beginning on or after 1 January 2022.

Amendments to IAS 16 *Property, Plant and Equipment* related to proceeds before intended use 1 January 2022

The amendments prohibit deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced before that asset is available for use, i.e. proceeds while bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Consequently, an entity recognises such sales proceeds and related costs in profit or loss. The entity measures the cost of those items in accordance with IAS 2 Inventories. The amendments also clarify the meaning of ‘testing whether an asset is functioning properly’. IAS 16 now specifies this as assessing whether the technical and physical performance of the asset is such that it is capable of being used in the production or supply of goods or services, for rental to others, or for administrative purposes. If not presented separately in the statement of comprehensive income, the financial statements shall disclose the amounts of proceeds and cost included in profit or loss that relate to items produced that are not an output of the entity’s ordinary activities, and which line item(s) in the statement of comprehensive income include(s) such proceeds and cost. The amendments are applied retrospectively, but only to items of property, plant and equipment that are brought to the location and condition necessary for them to be capable of operating in the manner intended by management on or after the beginning of the earliest period presented in the financial statements in which the entity first applies the amendments. The entity shall recognise the cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings (or other component of equity, as appropriate) at the beginning of that earliest period presented.

**Notes to the financial statements  
for the year ended 31 December 2020 (continued)**

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

**2.2 New and revised IFRS in issue but not yet effective (continued)**

**New and revised IFRSs**

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

Amendments to IAS 37 *Provisions, Contingent Liabilities and Contingent Assets related to Onerous Contracts—Cost of Fulfilling a Contract* 1 January 2022

The amendments specify that the ‘cost of fulfilling’ a contract comprises the ‘costs that relate directly to the contract’. Costs that relate directly to a contract consist of both the incremental costs of fulfilling that contract (examples would be direct labour or materials) and an allocation of other costs that relate directly to fulfilling contracts (an example would be the allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract). The amendments apply to contracts for which the entity has not yet fulfilled all its obligations at the beginning of the annual reporting period in which the entity first applies the amendments. Comparatives are not restated. Instead, the entity shall recognise the cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings or other component of equity, as appropriate, at the date of initial application.

Annual Improvements to IFRS Standards 2018-2020 cycle amending IFRS 1, IFRS 9, IFRS 16 and IAS 41

The amendments to IFRS 1, IFRS 9 and IAS 41 are effective from 1 January 2022 and the effective date for amendments to IFRS 16 Leases are not yet decided.

The above stated new standards and amendments are not expected to have any significant impact on consolidated financial statements of the Group.

There are no other applicable new standards and amendments to published standards or IFRIC interpretations that have been issued that would be expected to have a material impact on the consolidated financial statements of the Group.

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

### 3 Summary of significant accounting policies

#### Statement of compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board and applicable requirements of the UAE Federal law No 2 of 2015.

#### Basis of preparation

The consolidated financial statements are prepared in accordance with the historical cost basis except for certain financial instruments and the value of biological assets. Historical cost is generally based on the fair value of the consideration given in exchange for assets. The principal accounting policies are set out below:

#### Basis of consolidation

The consolidated financial statements incorporate the financial statements of General Holding Corporation PJSC (SENAAT) and entities controlled by the Company ("its subsidiaries"). Control is achieved where the Company has:

- power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Company reassesses 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 listed above.

When the Company has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Company considers all relevant facts and circumstances in assessing whether or not the Company's voting rights in an investee are sufficient to give it power, including:

- the size of the Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Company, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary.

Where necessary, adjustments are made to the consolidated financial statements of subsidiaries to bring their accounting policies in line with those used by the Group. All inter-group transactions, balances, income and expenses are eliminated on consolidation.

When the Group loses control over a subsidiary, it derecognises the assets and liabilities of the subsidiary, and any related NCI and other components of equity. Any resulting gain or loss is recognised in profit or loss. Any interest retained in the former subsidiary is measured at fair value when control is lost.

**Notes to the consolidated financial statements  
for the year ended 31 December 2020 (continued)****3 Summary of significant accounting policies (continued)****Basis of consolidation (continued)**

Non-controlling interests in the net assets (excluding goodwill) of consolidated subsidiaries are identified separately from the Group's equity therein. The interests of non-controlling shareholders may be initially measured either at fair value or at the non-controlling interests' proportionate share of the fair value of the acquiree's identifiable net assets. The choice of measurement basis is made on an acquisition-by-acquisition basis. Subsequent to acquisition, the carrying amount of non-controlling interests is the amount of those interests at initial recognition plus the non-controlling interests' share of subsequent changes in equity. Total comprehensive income is attributed to non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Changes in the Group's interests in subsidiaries that do not result in a loss of control are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests.

**Business combination**

Business combinations are accounted for using the acquisition method when control is transferred to the Group. The consideration transferred in the acquisition is generally measured at fair value, as are the identifiable net assets acquired. Any goodwill that arises is tested annually for impairment. Any gain on bargain purchase is recognised in profit or loss immediately. Transaction costs are expenses as incurred, except if related to the issue of debt or equity securities. The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognised in profit or loss.

Any contingent consideration is measured at fair value at the date of acquisition. If an obligation to pay contingent consideration that meets the definition of a financial instrument is classified as equity, then it is not remeasured and settlement is accounted for within equity. Otherwise, other contingent consideration is remeasured at fair value at each reporting date and subsequent changes in the fair value of the consideration are recognised in profit or loss.

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

**3 Summary of significant accounting policies (consolidated)**

**Basis of consolidation (continued)**

Details of the subsidiaries are as follows:

	Place of incorporation (or registration)	Proportion of ownership interest	
		2020	2019
<b>National Petroleum Construction Company and its subsidiaries *</b>			
– NPCC Engineering Limited (100% by NPCC)	<b>UAE</b>	<b>70%</b>	70%
– ANEWA Engineering Pvt. Ltd., (80% by NPCC)	<b>India</b>		
– National Petroleum Construction Co.LTD (100% by NPCC)	<b>India</b>		
	<b>Saudi</b>		
<b>Al Khaznah Tannery</b>	<b>UAE</b>	<b>100%</b>	100%
<b>Al Foah Company LLC and its subsidiaries</b>	<b>UAE</b>	<b>100%</b>	100%
– Al Foah India Private Limited, (100% by Al Foah)	<b>India</b>		
– Alam Altomour LLC, (100% by Al Foah)	<b>Jordan</b>		
<b>Emirates Iron &amp; Steel Company LLC</b>	<b>UAE</b>	<b>100%</b>	100%
<b>Emirates Steel Industries PJSC (ESI) and its subsidiaries</b>	<b>UAE</b>	<b>100%</b>	100%
– Emirates Steel Co. Ltd., (95% by ESI)	<b>KSA</b>		
<b>Arkan Building Materials PJSC and its subsidiaries</b>	<b>UAE</b>	<b>51%</b>	51%
– Emirates Blocks Factory, (100% by Arkan)	<b>UAE</b>		
– Emirates Cement Factory, (100% by Arkan)	<b>UAE</b>		
– Al Ain Cement Factory, (100% by Arkan)	<b>UAE</b>		
– Anabeeb Pipes Manufacturing Factories, (100% by Arkan)	<b>UAE</b>		
<b>Agthia Group PJSC and its subsidiaries</b>		<b>51%</b>	51%
– Agthia Gurup Icecek ve Dagitim Sanayi ve Ticaret Limited Sirketi (Agthia Turkey), (100% by Agthia)	<b>Turkey</b>		
– Al Ain Foods & Beverages PJSC, (100% by Agthia)	<b>UAE</b>		
– Agthia Group Egypt LLC, (100% by Agthia)	<b>Egypt</b>		
– Grand Mills Company PJSC, (100% by Agthia)	<b>UAE</b>		
– Al Rammah National for General Trading and Contracting Company WLL, (50% by Agthia)	<b>Kuwait</b>		
– Gulf National Forage Company L.L.C., (51% by Agthia)	<b>UAE</b>		
– Al Bayan Purification and Potable Water LLC, (100% by Agthia)	<b>UAE</b>		
– Shaklan Plastic Manufacturing Co. LLC, (100% by Agthia)	<b>UAE</b>		
– Al Manal Purification and Bottling of Mineral Water LLC, (100% by Agthia)	<b>Oman</b>		
– Delta Bottled Water Factory Company (100% by Agthia)	<b>KSA</b>		
<b>Senaat Sukuk Limited</b>	<b>Cayman Island</b>	<b>100%</b>	100%

On 26 March 2020, the Group entered into the agreement with Consolidated Contractors Group SAL to purchase 30% of shares of National Petroleum Construction Company PJSC for AED 700 million. Subsequently, on 3 August 2020, 30% of shares were sold to a third party for AED 700 million.

**Notes to the consolidated financial statements  
for the year ended 31 December 2020 (continued)****3 Summary of significant accounting policies (continued)****Non-controlling interests (NCI)**

Non-controlling interests (“NCI”) in subsidiaries are identified separately from the Group’s equity therein. Those interests of non-controlling shareholders that are present ownership interests entitling their holders to a proportionate share of net assets upon liquidation may initially be measured at fair value or at the non-controlling interests’ proportionate share of the fair value of the acquiree’s identifiable net assets. The choice of measurement is made on an acquisition-by-acquisition basis. Other non-controlling interests are initially measured at fair value. Subsequent to acquisition, the carrying amount of non-controlling interests is the amount of those interests at initial recognition plus the non-controlling interests’ share of subsequent changes in equity.

Subsequent to acquisition, the carrying amount of non-controlling interests is the amount of those interests at initial recognition plus the non-controlling interests’ share of subsequent changes in equity. Profit or loss and each component of other comprehensive income are attributed to the owner of the Company and to the non-controlling interests. Total comprehensive income of the subsidiaries is attributed to the owner of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

**Investments in equity-accounted investees**

The Group’s interests in equity-accounted investees comprise interests in associates and joint ventures.

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The results and assets and liabilities of associates or joint ventures are incorporated in these financial statements using the equity method of accounting. Under the equity method, an investment in an associate or a joint venture is recognised initially in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group’s share of the profit or loss and other comprehensive income of the associate or joint venture. When the Group’s share of losses of an associate or a joint venture exceeds the Group’s interest in that associate or joint venture (which includes any long-term interests that, in substance, form part of the Group’s net investment in the associate or joint venture), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate or joint venture.

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

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

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

#### Investments in equity-accounted investees (continued)

The requirements of IAS 36 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in an associate or a joint venture. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with IAS 36 as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount.

Any impairment loss recognised is not allocated to any asset, including goodwill that forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with IAS 36 to the extent that the recoverable amount of the investment subsequently increases.

The Group discontinues the use of the equity method from the date when the investment ceases to be an associate or a joint venture. When the Group retains an interest in the former associate or a joint venture and the retained interest is a financial asset, the Group measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition in accordance with IFRS 9. The difference between the carrying amount of the associate or a joint venture at the date the equity method was discontinued, and the fair value of any retained interest and any proceeds from disposing of a part interest in the associate or a joint venture is included in the determination of the gain or loss on disposal of the associate or joint venture. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that associate on the same basis as would be required if that associate had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that associate or joint venture would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) when the associate or joint venture is disposed of.

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

When a group entity transacts with an associate or a joint venture of the Group, profits and losses resulting from the transactions with the associate or joint venture are recognised in the Group's consolidated financial statements only to the extent of interests in the associate or joint venture that are not related to the Group.

#### Revenue recognition

The Group recognises revenue from the following major sources:

- Sale of goods - building materials, steel, food, and leather
- Sale of services – oil and gas contracting

The Group's contracts with customers for the sale of goods generally include one performance obligation. The Group has concluded that revenue from sale of goods should be recognised at the point in time when control of the asset is transferred to the customer, generally on delivery of the goods.

Some contracts for the sale of goods provide customers with several considerations including a right of return and volume rebates. If revenue could not be reliably measured, the Group deferred revenue recognition until the uncertainty was resolved.

**Notes to the consolidated financial statements  
for the year ended 31 December 2020 (continued)****3 Summary of significant accounting policies (continued)****Revenue recognition (continued)**

Under IFRS 15, rights of return and volume rebates give rise to variable consideration. The variable consideration is estimated at contract inception and included in revenue only to the extent that it is highly probable that a significant reversal in the cumulative revenue will not occur when the associated uncertainty is subsequently resolved. The application of the constraint on variable consideration increases the amount of revenue that will be deferred.

*Right of return*

Under IFRS 15, the consideration received from the customer is variable because the contract allows the customer to return the products, if any. The Group uses the expected value method to estimate the goods that will be returned because this method best predicts the amount of variable consideration to which the Group will be entitled. The Group applies the requirements in IFRS 15 on constraining estimates of variable consideration to determine the amount of variable consideration that can be included in the transaction price. The Group presents a refund liability and an asset for the right to recover products from a customer separately in the consolidated statement of financial position.

*Volume rebates*

The Group provides retrospective volume rebates to selected customers and products as per terms specified in the contract. Rebates are offset against amounts payable by the customer on subsequent purchases.

Under IFRS 15, retrospective volume rebates give rise to variable consideration. To estimate the variable consideration to which it will be entitled, the Group applies a method to each customer as per the agreed upon rebate scheme that best predicts the amount of variable consideration. The Group then applies the requirements on constraining estimates of variable consideration.

*Considerations paid or payable to customers*

The Group pays exclusivity fees, display fees, remodeling fees, opening fees, and listing and other fees to certain customers for the provision of various services. The Group assesses whether these services are distinct when compared to the goods sold to the customers. The distinct or non-distinct services are then recognised as selling and distribution expenses or netted against revenue, respectively.

*Construction contracts*

Lump-sum engineering, procurement and construction project execution services contracts contain distinct goods and services that are not distinct in the context of the contract. These are therefore combined into a single performance obligation. The Group recognises revenue from its lump-sum engineering, procurement and construction project execution services contracts over time as the assets constructed are highly customized for the customers' needs with no alternative use and the Group has right to payment for performance completed to date.

Contract modifications, e.g. approved variation orders, are accounted for as part of the existing contract, with a cumulative catch up adjustment to revenue.

**Notes to the consolidated financial statements  
for the year ended 31 December 2020 (continued)****3 Summary of significant accounting policies (continued)****Revenue recognition (continued)***Construction contracts (continued)*

Liquidated damages, penalties and similar payments, price concession (discounts) or deductions are accounted for as variable considerations. When management concludes on the existence of variable consideration, the Group estimates the amount of variable consideration at contract inception by using either (i) the expected value approach or (ii) the most likely amount. The Group use the method that best predicts the amount of consideration to which it will be entitled based on the terms of the contract. This would also apply to contractual incentive payments or early completion bonuses, if any.

Variable consideration is recognised to the extent it is ‘highly probable’ that a significant revenue reversal will not occur in future periods, when the related uncertainty associated with the variable consideration is subsequently resolved.

If there is a difference in the timing of when the Group receives the advance and progress payments and when it recognises the contract revenue, the Group implies the existence of implicit significant financing component and adjusts transaction price to include the effects of time of value of money. The Group records interest on the delayed payments as interest income.

*Warranty Obligations*

The Group generally provides warranties for general repairs of defects that existed at the time of sale, as required by law. As such, all warranties are assurance-type warranties under IFRS 15, which the Group accounts for under IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*.

Contract assets and contract liabilities for individual customers to be presented on a net basis.

Interest income

Interest income is accrued on a time basis, by reference to the principal outstanding and effective interest rate applicable.

Dividend income

Dividend income from investments is recognised when the shareholder’s right to receive payment has been established.

**Leases**

The Group has applied IFRS 16 using the cumulative catch-up approach and therefore comparative information has not been restated and is presented under IAS 17. The details of accounting policies under both IAS 17 and IFRS 16 are presented separately below.

**Notes to the consolidated financial statements  
for the year ended 31 December 2020 (continued)****3 Summary of significant accounting policies (continued)****Leases (continued)**The Group as a lessee

The Group assesses whether a contract is or contains a lease, at inception of the contract. The Group 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 (such as tablets and personal computers, small items of office furniture and telephones). For these leases, the Group 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 lessee uses its incremental borrowing rate.

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

- Fixed lease payments (including in-substance fixed payments), less any lease incentives receivable;
- 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 in the consolidated statement of financial position.

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

The Group remeasures 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 significant event or change in circumstances resulting in a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured 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 remeasured by discounting the revised lease payments using an unchanged 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 remeasured based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

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

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day, less any lease incentives received and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses.

**Notes to the consolidated financial statements  
for the year ended 31 December 2020 (continued)****3 Summary of significant accounting policies (continued)****Leases (continued)**The Group as a lessee (continued)

Whenever the Group incurs an obligation for costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease, a provision is recognised and measured under IAS 37. To the extent that the costs relate to a right-of-use asset, the costs are included in the related right-of-use asset, unless those costs are incurred to produce inventories.

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 asset reflects that the Group 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 assets are presented as a separate line in the consolidated statement of financial position.

The Group applies IAS 36 to determine whether a right-of-use asset is impaired and accounts for any 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 'Other expenses' in 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 Group has not used this practical expedient. For a contracts that contain a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

The Group as a lessor

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

Leases for which the Group 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 Group 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.

**Notes to the consolidated financial statements  
for the year ended 31 December 2020 (continued)****3 Summary of significant accounting policies (continued)****Leases (continued)**The Group as a lessor (continued)

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.

Amounts due from lessees under finance leases are recognised as receivables at the amount of the Group'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 Group's net investment outstanding in respect of the leases.

When a contract includes lease and non-lease components, the Group applies IFRS 15 to allocate the consideration under the contract to each component.

**Foreign currencies**

For the purpose of these consolidated financial statements, the UAE Dirham (AED) is the presentation currency of the Group.

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

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations are expressed in UAE Dirhams using exchange rates prevailing at the reporting date. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuated significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are classified as equity and transferred to the Group's translation reserve. Such exchange differences are recognised in profit or loss in the period in which the foreign operation is disposed of.

**Borrowing costs**

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the year in which they were incurred.

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

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

**Property, plant and equipment**

Property, plant and equipment are stated at cost less accumulated depreciation and impairment loss, if any. The cost of property, plant and equipment is their purchase cost, together with any incidental expenses of acquisition. Purchased software that is integral to the functionality of the related equipment is capitalised as part of the equipment.

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 Group and the cost of the item can be measured reliably. All other repairs and maintenance expenses are charged to the profit or loss in the period in which they are incurred.

Depreciation is calculated so as to write off the cost of property, plant and equipment on a straight line basis over the expected useful economic lives of the assets concerned. The principal annual rates used for this purpose are:

	<b>Years</b>
Buildings	3 - 40
Plant and equipment	2 - 25
Furniture and fixtures	2 - 15
Motor vehicles	4 - 7
Land is not depreciated.	

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

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

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the profit or loss.

**Capital work in progress**

Properties or assets in the course of construction for production, supply or administrative purposes, or for purposes not yet determined, are carried at cost, less any recognised impairment loss and adjusted for associated gains or losses from other comprehensive income as and when associated payments occur. Cost includes all direct costs attributable to the design and construction of the property including related staff costs, and for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. When the assets are ready for intended use, the capital work in progress is transferred to the appropriate property, plant and equipment category and is depreciated in accordance with the Group's policies.

**Notes to the consolidated financial statements  
for the year ended 31 December 2020 (continued)****3 Summary of significant accounting policies (continued)****Investment property**

Investment property, which is property held to earn rentals and/or for capital appreciation, is measured initially at its cost, including transaction costs. Subsequent to initial acquisition, investment property is measured at cost less accumulated depreciation and accumulated impairment loss.

Depreciation is calculated so as to write off the cost of the investment property over its estimated useful life of 30 years using the straight line method.

**Intangible assets**

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

**Goodwill**

Goodwill arising on acquisition is recognised as an asset and initially measured at cost, being the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised. If, after reassessment, the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, the excess is recognised immediately in the profit or loss.

Goodwill arising on the acquisition of a subsidiary or a jointly controlled entity represents the excess of the cost of acquisition over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the subsidiary or jointly controlled entity recognised at the date of acquisition. Goodwill is initially recognised as an asset at cost and is subsequently measured at cost less any accumulated impairment losses.

For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units expected to benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is not reversed in a subsequent period.

On disposal of a subsidiary or a jointly controlled entity, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

**Biological assets**

Biological assets are measured at fair value. Gains or losses arising from changes in the fair value are included in the profit or loss in the period in which they arise. The Group has two types of biological assets: fruitful and unfruitful trees of dates. Unfruitful trees are under developing phase and are not in a position for harvest. Unfruitful trees become fruitful in five years time. Dates on trees are initially measured at their fair value less costs to sell at the time of harvest. The fair value of dates is determined based on market prices in the local area.

**Notes to the consolidated financial statements  
for the year ended 31 December 2020 (continued)****3 Summary of significant accounting policies (continued)****Government grants**

Grants from the Government of Abu Dhabi are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-monetary assets are recognised as deferred revenue in the consolidated statement of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

Other government grants are recognised as revenue over the periods necessary to match them with the costs for which they are intended to compensate on a systematic basis. Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable. Funds that compensate the Group for selling flour and animal feed at subsidised prices in the Emirate of Abu Dhabi are recognised in the consolidated income statement as a deduction from the cost of sales on a systematic basis in the same period in which the sales transaction is affected.

**Inventories**

Inventories are stated at the lower of cost and net realisable value. Cost is arrived at using the weighted average method. Cost comprises invoice value plus applicable landing charges in the case of raw materials, packing materials and stores, spares and consumables. Work-in-progress and finished goods comprise cost of materials plus direct labour and attributable overheads. Work-in-progress is valued by reference to the stage of completion. Net realisable value is based on estimated selling price less estimated costs to completion and disposal.

**Impairment of non-financial assets**

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

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

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

**Notes to the consolidated financial statements  
for the year ended 31 December 2020 (continued)****3 Summary of significant accounting policies (continued)****Impairment of non-financial assets (continued)**

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

**Research and development costs**

In accordance with IAS 38 *Intangible Assets*, expenditure incurred on research and development, excluding known recoverable amounts on contracts, and contributions to share engineering programmes, is distinguished as relating either to a research phase or a development phase. All research phase expenditure is charged to the consolidated income statement. For development expenditure, this is capitalised as an internally generated intangible asset only if it meets strict criteria, relating in particular to technical feasibility and generation of future economic benefits. Expenditure that cannot be classified into these two categories is treated as being incurred in the research phase.

**Provisions**

Provisions are recognised when the Group has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of resources will be required to settle the obligation, and the amount can be reliably estimated.

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

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of receivable can be measured reliably.

**Onerous contracts**

Present obligations arising under onerous contracts are recognised and measured as provisions. An onerous contract is considered to exist where the Group has a contract under which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it.

**Employee benefits**

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

Provision is also made for the full amount of end of service benefits due to employees in accordance with the Group's policy, which is at least equal to the benefits payable in accordance with UAE Labour Law, for their period of service up to the end of the reporting period. The accrual relating to annual leave and leave passage is disclosed as a current liability, while the provision relating to end of service benefits is disclosed as a non-current liability.

**Notes to the consolidated financial statements  
for the year ended 31 December 2020 (continued)****3 Summary of significant accounting policies (continued)****Employee benefits (continued)**

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

**Taxation**

Income tax represents the sum of the current tax liability and deferred taxes.

*Current income tax*

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the end of the reporting period.

*Deferred income tax*

Deferred income tax is provided using the liability method on temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the end of the reporting period.

**Financial assets**

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

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

Classification of financial assets

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

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

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

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

#### Financial assets (continued)

##### Classification of financial assets (continued)

Debt instruments that meet the following conditions are measured subsequently at fair value through other comprehensive income (FVTOCI):

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets; 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.

By default, all other financial assets are measured subsequently at fair value through profit or loss (FVTPL). Despite the foregoing, the Group may make the following irrevocable election/designation at initial recognition of a financial asset:

- the Group may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income if certain criteria are met; and
- the Group may irrevocably designate a debt investment that meets the amortised cost or FVTOCI criteria as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

##### (i) Amortised cost and effective interest method

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

For financial assets other than purchased or originated credit-impaired financial assets (i.e. assets that are credit-impaired on initial recognition), the effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) excluding expected credit losses, through the expected life of the debt instrument, or, where appropriate, a shorter period, to the gross carrying amount of the debt instrument on initial recognition. For purchased or originated credit-impaired financial assets, a credit-adjusted effective interest rate is calculated by discounting the estimated future cash flows, including expected credit losses, to the amortised cost of the debt instrument on initial recognition.

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

**Notes to the consolidated financial statements  
for the year ended 31 December 2020 (continued)****3 Summary of significant accounting policies (continued)****Financial assets (continued)**Classification of financial assets (continued)(i) Amortised cost and effective interest method (continued)

Interest income is recognised using the effective interest method for debt instruments measured subsequently at amortised cost and at FVTOCI. For financial assets other than purchased or originated credit-impaired financial assets, interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired (see below). For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset. If, in subsequent reporting periods, the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognized by applying the effective interest rate to the gross carrying amount of the financial asset.

For purchased or originated credit-impaired financial assets, the Group recognises interest income by applying the credit-adjusted effective interest rate to the amortised cost of the financial asset from initial recognition.

The calculation does not revert to the gross basis even if the credit risk of the financial asset subsequently improves so that the financial asset is no longer credit-impaired.

Interest income is recognised in profit or loss and is included in the "finance income – interest income" line item.

(ii) Financial assets at FVTPL

Financial assets that do not meet the criteria for being measured at amortised cost or FVTOCI are measured at FVTPL. Specifically:

- Investments in equity instruments are classified as at FVTPL, unless the Group designates an equity investment that is neither held for trading nor a contingent consideration arising from a business combination as at FVTOCI on initial recognition.
- Debt instruments that do not meet the amortised cost criteria or the FVTOCI criteria are classified as at FVTPL. In addition, debt instruments that meet either the amortised cost criteria or the FVTOCI criteria may be designated as at FVTPL upon initial recognition if such designation eliminates or significantly reduces a measurement or recognition inconsistency (so called 'accounting mismatch') that would arise from measuring assets or liabilities or recognising the gains and losses on them on different bases. The Group has not designated any debt instruments as at FVTPL.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss to the extent they are not part of a designated hedging relationship. The net gain or loss recognised in profit or loss includes any dividend or interest earned on the financial asset and is included in the 'other gains and losses' line item. Fair value is determined in the manner described in note 43.9.

**Notes to the consolidated financial statements  
for the year ended 31 December 2020 (continued)****3 Summary of significant accounting policies (continued)****Financial assets (continued)**Foreign exchange gains and losses

The fair value of financial assets denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the end of each reporting period. The foreign exchange component forms part of its fair value gain or loss. Therefore,

- for financial assets that are classified as at FVTPL, the foreign exchange component is recognised in profit or loss; and
- for financial assets that designated as at FVTOCI, any foreign exchange component is recognised in other comprehensive income.

For foreign currency denominated debt instruments measured at amortised cost at the end of each reporting period, the foreign exchange gains and losses are determined based on the amortised cost of the financial assets and are recognised in the consolidated income statement.

Impairment of financial assets

The Group recognises a loss allowance for expected credit losses on investments in debt instruments that are measured at amortised cost or at FVTOCI, lease receivables, trade receivables and contract assets, as well as on financial guarantee contracts. 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 Group always recognises lifetime ECL for trade receivables, contract assets and lease receivables. The expected credit losses on these financial assets are estimated using a provision matrix based on the Group'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 Group 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 Group 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 consolidated financial statements  
for the year ended 31 December 2020 (continued)****3 Summary of significant accounting policies (continued)****Financial assets (continued)**Impairment of financial assets (continued)*Measurement and recognition of expected credit losses*

The measurement of expected credit losses is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information as described above.

As for the exposure at default, for financial assets, this is represented by the assets' gross carrying amount at the reporting date; for financial guarantee contracts, the exposure includes the amount drawn down as at the reporting date, together with any additional amounts expected to be drawn down in the future by default date determined based on historical trend, the Group's understanding of the specific future financing needs of the debtors, and other relevant forward-looking information.

For financial assets, the expected credit loss is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the original effective interest rate. For a lease receivable, the cash flows used for determining the expected credit losses is consistent with the cash flows used in measuring the lease receivable in accordance with IFRS 16.

For a financial guarantee contract, as the Group is required to make payments only in the event of a default by the debtor in accordance with the terms of the instrument that is guaranteed, the expected loss allowance is the expected payments to reimburse the holder for a credit loss that it incurs less any amounts that the Group expects to receive from the holder, the debtor or any other party.

If the Group has measured the loss allowance for a financial instrument at an amount equal to lifetime ECL in the previous reporting period, but determines at the current reporting date that the conditions for lifetime ECL are no longer met, the Group measures the loss allowance at an amount equal to 12-month ECL at the current reporting date, except for assets for which simplified approach was used.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, except for investments in debt instruments that are measured at FVTOCI, for which the loss allowance is recognised in other comprehensive income and accumulated in the investment revaluation reserve, and does not reduce the carrying amount of the financial asset in the statement of financial position.

**Notes to the consolidated financial statements  
for the year ended 31 December 2020 (continued)****3 Summary of significant accounting policies (continued)****Financial assets (continued)**Impairment of financial assets (continued)*Significant increase in credit risk*

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument at the reporting date with the risk of a default occurring on the financial instrument at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort. Forward-looking information considered includes the future prospects of the industries in which the Group's debtors operate, obtained from economic expert reports, financial analysts, governmental bodies, relevant think-tanks and other similar organisations, as well as consideration of various external sources of actual and forecast economic information that relate to the Group's core operations.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk for a particular financial instrument, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor, or the length of time or the extent to which the fair value of a financial asset has been less than its amortised cost;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- significant increases in credit risk on other financial instruments of the same debtor;
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

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

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

**Notes to the consolidated financial statements  
for the year ended 31 December 2020 (continued)****3 Summary of significant accounting policies (continued)****Financial assets (continued)**Impairment of financial assets (continued)*Significant increase in credit risk (continued)*

The Group considers a financial asset to have low credit risk when the asset has external credit rating of 'investment grade' in accordance with the globally understood definition or if an external rating is not available, the asset has an internal rating of 'performing'. Performing means that the counterparty has a strong financial position and there is no past due amounts.

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

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

Derecognition of financial assets

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

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

On derecognition of a financial asset that is classified as FVTOCI, the cumulative gain or loss previously accumulated in the investments revaluation reserve is not reclassified to profit or loss, but is reclassified to retained earnings.

**Financial liabilities and equity instruments**Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement.

Equity instruments

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

**Notes to the consolidated financial statements  
for the year ended 31 December 2020 (continued)****3 Summary of significant accounting policies (continued)****Financial liabilities and equity instruments (continued)**Financial liabilities

Trade and other payables, due to related parties, other financial liabilities, bank overdrafts and bank borrowings are initially measured at fair value, net of transaction costs and are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis, except for short term liabilities when the recognition of interest is immaterial.

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

Term loans and Islamic financing arrangements

Term loans and Islamic financing arrangements are initially recognised at the fair value of the consideration received less directly attributable transaction costs. After initial recognition, term loans and Islamic borrowings are subsequently measured at amortised cost using the effective interest method. Interest on term loans and profit charges on Islamic financing arrangements are charged as an expense as they accrue, with unpaid amounts included in “trade and other payables”.

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group’s obligations are discharged, cancelled or they expire.

**Derivative financial instruments**

The Group enters into a variety of derivative financial instruments to manage its exposure to interest rate and foreign exchange rate risks, including foreign exchange forward contracts, options and interest rate swaps. Further details of derivative financial instruments are disclosed in notes 22 and 38.

Derivatives are recognised initially at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at each reporting date. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

A derivative with a positive fair value is recognised as a financial asset whereas a derivative with a negative fair value is recognised as a financial liability. Derivatives are not offset in the financial statements unless the Group has both legal right and intention to offset. A derivative is presented as a non-current asset or a non-current liability if the remaining maturity of the instrument is more than 12 months and it is not expected to be realised or settled within 12 months. Other derivatives are presented as current assets or current liabilities.

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

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

#### Hedge accounting

The Group designates certain derivatives as hedging instruments in respect of foreign currency risk and interest rate risk in fair value hedges or cash flow hedges. Hedges of foreign exchange risk on firm commitments are accounted for as cash flow hedges.

If a hedging relationship ceases to meet the hedge effectiveness requirement relating to the hedge ratio but the risk management objective for that designated hedging relationship remains the same, the Group adjusts the hedge ratio of the hedging relationship (i.e. rebalances the hedge) so that it meets the qualifying criteria again.

The Group designates the full change in the fair value of a forward contract (i.e. including the forward elements) as the hedging instrument for all of its hedging relationships involving forward contracts.

#### *Fair value hedges*

The fair value change on qualifying hedging instruments is recognised in profit or loss except when the hedging instrument hedges an equity instrument designated at FVTOCI in which case it is recognised in other comprehensive income.

#### *Cash flow hedges*

The effective portion of changes in the fair value of derivatives and other qualifying hedging instruments that are designated and qualify as cash flow hedges is recognised in other comprehensive income and accumulated under the heading of cash flow hedging reserve, limited to the cumulative change in fair value of the hedged item from inception of the hedge. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss, and is included in the 'other gains and losses' line item.

Amounts previously recognised in other comprehensive income and accumulated in equity are reclassified to profit or loss in the periods when the hedged item affects profit or loss, in the same line as the recognised hedged item. However, when the hedged forecast transaction results in the recognition of a non-financial asset or a non-financial liability, the gains and losses previously recognised in other comprehensive income and accumulated in equity are removed from equity and included in the initial measurement of the cost of the non-financial asset or non-financial liability. This transfer does not affect other comprehensive income. Furthermore, if the Group expects that some or all of the loss accumulated in the cash flow hedging reserve will not be recovered in the future, that amount is immediately reclassified to profit or loss.

The Group discontinues hedge accounting only when the hedging relationship (or a part thereof) ceases to meet the qualifying criteria (after rebalancing, if applicable). This includes instances when the hedging instrument expires or is sold, terminated or exercised. The discontinuation is accounted for prospectively. Any gain or loss recognized in other comprehensive income and accumulated in cash flow hedge reserve at that time remains in equity and is reclassified to profit or loss when the forecast transaction occurs. When a forecast transaction is no longer expected to occur, the gain or loss accumulated in cash flow hedge reserve is reclassified immediately to profit or loss.

**Notes to the consolidated financial statements  
for the year ended 31 December 2020 (continued)****4 Critical accounting judgements and key sources of estimation uncertainty**

In the application of the Group's accounting policies, which are described in note 3, management are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if, the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

**Critical judgements in applying the Group's accounting policies**

The following are the critical judgements, apart from those involving estimations described below, that management have made in the process of applying the Group's accounting policies and have the most significant effect on the amounts recognised in the consolidated financial statements.

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). Potential future cash outflows beyond the lease term are not included in the lease liability because it is not reasonably certain that the leases will be extended (or not terminated).

Significant increase in credit risk

As explained in note 3, ECL are measured as an allowance equal to 12-month ECL for stage 1 assets, or lifetime ECL for stage 2 or stage 3 assets. An asset moves to stage 2 when its credit risk has increased significantly since initial recognition. IFRS 9 does not define what constitutes a significant increase in credit risk. In assessing whether the credit risk of an asset has significantly increased the Group takes into account qualitative and quantitative reasonable and supportable forward looking information.

Disposal of non-current assets

The Group built a high-pressure gas pipeline on behalf of Abu Dhabi National Oil Company PJSC ("ADNOC") and acquired a second high-pressure gas pipeline constructed on behalf of ADNOC by the original owners of the assets as acquired by Emirates Iron & Steel Company LLC in 2012 (collectively "the Pipelines"). The Pipelines are being used to deliver high-pressure gas to the Group's plants. The Pipelines were recorded as non-current assets and depreciated over their useful lives. In 2019, the Group entered into an arrangement wherein the parties agreed to transfer the Pipelines to ADNOC for a consideration equivalent to the original construction costs. The final agreement is expected to be signed in due course.

Based on the negotiated commercial arrangement with ADNOC in 2019, management has determined that the arrangement meets the criteria for derecognition of the Pipelines in the current year. The responsibility for the physical control and maintenance of the Pipelines was formally transferred to ADNOC in prior years and the consideration for the commercial transfer of said assets was agreed in the current year. Accordingly, management has determined that the derecognition of the Pipelines and the recognition of the gain on disposal in the year ended 31 December 2019 is appropriate.

**Notes to the consolidated financial statements  
for the year ended 31 December 2020 (continued)****4 Critical accounting judgements and key sources of estimation uncertainty (continued)****Critical judgements in applying the Group's accounting policies (continued)**Capitalisation of expenses

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

**Key sources of estimation uncertainty**

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

Calculation of loss allowance

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

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

Probability of default constitutes a key input in measuring ECL. Probability of default is an estimate of the likelihood of default over a given time horizon, the calculation of which includes historical data, assumptions and expectations of future conditions.

Impairment of property, plant, equipment, right-of-use assets and intangible assets

As a result of the current COVID-19 pandemic, and other economic factors, demand for the Group's products in both its regional and international markets was adversely impacted. As a consequence, decisions were taken to cease certain of the Group's plants for the foreseeable future and to reduce production volumes in others. Accordingly, Management has assessed the impairment of property, plant and equipment and right-of-use assets during the year which led to the full impairment of the facilities ceased for the foreseeable future and a partial impairment provision on certain other assets (notes 5, 8 and 11).

Allowance for slow moving and obsolete inventories

Inventories are stated at the lower of cost or net realisable value. Adjustments to reduce the cost of inventory to its net realizable value, if required, are made at the product level for estimated excess, obsolescence or impaired balances. Factors influencing these adjustments include changes in demand, technological changes, physical deterioration and quality issues. Based on the factors, management has identified inventory items as slow and non-moving to calculate the allowance for slow moving and obsolete inventories. Revisions to the allowance for slow moving inventories would be required if the outcome of these indicative factors differ from the estimates. The allowance as at 31 December 2020 is AED 175,221 thousand (2019: AED 220,152 thousand).

**Notes to the consolidated financial statements  
for the year ended 31 December 2020 (continued)****4 Critical accounting judgements and key sources of estimation uncertainty (continued)****Key sources of estimation uncertainty (continued)**Impairment of investments in equity accounted investees

Management regularly reviews its investments in associates for indicators of impairment. This determination of whether investments in associates are impaired entails Management's evaluation of the specific investee's profitability, liquidity, solvency and ability to generate operating cash flows from the date of acquisition and until the foreseeable future. The difference between the estimated recoverable amount and the carrying value of investment is recognised as an expense in profit or loss. Based on Management's best estimates an impairment of AED 53,627 thousand (2019: AED nil) has been recorded.

Warranty provision

Management has estimated contract warranty costs expected to arise on projects, based on management's best estimates, past experience and expected future maintenance costs.

Discount rate used for initial measurement of lease liability

The Group, as a lessee, measures the lease liability at the present value of the unpaid lease payments at the commencement date. The lease payments are discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the Group uses its incremental borrowing rate.

Incremental borrowing rate is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use assets in similar economic environment.

The Group determines its incremental borrowing rate with reference to its existing and historical cost of borrowing adjusted for the term and security against such borrowing.

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

**5 Property, plant and equipment**

	Land and building AED'000	Plant and equipment *** AED'000	Furniture and fixtures AED'000	Motor vehicles AED'000	Capital work in progress AED'000	Total *** AED'000
<b>Cost</b>						
1 January 2019	3,882,695	19,793,647	389,069	243,620	167,556	24,476,587
Additions	8,373	214,516	24,117	2,178	496,686	745,870
Disposals	-	(101,412)	(18,686)	(3,534)	-	(123,632)
Transfers	28,656	138,278	1,907	1,702	(170,543)	-
Transfer to intangible assets ***	-	(1,639)	-	-	-	(1,639)
Effects of foreign currency exchange differences	(54)	(1,164)	(930)	24	(616)	(2,740)
Reclassification**	58,139	(31,227)	(11,550)	698	(16,060)	-
Write-offs	-	(995)	-	-	(1,016)	(2,011)
1 January 2020	3,977,809	20,010,004	383,927	244,688	476,007	25,092,435
Additions	5,365	240,053	14,288	1,853	159,159	420,718
Disposals	(31,015)	(76,438)	(572)	(3,639)	(1,125)	(112,789)
Transfer to a related party	(126,476)	(29,322)	(797)	(2,113)	(446)	(159,154)
Transfers from CWIP	21,459	459,512	19,311	4,128	(504,410)	-
Effects of foreign currency exchange differences	(2,002)	(3,404)	(320)	(82)	(94)	(5,902)
Write-offs	-	(13,932)	(12,363)	(759)	(39,716)	(66,770)
<b>31 December 2020</b>	<b>3,845,140</b>	<b>20,586,473</b>	<b>403,474</b>	<b>244,076</b>	<b>89,375</b>	<b>25,168,538</b>
<b>Accumulated depreciation</b>						
1 January 2019	1,674,913	7,870,699	314,219	175,516	9,260	10,044,607
Charge for the year	116,139	861,782	23,275	20,498	-	1,021,694
Disposals	-	(52,425)	(18,669)	(3,521)	-	(74,615)
Transfer to intangible assets ***	-	(611)	-	-	-	(611)
Effects of foreign currency exchange differences	82	(375)	(881)	(20)	-	(1,194)
Reclassification **	30,097	(20,026)	(10,703)	632	-	-
1 January 2020	1,821,231	8,659,044	307,241	193,105	9,260	10,989,881
Charge for the year	105,460	868,030	24,024	16,807	-	1,014,321
Disposals	(42,160)	(25,741)	(1,218)	(3,639)	-	(72,758)
Transfer to a related party	(12,183)	(23,962)	(625)	(2,104)	-	(38,874)
Effects of foreign currency exchange differences	(152)	(1,227)	(296)	(72)	-	(1,747)
Write offs	-	(4,903)	(11,835)	(670)	-	(17,408)
Impairment loss*	-	1,078,500	-	-	-	1,078,500
Impairment	-	7,970	-	-	-	7,970
<b>31 December 2020</b>	<b>1,872,196</b>	<b>10,557,711</b>	<b>317,291</b>	<b>203,427</b>	<b>9,260</b>	<b>12,959,885</b>
<b>Carrying amount</b>						
<b>31 December 2020</b>	<b>1,972,944</b>	<b>10,028,762</b>	<b>86,183</b>	<b>40,649</b>	<b>80,115</b>	<b>12,208,653</b>
31 December 2019	2,156,578	11,350,960	76,686	51,583	466,747	14,102,554

Assets pledged as security

Capital work in progress includes cement factory under construction for Arkan Building Material PJSC with a carrying amount of AED 1,553 million (2019: AED 1,523 million) pledged against a loan received from a local financial institution.

Property, plant and equipment amounting to AED 1,638 million (2019: AED 1,240 million) are pledged against Istisna loan at NPCC.

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

**5 Property, plant and equipment (continued)**

\* As a result of the COVID-19 pandemic, and other economic factors, demand for the Group's products in both its regional and international markets was adversely impacted. As a consequence, decisions were taken to cease certain of the Group's plants for the foreseeable future and to reduce production volumes in others. Accordingly, Management has assessed the impairment of property, plant and equipment and right-of-use assets and has recorded impairment for certain plants within Steel Industries.

As a result of the decisions to cease certain assets for the foreseeable future and to reduce volumes in other plants the Group re-assessed the recoverable amounts of such facilities at 31 December 2020 using value in use methodologies; the Group has recorded an AED 1,078.5 million impairment loss as a result of the impairment assessment.

In calculating the net present value of future cash flows, the following assumptions were made in respect of matters which are highly uncertain:

- Discount rate of 10%
- Projected cash flows over remaining life of the plants

\*\* These reclassifications relate to error in the prior year in the grouping of assets in their respective classes.

\*\*\* 2019 balances have been reclassified to make it comparable to the current year balances, details mentioned in note 36.

**6 Intangible assets and goodwill**

	<b>2020</b>	2019*
	<b>AED'000</b>	AED'000
Intangible assets	<b>86,111</b>	90,326
Goodwill	<b>198,809</b>	198,809
	<hr/>	<hr/>
	<b>284,920</b>	289,135
	<hr/> <hr/>	<hr/> <hr/>

\* 2019 balances have been reclassified to make it comparable to the current year balances, details mentioned in note 36.

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

**6 Intangible assets and goodwill (continued)**

The movement in intangible assets are as follows:

	Spring water rights AED'000	Trademarks AED'000	Software * AED'000	Others AED'000	Total* AED'000
<b>Cost</b>					
At 1 January 2019	4,427	61,079	55,844	2,007	123,357
Additions	-	-	5,102	-	5,102
Transfer from property, plant & equipment*	-	-	1,639	-	1,639
Effect of foreign exchange differences	(493)	(15)	-	(36)	(544)
At 1 January 2020	3,934	61,064	62,585	1,971	129,554
Additions	-	-	3,546	2,425	5,971
Effect of foreign exchange differences	(796)	(89)	-	(54)	(939)
Write off	-	-	(3,289)	-	(3,289)
<b>At 31 December 2020</b>	<b>3,138</b>	<b>60,975</b>	<b>62,842</b>	<b>4,342</b>	<b>131,297</b>
<b>Accumulated amortisation</b>					
At 1 January 2019	-	6,487	25,427	1,624	33,538
Transfer from property, plant & equipment*	-	-	611	-	611
Charge for the year	-	2,442	2,606	31	5,079
At 1 January 2020	-	8,929	28,644	1,655	39,228
Charge for the year	-	2,459	2,471	1,391	6,321
Write off	-	-	(363)	-	(363)
<b>At 31 December 2020</b>	<b>-</b>	<b>11,388</b>	<b>30,752</b>	<b>3,046</b>	<b>45,186</b>
<b>Carrying amount as at 31 December 2020</b>	<b>3,138</b>	<b>49,587</b>	<b>32,090</b>	<b>1,296</b>	<b>86,111</b>
At 31 December 2019	3,934	52,135	33,941	316	90,326

\* 2019 balances have been reclassified to make it comparable to the current year balances, details mentioned in note 36.

Goodwill consists of:

	2020 AED'000	2019 AED'000
Consumer business division (UAE operations) – Ice Crystal	10,805	10,805
Consumer business division (Turkish operation) – Pelit Su	2,486	2,486
Consumer business division – Al Bayan	92,864	92,864
Consumer business division – Delta	87,597	87,597
Oil and gas contracting division – ANEWA Engineering	5,057	5,057
	<b>198,809</b>	<b>198,809</b>

The recoverable amount of cash-generating units was based on its value in use determined by management. The carrying amount of the unit was determined to be lower than their recoverable amount.

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

**6 Intangible assets and goodwill (continued)**

Value in use was determined by discounting the future cash flows generated from the continuing use of the unit.

Cash flows were projected based on past experience and the five-year business plan. In addition, terminal value was determined using future cash flows and growth rate in perpetuity and were based on the following key assumptions:

	Agri- business division	Consumer business division (UAE operations)	Consumer business division (Turkish operations)	Consumer business division (Delta operations)	Consumer business division (Al Bayan operations)
<b>2020</b>					
Anticipated annual revenue growth (%)	1%	0.3% - 3.4%	2% - 14%	6% - 7.4%	4% - 5%
Pre-tax discount rate (%)	9.1%	8.2%	11.5%	8.2%	7.5%
<b>2019</b>					
Anticipated annual revenue growth (%)	1%	6%	10%	8%-9%	6%-8%
Pre-tax discount rate (%)	9.6%	8.4%	11.5%	8.4%	8.4%

The values assigned to the key assumptions represent management's assessment of future trends in the consumer business division and are based on both external and internal sources.

**7 Investment properties**

	2020 AED'000	2019 AED'000
<b>Cost</b>		
At 1 January	69,485	69,485
Transfer to a related party	(51,310)	-
	<hr/>	<hr/>
At 31 December	18,175	69,485
	<hr/>	<hr/>
<b>Accumulated depreciation and impairment</b>		
At 1 January	19,897	17,477
Charge for the year	1,564	2,420
Transfer to a related party	(17,968)	-
	<hr/>	<hr/>
31 December	3,493	19,897
	<hr/>	<hr/>
<b>Carrying amount</b>	14,682	49,588
	<hr/>	<hr/>

**Notes to the consolidated financial statements  
for the year ended 31 December 2020 (continued)****7 Investment properties (continued)**

The Group owned a factory building leased to a third party with a cost of AED 51,310 thousand located at the Abu Dhabi Polymers Park in Abu Dhabi, UAE. During 2020, the Group entered into an asset transfer agreement with Abu Dhabi Ports Company PJSC for the transfer of the building located at ICAD Abu Dhabi at carrying value which resulted in reduction in contributed capital of Group (Note 17).

In 2015, certain properties were reclassified to investment properties as management leased these assets to earn rental income. This investment property represents a rebar processing and distribution facility, comprising freehold land, buildings and equipment. The property has been leased to a third party since 4 December 2016 on a five-year full repairing lease arrangement and on the expiry of this initial period, the lease can be extended on an annual basis on the agreement of both the Group and the tenant. Management consider the net carrying value to be a lower than the fair value which is determined by an insurance valuation i.e. AED 24,077 thousand (2019: fair value of AED 15,390 thousand approximates the net carrying value on the basis of valuation carried out by management) for the investment property.

The fair value measurement for the investment properties has been categorised as a Level 3 fair value based on the inputs to the valuation technique used.

The Group has generated rental income from its investment properties of AED 3,151 thousand (2019: AED 6,296 thousand).

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

**8 Right-of-use assets**

*Group as a Lessee*

	<b>Land and buildings AED</b>	<b>Plant &amp; equipment AED</b>	<b>Motor vehicles AED</b>	<b>Total AED</b>
<b>Cost</b>				
1 January 2019	-	-	-	-
Recognised on initial application of IFRS 16	917,799	2,453	32,619	952,871
Additions	40,099	-	26,663	66,762
Disposal	-	(493)	(553)	(1,046)
	<hr/>	<hr/>	<hr/>	<hr/>
1 January 2020	957,898	1,960	58,729	1,018,587
Additions	6,101	-	20,300	26,401
Transfers	(2,784)	-	2,784	-
Remeasurement during the year	(12,335)	-	-	(12,335)
Effect of foreign exchange differences	(26)	-	(2)	(28)
Disposals	(19,145)	-	(304)	(19,449)
	<hr/>	<hr/>	<hr/>	<hr/>
<b>At 31 December 2020</b>	<b>929,709</b>	<b>1,960</b>	<b>81,507</b>	<b>1,013,176</b>
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
<b>Accumulated depreciation and impairment</b>				
1 January 2019	-	-	-	-
Amortisation charge for the year	49,430	676	15,468	65,574
	<hr/>	<hr/>	<hr/>	<hr/>
1 January 2020	49,430	676	15,468	65,574
Charge for the year	49,083	885	16,986	66,954
Disposals	(4,696)	-	(63)	(4,759)
Impairment loss (note 5)	55,400	-	-	55,400
	<hr/>	<hr/>	<hr/>	<hr/>
<b>At 31 December 2020</b>	<b>149,217</b>	<b>1,561</b>	<b>32,391</b>	<b>183,169</b>
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
<b>Carrying amount</b>				
<b>31 December 2020</b>	<b>780,492</b>	<b>399</b>	<b>49,116</b>	<b>830,007</b>
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
31 December 2019	908,468	1,284	43,261	953,013
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

The Group leases several assets including buildings, plant, and IT equipment. Lease terms range between 1 to 26 years.

The Group has options to purchase certain manufacturing equipment for a nominal amount at the end of the lease term. The Group's obligations are secured by the lessors' title to the leased assets for such leases.

Certain leases for property, plant and equipment expired in the 2019 and 2020. The expired contracts were replaced by new leases for identical underlying assets. This resulted in additions to right-of-use assets of AED 26 million (2019: AED 67 million) in 2020.

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

**9 Investments in equity accounted investees**

	<b>2020</b>	2019
	<b>AED'000</b>	AED'000
Investment in associates	<b>1,421,991</b>	1,416,498
Investment in joint ventures	<b>8,066</b>	65,453
	<hr/>	<hr/>
	<b>1,430,057</b>	1,481,951
	<hr/> <hr/>	<hr/> <hr/>

The reconciliation of carrying amounts for investment in associates are as follows:

	<b>2020</b>	2019
	<b>AED'000</b>	AED'000
Balance as at 1 January	<b>1,416,498</b>	1,296,621
Acquisition	-	95,759
Adjustment during the year*	<b>(3,729)</b>	-
Share of profits	<b>58,965</b>	51,716
Share of other comprehensive (loss)/income	<b>15,278</b>	(398)
Share of dividends	<b>(36,200)</b>	(27,200)
Impairment loss **	<b>(28,821)</b>	-
	<hr/>	<hr/>
<b>Balance as at 31 December</b>	<b>1,421,991</b>	1,416,498
	<hr/> <hr/>	<hr/> <hr/>

Although the remaining 60 percent of the equity shares of Ducab Aluminum Company LLC is owned by Dubai Cables Company Limited, a 50 percent associate of the Group, the Group does not control more than 50 percent of the voting power at shareholders' meetings, and only has the contractual right to appoint two out of five directors to the board of directors of that Company.

The investment in Dubai Cables Company Limited and Abu Dhabi Industrial Development Zones Company (dormant) are classified as associates even though the Company holds 50% of the equity of the entities because as per the contractual arrangement with the other 50% shareholder, the Company only has the ability to significantly influence, but not jointly control these entities.

\*In May 2019, the Group acquired 51% stake in NTS Middle East FZCO for a consideration of AED 95,759 thousand. Although the Company has 51% legal stake at NTS, it only has 50% beneficial ownership by virtue of sale and purchase agreement and a representation on the board of directors. The Company does not have control over NTS and hence NTS is classified as an associate accounted using the equity method. In April 2020, based on the final negotiations on earn out consideration, the Company recalculated the amount of investment and reversed AED 3,729 million.

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

**9 Investments in equity accounted investees (continued)**

\*\* The investments in associate in Vision Group includes goodwill of AED 89,740 thousand (2019: AED 118,561 thousand) arising on acquisition of the associate. On 4 November 2020, the Directors of Vision Group resolved to liquidate Vision Hotel Apartment LLC and appoint a legal liquidator to distribute the net assets of the shareholders after settlement of all liabilities. Accordingly, an impairment was recognised to reduce the carrying value of the investment down to its net realisable value. The liquidation proceedings is expected to be finalised by 30 June 2021.

Dividends received from associates below represent the actual amounts attributable and hence received by the Group. The other summary information that precedes the reconciliation to the Group's carrying amount represents amounts included in the IFRS financial statements of the associate, not the entity's share of these amounts, although they are adjusted to reflect fair value adjustments upon acquisition or accounting policy alignments.

Details of the Group's associates at the end of the reporting period are as follows:

<u>Name of associate</u>	<b>Place of incorporation and operation</b>	<b>Ownership interest</b>	
		<b>2020</b>	<b>2019</b>
Vision Hotel Apartment LLC	UAE	<b>40%</b>	40%
Deco Vision LLC	UAE	<b>40%</b>	40%
Vision Furniture and Decoration Factory LLC	UAE	<b>40%</b>	40%
Deco Vision Properties LLC	UAE	<b>40%</b>	40%
Vision Links Hotel Apartment LLC	UAE	<b>40%</b>	40%
Abu Dhabi Industrial Zones Development Company (dormant)	UAE	<b>50%</b>	50%
Dubai Cable Company (Private) Limited	UAE	<b>50%</b>	50%
Ducab Aluminium Company LLC	UAE	<b>40%</b>	40%
Principia SAS ("Principia")	France	<b>33%</b>	33%
NTS Middle East FZCO ("NTS")	UAE	<b>51%</b>	51%

All of the above associates are accounted for using the equity method in these consolidated financial statements as set out in the Group's accounting policies in note 3.

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

**9 Investments in equity accounted investees (continued)**

Summarised financial information in respect of the Group's associates is set out below:

	<b>2020</b> <b>AED'000</b>	2019 AED'000
Total assets	<b>4,077,147</b>	3,975,279
Total liabilities	<b>(1,501,194)</b>	(1,430,965)
	<hr/>	<hr/>
Net assets	<b>2,575,953</b>	2,544,314
	<hr/>	<hr/>
Group's share of net assets	<b>1,297,365</b>	1,273,133
	<hr/>	<hr/>
Goodwill on acquisition	<b>89,740</b>	118,561
NCI share not considered	<b>34,886</b>	24,804
	<hr/>	<hr/>
Carrying amount of interest in associates	<b>1,421,991</b>	1,416,498
	<hr/>	<hr/>
Revenue	<b>4,944,842</b>	5,238,055
	<hr/>	<hr/>
Net profit	<b>119,395</b>	105,318
Other comprehensive income	<b>30,556</b>	(795)
	<hr/>	<hr/>
Total comprehensive income	<b>149,951</b>	104,523
	<hr/>	<hr/>
Group's share of total comprehensive income	<b>74,243</b>	51,318
	<hr/>	<hr/>
Dividends received	<b>36,200</b>	27,200
	<hr/>	<hr/>

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

**9 Investments in equity accounted investees (continued)**

Details of the Group's joint ventures and joint operations are as follows:

	Proportion of incorporation (or registration)	Ownership interest	
		31 December 2020	31 December 2019
<b>Joint operations</b>			
NPCC - CCC Qusahwira*	UAE	75%	75%
Technip - NPCC - Satah Full Field	UAE	50%	50%
NPCC - CCC, Bab Thamama*	UAE	75%	75%
NPCC - MEPI JV - GPF	UAE	50%	50%
NPCC - TECHNIP - UZ-750 (EPC-1)	UAE	40%	40%
NPCC - TECHNIP UL-2	UAE	50%	50%
NPCC - TECHNIP AGFA	UAE	50%	50%
<b>Joint ventures</b>			
Al Gharbia Pipe Company LLC**	UAE	51%	51%
Palmera for Dates Cultivation and Trading***	Jordan	50%	50%

The movement during the year in the carrying amount of investment in joint ventures is as follows:

	2020 AED'000	2019 AED'000
At 1 January	65,453	42,878
Long term funding	4,849	39,254
Share of loss for the year	(37,430)	(16,679)
Impairment loss**	(24,806)	-
At 31 December	8,066	65,453

\*The investments in these entities are accounted for as joint operations as the relevant contractual shareholder agreements provide for the joint control of the entity by the shareholders.

\*\*The 51% shareholding in Al Gharbia is treated as a joint venture, rather than as a subsidiary company, since the contractual shareholder agreements provide for the joint control of the entity by the shareholders. Al Gharbia has established a factory in the Kizad Industrial Zone, Abu Dhabi, for the manufacture of pipes for applications in the oil and gas sector. The management has recorded an impairment of AED 24,806 based on the fair value of investment in Al Gharbia.

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

**9 Investments in equity accounted investees (continued)**

Joint Ventures

\*\*\* During 2019, the Group established a subsidiary in Jordan (Alam Al Tomour LLC) which in turn formed with other parties a joint venture for agricultural land reclamation and cultivation. During 2020, the joint venture capital has been increased from AED 25,900 to AED 5.18million. The Group has paid AED 2.5 million towards the capital and AED 2.3 million towards additional paid up capital.

Following is the summarised financial information of joint ventures in the consolidated financial statements:

	<b>2020</b>	2019
	<b>AED'000</b>	AED'000
Total assets	<b>992,305</b>	1,020,323
Total liabilities	<b>(927,816)</b>	(900,951)
	<hr/>	<hr/>
Net assets	<b>64,489</b>	119,372
SENAAT's share	<b>32,872</b>	65,453
Less: Impairment loss	<b>(24,806)</b>	-
	<hr/>	<hr/>
Carrying amount of interest in joint ventures	<b>8,066</b>	65,453
	<hr/> <hr/>	<hr/> <hr/>
Revenue	<b>4,944</b>	1,385
	<hr/> <hr/>	<hr/> <hr/>
Net loss	<b>(73,423)</b>	(36,254)
Other comprehensive loss	-	-
	<hr/>	<hr/>
Total comprehensive loss	<b>(73,423)</b>	(36,254)
	<hr/> <hr/>	<hr/> <hr/>
Group's share in total comprehensive loss	<b>(37,430)</b>	(16,679)
	<hr/> <hr/>	<hr/> <hr/>

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

**10 Biological assets**

	<b>2020</b>	2019
	<b>AED'000</b>	AED'000
At 1 January	<b>45,293</b>	44,361
Change in fair value of biological assets	-	932
Transferred to a related party (note 32)	<b>(45,293)</b>	-
	<hr/>	<hr/>
<b>At 31 December</b>	<b>-</b>	<b>45,293</b>
	<hr/> <hr/>	<hr/> <hr/>

Biological assets are date palm trees. As at 31 December 2020, the total number of date palm trees was Nil (2019: 61,045). On 26 November 2020, the Shareholder of the Group resolved to transfer the ownership of all biological assets placed in the Farm owed by Al Foah Company LLC in Al Ain, United Arab Emirates (the Farm) to a related party.

**11 Accounts and other receivables**

	<b>2020</b>	2019*
	<b>AED'000</b>	AED'000
<b>Non-current portion</b>		
Loans receivables from related parties (Note 32)	<b>50,981</b>	4,738
Advances to contractors and suppliers	-	2,849
Trade receivables due from third parties (Note 11.1)	<b>154,371</b>	154,371
Allowance for expected credit losses (Note 11.3)	<b>(154,371)</b>	(154,371)
	<hr/>	<hr/>
	<b>50,981</b>	<b>7,587</b>
	<hr/> <hr/>	<hr/> <hr/>

\* 2019 balances have been reclassified to make it comparable to the current year balances, details mentioned in note 36.

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

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

	<b>2020</b>	2019*
	<b>AED'000</b>	AED'000
<b>Current portion</b>		
Trade receivables due from third parties (Note 11.1)	<b>2,900,984</b>	2,900,182
Allowance for expected credit losses (Note 11.3)	<b>(259,584)</b>	(177,262)
	<hr/>	<hr/>
	<b>2,641,400</b>	2,722,920
Due from related parties (Note 32)	<b>1,194,569</b>	635,671
Allowance for expected credit losses (Note 11.3)	<b>(16,109)</b>	(75,393)
	<hr/>	<hr/>
	<b>1,178,460</b>	560,278
Loans receivables from related parties	<b>38,816</b>	3,057
Allowance for expected credit losses (Note 27)	<b>(36,921)</b>	-
	<hr/>	<hr/>
Loans receivables from related parties (Note 32)	<b>1,895</b>	3,057
Advances to contractors and suppliers	<b>437,013</b>	426,544
Prepayments	<b>273,618</b>	294,364
Government compensation receivable (Note 11.4)	<b>12,451</b>	27,782
Contract assets (Note 11.2)	<b>1,395,528</b>	1,311,431
Tax receivables	<b>80,613</b>	89,846
Other receivables	<b>321,505</b>	362,741
	<hr/>	<hr/>
	<b>6,342,483</b>	5,798,963
	<hr/> <hr/>	<hr/> <hr/>

**11.1 Trade receivables due from third parties**

The average credit period on revenue is 30 - 90 days (2019: 30 – 90 days). No interest is charged on trade receivables.

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

Before accepting any new customer, the Group assesses the potential credit quality of the customer. At the end of the reporting period, AED 1,755,049 thousand (2019: AED 570,476 thousand) is due from the Group's five largest customers. Management believes that the concentration of credit risk is mitigated by high credit worthiness and financial stability of its major trade customers and the fact that the remaining customer base is unrelated.

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

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

**11.1 Trade receivables due from third parties (continued)**

There has been no change in the estimation techniques or significant assumptions made during the current reporting period. The Group writes off a trade receivable when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings, or when the trade receivables are over two years past due, whichever occurs earlier. None of the trade receivables that have been written off is subject to enforcement activities.

**11.2 Contract assets**

	<b>2020</b>	2019
	<b>AED'000</b>	AED'000
Construction contracts	<b>1,395,528</b>	1,311,431
	<hr/>	<hr/>
Significant changes in contract assets balance during the year:		
	<b>2020</b>	2019
	<b>AED'000</b>	AED'000
As at 1 January	<b>1,311,431</b>	1,652,986
Add: Revenue recognised during the year from contract	<b>4,424,373</b>	6,064,094
Less: Transfer of contract assets recognised to trade receivables	<b>(4,340,276)</b>	(6,405,649)
	<hr/>	<hr/>
As at 31 December	<b>1,395,528</b>	1,311,431
	<hr/> <hr/>	<hr/> <hr/>

The management of the Group always measure the loss allowance on amounts due from customers at an amount equal to lifetime ECL, taking into account the historical default experience and the future prospects of the construction industry. None of the amounts due from customers at the end of the reporting period is past due.

The management of the Group have deemed the expected credit losses to be insignificant on contract assets as at 31 December 2020 considering the fact that there is no history of default, amount due from customer is not past due as at 1 January 2020 and 31 December 2020 and contract assets are recoverable. There is no significant impact from the adoption of IFRS 9 on the retained earnings as at 1 January 2020.

**Ageing of contract assets**

	<b>2020</b>	2019
	<b>AED'000</b>	AED'000
1 to 90 days	<b>1,252,800</b>	1,138,853
More than 91 days	<b>142,728</b>	172,578
	<hr/>	<hr/>
	<b>1,395,528</b>	1,311,431
	<hr/> <hr/>	<hr/> <hr/>

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

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

**11.3 Allowance for expected credit losses**

The following table details the risk profile of trade receivables based on the Group's provision matrix. As the Group's historical credit loss experience does not show significantly different loss patterns for different customer segments, the provision for loss allowance based on past due status is not further distinguished between the Group's different customer base.

31 December 2020	Trade receivables - days past due						Total
	Not past due	Less than 90	91 - 180	181 - 270	271 - 360	More than 360	
Expected credit loss rate	0.2%	3.1%	14.0%	14.8%	37.0%	75.9%	
Estimated total gross carrying amount at default	2,035,259	383,689	42,617	58,491	59,412	475,888	3,055,355
Lifetime ECL	4,577	11,726	5,960	8,633	21,975	361,084	413,955
31 December 2019	Not past due	Less than 90	91 - 180	181 - 270	271 - 360	More than 360	Total
Expected credit loss rate	0.5%	1.0%	8.1%	11.7%	11.4%	68.5%	
Estimated total gross carrying amount at default	1,491,529	732,066	194,124	153,042	83,380	400,412	3,054,553
Lifetime ECL	6,990	7,172	15,737	17,962	9,527	274,245	331,633

The movement in the loss allowance on trade receivables due from third parties during the year is as follows:

	2020 AED'000	2019 AED'000
As at 1 January	331,633	282,209
Charge for the year	91,556	50,780
Amounts written off	(9,234)	(1,356)
<b>As at 31 December</b>	<b>413,955</b>	<b>331,633</b>

The movement in the loss allowance on amounts due from related parties during the year is as follows:

	2020 AED'000	2019 AED'000
As at 1 January	75,393	75,643
Amounts written off	(59,284)	(250)
<b>As at 31 December</b>	<b>16,109</b>	<b>75,393</b>

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

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

**11.4 Government compensation receivable**

The movement in government compensation receivable are as follows:

	2020 AED'000	2019 AED'000
As at 1 January	27,782	37,727
Compensation for the year	120,440	121,383
Received during the year	(135,771)	(131,328)
<b>As at 31 December</b>	<b>12,451</b>	<b>27,782</b>

**12 Inventories**

	2020 AED'000	2019 AED'000
Work-in-progress and finished goods	903,413	1,048,998
Raw materials	811,046	613,673
Consumables and stores and spares	714,953	783,225
Goods in transit	179,344	324,198
	<b>2,608,756</b>	<b>2,770,094</b>
Allowance for slow moving and obsolete inventories	(175,221)	(220,152)
	<b>2,433,535</b>	<b>2,549,942</b>

The movement in the allowance for slow moving and obsolete inventories is as follows:

	2020 AED'000	2019 AED'000
As at 1 January	220,152	217,417
Charge for the year	8,795	19,686
Reversal of allowance	(3,241)	(12,782)
Written off	(50,485)	(4,169)
<b>As at 31 December</b>	<b>175,221</b>	<b>220,152</b>

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

**13 Cash and bank balances**

	2020 AED'000	2019 AED'000
Cash in hand	83,530	4,907
Cash at banks	1,075,042	1,039,982
Term deposits	594,758	1,137,560
Less: Loss allowance	(407)	(407)
<b>Cash and bank balances</b>	<b>1,752,923</b>	<b>2,182,042</b>
Less: Escrow accounts	(24,996)	(25,036)
Less: Term deposits with original maturity over three months	(595,042)	(561,590)
Less: Bank overdrafts	-	(21,775)
Add: Loss allowance	407	407
<b>Cash and cash equivalent in the consolidated statement of cash flows</b>	<b>1,133,292</b>	<b>1,574,048</b>

Term deposits carry interest rates varying from 0.45% - 1.75% (2019: 1.62% - 4.45%).

Escrow accounts represent amounts set aside for payment of dividends declared between 2009 and 2014. The equivalent amount has been recorded as a liability in trade and other payables. These restricted cash balances have not been included in cash and cash equivalents for the purpose of the consolidated statement of cash flows.

**14 Share capital**

The authorised, issued and fully paid share capital of the Company is AED 2,000 thousand divided into 20,000 shares at AED 100 each.

During 2020, the shares of the Group has been transferred to Abu Dhabi Development Holding Company (ADQ).

**15 Statutory reserve and restricted reserve**

In accordance with the Articles of Association of the Company and the UAE Federal Law No. 2 of 2015, concerning Commercial Companies, 10% of profit for the year are transferred to a statutory reserve until the reserve equals 50% of the share capital. This reserve is not available for distribution.

The statutory reserves of the subsidiaries have been transferred to the restricted reserve as these amounts are not available for distribution.

**16 Dividends**

During the year, the Group declared dividends of AED Nil. (2019: AED 75,000 thousand).

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

**17 Shareholder's contributions**

	2020 AED'000	2019 AED'000
Transfer of net assets of Anabeeb (a)	5,162	5,162
Transfer of net assets of other factories transferred (b)	6,574	6,574
Capital restructuring (c)	667,121	667,121
Ownership transfer of NPCC (d)	297,665	297,665
Reclassification – hedging reserve	(1,176)	(1,176)
Ownership transfer of Al Khaznah Tannery (e)	39,123	39,123
Ownership transfer of Al Foah Company L.L.C. (f)	194,167	352,328
Ownership transfer of DUCAB Cables (g)	142,000	142,000
Share in Arkan's additional paid up capital from issuance of shares during 2006	1,929	1,929
Additional capital contribution (h)	14,419	14,419
Reclassification - Retained earnings (i)	(14,418)	(14,418)
Capital distribution from the Government of Abu Dhabi (j)	2,600	2,600
Transfer of investment property to AD Ports Company (k)	(33,342)	-
	<u>1,321,824</u>	<u>1,513,327</u>

- (a) Based on a decision of the Supreme Petroleum Council of Abu Dhabi, ownership rights in Abu Dhabi National Pipes and Bags Factory were transferred to the General Industry Corporation. This transfer was agreed upon between Abu Dhabi National Oil Company and CO2 Corporation Limited, being the previous shareholders, and the General Industry Corporation with effect from 31 December 1988. The net asset value booked by General Industry Corporation was less than the net book value of the factory's assets on that date by an amount of AED 5,162 thousand. This was as per the agreement between both parties dated 13 December 1988. The Company transferred these balances to capital reserves.
- (b) The net book value of the transferred assets represents the retained profits for the factories as at 1 July 1979.
- (c) Based on Decree No. (5) of 2004, issued by HH Crown Prince of Abu Dhabi, the ownership of the General Industry Corporation was transferred to the Company, where the capital of the Company was AED 2,000 thousand. Based on that, all assets and liabilities were consolidated in the Group's consolidated financial statements and net equity was recorded as the shareholder's contribution.
- (d) Based on Decree No. (9) of 2004, issued by HH Sheikh Khalifa Bin Zayed Al Nahyan, 70% of NPCC's shareholders' capital was transferred from ADNOC to the Company on 20 October 2005. There was no consideration paid by the Company for the transfer of NPCC.
- (e) According to the instruction from the Minister of Presidential Affairs No. 56/2288 dated 13 April 2005, the ownership of Al Khazna Tannery ("the Tannery") was transferred from the Ministry of Presidential Affairs to SENAAAT effective 23 July 2005. The Tannery's equity of AED 39,123 thousand at the date of the transfer was recorded as shareholder's contributions.

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

**17 Shareholder's contribution (continued)**

- (f) Al Foah was established on 20 July 2005 according to Resolution No. 15, session 19/2005 of the Abu Dhabi Executive Council and the ownership was transferred to the Company. The value of the net assets transferred, amounting to AED 352,328 thousand included land, plant and equipment and biological assets, was recorded as a shareholder contribution. On 26 November 2020, the Shareholder of the Group resolved to transfer the ownership of the Farm owed by Al Foah Company LLC in Al Ain, United Arab Emirates (the Farm) to a related party Silal Food and Technology LLC. The transfer resulted in a reduction in contributed capital of AED 158,161 thousand at the date of the transfer.
- (g) Based on the Resolution of HH Sheikh Mohammed Bin Zayed No. 15 of 2005, 50% of Dubai Cables ownership was transferred to the Company. The net book value of assets and liabilities were recorded as a shareholder's contribution.
- (h) During 2012, the Abu Dhabi Municipality, as controlled by Abu Dhabi Government, waived its debts amounting to AED 14,419 thousand due from Al Foah. As the transaction was between two entities controlled by the same shareholder, SENAAAT resolved to consider this debt waiver as an additional contribution in Al Foah.
- (i) As per a resolution of the Al Foah's Board of Directors, passed in 2012, Al Foah waived an amount of AED 14,419 thousand due to Abu Dhabi Municipality. This amount was recognized as an additional contribution from the Government of Abu Dhabi. Subsequently in 2015, it was determined that the amount should in fact have been treated as income and not as a capital contribution, accordingly, the amount was reversed to retained earnings.
- (j) In 2015, Al Foah recognized an increase of AED 2,600 thousand in capital contributions for the value for land owned by Al Foah but not previously recorded.
- (k) In 2020, the Company and Abu Dhabi Ports Company PJSC entered into an agreement for the transfer of a building located at ICAD Abu Dhabi for AED 33,343 thousand, which resulted in a decrease in the capital contribution.

**18 Loans and borrowings**

	2020 AED'000	2019 AED'000
Bank loans		
Unsecured – at amortised cost	3,655,925	4,079,461
Secured – at amortised cost	2,176,546	1,912,903
Sukuk *	1,101,750	1,101,750
	<u>6,934,221</u>	<u>7,094,114</u>
Non-current	2,932,881	1,527,596
Non-current Sukuk	1,101,750	1,101,750
Non - current	4,034,631	2,629,346
Current	2,899,590	4,464,768
	<u>6,934,221</u>	<u>7,094,114</u>

\* In December 2019, the Company issued non-convertible Sukuk with a total value of USD 300 million (AED 1,101,750 thousand) under the USD 3,000,000,000 Trust Certificate Issuance Programme. The Sukuk has a profit rate of 4.76% per annum payable semi-annually and is due for settlement in December 2025.

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

18 Loans and borrowings (continued)

	31 December 2020			31 December 2019		
	Current AED'000	Non-current AED'000	Total AED'000	Current AED'000	Non-current AED'000	Total AED'000
Agthia short term loans (a)	55,936	-	55,936	58,264	-	58,264
Agthia credit facilities (a)	230,651	-	230,651	281,755	-	281,755
Agthia term loan 1 (a)	-	-	-	165,303	-	165,303
Agthia term loan 2 (a)	2,173	19,556	21,729	8,115	8,115	16,230
Agthia term loan 3 (a)	-	183,670	183,670	-	-	-
Agthia term loan 4 (a)	9,798	34,262	44,060	-	-	-
ARKAN term loan 1 (b)	100,000	-	100,000	90,000	-	90,000
ARKAN term loan 2 (c)	132,100	-	132,100	90,000	-	90,000
ARKAN term loan 3 (d)	1,644	2,878	4,522	1,644	4,522	6,166
ARKAN term loan 4 (e)	133,200	400,800	534,000	667,200	-	667,200
ARKAN term loan 5 (f)	105,000	-	105,000	90,000	-	90,000
ARKAN term loan 6 (g)	49,800	-	49,800	-	-	-
ARKAN term loan 7 (h)	7,583	-	7,583	-	-	-
ESI term loan 1 (i)	1,256,396	-	1,256,396	1,157,732	-	1,157,732
ESI term loan 2 (j)	550,875	-	550,875	367,252	550,875	918,127
NPCC loan (k)	-	-	-	275,453	964,084	1,239,537
NPCC loan (l)	264,434	1,373,590	1,638,024	-	-	-
SENAAT loan (m)	-	-	-	367,300	-	367,300
SENAAT loan (m)	-	-	-	550,950	-	550,950
SENAAT loan (n)	-	-	-	293,800	-	293,800
SENAAT loan (m)	-	918,125	918,125	-	-	-
Total	2,899,590	2,932,881	5,832,471	4,464,768	1,527,596	5,992,364

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

**18 Loans and borrowings (continued)**

**Summary of borrowing facilities**

Agthia term loans

- a)
- i. these short term loans bear interest rates at LIBOR/ EIBOR/KIBOR/SAIBOR/ mid corridor rate + margin which vary from 0.4 % - 0.95 % (2019: 0.40 % - 0.95%) for UAE and 0.5 % - 2.85 % (2019: 0.50 % - 3 %) for overseas credit facilities and these loans are maturing in 2021;
  - ii. credit facilities include facility with face value of AED 385,000 thousand (2019: AED 350,000 thousand) and credit facility for capital expenditure with face value of AED 15,000 thousand (2019: AED 15,000 thousand) which are secured by a floating charge over the current assets, inventory and receivables of the Agthia;
  - iii. The term loan 1 was secured by floating charges over the current assets, inventory and receivables of the Agthia which is settled in full in 2020;
  - iv. One of the Agthia's subsidiary availed a loan of AED 21,209 thousand (equivalent to KWD 1,750 thousand) for a tenure of four years repayable in 2022. During the year, Agthia refinanced this loan with another bank for AED 21,574 thousand (equivalent to KWD 1,800) for a tenure of six years repayable in 2026 and secured by bank guarantee of 50% from the Group and the remaining 50% from a third party.
  - v. Agthia has availed a long-term loan of AED 183,670 thousand (equivalent to USD 50,000 thousand) for a tenure of five years repayable in 2025. The loan payment term is a bullet repayment at maturity;
  - vi. One of the Agthia's subsidiaries, availed a long term facility of AED 48,950 thousand (equivalent to SAR 50,000 thousand) for a tenure of five years till 2025 to be repaid through semi-annual instalments. The facility is secured by corporate guarantee of 100% from the Agthia. The loan bears interest at SAIBOR plus margin of 0.5 % - 2.85 % (2019: 0.50 % - 3 %).

Arkan term loans

- b) Term loan 1 of AED 100 million was obtained from a commercial bank for financing the working capital of the Arkan. The loan is repayable in 180 days and carries variable rate of interest.
- c) Term loan 2 of AED 150 million was obtained from Islamic bank for financing the working capital of the Arkan. The loan is repayable in 180 days and carries variable rate of interest.
- d) Term loan 3 of AED 14.80 million was obtained from a commercial bank for financing the cost of the new office of the Arkan. The loan is repayable in 36 equal quarterly installments from November 2014. The loan carries variable interest at EIBOR plus a margin.
- e) Term loan 4 is a 10-year term loan of AED 1,200 million obtained in 2014 by Arkan to finance the construction of the Arkan's new cement factory. The term loan is payable over 9 years semi-annually commencing from March 2016. The loan carries variable interest at EIBOR plus a margin. The term loan is secured by assets with a carrying amount of AED 1,553 million (2019: AED 1,523 million) (note 5). Subsequent to the year end, the Arkan entered into an agreement with its Term Loan 4 lenders for a repayment holiday up to 17 December 2022. As at 31 December 2020 AED 133,200 thousand of the AED 529,327 thousand and AED 18,361 thousand borrowing balance presented as a current liability, however as a result of the repayment holiday obtained subsequent to the year end, is not expected to result in cash outflows until 17 December 2022.
- f) Term loan 5 of AED 150 million was obtained from Islamic bank for financing the working capital of the Arkan. The loan is repayable in 180 days and carries variable rate of interest.

**Notes to the consolidated financial statements  
for the year ended 31 December 2020 (continued)****18 Loans and borrowings (continued)****Summary of borrowing facilities (continued)**

- g) Term loan 6 with facility amount of AED 50 million was obtained from a commercial bank for financing the working capital of the Arkan. The loan is repayable in 90 days carries variable rate of interest.
- h) Term loan 5 with facility amount of AED 25 million was obtained from a commercial bank for financing the working capital of the Arkan. The loan is repayable in 90 days carries variable rate of interest.

ESI term loans

- i) Emirates Steel Industries PJSC finances the purchases of certain raw materials, consumables and spare parts using unsecured bank facilities from local financial institutions. These facilities mature within one year and carry effective interest rates of 60-65 bps over LIBOR / EIBOR.
- j) In November 2018, the Company entered into a USD 400 million (AED 1,469 million) Commodity Murabaha facility with a consortium of local, regional and international banks. This facility was utilised to repay the existing secured Conventional term loan and Islamic facility.

The USD 400 million facility was entered on 21 November 2018. The facility has a tenor of 4 years with a profit rate of 0.85% over LIBOR. Repayments are due on a straight-line / semi-annual basis over four years (USD 50 million (AED 183.625 million) per repayment) commencing 31 December 2018. The facility is unsecured and is subject to a limited parent company guarantee from SENAAAT relating to the price and availability of natural gas and electricity.

As at 31 December 2020 the facility has been fully drawn down and the final repayment date for the facility is in June 2022.

The balance outstanding at 31 December 2020, in an amount of AED 551 million, has been recorded as being due within one year. As of 31 December 2020, the Group was not in compliance with the associated covenant requirements since the Group exceed the maximum leverage threshold in the second quarter of 2020 and the threshold was still exceeded as at 31 December 2020. This constituted an event of default, as defined in the facility agreement, and the lenders may, by notice to the Group, cancel the total commitment and declare that all or part of the outstanding amount and the accrued interest be immediately due and payable or payable on demand. Accordingly, the entire outstanding amount of Islamic facility loan is classified as current in the consolidated statement of financial position. The lenders have not requested accelerated repayment of the facility as of the signing date and management do not anticipate any changes to the original payment terms.

NPCC term loans

- k) During 2015, NPCC signed a syndicated loan agreement amounting to USD 600 million, carrying effective interest rate of LIBOR plus 1.25 %. The total syndicated loan agreement consists of two portions; Conventional amounting to USD 400 million, and Islamic amounting to USD 200 million. In accordance with the terms of the agreement between the two parties, the loan is repayable in quarterly installments starting from August 2016 and is expected to be fully repaid by July 2024. However, the loan has been fully settled on 16 March 2020.

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

**18 Loans and borrowings (continued)**

**Summary of borrowing facilities (continued)**

NPCC term loans (continued)

- l) On Feb 27, 2020, NPCC signed a syndicated loan agreement amounting to USD 500 million (AED 1,836 million), carrying effective interest rate of LIBOR plus 0.90 %. The total syndicated loan agreement consists of two portions; Conventional amounting to USD 167 million, and Islamic amounting to USD 333 million. The outstanding amount of this loan as at 31 December 2020 is USD 446 million which is equivalent to AED 1,638 million. In accordance with the terms of the agreement between the two parties, the loan is repayable in quarterly installments starting from June 2020 and is expected to be fully repaid by February 2027. The loan is secured against mortgage of 5 vessels of the Company.

SENAAT term loans

- m) In 2015 SENAAT obtained 2 unsecured term loan facilities for USD 100,000 and USD 150,000 thousand from 2 leading local banks, with a tenure of 5 years. Both bilateral facilities were due in 2020. In May 2020 SENAAT entered into a USD 250,000 thousand Murabaha facility to refinance both term loans. Tenure of Murabaha facility is 5 years, due as a bullet payment in 2025, with profit rate of 0.8% plus 3-month LIBOR.
- n) SENAAT obtained a revolving loan facility of USD 400,000 thousand in 2016 with a group of syndicated banks. The facility consisted of a 3-year facility of USD 266,666 thousand (Facility A) which expired in December 2019, and a 5-year facility of USD 133,333 thousand which will mature in December 2021. As at year end 31 December 2020, there was nil outstanding on the facility (2019: AED 293,800 thousand). In July 2020 SENAAT signed a new Revolver facility with a syndicate of banks for USD 266,666 thousand with an availability period of 3 years. As at year end there was no drawdown on the facility. The outstanding balance at 31 December 2020 was AED Nil (2019: AED 293,800 thousand).

**19 Lease liabilities**

	<b>2020</b>	2019
	<b>AED'000</b>	AED'000
Balance as at 1 January	<b>943,129</b>	-
Adoption of IFRS 16	-	948,076
Additions	<b>23,520</b>	66,762
Disposal	<b>(8,611)</b>	(1,064)
Payments	<b>(62,731)</b>	(94,142)
Interest expense	<b>37,479</b>	38,299
Remeasurement	<b>(14,550)</b>	(14,802)
	<hr/>	<hr/>
Total	<b>918,236</b>	943,129
	<hr/> <hr/>	<hr/> <hr/>

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

**19 Lease liabilities (continued)**

	<b>2020</b> <b>AED'000</b>	2019 AED'000
Current	<b>859,316</b>	901,432
Non-current	<b>58,920</b>	41,697
	<hr/>	<hr/>
Total	<b>918,236</b>	943,129
	<hr/> <hr/>	<hr/> <hr/>

**Maturity analysis**

	<b>2020</b> <b>AED'000</b>	2019 AED'000
Not later than 1 year	<b>58,920</b>	41,697
Later than 1 year and not later than 5 years	<b>155,881</b>	153,205
Later than 5 years	<b>703,435</b>	748,227
	<hr/>	<hr/>
Total	<b>918,236</b>	943,129
	<hr/> <hr/>	<hr/> <hr/>

**20 Government grants**

	<b>2020</b> <b>AED'000</b>	2019 AED'000
<b>Current portion</b>		
Unamortised government grant relating to property, plant and equipment	<b>14,937</b>	13,593
	<hr/>	<hr/>
<b>Non-current portion</b>		
Unamortised government grant relating to property, plant and equipment	<b>26,329</b>	38,800
	<hr/>	<hr/>

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

**21 Provision for end of service benefits**

The movement in the provision for end of service benefits is as follows:

	<b>2020</b>	2019
	<b>AED'000</b>	AED'000
As at 1 January	<b>638,282</b>	601,534
Charge during the year	<b>76,979</b>	74,417
Payments during the year	<b>(100,373)</b>	(46,555)
Loss on re-measurement	<b>2,654</b>	8,886
	<hr/>	<hr/>
As at 31 December	<b>617,542</b>	638,282
	<hr/> <hr/>	<hr/> <hr/>

**Employees' pension scheme**

Post-employment benefit contributions totaling AED 49,182 thousand (2019: AED 80,250 thousand) have been paid to the Abu Dhabi Retirement Pension and Benefits Fund for UAE national employees.

**22 Accounts and other payables**

	<b>2020</b>	2019*
	<b>AED'000</b>	AED'000
Accounts payable due to third parties (Note 22.1)	<b>1,331,949</b>	1,418,017
Accrued expenses	<b>503,482</b>	436,123
Current tax liabilities	<b>120,998</b>	117,238
Accounts payable due to related parties (Note 32)	<b>211,729</b>	492,931
Contract liabilities (Note 22.2)	<b>71,084</b>	62,238
Deferred revenue	<b>12,885</b>	26,195
Retention payables	<b>100</b>	710
Warranty provisions (note 22.3)	<b>60,188</b>	22,607
Other payables	<b>1,597,610</b>	1,269,162
	<hr/>	<hr/>
	<b>3,910,025</b>	3,845,221
	<hr/> <hr/>	<hr/> <hr/>

\* 2019 balances have been reclassified to make it comparable to the current year balances, details mentioned in note 36.

**22.1 Accounts payable due to third parties**

No interest is charged on trade payables. The Group has financial risk management policies in place to ensure that all payables are paid within the credit timeframe.

**22.2 Contract liabilities**

Contract liabilities relating to construction contracts are balances due to customers under construction contracts. These arise if a particular milestone payment exceeds the revenue recognised to date under the cost-to-cost method.

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

**22 Accounts and other payables (continud)**

**22.3 Warranty provisions**

The movement in warranty provisions are as follows:

	<b>2020</b> <b>AED'000</b>	2019 AED'000
As at 1 January	<b>22,607</b>	23,284
Charge	<b>43,090</b>	5,700
Reversal	<b>(5,509)</b>	(6,377)
	<hr/>	<hr/>
<b>As at 31 December</b>	<b>60,188</b>	22,607
	<hr/> <hr/>	<hr/> <hr/>

**23 Derivatives financial instruments**

The Group uses forward contracts to hedge foreign currencies for future transactions and cash flows.

	<b>Notional principal amount</b> <b>AED'000</b>	<b>Fair value</b> <b>AED'000</b>	<b>Fair value changes</b> <b>AED'000</b>
<b>2020</b>			
<i>Derivative financial assets</i>			
Interest rate instruments	<b>440,724</b>	<b>7,174</b>	<b>7,174</b>
	<hr/>	<hr/>	<hr/>
<i>Derivative financial liabilities</i>			
Interest rate instruments	<b>819,012</b>	<b>(11,535)</b>	<b>(11,535)</b>
	<hr/>	<hr/>	<hr/>
<b>2019</b>			
<i>Derivative financial assets</i>			
Interest rate instruments	848,937	5,625	(30,822)
	<hr/>	<hr/>	<hr/>
<i>Derivative financial liabilities</i>			
Interest rate instruments	865,571	(1,321)	(1,321)
	<hr/>	<hr/>	<hr/>

Further details of derivative financial instruments are provided in note 35.

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

**24 Revenue**

The Group derives its revenue from contracts with customers for the transfer of goods and services over time and at a point in time in the following major product lines. This is consistent with the revenue information that is disclosed for each reportable segment under IFRS 8 *Operating Segments* (see note 34).

	<b>2020</b>	2019
	<b>AED'000</b>	AED'000
<b>Disaggregation of revenue</b>		
Revenue from sale of goods – point in time	<b>8,340,320</b>	9,685,964
Revenue from construction contracts – over time	<b>4,412,912</b>	6,064,094
	<hr/>	<hr/>
	<b>12,753,232</b>	15,750,058
	<hr/> <hr/>	<hr/> <hr/>

**25 Staff costs**

	<b>2020</b>	2019*
	<b>AED'000</b>	AED'000
Wages and salaries	<b>1,679,266</b>	2,234,291
Accommodation and other employees' benefits	<b>746,678</b>	701,088
Provision for employees end of service benefits	<b>76,979</b>	74,417
Social security contributions	<b>32,944</b>	34,026
	<hr/>	<hr/>
	<b>2,535,867</b>	3,043,822
	<hr/> <hr/>	<hr/> <hr/>

\* 2019 balances have been reclassified to make it comparable to the current year balances, details mentioned in note 36.

**26 Depreciation and amortisation**

	<b>2020</b>	2019*
	<b>AED'000</b>	AED'000
Depreciation of property, plant and equipment (note 5)**	<b>1,000,842</b>	997,311
Depreciation of right-of-use assets (note 8)	<b>66,954</b>	65,574
Depreciation of investment properties (note 7)	<b>1,564</b>	2,420
Amortisation of intangible assets (note 6)	<b>6,321</b>	5,079
	<hr/>	<hr/>
	<b>1,075,681</b>	1,070,384
	<hr/> <hr/>	<hr/> <hr/>

\* 2019 balances have been reclassified to make it comparable to the current year balances, details mentioned in note 36.

\*\* Depreciation expense reflected in the consolidated statement of profit or loss is less than the depreciation reflected in the schedule of property, plant and equipment and investment properties. The difference relates to government grant for fixed assets received by Al Foah Company LLC for which the grant income is adjusted against the respective depreciation expense.

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

**27 Impairment loss**

	<b>2020</b>	2019*
	<b>AED'000</b>	AED'000
<b>Impairment loss on non-financial assets</b>		
Impairment loss on property, plant and equipment (note 5)	<b>1,086,470</b>	-
Impairment loss on right of use assets (note 8)	<b>55,400</b>	-
Impairment loss on investments in equity-accounted investees (note 9)	<b>53,627</b>	-
	<hr/>	<hr/>
	<b>1,195,497</b>	-
	<hr/>	<hr/>
<b>Impairment loss on financial assets</b>		
Impairment loss on accounts and other receivables (Note 11.3)	<b>91,556</b>	50,780
Impairment loss on loan receivables with related parties (Note 11)	<b>36,921</b>	(150)
	<hr/>	<hr/>
	<b>128,477</b>	50,630
	<hr/> <hr/>	<hr/> <hr/>

\* 2019 balances have been reclassified to make it comparable to the current year balances, details mentioned in note 36.

**28 Other operating expenses**

	<b>2020</b>	2019*
	<b>AED'000</b>	AED'000
Fuel expenses, energy payments and other related expenses	<b>881,436</b>	953,671
Administrative expenses	<b>217,735</b>	175,829
Outsourcing	<b>131,247</b>	126,946
Selling, marketing and distribution	<b>46,117</b>	58,009
Repairs and maintenance	<b>40,905</b>	48,474
Utilities and communication	<b>17,448</b>	18,953
Management and executive fees	<b>5,328</b>	6,329
Training	<b>3,298</b>	6,096
Provision for slow moving and obsolete inventories (note 12)	<b>8,795</b>	19,686
Other direct costs	<b>437,459</b>	449,373
Other expenses	<b>266,819</b>	240,613
	<hr/>	<hr/>
	<b>2,056,587</b>	2,103,979
	<hr/> <hr/>	<hr/> <hr/>

\* 2019 balances have been reclassified to make it comparable to the current year balances, details mentioned in note 36.

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

**29 Other income (net)**

	<b>2020</b>	2019*
	<b>AED'000</b>	AED'000
(Loss)/gain from sale of property, plant and equipment	<b>(13,367)</b>	28,873
Foreign exchange gain	<b>(140)</b>	6,361
Other income**	<b>88,773</b>	85,213
	<b>75,266</b>	120,447

\* 2019 balances have been reclassified to make it comparable to the current year balances, details mentioned in note 36.

\*\*During 2020, other income includes AED 57,519 thousand from scrap sales. In 2019, this includes AED 53,251 thousand business interruption claim relating to the ESI's Direct Reduction Plant No.2 associated with an incident that occurred in 2018, which was agreed with and granted by the insurance providers during 2019 and AED 18,345 thousand insurance claim of Arkan.

**30 Finance costs (net)**

	<b>2020</b>	2019*
	<b>AED'000</b>	AED'000
Interest income on bank balances	<b>27,420</b>	55,462
Interest on bank overdraft and loans	<b>(207,568)</b>	(268,122)
Interest expense on lease liabilities	<b>(36,905)</b>	(38,299)
Other finance costs	<b>(2,891)</b>	(1,731)
Total finance costs (net)	<b>(219,944)</b>	(252,690)

\* 2019 balances have been reclassified to make it comparable to the current year balances, details mentioned in note 36.

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

**31 (Loss)/profit for the year**

(Loss)/profit for the year is stated after charging:

	<b>2020</b>	2019*
	<b>AED'000</b>	AED'000
Staff costs	<b>2,535,867</b>	3,043,822
Depreciation of property, plant and equipment, and investment properties**	<b>1,002,406</b>	1,008,211
Depreciation of right of use assets	<b>66,954</b>	54,068
Amortisation of intangible assets	<b>6,321</b>	9,833

\* 2019 balances have been reclassified to make it comparable to the current year balances, details mentioned in note 36.

\*\*Depreciation expense reflected in the consolidated statement of profit or loss is less than the depreciation reflected in the schedule of property, plant and equipment and investment properties. The difference relates to government grant for fixed assets received by Al Foah Company LLC for which the grant income is adjusted against the respective depreciation expense.

**32 Related parties**

**32.1 Parent and ultimate controlling party**

Related parties comprise the shareholder of the Company, other government related entities, directors, key management staff and business entities in which they have the ability to control or exercise significant influence in financial and operating decisions. Transactions between the Company and its subsidiaries have been eliminated on consolidation and are not disclosed in this note.

Abu Dhabi Development Holding Company (ADQ) is the parent and Government of Abu Dhabi, is considered the ultimate controlling party due to its ability to control the affairs of the Group.

Balances with related parties are held at more than one member of the Group and there is no right to offset therefore the balances have been presented separately in these consolidated financial statements.

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

**32 Related parties (continued)**

**32.2 Related party balances**

	2020 AED'000	2019 AED'000
<b>Due from government controlled entities</b>		
Abu Dhabi National Oil Company (Group of entities)*	583,079	428,789
Abu Dhabi Development Holding Company (ADQ) **	470,334	-
Silal Food and Technology LLC	140,862	-
Higher Corporation for Specialized Economic Zones	-	59,283
Others	294	147,599
	<hr/>	<hr/>
Total	1,194,569	635,671
Less: loss allowance	(16,109)	(75,393)
	<hr/>	<hr/>
<b>Total</b>	<b>1,178,460</b>	<b>560,278</b>
	<hr/> <hr/>	<hr/> <hr/>
<b>Loan to a related party</b>		
NTS Middle East FZCO (NTS)***	52,876	7,795
	<hr/>	<hr/>

\*Due from Abu Dhabi National Oil Company relates to revenues earned from construction contracts and transfer of a gas pipeline as constructed by the Group to ADNOC, transferred from capital work in progress at cost.

\*\* During 2020, SENAAAT entered into the cash sweep agreement with the Parent Company (ADQ), where ADQ will manage the treasury functions of the group.

\*\*\*Loan to NTS bears interest of LIBOR+2% and is repayable in eight semi-annual installments beginning 31 December 2019. Current portion amounts to AED 1,895 thousand (2019: AED 3,057 thousand) while non-current portion amounts to AED 50,981 thousand (2019: AED 4,738 thousand). During 2020, the Company provided a loan to NTS Middle East FZCO for USD 12.59 million (AED 46.2 million) at the interest rate of 3-month LIBOR plus 2% per annum. The loan can only be used in the acquisition of certain assets held by new holding companies which are yet to be established ("new companies"). Subject to certain conditions stipulated in the agreement, the loan has an equity conversion feature which gives the Group an option to convert the loans to shares of new companies at a price to be agreed between the parties. As at 31 December 2020, the conditions for the conversion option to arise has not been met yet.

	2020 AED'000	2019 AED'000
<b>Due to government and government controlled entities</b>		
Abu Dhabi National Oil Company (group of entities)	204,446	443,788
Government of Abu Dhabi	1,630	6,402
Others	5,653	42,741
	<hr/>	<hr/>
	<b>211,729</b>	<b>492,931</b>
	<hr/> <hr/>	<hr/> <hr/>

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

**32 Related parties (continued)**

**32.2 Related party balances (continued)**

The above amounts due from related parties and due to related parties are unsecured, receivable/payable on demand and interest free.

	<b>2020</b> <b>AED'000</b>	2019 AED'000
<b>Deposits with banks</b>		
Entities under common control	<b>577,414</b>	536,138
	=====	=====
<b>Interest bearing borrowings</b>		
Entities under common control	<b>4,870,974</b>	4,251,105
	=====	=====

The deposits with banks and borrowings carry interest at prevailing market rates as disclosed in notes 18.

**32.3 Related party transactions**

The Group's significant transactions with the ultimate controlling party and other entities controlled jointly, controlled or significantly influenced by the ultimate controlling party are disclosed below:

	<b>2020</b> <b>AED'000</b>	2019 AED'000
<b>Transactions with the ultimate controlling party and affiliates</b>		
<b>Revenue from:</b>		
Entities under common control	<b>2,045,499</b>	2,305,000
	=====	=====
<b>Finance income received from:</b>		
Entities under common control	<b>3,959</b>	17,162
	=====	=====
<b>Finance cost paid to:</b>		
Entities under common control	<b>101,703</b>	147,029
	=====	=====

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

**32 Related parties (continued)**

**32.3 Related party transactions (continued)**

The Group's significant transactions with the ultimate controlling party and other entities controlled jointly, controlled or significantly influenced by the ultimate controlling party are disclosed below:

	2020 AED'000	2019 AED'000
<b>Significant transactions with other Government of Abu Dhabi controlled entities:</b>		
Higher Corporation of Specialized Economic Zones	23,815	53,672
Abu Dhabi Distribution Company PJSC	417,549	505,934
Abu Dhabi Terminals	33,948	10,336
Abu Dhabi National Oil Company PJSC	363,878	431,603
Ministry of Foreign Affairs	153	2,276
Crown Prince Court	6,488	8,447
	=====	=====
Transfer of investment property	33,343	-
	=====	=====
Transfer of net assets to a related party by reduction in capital contribution (note 17)	158,161	-
	=====	=====
Transfer of CWIP in PPE to related party	16,791	-
	=====	=====
Transfer of biological assets	45,293	-
	=====	=====

Other than above transactions, the Group has significant transactions with the ultimate controlling party and its affiliates which are related to government grants as disclosed in note 20.

**32.4 Transactions with key management personnel**

Remuneration of key management employees and directors during the year was as follows:

	2020 AED'000	2019 AED'000
Short-term employment benefits	2,382	7,601
	=====	=====
Board of Directors' remuneration	117	750
	=====	=====

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

**33 Capital commitments and contingencies**

	<b>2020</b>	2019
	<b>AED'000</b>	AED'000
Capital commitments	<b>38,927</b>	71,597
Letters of credit and guarantees*	<b>5,457,101</b>	5,399,686
Raw material purchase commitment	<b>1,462,476</b>	737,966
Contractual commitment	<b>59,913</b>	13,750

\* The above bank guarantees includes AED 346,650 thousand (AED 346,650) were issued for the loans of joint venture named Al Gharbia pipe company LLC wherein the Company is the guarantor.

**34 Segment reporting**

**Products and services from which reportable segments derive their revenues**

Information reported to the Group's Chief Executive (the Chief Operating Decision Maker (CODM)) for the purposes of resource allocation and assessment of segment performance is focused on the business segments. The principal categories of customer are direct sales to major customers, corporate and government entities. The Group's reportable segments under IFRS 8 are therefore as follows:

The building materials segment incorporates, operates, trade and invest in industrial projects and commercial companies involved in the building materials sector.

The Steel industries segment is involved in establishing, investing, and manufacturing and trading in businesses that are involved in the steel sector. The segment operates an integrated steel plant.

The food, beverage and tannery segment is engaged in developing, processing, selling and marketing dates and the production of leather and the management of abattoirs. It also establishes, invests, trade and operates companies and businesses that are involved in food and beverage sector.

The oil and gas contracting segment is involved in the fabrication and installation of onshore and offshore oil facilities, pipeline coating and laying and maintenance of oil facilities.

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

34 Segment reporting (continued)

Segment revenues and profits

The following is an analysis of the Group's revenue and results by reportable segment in 2020:

	Building materials AED'000	Steel industries AED'000	Food, beverage and tannery AED'000	Oil & gas contracting AED'000	Total AED'000	Eliminated*/ AED'000	Unallocated** AED'000	Consolidated AED'000
<b>Revenue</b>								
External sales	828,682	5,047,171	2,464,467	4,412,912	12,753,232	-	-	12,753,232
Inter-segment sales	-	-	36,247	11,461	47,708	(47,708)	-	-
<b>Total revenue</b>	<b>828,682</b>	<b>5,047,171</b>	<b>2,500,714</b>	<b>4,424,373</b>	<b>12,800,940</b>	<b>(47,708)</b>	<b>-</b>	<b>12,753,232</b>
Loss from operating activities	(24,636)	(1,559,655)	25,068	149,134	(1,410,089)	87,145	(224,772)	(1,547,716)
Finance income	28	2,390	21,584	-	24,002	(55,186)	57,733	26,549
Finance costs	(44,969)	(108,209)	(15,750)	(46,408)	(215,336)	55,186	(86,343)	(246,493)
<b>Loss before tax</b>	<b>(66,542)</b>	<b>(1,660,060)</b>	<b>12,652</b>	<b>106,992</b>	<b>(1,606,958)</b>	<b>-</b>	<b>(63,902)</b>	<b>(1,670,860)</b>
Income tax	-	-	(1,093)	(54,135)	(55,228)	-	-	(55,228)
<b>Loss after tax</b>	<b>(66,542)</b>	<b>(1,660,060)</b>	<b>11,559</b>	<b>52,857</b>	<b>(1,662,186)</b>	<b>-</b>	<b>(63,902)</b>	<b>(1,726,088)</b>

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

**34 Segment reporting (continued)**

The following is an analysis of the Group's revenue and results by reportable segment in 2019:

	Building materials AED'000	Steel industries AED'000	Food, beverage and tannery AED'000	Oil & gas contracting AED'000	Total AED'000	Eliminated*	Unallocated** AED'000	Consolidated AED'000
Revenue								
External sales	902,074	6,259,109	2,524,781	6,064,094	15,750,058	-	-	15,750,058
Inter-segment sales	362	23,153	22,421	-	45,936	(45,936)	-	-
Total revenue	902,436	6,282,262	2,547,202	6,064,094	15,795,994	(45,936)	-	15,750,058
Profit from operating activities	99,698	131,870	191,826	566,116	989,510	-	(87,842)	901,668
Finance income	56	19,365	30,321	-	49,742	(58,222)	14,200	55,462
Finance costs	(57,447)	(146,063)	(22,254)	(51,479)	(277,243)	58,222	(87,400)	(306,421)
Profit before tax	46,009	5,172	199,336	516,067	766,584	-	(80,838)	685,746
Income tax	-	-	3,924	(44,795)	(40,871)	-	-	(40,871)
Profit after tax	46,009	5,172	203,260	471,272	725,713	-	(80,838)	644,875

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

### 34 Segment reporting (continued)

\*Eliminated amounts relate to inter-segment sales of AED 47,708 thousand (2019: AED 45,936 thousand) and finance income/expense of AED 53,136 thousand (2019: 58,222 thousand).

\*\*The accounting policies of the reportable segments are the same as the Group's accounting policies described in note 3. Segment profit represents the profit earned by each segment without allocation of the share of profits of associates and joint ventures, central administration costs including directors' salaries, finance income, non-operating gains and losses in respect of financial instruments and finance costs, and income tax expense.

This is the measure reported to the Group's Chief Executive for the purpose of resource allocation and assessment of segment performance.

#### Segment assets

	<b>31 December 2020 AED'000</b>	31 December 2019 AED'000
Building materials	<b>3,139,948</b>	3,481,377
Steel industry	<b>9,536,529</b>	11,525,697
Food and tannery	<b>3,804,276</b>	3,976,383
Oil and gas	<b>7,393,451</b>	6,961,691
Total segment assets	<b>23,874,204</b>	25,945,148
Unallocated assets	<b>1,481,211</b>	1,520,708
Consolidated total assets	<b>25,355,415</b>	27,465,856

For the purposes of monitoring segment performance and allocating resources between segments the Group's Chief Executive monitors the tangible, intangible and financial assets attributable to each segment. All assets are allocated to reportable segments. Assets used jointly by reportable segments are allocated on the basis of the revenues earned by individual reportable segments.

### 35 Financial instruments

#### 35.1 Capital risk management

Capital risk is the risk that the Group is not able to manage its capital structure to ensure that all entities in the Group will be able to continue as a going concern.

The Group's capital structure comprises loans and borrowings and cash and bank balances as disclosed in notes 13 and 18, and total equity of the Group, comprising issued capital, reserves and retained earnings as disclosed in the statement of changes in equity.

The Group's capital structure is subject to regular reviews by management, including cash flow projections and the assessment of the Group's ability to meet its contracted commitments, project gearing levels and compliance with borrowing covenants.

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

**35 Financial instruments (continued)**

**35.1 Capital risk management (continued)**

*Gearing ratio*

Key financial measures that are subject to regular review by management include cash flow projections and the assessment of the Group's ability to meet its contracted commitments, project gearing levels and compliance with borrowing covenants.

The gearing ratio at the year end was as follows:

	<b>2020</b>	2019
	<b>AED'000</b>	AED'000
Debt	<b>6,934,221</b>	7,094,114
Cash and bank balances	<b>(1,752,923)</b>	(2,182,042)
	<hr/>	<hr/>
Net debt	<b>5,181,298</b>	4,912,072
	<hr/>	<hr/>
Total equity	<b>12,922,590</b>	14,891,233
	<hr/>	<hr/>
Net debt to equity ratio	<b>0.40:1</b>	0.33:1
	<hr/> <hr/>	<hr/> <hr/>

Debt is defined as long-term and short-term borrowings and overdrafts. Equity includes all capital and reserves of the Group.

**35.2 Categories of financial instruments**

	<b>2020</b>	2019*
	<b>AED'000</b>	AED'000
<i>Financial assets</i>		
Accounts and other receivables net of advances and prepayments	<b>5,631,852</b>	5,078,055
Cash and cash equivalents	<b>1,752,923</b>	2,182,042
Derivative financial assets	<b>7,174</b>	5,625
	<hr/>	<hr/>
<b>Total</b>	<b>7,391,949</b>	7,265,722
	<hr/> <hr/>	<hr/> <hr/>

\* 2019 balances have been reclassified to make it comparable to the current year balances, details mentioned in note 36.

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

**35 Financial instruments (continued)**

**35.3 Categories of financial instruments**

	<b>2020</b>	2019*
	<b>AED'000</b>	AED'000
<i>Financial liabilities</i>		
Accounts and other payables	<b>3,910,025</b>	3,845,221
Lease liabilities	<b>918,236</b>	943,129
Loans and borrowings including Sukuk	<b>6,934,221</b>	7,094,114
Derivative financial liabilities	<b>11,535</b>	1,321
	<hr/>	<hr/>
<b>Total</b>	<b>11,774,017</b>	11,883,785
	<hr/> <hr/>	<hr/> <hr/>

\* 2019 balances have been reclassified to make it comparable to the current year balances, details mentioned in note 36.

**35.4 Financial risk management objectives**

The Group is exposed to the following risks related to financial instruments - credit risk, liquidity risk, foreign currency risk, interest rate risk and equity price risk. The Group seeks to minimise the effect of currency and interest rate risks by using derivative financial instruments to hedge these risk exposures; the Group does not enter into or trade financial instruments for speculative purposes.

**35.5 Credit risk management**

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group, and arises principally from the Group's trade and other receivables and bank balances. The Group has adopted a policy of only dealing with creditworthy counterparties, while significant revenue is generated by dealing with high profile well known customers, for whom the credit risk is assessed to be low. The Group attempts to control credit risk by monitoring credit exposures, limiting transactions with specific non-related counter-parties, and continually assessing the creditworthiness of such non-related counter-parties. Balances with banks are assessed to have low credit risk of default since these banks are highly regulated by the central banks of the respective countries.

Concentration of credit risk arises when a number of counter-parties are engaged in similar business activities, or activities in the same geographic region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentration of credit risk indicates the relative sensitivity of the Group's performance to developments affecting a particular industry or geographic location. At the end of the reporting period, AED 1,755,049 thousand is due from the Group's five largest customers (2019: AED 570,476 thousand). Management believes that the concentration of credit risk is mitigated by high credit worthiness and financial stability of its major trade customers and that the remaining customer base is unrelated.

The amount that best represents maximum credit risk exposure on consolidated financial assets at the end of the reporting period, in the event counter parties fail to perform their obligations generally approximates their carrying value. Trade and other receivables and balances with banks are not secured by any collateral.

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

**35 Financial instruments (continued)**

**35.6 Liquidity risk management**

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation. The Group ensures that it has sufficient cash and liquid assets on demand to meet its expected operational expenses; this excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters.

The table below summarises the maturity profile of the Group's financial instruments. The contractual maturities of the financial instruments have been determined on the basis of the remaining period at the end of the reporting period to the contractual maturity date. The maturity profile is monitored by management to ensure adequate liquidity is maintained. The maturity profile of the undiscounted financial liabilities at the end of the reporting period based on contractual repayment arrangements was as follows:

	Carrying amount AED'000	Contractual cash flows AED'000	1 year or less AED'000	More than 1 year AED'000
<b>31 December 2020</b>				
Accounts and other payables	3,910,025	3,910,025	3,910,025	-
Lease liabilities	918,236	918,236	58,920	859,316
Loans and borrowings	6,934,221	6,934,221	2,899,590	4,034,631
<b>Total</b>	<b>11,762,482</b>	<b>11,762,482</b>	<b>6,868,535</b>	<b>4,893,947</b>
<b>31 December 2019 *</b>				
Accounts and other payables	3,845,221	3,845,221	3,845,221	-
Lease liabilities	943,129	943,129	41,697	901,432
Loans and borrowings	7,094,114	7,094,114	4,464,768	2,629,346
<b>Total *</b>	<b>11,792,137</b>	<b>11,792,137</b>	<b>8,261,359</b>	<b>3,530,778</b>

\* 2019 balances have been reclassified to make it comparable to the current year balances, details mentioned in note 36.

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

**35 Financial instruments (continued)**

**35.7 Currency risk management**

Currency risk relates to the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Group undertakes certain transactions denominated in foreign currencies. Hence, exposures to exchange rate fluctuations arise. Exchange rate exposures are managed within approved policy parameters utilising forward foreign exchange contracts.

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities at the reporting date are as follows:

	2020		2019	
	Liabilities AED'000	Assets AED'000	Liabilities AED'000	Assets AED'000
Euro	2,349	8,996	14,178	55,336
Pounds Sterling	10	243	120	3,089
Jordanian Dinar	1,756	1,328	900	778

The Group is mainly exposed to United States Dollars (USD), Euro (EUR), Pounds Sterling (GBP) and Jordanian Dinar (JOD). The exchange rate between the UAE Dirham and the US Dollar is fixed and therefore the risks associated therewith are considered to be insignificant.

**35.7.1 Foreign currency sensitivity analysis**

15% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign exchange currency denominated monetary items and adjusts their translation at the reporting period for a 15% change in foreign currency rates.

Based on the sensitivity analysis to a 15% increase/decrease in EUR, GBP and JOD against the AED with all other variables held constant, profit/loss would have been lower/higher by AED 967 thousand (2019: lower/higher by AED 6,601 thousand) mainly as a result of foreign exchange loss on translation of Euro denominated outstanding.

**Notes to the consolidated financial statements  
for the year ended 31 December 2020 (continued)****35 Financial instruments (continued)****35.8 Interest rate risk management**

Interest rate risk relates to the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in interest rates. The Group is exposed to interest rate risk as entities in the Group borrow funds at floating interest rates. The risk is managed by the Group by the use of interest rate swap contracts.

*Interest rate sensitivity analysis*

The sensitivity analyses below have been determined based on the exposure to interest rates for both derivatives and non-derivative instruments at the end of the reporting period. For floating rate assets and liabilities, the analysis is prepared assuming the amount of asset or liability outstanding at the end of the reporting period was outstanding for the whole year. The risk is managed by the Group by maintaining an appropriate mix between fixed and floating rate borrowings, and by the use of interest rate swap contracts. Hedging activities are evaluated regularly to align with interest rate views and defined risk appetite, ensuring the most cost-effective hedging strategies are applied.

If interest rates had been 100 basis points higher/ lower and all other variables were held constant, the Group's profit for the year ended 31 December 2020 would decrease/ increase by AED 58,324 thousand (2019: AED 59,924 thousand). The resulting loss is due to significant loan draw-downs and fresh borrowings during the year partially offset by commissioning of assets under construction that had significant borrowing costs capitalisation.

*Interest rate swap contracts*

Under interest rate swap contracts, the Group agrees to exchange the difference between fixed and floating rate interest amounts calculated on agreed notional principal amounts. Such contracts enable the Group to mitigate the risk of changing interest rate on the fair value of issued fixed rate debt and the cash flow exposures on the issued variable rate debt.

**35.9 Fair value of financial assets and liabilities**

Fair value represents the amount at which an asset can be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction. Differences can therefore arise between book value under the historical cost method and fair value estimates.

For financial assets and financial liabilities that are liquid or having a short term maturity (less than three months) the carrying amounts approximate to their fair value. This applies to demand deposits, savings accounts without a specific maturity and variable rate financial instruments.

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

**35 Financial instruments (continued)**

**35.10 Fair value of financial assets and liabilities (continued)**

The fair values of the financial assets and liabilities, together with their carrying amounts shown in the statement of financial position are as follows:

	2020		2019*	
	Carrying value AED'000	Fair value AED'000	Carrying value AED'000	Fair value AED'000
<i>Financial assets measured at fair value</i>				
Derivative financial assets	7,174	7,174	5,625	5,625
<i>Financial assets not measured at fair value</i>				
Loans and receivables net of advances and prepayments	5,631,852	5,631,852	5,078,055	5,078,055
Cash and cash equivalents	1,752,923	1,752,923	2,182,042	2,182,042
	<b>7,384,775</b>	<b>7,384,775</b>	7,260,097	7,260,097
<i>Financial liabilities measured at fair value</i>				
Derivative financial liabilities	11,535	11,535	1,321	1,321
<i>Financial liabilities not measured at fair value</i>				
Accounts and other payables	3,910,025	3,910,025	3,845,221	3,845,221
Lease liabilities	918,236	918,236	943,129	943,129
Loans and borrowings including Sukuk	6,934,221	6,934,221	7,094,114	7,094,114
	<b>11,762,482</b>	<b>11,762,482</b>	11,882,464	11,882,464

\* 2019 balances have been reclassified to make it comparable to the current year balances, details mentioned in note 36.

**Fair value hierarchy**

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

*Level 1:* Quoted prices in active markets for assets and liabilities.

*Level 2:* Inputs other than quoted prices included within Level 1 are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

*Level 3:* Inputs for the assets or liabilities that are not based on observable market data (unobservable inputs).

Quoted available for sale investments are valued based on quoted prices in an active market.

Time deposits and money market funds are primarily classified within Level 1 or Level 2 because time deposits and money market funds are valued primarily using quoted market prices of similar instruments or alternative pricing sources and models utilizing market observable inputs.

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

**35 Financial instruments (continued)**

**35.10 Fair value of financial assets and liabilities (continued)**

**Fair value hierarchy (continued)**

Foreign currency forward contracts are classified within Level 2. The fair values of foreign currency forward contracts are determined using quantitative models that require the use of multiple market inputs, including interest rates, prices and maturity dates to generate pricing curves, which are used to value the positions. The market inputs are generally actively quoted and can be validated through external sources, including brokers. For foreign currency forward contract asset and liability positions with maturity dates which fall between the dates of quoted prices, interpolation of rate or maturity scenarios are used in determining fair values.

Interest rate swaps are classified within Level 2. The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows based on observable yield curves.

The fair value of financial assets and financial liabilities which are carried at amortized cost and whose fair value is disclosed above have been determined in accordance with generally accepted pricing models based on a discounted cash flow analysis, with the most significant inputs being the discount rate that reflects the credit of counterparties.

As at 31 December 2020, the fair value hierarchy of financial assets and liabilities either carried at fair value or for which fair value disclosure has been provided, is as follows:

	Level 1 AED'000	Level 2 AED'000	Level 3 AED'000	Total AED'000
<b>31 December 2020</b>				
<b>Assets measured at fair value</b>				
Derivative financial assets	-	7,174	-	7,174
Loans and receivables net of advances and prepayments	-	-	5,631,852	5,631,852
Cash and cash equivalents	1,752,923	-	-	1,752,923
	<u>1,752,923</u>	<u>7,174</u>	<u>5,631,852</u>	<u>7,391,949</u>
<b>Liabilities measured at fair value</b>				
Derivative financial liabilities	-	11,535	-	11,535
Accounts and other payables	-	-	3,910,025	3,910,025
Lease liabilities	-	-	918,236	918,236
Loans and borrowings including Sukuk	-	-	6,934,221	6,934,221
	<u>-</u>	<u>11,535</u>	<u>11,762,482</u>	<u>11,774,017</u>

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

35 Financial instruments (continued)

35.10 Fair value of financial assets and liabilities (continued)

Fair value hierarchy (continued)

	Level 1 AED'000	Level 2 AED'000	Level 3 AED'000	Total AED'000
31 December 2019				
<b>Assets measured at fair value</b>				
Derivative financial assets	-	5,625	-	5,625
Loans and receivables net of advances and prepayments	-	-	5,078,055	5,078,055
Cash and cash equivalents	2,182,042	-	-	2,182,042
	<u>2,182,042</u>	<u>5,625</u>	<u>5,078,055</u>	<u>7,265,722</u>
<b>Liabilities measured at fair value</b>				
Derivative financial liabilities	-	1,321	-	1,321
Accounts and other payables	-	-	3,845,221	3,845,221
Lease liabilities	-	-	943,129	943,129
Loans and borrowings including Sukuk	-	-	7,094,114	7,094,114
	<u>-</u>	<u>1,321</u>	<u>11,882,464</u>	<u>11,883,785</u>

36 Reclassification of comparative figures

Management has adopted different presentation during the current year based on what has been assessed as more reliable and relevant presentation considering the Group's diverse business operations and evolving needs of the users of the consolidated financial statements, including its Parent.

Certain comparative figures have been reclassified to conform with current year presentation. The reclassification had no effect on the profit as reported in the consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2019.

As at 31 December 2019	As previously reported AED'000	Reclassification AED'000	As Reclassified AED'000
<b><u>Consolidated statement of financial position</u></b>			
<b><u>Non-current assets</u></b>			
Property, plant and equipment	14,103,582	(1,028)	14,102,554
Intangible assets and goodwill	-	289,135	289,135
Intangible assets	89,298	(89,298)	-
Goodwill	198,809	(198,809)	-
Investments in equity-accounted investees	-	1,481,951	1,481,951
Investment in associates	1,416,498	(1,416,498)	-
Investment in joint ventures/operations	65,453	(65,453)	-
Advance for property, plant and equipment	2,849	(2,849)	-
Loan to a related party	4,738	(4,738)	-
Accounts and other receivables	-	7,587	7,587

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

**36 Reclassification of comparative figures (continued)**

<b>As at 31 December 2019</b>	<b>As previously reported AED'000</b>	<b>Reclassification AED'000</b>	<b>As Reclassified AED'000</b>
<b><u>Consolidated statement of financial position</u></b>			
<b><u>Current assets</u></b>			
Contract assets	1,311,431	(1,311,431)	-
Trade and other receivables	3,896,415	(3,896,415)	-
Due from related parties	560,278	(560,278)	-
Loan to a related party	3,057	(3,057)	-
Government compensation receivables	27,782	(27,782)	-
Accounts and other receivables	-	5,798,963	5,798,963
<b><u>Non-current liabilities</u></b>			
Loans and borrowings	1,527,596	1,101,750	2,629,346
Sukuk	1,101,750	(1,101,750)	-
<b><u>Current liabilities</u></b>			
Accounts and other payables	-	3,845,221	3,845,221
Trade and other payables	3,222,382	(3,222,382)	-
Due to related parties	492,931	(492,931)	-
Income tax payable	67,670	(67,670)	-
Contract liabilities	62,238	(62,238)	-
<b><u>Consolidated statement of profit and loss</u></b>			
Government grants	-	8,400	8,400
Direct costs	(13,382,276)	13,382,276	-
Materials and consumables	-	(8,672,082)	(8,672,082)
Staff costs	-	(3,043,822)	(3,043,822)
General and administrative expenses	(724,314)	724,314	-
Selling and distribution expenses	(455,699)	455,699	-
Professional and consultancy charges	-	(34,609)	(34,609)
Depreciation and amortisation	-	(1,070,384)	(1,070,384)
Reversal/ (loss) on impairment of financial assets	(17,389)	(33,241)	(50,630)
Other operating expenses	(432,928)	(1,671,051)	(2,103,979)
FV change in biological assets	932	(932)	-
Operating profit	901,668	(118,716)	782,952
Other income/(expenses) net	163,284	(42,837)	120,447
Share of profit of equity-accounted investees	-	35,037	35,037
Share of profit of associates	51,716	(51,716)	-
Share of loss from Joint ventures	(16,679)	16,679	-
Finance income	55,462	(55,462)	-
Finance expense	(306,421)	53,731	(252,690)

The reclassification had no effect on the information in the consolidated statement of financial position at 1 January 2019, hence, a third consolidated statement of financial position was not presented.

**Notes to the consolidated financial statements  
for the year ended 31 December 2020 (continued)****37 Subsequent events**

Subsequent to the reporting period, the control of Al Foah Company LLC has been transferred to Agthia Group PJSC, which has led to increase in share of Agthia Group PJSC from 51% to 59.17%. The ownership has been transferred in January 2021.

As a part of re-organisation performed by the Government of Abu Dhabi, on 15 August 2020, the Group offered 100% of the shares of NPCC to National Marine Dredging Company PJSC against issuance of shares to the Group of 402.5 million shares representing 48.79% of NMDC capital, and therefore Group will maintain control over NPCC through NMDC. However, as at 31 December 2020 there was no contract signed between the parties. This offer was approved by the Shareholders of the National Marine Dredging Company PJSC and a contract was entered on 11 February 2021.

On 25 November 2020, Agthia's Board of Directors approved the entry into a Sale and Purchase Agreement (the "SPA") in respect of the acquisition of 100% stake in Al Faysal Bakery and Sweets Company WLL (the "Al Faysal Bakery") in considerations of initial cash payment of KWD 13,260 thousand (equivalent to c. AED 158,947 thousand). Agthia and the Seller satisfactory addressed all completion arrangements stipulated within the SPA on 26 January 2021.

The Federal Decree-Law No. 26 of 2020 on the amendment of certain provisions of Federal Law No. 2 of 2015 on Commercial Companies was issued on 27 September 2020 and shall take effect starting from the 2 January 2021. The Company shall apply and adjust their status in accordance with the provisions thereof by no later than one year from the date on which this Decree-Law takes effect.

**38 COVID-19**

The business outlook for 2021 is likely to be impacted by significant risks and uncertainties caused by rapid global spread of novel coronavirus disease 2019 ("COVID-19"). Since the World Health Organization proclaimed this a global pandemic in March 2020, the UAE has responded to this outbreak with various temporary restrictions to help contain the spread of the virus and support measures to mitigate the adverse implications on communities and the economy.

As it stands, the full impact remains unclear and will be determined by factors that continue to evolve, such as the success of support measures introduced by the government, the ability of businesses to manage their operations during these times and the timing and manner of the easing of restrictions, including lockdowns, social distancing and travel. The timing of the fully implementation of one or more vaccines will also mitigate the adverse macro-economic effects of COVID-19. Based on assessment of the COVID-19 impact on its business, the Company has assessed the impact of COVID-19 on its financial statements, which could result in greater variability in a variety of areas that depend on these estimates and judgments, given below as follows:

*Impairment of property, plant and equipment and right-of-use assets*

Group Management tested property, plant and equipment and right-of-use assets for impairment at the reporting date due to indicators of impairment that existed at that date.

Impairment testing is an area involving Management judgement, requiring assessment as to whether the carrying value of assets can be supported by the net present value of future cash flows derived from such assets using cash flow projections discounted at an appropriate rate. Such assets are assessed both individually and as grouped as cash generating units where such assets are operated on a consolidated basis. In calculating value in use certain assumption must be made associated with highly uncertain matters including the future cash flow projections, the discount factor to be applied and the specific risks associated with a particular asset or cash generating unit.

**Notes to the consolidated financial statements  
for the year ended 31 December 2020 (continued)****38 COVID-19 (continued)***Impairment of property, plant and equipment and right-of-use assets (continued)*

The Group prepares long-term plans for its property, plant and equipment and right-of-use asset; such plans are reviewed and approved by Management and by the Directors. These plans are utilised as the basis of the impairment review assessment; with such plans and the associated financial models being regularly reviewed and updated during the operational lives of the associated assets. As part of the review process, Management challenges and re-assesses the validity of the underlying assumptions and calculations.

During the year, the Group has assessed the impairment of property, plant and equipment and right-of-use asset at AED 1,086.5 million and AED 55.4 million respectively (see notes 5 and 8).

*Going concern*

The Group has performed an assessment of whether it is a going concern in the light of current economic conditions and all available information about future uncertainties and risks. Management have developed projections covering the Group's projected financial performance and liquidity. Whilst the impact of COVID-19 may continue to evolve, at the present time Management's projections indicate that the Group has sufficient resources to continue in operational existence and its going concern position remains largely unchanged from 31 December 2019. As a result, these consolidated financial statements have been appropriately prepared on a going concern basis.

**39 Approval of consolidated financial statements**

The consolidated financial statements were approved by management and authorised for issue on 29 April 2021.