

**GENERAL HOLDING  
CORPORATION PJSC (SENAAT)**

**Reports and consolidated  
financial statements for the  
year ended 31 December 2021**

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

### **Reports and consolidated financial statements for the year ended 31 December 2021**

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**Report of the Board of Directors  
for the year ended 31 December 2021**

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 2021.

**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.

**2021 Results of Operations and Financial Position**

<i>AED millions</i>	<b>2021</b>	<b>2020</b>
<b>Revenue</b>	<b>11,661</b>	12,753
<b>EBITDA*</b>	<b>908</b>	(375)
<b>EBITDA Margin</b>	<b>8%</b>	(2.9%)
<b>Profit/(loss) for the year (Net)*</b>	<b>12</b>	(1,726)
<b>Net profit/(loss) margin</b>	<b>0.10%</b>	(13.5%)
<b>Total Assets</b>	<b>22,795</b>	25,355
<b>Net Borrowings</b>	<b>5,169</b>	5,181
<b>Equity</b>	<b>12,391</b>	12,923

\*During the year, SENAAT recognised gain on valuation of financial assets at fair value through profit or loss amounting to AED 727 million and impairment loss on non-financial assets decreased by of AED 506 million which resulted in EBITDA of AED 908 million and total profit of AED 12.2 million for the Group.

Group revenue reduced by 8.56% in 2021 and EBITDA increased by 149%. The sale of NPCC during the year, resulted in decrease in revenue from oil and gas contracting companies by AED 4,424 billion. Revenue from Steel industries and building material has increased by AED 2,215 million and revenue from food industry has increased by AED 1,007 million.

**Report of the Board of Directors  
for the year ended 31 December 2021 (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 2021 (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 22.80 billion (2020: AED 25.0 billion).

*Gearing*

The Group's gearing position remains the same with Debt to Equity at 0.54x (2020: 0.54x) and Net Debt to Equity 0.42x (2020: 0.40x).

*Liquidity*

The liquidity position continues to be strong with a slight decrease in total cash at AED 1.5 billion (2020: AED 1.8 billion) and a current ratio of 1.89x at year-end 2021 (year-end 2020: 1.53x).

*Return on Capital*

The improve in market conditions in year 2021 and the lower impairment losses recongised during the the year resulted in a Return on Equity of 0.10% as compared to a negative Return on Equity of 13.36% in year 2020 due to the difficult market conditions and large impairment losses during that year.

In 2021, Senaat has generated a positive return on assets of 0.05% as compared to a negative return on assets of 6.81% in year 2020 due to the large impairments in that year.

**Report of the Board of Directors  
for the year ended 31 December 2021 (continued)**

**Board of Directors**

The Directors who held office during the year were:

H.E. Khalifa S. Al Suwaidi	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 2021, and the consolidated statement of profit or loss, consolidated statement comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2021, 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><i>Carrying value of goodwill</i></p> <p>As of 31 December 2021, the carrying value of goodwill amounted to AED 1,461 million, or 6.4% of total assets, as disclosed in Note 8.</p> <p>In accordance with IAS 36 Impairment of Assets, an entity is required to test goodwill acquired in a business combination for impairment at least annually irrespective of whether there is any indication of impairment.</p> <p>Goodwill is monitored by management at the level of cash-generating units (“CGUs”). Management carried out an impairment exercise as at 31 December 2021 in respect of goodwill allocated to each CGU by determining a recoverable amount based on 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>An impairment is recognized on the consolidated statement of financial position 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 mainly based on discounted future cash flows.</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 the use of significant assumptions, estimates or assessments made by management, in particular future cash flow projections, the estimate of the discount rates and long-term growth rates.</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 initial recognition and 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 valuation specialists to review the management’s discounted cash flow models and assess the discount rates and the growth rates applied by benchmarking against independent data;</li> <li>• substantiating the key 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 also compared the estimates of cash flow projections of previous periods with actual corresponding results, to assess the pertinence and reliability of the process for making forecasts;</li> <li>• substantiating the results of sensitivity analyses carried out by management by comparing them to those realized by us; and</li> <li>• verifying the arithmetical accuracy of the valuations used by the Group.</li> </ul> <p>We have also assessed the disclosures provided in Note 8 to the consolidated financial statements 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 and right of use assets</i></b></p> <p>As of 31 December 2021, the total carrying value of property, plant and equipment and right of use assets amounted to AED 8,698 million and AED 483 million respectively, as disclosed in Notes 7 and 10, respectively.</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>Management determined that the recoverable amount of the cement business was less than its carrying amount and consequently recognised an impairment charge of AED 586 million in the consolidated statement of profit or loss.</p> <p>We considered the determination of the recoverable amount of property, plant and equipment and right of use assets as a key audit matter as management is required to apply significant judgements and make significant estimates including the estimated value of future cash flows, associated discount rates and utilization rates, the impact of the Covid-19 pandemic and long-term growth rates based on management’s view of future business prospects.</p>	<p>We have performed the following procedures in response to the key audit matter identified:</p> <ul style="list-style-type: none"> <li>• Assessed the design and tested the implementation of the Group's controls relating to the determination of the recoverable amount and allowance for/reversal of impairment of property, plant and equipment and right of use assets;</li> <li>• Engaged our valuation specialist to assess the discount rate and growth rates applied by benchmarking against independent data;</li> <li>• Challenged each of the key assumptions with management, including budget estimates underlying the cash flows used in the valuation models are based. For this purpose, we also compared the estimates of cash flow projections of previous periods with actual corresponding results, to assess the pertinence and reliability of the process for making forecasts and considered if these have adequately taken the impact of the Covid-19 pandemic into account;</li> <li>• Reviewed management's sensitivity analysis in relation to the key inputs used in the model used to determine the recoverable amount, as well as performing our own sensitivity analysis of the factors and assumptions used;</li> <li>• Reperformed the arithmetical accuracy of the valuations used by the Company; and</li> <li>• Reviewed the method of allocating the impairment charge to the various asset classes within the cement business.</li> </ul> <p>We also assessed the disclosures in 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>Business combinations</i></b></p> <p>During the year, the Group entered into four business acquisitions for a consideration of AED 1,898 million. Refer to Note 3 to the consolidated financial statements for the accounting policy, Note 4 for the key judgments around the acquisitions, and Note 5 for the business combination disclosure.</p> <p>This transaction is in the scope of IFRS 3 Business Combinations which requires significant management judgement in determining the acquisition-date fair values of identifiable assets acquired and liabilities assumed.</p> <p>Intangible assets of AED 354 million and goodwill of AED 1,268 million was recognized as a result of the business combinations.</p> <p>Management engaged independent professional valuers to assist them in the determination of the fair values of the acquired net assets at the acquisition date. This includes the identification and valuation of intangible assets which requires judgements to be made.</p> <p>We considered this to be a key audit matter given the complex valuation considerations, the use of multiple estimates and the use of specialists. In particular, we focused on:</p> <ul style="list-style-type: none"> <li>• The allocation of the purchase price;</li> <li>• The opening statement of financial position, considering fair value adjustments recognized;</li> <li>• The identification of intangible assets; and</li> <li>• The useful economic lives used in amortizing intangible assets.</li> </ul>	<p>We performed procedures over accounting and disclosures of business acquisitions and our work consisted of:</p> <ul style="list-style-type: none"> <li>• Evaluating the adequacy of the design and implementation of controls over acquisition accounting.</li> <li>• Reviewing the sale and purchase agreements of the acquisitions, management position papers and related supporting documents.</li> <li>• Assessing the acquisition accounting for each transaction, and testing the validity and completeness of the consideration; this includes also reviewing the contingent consideration calculation to determine that it is in accordance with the purchase and sale agreements and the assumptions made agree to the underlying data, such as trading performance for the current year, and approved budgets for future for the relevant period;</li> <li>• Determining that the acquisition date for each business acquisition had been appropriately identified;</li> <li>• Engaging our valuation specialists to support our review of the acquisition accounting, and in particular the valuation of acquired intangible assets identified; This included evaluating the methodology applied to the valuation of the identified intangible assets and assessing whether the assumptions and inputs used in the model reflected the facts and circumstances as at the date of acquisition; challenging the assumptions used against our own independent expectations, which were based on our industry knowledge and experience; and assessing the consistency of forecast data included in the model with the Group’s own forecasts and business plans approved by the Board; and</li> </ul> <p>We also assessed the disclosures provided in Note 5 to the consolidated financial statements against the requirements of IFRSs.</p>



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

### **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.

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 (as amended), 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 (as amended), we report for the year ended 31 December 2021 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 (as amended);
- 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;
- Note 5 to the consolidated financial statements discloses the shares purchased by the Group during the year ended 31 December 2021;
- Note 34 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 2021 any of the applicable provisions of the UAE Federal Law No. (2) of 2015 (as amended) or of its Articles of Association which would materially affect its activities or its financial position as at 31 December 2021.

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 2021:

- 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  
27 April 2022  
Abu Dhabi  
United Arab Emirates

**Consolidated statement of financial position  
as at 31 December 2021**


	Notes	2021 AED'000	2020 AED'000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	7	8,697,858	12,208,653
Intangible assets and goodwill	8	1,886,887	284,920
Investment properties	9	13,973	14,682
Right-of-use assets	10	483,539	830,007
Investments in equity accounted investees	11	1,245,576	1,430,057
Accounts and other receivables	13	-	50,981
		<hr/>	<hr/>
<b>Total non-current assets</b>		<b>12,327,833</b>	14,819,300
<b>Current assets</b>			
Inventories	14	2,999,860	2,433,535
Derivative financial instruments	25	-	7,174
Accounts and other receivables	13	4,402,555	6,342,483
Financial assets at fair value through profit or loss (FVTPL)	12	1,536,762	-
Cash and bank balances	15	1,533,014	1,752,923
		<hr/>	<hr/>
<b>Total current assets</b>		<b>10,472,191</b>	10,536,115
		<hr/>	<hr/>
<b>Total assets</b>		<b>22,800,024</b>	25,355,415
		<hr/> <hr/>	<hr/> <hr/>

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

**Consolidated statement of financial position  
as at 31 December 2021 (continued)**

	Notes	2021 AED'000	2020 AED'000
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Share capital	16	2,000	2,000
Statutory reserve	17	1,000	1,000
Restricted reserve	17	653,163	628,286
Shareholder's contributions	19	1,715,498	1,321,824
Hedging reserve		(29,885)	(17,339)
Translation reserve		(47,952)	(39,271)
Other reserve		(5,211)	(10,011)
Retained earnings		8,092,865	8,404,772
<b>Equity attributable to owners of the Company</b>		<b>10,381,478</b>	<b>10,291,261</b>
Non-controlling interests		2,018,394	2,631,329
<b>Total equity</b>		<b>12,399,872</b>	<b>12,922,590</b>
<b>Non-current liabilities</b>			
Loans and borrowings	20	3,926,729	4,034,631
Lease liabilities	21	553,940	859,316
Government grants	22	28,940	26,329
Provision for end of service benefits	23	343,478	617,542
<b>Total non-current liabilities</b>		<b>4,853,087</b>	<b>5,537,818</b>
<b>Current liabilities</b>			
Loans and borrowings	20	2,775,771	2,899,590
Lease liabilities	21	64,090	58,920
Accounts and other payables	24	2,695,959	3,910,025
Derivative financial instruments	25	-	11,535
Government grants	22	11,245	14,937
<b>Total current liabilities</b>		<b>5,547,065</b>	<b>6,895,007</b>
<b>Total liabilities</b>		<b>10,400,152</b>	<b>12,432,825</b>
<b>Total equity and liabilities</b>		<b>22,800,024</b>	<b>25,355,415</b>

  
 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 2021**

	Notes	2021 AED'000	2020 AED'000
<b>Revenue</b>	<b>26</b>	<b>11,661,263</b>	12,753,232
Government grants		<b>8,400</b>	8,400
<b>Expenses</b>			
Materials and consumables		<b>(6,930,032)</b>	(7,270,857)
Staff costs	<b>27</b>	<b>(1,394,006)</b>	(2,535,867)
Professional and consultancy charges		<b>(52,172)</b>	(46,382)
Depreciation and amortization	<b>28</b>	<b>(753,731)</b>	(1,075,681)
Impairment loss on non-financial assets	<b>29</b>	<b>(689,806)</b>	(1,195,497)
Impairment loss on financial assets	<b>29</b>	<b>(130,646)</b>	(128,477)
Other operating expenses	<b>30</b>	<b>(2,296,890)</b>	(2,056,587)
		<hr/>	<hr/>
<b>Operating loss</b>		<b>(577,620)</b>	(1,547,716)
Gain on valuation of financial assets at fair value through profit or loss	<b>12</b>	<b>727,132</b>	-
Other income (net)	<b>31</b>	<b>88,685</b>	75,265
Finance costs (net)	<b>32</b>	<b>(134,008)</b>	(219,944)
Share of (losses)/profits of equity accounted investees	<b>11</b>	<b>(101,591)</b>	21,535
		<hr/>	<hr/>
<b>Profit/(loss) for the year before income tax</b>		<b>2,598</b>	(1,670,860)
Income tax expense		<b>(16,997)</b>	(55,228)
		<hr/>	<hr/>
<b>Loss from continuing operations</b>		<b>(14,399)</b>	(1,726,088)
		<hr/>	<hr/>
<b>Discontinued operation</b>			
Profit from discontinued operation	<b>6</b>	<b>26,619</b>	-
		<hr/>	<hr/>
<b>Profit/ (loss) for the year</b>	<b>33</b>	<b>12,220</b>	(1,726,088)
		<hr/>	<hr/>
<b>Attributable to:</b>			
Owners of the Company		<b>(12,078)</b>	(1,747,824)
Non-controlling interests		<b>24,298</b>	21,736
		<hr/>	<hr/>
		<b>12,220</b>	(1,726,088)
		<hr/>	<hr/>

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

**Consolidated statement of comprehensive income  
for the year ended 31 December 2021**

	<b>2021</b> <b>AED'000</b>	2020 AED'000
<b>Profit/ (loss) for the year</b>	<b>12,220</b>	(1,726,088)
	<hr/>	<hr/>
<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>4,595</b>	(9,987)
Currency translation reserve	<b>(13,014)</b>	(9,589)
Equity-accounted investees – share of OCI	<b>(14,757)</b>	15,278
	<hr/>	<hr/>
	<b>(23,176)</b>	(4,298)
	<hr/>	<hr/>
<u>Items that will not be reclassified subsequently to profit or loss:</u>		
Re-measurement of end of service benefits	<b>5,909</b>	(2,654)
	<hr/>	<hr/>
Other comprehensive loss for the year	<b>(17,267)</b>	(6,952)
	<hr/>	<hr/>
<b>Total comprehensive income/(loss) for the year</b>	<b>5,047</b>	(1,733,040)
	<hr/> <hr/>	<hr/> <hr/>
<b>Attributable to:</b>		
Owners of the Company	<b>(27,450)</b>	(1,747,075)
Non-controlling interests	<b>22,403</b>	14,035
	<hr/>	<hr/>
	<b>5,047</b>	(1,733,040)
	<hr/> <hr/>	<hr/> <hr/>

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

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

	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 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 17)	-	-	1,758	-	-	-	-	(1,758)	-	-	-
Distribution to NCI holders	-	-	-	-	-	-	-	-	-	(44,100)	(44,100)
Transfer of net assets to a related party (note 19)	-	-	-	(158,161)	-	-	-	-	(158,161)	-	(158,161)
Transfer of investment property to a related party (note 9)	-	-	-	(33,342)	-	-	-	-	(33,342)	-	(33,342)
Balance at 1 January 2021	2,000	1,000	628,286	1,321,824	(17,339)	(39,271)	(10,011)	8,404,772	10,291,261	2,631,329	12,922,590
Loss for the year	-	-	-	-	-	-	-	(12,078)	(12,078)	24,298	12,220
Other comprehensive income	-	-	-	-	(13,357)	(7,494)	5,479	-	(15,372)	(1,895)	(17,267)
Total comprehensive income	-	-	-	-	(13,357)	(7,494)	5,479	(12,078)	(27,450)	22,403	(5,047)
Distribution to NCI holders	-	-	-	-	-	-	-	-	-	(111,180)	(111,180)
Acquisition through business combination (note 19)	-	-	-	393,674	-	-	-	-	393,674	-	393,674
Change in NCI from change in ownership	-	-	1,322	-	925	(5,628)	(679)	(1,650,209)	(1,654,269)	1,654,269	-
Acquisition of NCI without a change in control	-	-	-	-	-	-	-	-	-	153,675	153,675
Acquisition through business combinations (note 5)	-	-	-	-	-	-	-	1,490,000	1,490,000	-	1,490,000
Net deemed distribution (note 6)	-	-	9,975	(17,000)	(114)	4,441	-	(127,103)	(129,801)	(2,327,272)	(2,457,073)
Transfer to restricted reserve (note 17)	-	-	13,580	-	-	-	-	(13,580)	-	-	-
Other movements	-	-	-	17,000	-	-	-	1,063	18,063	(4,830)	13,233
<b>Balance at 31 December 2021</b>	<b>2,000</b>	<b>1,000</b>	<b>653,163</b>	<b>1,715,498</b>	<b>(29,885)</b>	<b>(47,952)</b>	<b>(5,211)</b>	<b>8,092,865</b>	<b>10,381,478</b>	<b>2,018,394</b>	<b>12,399,872</b>

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

**Consolidated statement of cash flows  
for the year ended 31 December 2021**

	<b>2021</b>	2020
	<b>AED'000</b>	AED'000
<b>Cash flows from operating activities</b>		
Profit/ (loss) for the year before income tax	<b>2,598</b>	(1,670,860)
Adjustments for:		
Depreciation of property, plant and equipment	<b>659,958</b>	1,000,842
Depreciation of investment properties	<b>709</b>	1,564
Amortization of intangible assets	<b>16,573</b>	6,321
Depreciation of right-of-use assets	<b>61,554</b>	66,954
Share of profit from equity accounted investees	<b>101,591</b>	(21,535)
Impairment loss on equity accounted investees	<b>104,186</b>	53,627
Impairment loss on property, plant and equipment	<b>541,143</b>	1,086,470
Impairment loss on right of use assets	<b>44,477</b>	55,400
Change in fair value of investments measured at fair value through profit and loss	<b>(727,132)</b>	-
Gain on disposal of equity accounted investees	<b>(4,347)</b>	-
Finance income	<b>(18,179)</b>	(27,420)
Finance expense	<b>152,187</b>	247,363
Amortization of government grants	<b>3,692</b>	(1,459)
Provision for impairment of trade receivables and due from related parties, net	<b>(23,867)</b>	23,038
Provision for slow moving and obsolete inventories	<b>32,293</b>	(44,931)
Gain on bargain purchase	<b>(49,708)</b>	-
Gain / (loss) on disposal of property, plant and equipment	<b>(2,878)</b>	36,258
Provision for end of service benefits	<b>42,266</b>	79,633
Write-off of property, plant and equipment	-	49,362
Write-off of intangible assets	-	2,926
	<hr/>	<hr/>
<b>Operating cash flows before changes in operating assets and liabilities</b>	<b>937,116</b>	943,553
(Increase)/decrease in inventories	<b>(527,104)</b>	161,338
Increase in accounts and other receivables	<b>(1,471,234)</b>	(544,028)
Increase in accounts and other payables	<b>465,207</b>	28,331
Decrease in provisions	-	(40,569)
Increase in government grants	<b>10,164</b>	3,813
Decrease/(increase) in government compensation receivable	<b>2,168</b>	(15,331)
	<hr/>	<hr/>
<b>Cash generated from operations</b>	<b>(583,683)</b>	537,107
Income tax paid	<b>(390)</b>	(37,737)
Employees end of service benefits paid	<b>(28,086)</b>	(100,373)
	<hr/>	<hr/>
<b>Net cash (used in)/ generated from operating activities</b>	<b>(612,159)</b>	398,997
	<hr/>	<hr/>

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

**Consolidated statement of cash flows  
for the year ended 31 December 2021 (continued)**

	<b>2021</b>	2020
	<b>AED'000</b>	AED'000
<b>Cash flows from investing activities</b>		
Payments for property, plant and equipment	(251,225)	(420,718)
Payments for intangible assets	(2,101)	(5,971)
Acquisition of subsidiary, net of cash required	(1,298,920)	-
Disposal of a subsidiary, net of cash disposed	706,036	-
Long term investment in joint ventures	(84,285)	(4,849)
Loan provided to a related party	-	(45,081)
Increase in escrow accounts and term deposits with original maturities over 3 months	(276,173)	33,412
Proceeds from disposal of property, plant and equipment	3,649	3,773
Dividend income from associates	29,650	36,200
Finance income received	18,265	27,420
<b>Net cash used in investing activities</b>	<b>(1,155,104)</b>	<b>(375,814)</b>
<b>Cash flows from financing activities</b>		
Proceeds from bank borrowings	2,848,788	3,824,915
Finance costs paid	(119,306)	(208,901)
Repayment of borrowings	(890,015)	(3,984,806)
Lease payments	(73,768)	(62,731)
Distribution to NCI holders	(72,772)	(44,100)
Settlement of derivative – net	-	16,079
Acquisition of additional shares in subsidiary	-	(700,000)
Disposal of shares in subsidiary	-	700,000
<b>Net cash generated from/ (used in) financing activities</b>	<b>1,692,927</b>	<b>(459,544)</b>
<b>Net decrease in cash and cash equivalents</b>	<b>(74,336)</b>	<b>(436,361)</b>
<b>Net change in cash from discontinued operations (note 6)</b>	<b>(416,434)</b>	<b>-</b>
Net effect of difference in foreign exchange	(5,312)	(4,395)
Cash and cash equivalents at the beginning of the year	1,133,292	1,574,048
<b>Cash and cash equivalents at the end of the year (note 15)</b>	<b>637,210</b>	<b>1,133,292</b>

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

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

### 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.

In response to the spread of the Covid-19 where the Group operates and its resulting disruptions to the social and economic activities in those markets, the Group management has proactively assessed its impacts on its operations and has taken a series of preventive measures, including the creation of a contingency plan, to ensure the health and safety of its employees, customers, consumers and wider community as well as to ensure the continuity of supply of its products throughout its markets. The Group management believes that the Covid-19 pandemic has had no material effects on the Group reported consolidated financial results for the year ended 31 December 2021. The Group management continues to monitor the situation closely.

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 11*).

### 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

During the year, the Group has applied the following amendments to IFRSs issued by the International Accounting Standards Board (“IASB”) that are mandatorily effective for an accounting period that begins on or after 1 January 2021. The application of these amendments to IFRSs has not had any material impact on the amounts reported for the current year but may affect the accounting for the Group’s future transactions or arrangements.

#### Amendments to Interest Rate Benchmark Reform in IFRS 9 and IFRS 7

In September 2020, the IASB issued Interest Rate Benchmark Reform (amendments to IFRS 9, IAS 39 and IFRS 7). These 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.

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

In the current year, the IASB issued the Phase 2 amendments Interest Rate Benchmark Reform (amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16). Adopting these amendments enables the Group to reflect the effects of transitioning from interbank offered rates (IBOR) to alternative benchmark interest rates (also referred to as 'risk free rates' or RFRs) without giving rise to accounting impacts that would not provide useful information to users of the financial statements. The entities can apply the amendments retrospectively with any adjustments recognising in the appropriate components of equity as at 1 January 2021, instead of restating the prior period.

Both the Phase 1 and Phase 2 amendments are not relevant to the Group given that they have not applied hedge accounting to its benchmark interest rate exposures and therefore do not have any impact on the Group's consolidated financial statements.

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

In May 2021, the IASB issued Covid-19-Related Rent Concessions (amendment to IFRS 16) that 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. This practical expedient was available to rent concessions for which any reduction in lease payments affected payments originally due on or before 30 June 2021.

In March 2021, the Board issued Covid-19-Related Rent Concessions beyond 30 June 2021 (Amendment to IFRS 16) that extends the practical expedient to apply to reduction in lease payments originally due on or before 30 June 2022.

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 applying IFRS 16 as if the change were not a lease modification.

The practical expedient applies only to rent concessions occurring as a direct consequence of COVID-19 and only if all of the following conditions are met:

- The change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
- Any reduction in lease payments affects only payments originally due on or before 30 June 2021 (a rent concession meets this condition if it results in reduced lease payments on or before 30 June 2021 and increased lease payments that extend beyond 30 June 2021); and
- There is no substantive change to other terms and conditions of the lease.

The amendments are not relevant to the Group given that there are no rent concessions that occurred as a direct consequence of COVID-19 and therefore does not have any impact on the Group's consolidated financial statements.

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

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

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

The Group has not early adopted 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>
IFRS 17 <i>Insurance Contracts</i>	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 Board 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.

For the purpose of the transition requirements, the date of initial application is the start of the annual reporting period in which the entity first applies the Standard, and the transition date is the beginning of the period immediately preceding the date of initial application.

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

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

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

<u><b>New and revised IFRSs</b></u>	<u><b>Effective for annual periods beginning on or after</b></u>
Amendments to IFRS 10 <i>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</i>	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.

Amendments to IAS 1 <i>Presentation of Financial Statements: Classification of Liabilities as Current or Non-current</i>	1 January 2023
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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 consolidated financial statements  
for the year ended 31 December 2021 (continued)**

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

**2.2 New and amended IFRSs in issue but not yet effective and not early adopted (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.

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

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

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

<u>New and revised IFRSs</u>	<u>Effective for annual periods beginning on or after</u>
<p>Amendments to IAS 37 <i>Provisions, Contingent Liabilities and Contingent Assets related to Onerous Contracts—Cost of Fulfilling a Contract</i></p> <p>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).</p> <p>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.</p> <p>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.</p> <p>Annual Improvements to IFRS Standards 2018-2020 cycle amending IFRS 1 <i>First-time Adoption of International Financial Reporting Standards</i>, IFRS 9 <i>Financial Instruments</i>, IFRS 16 <i>Leases</i>, and IAS 41 <i>Agriculture</i></p> <p>The annual improvements include amendments to four standards:</p> <p><u>IFRS 1 First-time adoption of international financial reporting standards</u></p> <p>The amendment provides additional relief to a subsidiary which becomes a first-time adopter later than its parent in respect of accounting for cumulative translation differences. As a result of the amendment, a subsidiary that uses the exemption in IFRS 1:D16(a) can now also elect to measure cumulative translation differences for all foreign operations at the carrying amount that would be included in the parent’s consolidated financial statements, based on the parent’s date of transition to IFRS Standards, if no adjustments were made for consolidation procedures and for the effects of the business combination in which the parent acquired the subsidiary. A similar election is available to an associate or joint venture that uses the exemption in IFRS 1:D16(a).</p>	<p>1 January 2022</p> <p>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.</p>

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

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

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

**New and revised IFRSs**

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

Annual Improvements to IFRS Standards 2018-2020 cycle amending IFRS 1 *First-time Adoption of International Financial Reporting Standards*, IFRS 9 *Financial Instruments*, IFRS 16 *Leases*, and IAS 41 *Agriculture* (continued)

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.

**IFRS 9 Financial Instruments**

The amendment clarifies that in applying the ‘10 per cent’ test to assess whether to derecognise a financial liability, an entity includes only fees paid or received between the entity (the borrower) and the lender, including fees paid or received by either the entity or the lender on the other’s behalf. The amendment is applied prospectively to modifications and exchanges that occur on or after the date the entity first applies the amendment.

**IFRS 16 Leases**

The amendment removes the illustration of the reimbursement of leasehold improvements. As the amendment to IFRS 16 only regards an illustrative example, no effective date is stated.

**IAS 41 Agriculture**

The amendment removes the requirement in IAS 41 for entities to exclude cash flows for taxation when measuring fair value. This aligns the fair value measurement in IAS 41 with the requirements of IFRS 13 *Fair Value Measurement* to use internally consistent cash flows and discount rates and enables preparers to determine whether to use pre-tax or post-tax cash flows and discount rates for the most appropriate fair value measurement. The amendment is applied prospectively, i.e. for fair value measurements on or after the date an entity initially applies the amendment.

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

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

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

**New and revised IFRSs**

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

Amendments to IAS 1 *Presentation of financial statements* and IFRS Practice Statement 2 *Making materiality judgements* related to disclosure of accounting policies

The amendments to IAS 1 are effective from 1 January 2023 and the amendment to IFRS Practice Statement 2 does not contain an effective date or transition requirements

The amendments change the requirements in IAS 1 with regard to disclosure of accounting policies. The amendments replace all instances of the term ‘significant accounting policies’ with ‘material accounting policy information’. Accounting policy information is material if, when considered together with other information included in an entity’s financial statements, it can reasonably be expected to influence decisions that the primary users of general-purpose financial statements make on the basis of those financial statements.

The supporting paragraphs in IAS 1 are also amended to clarify that accounting policy information that relates to immaterial transactions, other events or conditions is immaterial and need not be disclosed. Accounting policy information may be material because of the nature of the related transactions, other events or conditions, even if the amounts are immaterial. However, not all accounting policy information relating to material transactions, other events or conditions is itself material.

The Board has also developed guidance and examples to explain and demonstrate the application of the ‘four-step materiality process’ described in IFRS Practice Statement 2.

The amendments to IAS 1 are effective for annual periods beginning on or after 1 January 2023, with earlier application permitted and are applied prospectively. The amendments to IFRS Practice Statement 2 do not contain an effective date or transition requirements.

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

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

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

**New and revised IFRSs**

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

Amendments to IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors* related to definition of accounting estimates 1 January 2023

The amendments replace the definition of a change in accounting estimates with a definition of accounting estimates. Under the new definition, accounting estimates are “monetary amounts in financial statements that are subject to measurement uncertainty”.

The definition of a change in accounting estimates was deleted. However, the Board retained the concept of changes in accounting estimates in the Standard with the following clarifications:

- A change in accounting estimate that results from new information or new developments is not the correction of an error
- The effects of a change in an input or a measurement technique used to develop an accounting estimate are changes in accounting estimates if they do not result from the correction of prior period errors

The Board added two examples (Examples 4-5) to the Guidance on implementing IAS 8, which accompanies the Standard. The Board has deleted one example (Example 3) as it could cause confusion in light of the amendments.

The amendments are effective for annual periods beginning on or after 1 January 2023 to changes in accounting policies and changes in accounting estimates that occur on or after the beginning of that period, with earlier application permitted.

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

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

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

**New and revised IFRSs**

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

Amendments to IAS 12 related to deferred tax related to assets and liabilities arising from a single transaction 1 January 2023

The amendments introduce a further exception from the initial recognition exemption. Under the amendments, an entity does not apply the initial recognition exemption for transactions that give rise to equal taxable and deductible temporary differences.

Depending on the applicable tax law, equal taxable and deductible temporary differences may arise on initial recognition of an asset and liability in a transaction that is not a business combination and affects neither accounting nor taxable profit. For example, this may arise upon recognition of a lease liability and the corresponding right-of-use asset applying IFRS 16 at the commencement date of a lease.

Following the amendments to IAS 12, an entity is required to recognise the related deferred tax asset and liability, with the recognition of any deferred tax asset being subject to the recoverability criteria in IAS 12.

The Board also adds an illustrative example to IAS 12 that explains how the amendments are applied.

The amendments apply to transactions that occur on or after the beginning of the earliest comparative period presented. In addition, at the beginning of the earliest comparative period an entity recognises:

- A deferred tax asset (to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised) and a deferred tax liability for all deductible and taxable temporary differences associated with:
  - Right-of-use assets and lease liabilities
  - Decommissioning, restoration and similar liabilities and the corresponding amounts recognised as part of the cost of the related asset
- 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 that date.

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

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

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

**Basis of consolidation (continued)**

Details of the subsidiaries are as follows:

	Place of incorporation (or registration)	Proportion of ownership interest	
		2021	2020
<b>National Petroleum Construction Company and its subsidiaries *</b>	<b>UAE</b>	-	70%
– NPCC Engineering Limited (100% by NPCC)	<b>India</b>		
– ANEWA Engineering Pvt. Ltd., (80% by NPCC)	<b>India</b>		
– National Petroleum Construction Co.LTD (100% by NPCC)	<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>	-	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>	-	100%
– Emirates Steel Co. Ltd., (95% by ESI)	<b>KSA</b>		
<b>Arkan Building Materials PJSC and its subsidiaries***</b>	<b>UAE</b>	<b>87.48%</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>		

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

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

**Basis of consolidation (continued)**

	Incorporation (or registration)	Proportion of ownership interest	
		2021	2020
<b>Agthia Group PJSC and its subsidiaries**</b>		<b>62.86%</b>	<b>51%</b>
- 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>		
- Al Nabil Food Industries Limited	<b>UAE</b>		
- Al Faysal Bakery and Sweets Company WLL	<b>Kuwait</b>		
- Ismailia Agricultural and Industrial Investment (Furat)	<b>Egypt</b>		
<b>Al Foah Company LLC and its subsidiaries</b>	<b>UAE</b>		
- Al Foah India Private Limited, (100% by Al Foah)	<b>India</b>		
<b>National Marine Dredging Company PJSC and its subsidiaries*</b>	<b>UAE</b>	-	-
- National Petroleum Construction Company (100% by NMDC)	<b>UAE</b>		
- NPCC Engineering Limited (100% by NPCC)	<b>India</b>		
- ANEWA Engineering Pvt. Ltd., (80% by NPCC)	<b>India</b>		
- National Petroleum Construction Co.LTD (100% by NPCC)	<b>Saudi</b>		
- Emarat Europe Fast Building Technology System Factory L.L.C. (Emarat Europe)	<b>UAE</b>		
- National Marine Dredging Company (Industrial)	<b>UAE</b>		
- ADEC Engineering Consultancy L.L.C.	<b>UAE</b>		
- Abu Dhabi Marine Dredging Co S.P.C.	<b>Bahrain</b>		
- National Marine and Infrastructure India Private Limited	<b>India</b>		
<b>Branches</b>	<b>Saudi Arabia</b>		
- National Marine Dredging Company	<b>Egypt</b>		
- National Marine Dredging Company	<b>Maldives</b>		
- National Marine Dredging Company	<b>Abu Dhabi</b>		
- National Marine Dredging Company	<b>Dubai</b>		
<b>Senaat Sukuk Limited</b>	<b>Cayman Island</b>	<b>100%</b>	<b>100%</b>

**Notes to the consolidated financial statements  
for the year ended 31 December 2021 (continued)****3 Summary of significant accounting policies (continued)****Basis of consolidation (continued)**

\* During 2020, National Marine Dredging Company's PJSC ("NMDC") shareholders accepted an offer from SENAAAT (an existing shareholder) and other minority shareholders of National Petroleum Construction Company PJSC ("NPCC"), to acquire 100% of the shareholding of NPCC, in exchange for the issuance of 575,000,000 equity shares in the NMDC to SENAAAT and the other shareholders of NPCC. This transaction received regulatory approvals on 11 February 2021, and consequently, the NMDC's share capital increased to AED 825,000,000 from that date. As a result of this transaction, the Government of Abu Dhabi became the majority holder of the NMDC's shares.

Subsequently on 1 April 2021, SENAAAT has transferred the beneficial ownership of 284,649,001 shares in NMDC to ADQ, this represented 34.51% ownership in NMDC, the net assets transferred as at 1 April was considered as deemed distribution to ADQ. The retained interest of 14.28% was recorded as other financial assets at its fair value at the date of transfer, this was subsequently accounting for as investment at FVTPL.

\*\*On 5 January 2021 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%.

Subsequently, on 1 April 2021 additional shares issued by Agthia for acquiring 80% of the shares of Al Nabil Food Industries LLC ("Al Nabil"), a limited liability company based in Jordan that specialises in the manufacture and trading of processed protein products, and these new shares were issued and transferred to SENAAAT (71,577,090), as a result of that SENAAAT has increased its shareholding in Agthia from 59.17% to 62.86% in current period. The Group has acquired Al Nabil to diversify its portfolio and expand its existing customer base.

\*\*\*On 4 October 2021, the Group offered 100% shares of Emirates Steel Industries PJSC ("ESI") to Arkan Building Materials PJSC ("Arkan"). The consideration for the contribution of the entire issued share capital of ESI to Arkan was satisfied through the issuance of mandatory convertible instruments for an aggregate principal amount of AED 4,069,800,000 (the "Convertible Instrument") by Arkan to the Company. This convertible instrument was converted into 5,100,000,000 ordinary shares of a nominal value of AED 1 each in the capital of Arkan (the "New Arkan Shares"). As a result, the Group has increased its shareholding in Arkan from 51% to 87.48% in current year.

**Notes to the consolidated financial statements  
for the year ended 31 December 2021 (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 2021 (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 2021 (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 2021 (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 2021 (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 2021 (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 2021 (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 2021 (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 2021 (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.

**Notes to the consolidated financial statements  
for the year ended 31 December 2021 (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 2021 (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 2021 (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 2021 (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 2021 (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 37.10.

**Notes to the consolidated financial statements  
for the year ended 31 December 2021 (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 2021 (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 2021 (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 2021 (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 2021 (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 25 and 37.

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 2021 (continued)****3 Summary of significant accounting policies (continued)****Discontinued operations**

A disposal group qualifies as discontinued operation if it is:

- A component of the group that is a CGU or a group of CGUs;
- Classified as held for sale or distribution or already disposed in such a way; or
- A major line of business or major geographical area.

Discontinued operations are excluded from the results of continuing operations and are presented as a single amount as profit or loss in the consolidated statement of profit or loss.

**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.

**Notes to the consolidated financial statements  
for the year ended 31 December 2021 (continued)****3 Summary of significant accounting policies (continued)****Hedge accounting (continued)***Cash flow hedges (continued)*

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.

**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).

Discounting of lease payments

The lease payments are discounted using the Group's incremental borrowing rate ("IBR") except for few contracts with respect to the land and buildings, where implicit rate in lease is used. Management has applied judgments and estimates to determine the IBR at the commencement of lease.

Further information about accounting estimates, judgements and significant assumptions made in measuring fair values are disclosed in within these consolidated financial statements.

**Notes to the consolidated financial statements  
for the year ended 31 December 2021 (continued)****4 Critical accounting judgements and key sources of estimation uncertainty (continued)****Critical judgements in applying the Group's accounting policies (continued)**Provision for rehabilitation and restoration of cement quarry

Management has considered the provisions of IAS 37 Provisions, Contingent Liabilities and Contingent Assets in respect of provision for rehabilitation and restoration of cement quarry. Management has concluded that the costs relating to the rehabilitation will be negligible and therefore has not recognised any provision.

Determination of acquisition date in a business combination

One of the critical steps in a business combination is to identify the acquisition date. As per IFRS 3 "Business Combinations", the acquisition date is defined as the date on which the acquirer obtains control of the acquiree. The acquisition date is critical because it determines when the acquirer recognizes and measures the consideration transferred, the assets acquired, and liabilities assumed. The acquiree's results are consolidated from this date. In a business combination affected by a sale and purchase agreement, the acquisition date is generally the specified closing or completion date. It is often readily apparent from the structure of the business combination and the terms of the sale and purchase agreement (if applicable) but this is not always the case.

IFRS 3 explains that the date on which the acquirer obtains control of the acquiree is generally the date on which the acquirer legally transfers the consideration, acquires the assets, and assumes the liabilities of the acquiree - the closing date. However, the acquirer should consider all pertinent facts and circumstances in identifying the acquisition date, including the possibility that control is achieved on a date that is either earlier or later than the closing date.

During 2021, the Group entered into several new business combination transactions (note 5). Management has considered all legal aspects of the sale and purchase agreements and the pertinent facts and circumstances around each transaction in order to determine the acquisition dates of these transactions and the date the control was acquired.

For convenience, management has consolidated the acquirees as of the beginning of the month in which the acquisition date was determined and assessed that this assumption had no material impact on the consolidated financial statements.

**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.

**Notes to the consolidated financial statements  
for the year ended 31 December 2021 (continued)****4 Critical accounting judgements and key sources of estimation uncertainty (continued)****Key sources of estimation uncertainty (continued)**Calculation of loss allowance (continued)

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

Determining whether the Group's assets, including allocated goodwill, are impaired requires an estimation of the value in use of the cash generating units. The value in use calculations require Group management to estimate the future cash flows for which certain assumptions are required, including management's expectation of:

- long term growth rates in cash flows;
- future sales volumes and price forecasts; and
- the selection of discount rates to reflect the risks involved.

Management have assessed the remaining volumes of limestone that can be mined from its captive quarry in Al Ain. It is estimated that the current mining operations can continue, on a commercially acceptable basis, for a further two years after which the further extraction of its limestone feedstock will no longer be economically viable. The inventories of limestone and clinker currently held and the continuance of mining for a further two years will support the production of cement, at current volumes for a further three years. After such inventories are exhausted, the business will have to source its limestone feedstock from an alternate provider and transport it to the Al Ain Cement plant.

Accordingly, Management have assessed the future cash flows of the business, based on this revised business model, and impairments have been booked on the associated right-of-use assets and the plant's property, plant and equipment (notes 10 and 7, respectively).

Useful lives of property, plant and equipment and intangible assets

Management assigns useful lives and residual values to items of property, plant and equipment and intangible assets based on the intended use of the assets and the expected economic lives of those assets. Subsequent changes in circumstances such as technological advances or prospective utilisation of the assets concerned could result in the actual useful lives or residual values differing from the initial estimates.

Fair value measurement of contingent considerations

Contingent considerations from business combinations, is valued at fair value at the acquisition date as part of the business combination. When the contingent liabilities meets the definition of a financial liability, it is subsequently remeasured to fair value at each reporting date. The determination of the fair value is based on detailed assessment of performance targets. The key assumptions take into consideration the probability of meeting each performance target and the discount factor.

**Notes to the consolidated financial statements  
for the year ended 31 December 2021 (continued)****4 Critical accounting judgements and key sources of estimation uncertainty (continued)****Key sources of estimation uncertainty (continued)**Fair value measurement of contingent considerations (continued)

As part of the accounting for the acquisitions of Al Faysal Bakery and Sweets Company WLL, Baklawa Made Better Investments and Mediterranean Confectionery Company Limited, contingent considerations with an estimated fair value of AED 123,696 thousand were recognised at the acquisition date and remeasured as at the reporting date (refer note 5). Future developments may require further revisions to the estimate.

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 2021 is AED 163,650 thousand (2020: AED 175,221 thousand).

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 impaired entails Management's evaluation of the specific investee's profitability, liquidity, solvency and ability are 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 104,186 thousand (2020: AED 53,627 thousand) has been recorded.

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 2021 (continued)****5 Business Combinations****5.1 Acquisition of National Marine Dredging Company PJSC (NMDC)**

On 11 February 2021, SENAAAT acquired a controlling interest in National Marine Dredging Company's PJSC ("NMDC") by exchanging SENAAAT's 70% ownership in National Petroleum Construction Company PJSC ("NPCC") for 402,500,000 shares in NMDC (each share has share capital of AED 1). As a result, SENAAAT obtained control with 48.79% ownership in NMDC. As the Group acquired controlling interest in NMDC, the Group consolidated NMDC as of the date of the acquisition. The Group intended to keep control of NMDC and therefore this acquisition was accounted for under IFRS 3 as a business combination. As a result of this transaction, the Government of Abu Dhabi became the majority holder of the NMDC's shares through its investment in ADQ and SENAAAT.

On 1 April 2021, SENAAAT decided to distribute a portion of their holdings in NMDC to ADQ. This transaction was approved management on 1 April 2021. Therefore, on 1 April 2021, SENAAAT transferred the beneficial ownership of 284,649,001 (34.51% ownership) shares in NMDC to ADQ and as a result deconsolidated NMDC. The net assets transferred as at 1 April 2021 was considered as deemed distribution to ADQ. The retained interest of 14.28% was recorded as financial assets at its fair value through profit and loss at the date of transfer (Note 6).

**Purchase consideration**

In a business combination in which the acquirer and the acquiree (or its former owners) exchange only equity interests, the fair value of the acquiree's equity interests may be more reliably measurable than the fair value of the acquirer's equity interests. If so, the acquirer should determine the amount of goodwill by using the fair value of the acquiree's equity interests rather than the fair value of the equity interests transferred.

Since the transaction is deemed to be a reverse acquisition, purchase consideration would be an equivalent of the equity interests that would have had to be issued by NPCC to give NMDC shareholders the same proportionate shareholding. At the date of merger NPCC had 100,000 outstanding issued shares AED 1,000 each. It represented 69.7% of the value of the combined entity. NPCC, as the accounting acquirer, issued hypothetical shares to the shareholders of NMDC that represented 30.3% of the value of the combined entity. To this end, NPCC issued 43,478.26 hypothetical shares as the purchase consideration for the acquisition of NMDC. According to the deal, NMDC would issue 575,000,000 shares in exchange for 100,000 shares in NPCC, which implied that the exchange ratio is 5,750 NMDC shares for 1 NPCC share. The market price of NMDC shares on 10 February 2021 ("the Transaction Date") was AED 5.96 per share. Considering that the fair value of NPCC shares at the Transaction Date was AED 34,270 per share, consequently, the purchase consideration was considered to be AED 1,490,000 thousand.

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

**5 Business Combinations (continued)**

**5.1 Acquisition of National Marine Dredging Company PJSC (NMDC) (continued)**

**Post-Merger capital structure**

	<b>Shares</b>	<b>% Ownership</b>
NPCC outstanding shares pre-transaction	<b>100,000.00</b>	<b>69.7%</b>
Shares to be issued to NMDC to achieve post-merger capital structure	<b>43,478.26</b>	<b>30.3%</b>
	<hr/>	<hr/>
Post-merger capital structure (Reverse acquisition)	<b>143,478.26</b>	<b>100.0%</b>
	<hr/> <hr/>	<hr/> <hr/>

**Total consideration calculation**

	<b>AED</b>
Number of new shares NMDC will issue to obtain 100% of NPCC	<b>575,000,000</b>
Number of NPCC outstanding shares pre-transaction	<b>100,000</b>
Exchange ratio: number of NMDC shares per 1 NPCC share	<b>5,750</b>
NMDC quoted share price at the Transaction Date, AED	<b>5.96</b>
Fair Value of 1 share in NPCC at the Transaction Date, AED	<b>34,270</b>
Shares to be issued to NMDC to achieve post-merger capital structure	<b>43,478,261</b>
	<hr/>
Consideration transferred for the reverse acquisition (43,478.26 new shares issued at AED 34,270 per share), AED'000	<b>1,490,000</b>
	<hr/> <hr/>

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

**5 Business Combinations (continued)**

**5.1 Acquisition of National Marine Dredging Company PJSC (NMDC) (continued)**

**Total consideration calculation**

	AED'000
<b>Assets</b>	
Property, plant and equipment	1,527,764
Right-of-use assets	24,210
Investment in equity accounted investee	24,438
Financial assets at fair value through profit or loss	27,838
Inventories	244,292
Trade and other receivables	1,345,312
Contract assets	2,400,347
Deferred tax asset	4,142
<b>Total assets</b>	<b>5,598,343</b>
<b>Liabilities</b>	
Terms loans	(566,897)
Overdraft (net of cash and bank balance)	(481,905)
Lease liabilities	(12,416)
Employees end of service benefits	(133,300)
Trade and other payables	(2,864,117)
<b>Total liabilities</b>	<b>(4,058,635)</b>
<b>Net assets acquired</b>	<b>1,539,708</b>
Total consideration	(1,490,000)
<b>Gain on bargain purchase (Note 31)</b>	<b>49,708</b>

Gain on bargain purchase arising from the acquisition as a result of the fair value of the net assets acquired being higher than the total consideration.

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

**5 Business Combinations (continued)**

**5.2 Acquisition of Al Faysal Bakery and Sweets Company WLL**

On 26 January 2021, the Group acquired 100% of the shares of Al Faysal Bakery and Sweets Company WLL (“Al Faysal”), a limited liability company based in the State of Kuwait that specialises in the manufacture and trading of bakeries and foodstuff. The Group has acquired Al Faysal because it is expanding both its existing product portfolio and customer base. The acquisition has been accounted for using the acquisition method. The consolidated financial statements include the amounts of Al Faysal as at the acquisition date. Fair values of the identifiable assets and liabilities of Al Faysal as at the date of acquisition are set out below:

	<b>Fair value on acquisition AED’000</b>
<b>Assets</b>	
Property, plant and equipment	14,120
Land grant	27,000
Brand names	9,000
Licenses	24,000
Inventories	4,886
Trade and other receivables	12,724
Cash and bank balances	16,118
Other assets	6,327
	<hr/>
<b>Total assets</b>	<b>114,175</b>
	<hr/> <hr/>
<b>Liabilities</b>	
Employees’ end of service benefits	(7,614)
Borrowings	(4,142)
Trade and other payables	(10,835)
Contingent consideration*	(22,000)
Other liabilities	(5,839)
	<hr/>
<b>Total liabilities</b>	<b>(50,430)</b>
	<hr/> <hr/>
<b>Total identifiable net assets at fair value</b>	<b>63,745</b>
	<hr/> <hr/>

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

**5 Business Combinations (continued)**

**5.2 Acquisition of Al Faysal Bakery and Sweets Company WLL (continued)**

	<b>Fair value on acquisition AED'000</b>
Goodwill arising on acquisition	97,160
	<hr/>
<b>Purchase considerations satisfied in cash</b>	<b>160,905</b>
	<hr/>

\* As part of the SPA with the previous owners of Al Faysal dated 25 November 2020, part of the consideration was determined to be contingent, based on the performance of the acquired entity. As at 31 December 2021, the fair value for the contingent consideration amounted to AED 22,000 thousand given the performance indicators of Al Faysal against the target.

**5.3 Acquisition of Al Nabil Food Industries Limited**

On 1 April 2021, the Group obtained control of 80% of the shares of Al Nabil Food Industries LLC (“Al Nabil”), a limited liability company based in Jordan that specialises in the manufacture and trading of processed protein products. The Group has acquired Al Nabil to diversify its portfolio and expand its existing customer base. The acquisition has been accounted for using the acquisition method. The consolidated financial statements include the fair values of the identifiable assets and liabilities of Al Nabil as at the acquisition date.

Fair values of the identifiable assets and liabilities of Al Nabil as at the date of acquisition were:

	<b>Fair value on acquisition AED'000</b>
<b>Assets</b>	
Property, plant and equipment	117,458
Brand names	104,003
Customer relationships	15,068
Inventories	51,954
Trade and other receivables	81,546
Cash and bank balances	57,558
Other non-current assets	5,662
Other assets	4,180
	<hr/>
<b>Total assets</b>	<b>437,429</b>
	<hr/>

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

**5 Business Combinations (continued)**

**5.3 Acquisition of Al Nabil Food Industries Limited (continued)**

	<b>Fair value on acquisition AED'000</b>
<b>Liabilities</b>	
Bank borrowings	(48,612)
Trade and other payables	(63,900)
Other non-current liabilities	(2,802)
Other current liabilities	(2,719)
	<hr/>
<b>Total liabilities</b>	<b>(118,033)</b>
	<hr/> <hr/>
<b>Total identifiable net assets at fair value (provisional)</b>	<b>319,396</b>
	<hr/> <hr/>
Goodwill arising on acquisition	264,092
Non-controlling interests acquired	(63,879)
	<hr/> <hr/>
<b>Total considerations satisfied</b>	<b>519,609</b>
	<hr/> <hr/>

Total considerations satisfied to acquired 80% shares of Al Nabil were as follows:

	<b>AED'000</b>
Equity considerations through issuing 71,577 thousand common shares (note 19)	393,674
Cash considerations paid	125,935
	<hr/>
<b>Total considerations satisfied</b>	<b>519,609</b>
	<hr/> <hr/>

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

**5 Business Combinations (continued)**

**5.4 Acquisition of Ismailia Agricultural and Industrial Investment (Furat)**

The Group obtained control of 75.02% of the shares of Ismailia Agricultural and Industrial Investment (Furat) (“Atyab”) on 10 August 2021, a joint stock company based in Egypt that specialises in the manufacture and trading of processed protein products with a portfolio of four brands (Atyab, Meatland, Shiketita and Furat). The Group has acquired Atyab to expand its existing customer base in Egypt and to empower the protein segment. The acquisition has been accounted for using the acquisition method. The consolidated financial statements include the fair values of the identifiable assets and liabilities of Atyab as at the acquisition date are set out below:

	<b>Fair value on acquisition AED’000</b>
<b>Assets</b>	
Property, plant and equipment	91,866
Brand names	99,265
Inventories	56,746
Trade and other receivables	21,776
Cash and bank balances	11,845
Other non-current assets	25,983
	<hr/>
<b>Total assets</b>	<b>307,481</b>
	<hr/> <hr/>
<b>Liabilities</b>	
Bank borrowings	(7,663)
Trade and other payables	(80,077)
Other non-current liabilities	(7,936)
Other current liabilities	(15,520)
	<hr/>
<b>Total liabilities</b>	<b>(111,196)</b>
	<hr/> <hr/>
<b>Total identifiable net assets at fair value</b>	<b>196,285</b>
	<hr/> <hr/>
Goodwill arising on acquisition	425,401
Non-controlling interests acquired	(49,032)
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<b>Total considerations satisfied in cash</b>	<b>572,654</b>
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**Notes to the consolidated financial statements  
for the year ended 31 December 2021 (continued)**

**5 Business Combinations (continued)**

**5.5 Acquisition of Ripplette Corp. and Mediterranean Confectionary Company Limited**

On 31 August 2021, the Group Board of Directors' has approved a strategic acquisition of a 100% stake in Ripplette Corp. and Mediterranean Confectionary Company Limited (together "BMB") and subsequently obtained the control on 13 December 2021. BMB was launched in 2007 and has a large portfolio of confectionery and healthy food brands and distributes in more than 23 countries worldwide, including the UAE, Saudi Arabia, and USA. The acquisition has been accounted for using the acquisition method.

The Group has entered into a management agreement with previous owners pursuant to the SPA to govern the terms of the management party's economic interest in BMB which equals to 20% of the issued share capital.

These consolidated financial statements include the provisional fair values of the identifiable assets and liabilities of BMB as at the acquisition date as set out below:

	<b>Provisional amount on acquisition AED'000</b>
<b>Assets</b>	
Property, plant and equipment	43,634
Brand names	56,795
Non-compete clause	9,000
Customer relationships	37,000
Investment in an associate	19,084
Inventories	29,724
Trade and other receivables	40,585
Cash and bank balances	17,754
Other non-current assets	13,425
Other current assets	14,352
	<hr/>
<b>Total assets</b>	<b>281,353</b>
	<hr/>
<b>Liabilities</b>	
Employees' end of service benefits	(4,577)
Borrowings	(3,097)
Lease liabilities	(13,636)
Trade and other payables	(55,773)
	<hr/>
<b>Total liabilities</b>	<b>(77,083)</b>
	<hr/>
<b>Total identifiable net assets at fair value</b>	<b>204,270</b>
	<hr/>
Goodwill arising on acquisition	480,981
Non-controlling interests acquired	(40,854)
	<hr/>
<b>Total considerations satisfied in cash</b>	<b>644,397</b>
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**Notes to the consolidated financial statements  
for the year ended 31 December 2021 (continued)**

**5 Business Combinations (continued)**

**5.5 Acquisition of Ripplette Corp. and Mediterranean Confectionary Company Limited (continued)**

	<b>Provisional amount on acquisition AED'000</b>
Satisfied in cash	542,701
Contingent considerations *	101,696
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<b>Total considerations</b>	<b>644,397</b>
	<hr/> <hr/>

\* As part of the SPA with the previous owners of BMB dated 13 December 2021, part of the consideration was determined to be contingent, based on the performance of the acquired entity and certain tax liabilities settlement. As at the acquisition date, the fair value for the contingent considerations amounted to AED 101,696 thousand given the performance indicators of BMB against the target and tax settlement.

**6 Discontinued operations**

On 1 April 2021, SENAAAT has transferred the beneficial ownership of 284,649,001 shares in NMDC to ADQ, this represents 34.51% ownership in NMDC, the net assets transferred as at 1 April were considered as deemed distribution to ADQ.

The retained interest of 14.28% was recorded as a financial asset at its fair value at the date of transfer and amounted to AED 809,630 thousand, this was subsequently accounting for as investment at FVTPL with a fair value as at 31 December 2021 of AED 1,536,762 thousand.

The results of NMDC for the three-month period ended 31 March 2021 has been accounted for as discontinued operation in the condensed consolidated statement of profit or loss as set out below:

	<b>Three months period ended 31 March 2021 (unaudited) AED'000</b>
Revenue	1,168,486
Other operating expenses	(1,185,922)
Other income – net	56,042
Finance income	1,271
Finance cost	(13,431)
Share of profits of equity-accounted investees	1,743
Income tax credit	(1,570)
	<hr/>
<b>Profit from discontinued operation</b>	<b>26,619</b>
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**Notes to the consolidated financial statements  
for the year ended 31 December 2021 (continued)**

**6 Discontinued operations (continued)**

The discontinued operation's outflow to the cashflow are as follows:

	<b>Three months period ended 31 March 2021 (unaudited) AED 000</b>
Net change in cash from operating activities	329,747
Net change in cash from investing activities	(500,412)
Net change in cash from financing activities	(245,769)
	<hr/>
<b>Total outflow from cashflow</b>	<b>(416,434)</b>
	<hr/> <hr/>

The value of assets and liabilities of NMDC as at the date of transfer are as follows:

	<b>31 March 2021 (unaudited) AED'000</b>
<b>Assets</b>	
Property, plant and equipment	4,205,829
Right-of-use assets	319,355
Intangible assets and goodwill	5,057
Inventories	344,930
Accounts and other receivables	2,960,851
Contract assets	3,843,931
Cash and bank balances	701,139
Other assets	94,856
	<hr/>
	<b>12,475,948</b>
	<hr/>
<b>Liabilities</b>	
Loans and borrowings	2,653,474
Lease liabilities	314,134
Trade and other payables	4,529,388
Provision for retirement benefit obligation	437,003
	<hr/>
	<b>7,933,999</b>
	<hr/>
<b>Net assets transferred</b>	<b>4,541,949</b>
	<hr/> <hr/>

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

**6 Discontinued operations (continued)**

	<b>31 March 2021 (unaudited) AED'000</b>
Value of NCI at transfer	2,327,272
Fair value of retained interest	840,481
	<hr/>
<b>Net deemed distribution</b>	<b>1,374,468</b>
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During the month of May 2021, ADQ transferred cash to SENAAAT at AED 1,357,468 as capital contribution. The net movement of capital contribution account during the period is as follows:

	<b>AED'000</b>
Deemed distribution	<b>(1,374,468)</b>
Additional contribution	<b>1,357,468</b>
Net	<b>(17,000)</b>

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

**7 Property, plant and equipment**

	<b>Land and building AED'000</b>	<b>Plant and equipment AED'000</b>	<b>Furniture and fixtures AED'000</b>	<b>Motor vehicles AED'000</b>	<b>Capital work in progress AED'000</b>	<b>Total AED'000</b>
<b>Cost</b>						
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)
1 January 2021	3,845,140	20,586,473	403,474	244,076	89,375	25,168,538
Additions	5,165	142,053	8,661	7,133	108,013	271,025
Acquisition through business						
Combination (note 5)	200,200	1,528,472	17,206	7,748	68,214	1,821,840
Transfers from CWIP	5,374	27,745	1,371	1,211	(35,701)	-
Disposal of a subsidiary (Note 6)	(591,180)	(7,231,482)	(124,186)	-	(59,901)	(8,006,749)
Disposals	(3,560)	(38,119)	(58)	(9,969)	(45)	(51,751)
Effects of foreign currency exchange						
differences	(3,521)	(8,480)	(270)	(111)	342	(12,040)
Transfer to inventories	-	(80,877)	-	-	-	(80,877)
<b>31 December 2021</b>	<b>3,457,618</b>	<b>14,925,785</b>	<b>306,198</b>	<b>250,088</b>	<b>170,297</b>	<b>19,109,986</b>
<b>Accumulated depreciation</b>						
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			(296)			
Differences	(152)	(1,227)	-	(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
1 January 2021	1,872,196	10,557,711	317,291	203,427	9,260	12,959,885
Charge for the year	92,271	640,552	18,391	17,471	-	768,685
Disposal of a subsidiary (Note 6)	(360,145)	(3,348,439)	(92,336)	-	-	(3,800,920)
Disposals	(3,431)	(37,581)	(58)	(9,910)	-	(50,980)
Effects of foreign currency exchange						
Differences	(433)	(4,912)	(207)	(133)	-	(5,685)
Impairment	69,935	471,208	-	-	-	541,143
<b>31 December 2021</b>	<b>1,670,393</b>	<b>8,278,539</b>	<b>243,081</b>	<b>210,855</b>	<b>9,260</b>	<b>10,412,128</b>
<b>Carrying amount</b>						
<b>31 December 2021</b>	<b>1,787,225</b>	<b>6,647,246</b>	<b>63,117</b>	<b>39,233</b>	<b>161,037</b>	<b>8,697,858</b>
31 December 2020	1,972,944	10,028,762	86,183	40,649	80,115	12,208,653

Assets pledged as security

Capital work in progress includes cement factory under construction for Arkan Building Material PJSC with a carrying amount of AED 930 million (2020: AED 1,553 million) pledged against a loan received from a local financial institution.

Property, plant and equipment amounting to AED Nil (2020: AED 1,638 million) are pledged against Istisna loan at NPCC.

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

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

In 2020, 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.

During the current year management has performed impairment assessment for the cement business and the recoverable amount of the Cement cash-generating unit was determined to be less than the carrying amount and management have also recorded impairment losses against the associated property, plant and equipment and right-of-use assets. In summary, management have recorded the following impairment provisions at 31 December 2021, based on a comparison of the recoverable amount against the assets comprising the Cement cash generating unit:

	<b>2021</b>
	<b>AED'000</b>
Property, plant and equipment	<b>541,143</b>
Right-of-use assets (Note 10)	<b>44,477</b>
	<hr/>
	<b>585,620</b>
	<hr/> <hr/>

**8 Intangible assets and goodwill**

	<b>2021</b>	2020
	<b>AED'000</b>	AED'000
Intangible assets	<b>425,501</b>	86,111
Goodwill	<b>1,461,386</b>	198,809
	<hr/>	<hr/>
	<b>1,886,887</b>	284,920
	<hr/> <hr/>	<hr/> <hr/>

The movement in the goodwill is as follows:

	<b>2021</b>	2020
	<b>AED'000</b>	AED'000
As at 1 January	<b>198,809</b>	198,809
Acquisition through business combination (note 5)	<b>1,267,634</b>	-
Disposal during the year (note 6)	<b>(5,057)</b>	-
	<hr/>	<hr/>
<b>As at 31 December</b>	<b>1,461,386</b>	198,809
	<hr/> <hr/>	<hr/> <hr/>

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

**8 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 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)
At 1 January 2021	3,138	60,975	62,842	4,342	131,297
Additions	-	-	2,101	-	2,101
Acquisition through business combination	-	277,184	-	76,591	353,775
Other movement	-	-	-	(1,499)	(1,499)
<b>At 31 December 2021</b>	<b>3,138</b>	<b>338,159</b>	<b>64,943</b>	<b>79,434</b>	<b>485,674</b>
<b>Accumulated amortisation</b>					
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)
At 1 January 2021	-	11,388	30,752	3,046	45,186
Charge for the year	-	8,417	3,901	4,255	16,573
Effect of foreign exchange differences	-	(96)	-	-	(96)
Other movement	-	-	-	(1,490)	(1,490)
<b>At 31 December 2021</b>	<b>-</b>	<b>19,709</b>	<b>34,653</b>	<b>5,811</b>	<b>60,173</b>
<b>Carrying amount as at 31 December 2021</b>	<b>3,138</b>	<b>318,450</b>	<b>30,290</b>	<b>73,623</b>	<b>425,501</b>
At 31 December 2020	3,138	49,587	32,090	1,296	86,111

Goodwill consists of:

	2021 AED'000	2020 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
Consumer business division (Al Faysal)	97,160	-
Consumer business division (Al Nabil)	264,092	-
Consumer business division (Atyab)	425,401	-
Consumer business division (BMB) (Provisional)	480,981	-
Oil and gas contracting division – ANEWA Engineering	-	5,057
	<b>1,461,386</b>	<b>198,809</b>

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

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

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.

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)	Consumer business division (Al Faysal operations)	Consumer business division (Al Nabil operations)
<b>2021</b>							
Anticipated annual revenue growth (%)	1%- 2.1%	2.7%-3.8%	5%-6%	1.5%-9.5%	4%-6%	0%-3.3%	12.2%- 18.6%
Pre-tax discount rate (%)	9.1%	8.4%	13%	8.4%	8.5%	8.1%	9.6%
<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%	-	-

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.

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

**9 Investment properties**

	<b>2021</b>	2020
	<b>AED'000</b>	AED'000
<b>Cost</b>		
At 1 January	<b>18,175</b>	69,485
Transfer to a related party (note 34)	-	(51,310)
	<hr/>	<hr/>
<b>At 31 December</b>	<b>18,175</b>	18,175
	<hr/>	<hr/>
<b>Accumulated depreciation and impairment</b>		
At 1 January	<b>3,493</b>	19,897
Charge for the year	<b>709</b>	1,564
Transfer to a related party (note 34)	-	(17,968)
	<hr/>	<hr/>
<b>31 December</b>	<b>4,202</b>	3,493
	<hr/> <hr/>	<hr/> <hr/>
<b>Carrying amount</b>	<b>13,973</b>	14,682
	<hr/> <hr/>	<hr/> <hr/>

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 (2020: fair value of AED 24,077 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.

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

**10 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 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/>
1 January 2021	929,709	1,960	81,507	1,013,176
Additions	7,838	-	15,803	23,641
Transfer from intangible assets	1,499	-	-	1,499
Acquisition through business combinations	60,011	11,269	4,320	75,600
Disposal of a subsidiary	(343,430)	-	-	(343,430)
Terminations	(20,655)	-	-	(20,655)
Effect of foreign exchange differences	23	-	(3)	20
	<hr/>	<hr/>	<hr/>	<hr/>
<b>At 31 December 2021</b>	<b>634,995</b>	<b>13,229</b>	<b>101,627</b>	<b>749,851</b>
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
<b>Accumulated depreciation and impairment</b>				
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	55,400	-	-	55,400
	<hr/>	<hr/>	<hr/>	<hr/>
1 January 2021	149,217	1,561	32,391	183,169
Charge for the year*	42,660	1,071	20,674	64,405
Transfer from intangible assets	1,491	-	-	1,491
Disposal of a subsidiary	(24,075)	-	-	(24,075)
Termination	(3,155)	-	-	(3,155)
Impairment loss (note 7)	44,477	-	-	44,477
	<hr/>	<hr/>	<hr/>	<hr/>
<b>At 31 December 2021</b>	<b>210,615</b>	<b>2,632</b>	<b>53,065</b>	<b>266,312</b>
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
<b>Carrying amount</b>				
<b>31 December 2021</b>	<b>424,380</b>	<b>10,597</b>	<b>48,562</b>	<b>483,539</b>
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
31 December 2020	780,492	399	49,116	830,007
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

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

**10 Right-of-use assets (continued)**

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 2020 and 2021. The expired contracts were replaced by new leases for identical underlying assets. This resulted in additions to right-of-use assets of AED 24 million in 2021 (2020: AED 26 million).

\*The charge for the year of AED 2,851 thousand are included as part of the discontinued operations.

**11 Investments in equity accounted investees**

	<b>2021</b>	2020
	<b>AED'000</b>	AED'000
Investment in associates	<b>1,240,409</b>	1,421,991
Investment in joint ventures	<b>5,167</b>	8,066
	<hr/> <b>1,245,576</b> <hr/>	<hr/> 1,430,057 <hr/>

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

	<b>2021</b>	2020
	<b>AED'000</b>	AED'000
Balance as at 1 January	<b>1,421,991</b>	1,416,498
Acquisition	<b>43,522</b>	-
Adjustment during the year	-	(3,729)
Share of (losses)/ profits*	<b>(66,850)</b>	58,965
Share of other comprehensive (loss)/income	<b>(14,757)</b>	15,278
Share of dividends	<b>(29,650)</b>	(36,200)
Impairment loss **	<b>(50,000)</b>	(28,821)
Disposal***	<b>(63,847)</b>	-
	<hr/> <b>1,240,409</b> <hr/>	<hr/> 1,421,991 <hr/>

**Notes to the consolidated financial statements  
for the year ended 31 December 2021 (continued)****11 Investments in equity accounted investees (continued)**

\* The share of profit from the disposed associate of AED 1,743 thousand are included as part of the discontinued operations.

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 the context of the associate investments having historically reported shortfalls against their projected annual budgets and projections management has determined to moderate the projected profitability data as prepared by the management and approved by the directors of the associate companies. On the basis of this moderation procedure, it has been determined that the current value of the expected future cash flows from the investments (discounted at a weighted average cost of capital of 10%) is less than their current carrying value; accordingly, an impairment provision of AED 50 million has been made against the carrying values recorded. The investments in associate in Vision Group includes goodwill of AED 89,740 thousand (2020: AED 89,740 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 in 2022.

\*\*\* 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.

During the year, the Company sold 468,000 of its shares in Ducab Aluminum Company LLC ("DAC") to Dubai Cable Company (Private) Limited ("Ducab") for a total consideration of AED 18,000 thousand. The remaining 12,000 shares were sold to Ducab International LLC (a company 100% owned by Ducab) for a total consideration of AED 1. As a result, the Company recognised gain on sale of its associate amounting to AED 4,348 thousand. This was approved by the shareholders of the Dubai Aluminum Company LLC on 28 September 2021.

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

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

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>	<u>Place of incorporation and operation</u>	<u>Ownership interest</u>	
		2021	2020
Vision Hotel Apartment LLC	UAE	40%	40%
Deco Vision LLC	UAE	40%	40%
Vision Furniture and Decoration Factory LLC	UAE	40%	40%
Deco Vision Properties LLC	UAE	40%	40%
Vision Links Hotel Apartment LLC	UAE	40%	40%
Abu Dhabi Industrial Zones Development Company (dormant)	UAE	50%	50%
Dubai Cable Company (Private) Limited	UAE	50%	50%
Ducab Aluminium Company LLC	UAE	-	40%
NTS Middle East FZCO ("NTS")*	UAE	51%	51%
Principia SAS ("Principia")	France	-	33%
The Challenge Egyptian Emirates Marine Dredging Company**	Egypt	-	-

\*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.

\*\* The Company was an associate of NMDC which was acquired and transferred to ADQ during the year.

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 2021 (continued)**

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

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

	<b>2021</b>	2020
	<b>AED'000</b>	AED'000
Total assets	<b>4,897,580</b>	4,077,147
Total liabilities	<b>(2,594,719)</b>	(1,501,194)
	<hr/>	<hr/>
Net assets	<b>2,302,861</b>	2,575,953
	<hr/>	<hr/>
Group's share of net assets	<b>1,139,139</b>	1,297,365
	<hr/>	<hr/>
Goodwill on acquisition	<b>123,244</b>	89,740
Impairment on goodwill on acquisition	<b>(78,821)</b>	-
NCI share not considered	<b>(11,970)</b>	34,886
Goodwill on acquisition	<b>64,281</b>	-
Other adjustments	<b>4,536</b>	-
	<hr/>	<hr/>
Carrying amount of interest in associates	<b>1,240,409</b>	1,421,991
	<hr/>	<hr/>
Revenue	<b>6,020,164</b>	4,944,842
	<hr/>	<hr/>
Net profit	<b>(172,110)</b>	119,395
Other comprehensive income	<b>(29,499)</b>	30,556
Others	<b>26,641</b>	-
	<hr/>	<hr/>
Total comprehensive income	<b>(174,968)</b>	149,951
	<hr/>	<hr/>
Group's share of total comprehensive (loss)/ income	<b>(84,190)</b>	74,243
	<hr/>	<hr/>
Dividends received	<b>29,650</b>	36,200
	<hr/>	<hr/>

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

**11 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 2021	31 December 2020
<b>Joint operations</b>			
NPCC - CCC Qusahwira*	UAE	-	75%
Technip - NPCC - Satrah Full Field	UAE	-	50%
NPCC - CCC, Bab Thamama*	UAE	-	75%
NPCC - MEPI JV - GPF	UAE	-	50%
NPCC - TECHNIP - UZ-750 (EPC-1)	UAE	-	40%
NPCC - TECHNIP UL-2	UAE	-	50%
NPCC - TECHNIP AGFA	UAE	-	50%
<b>Joint ventures</b>			
Al Gharbia Pipe Company LLC**	UAE	<b>51%</b>	51%
Palmera for Dates Cultivation and Trading ***	Jordan	<b>50%</b>	50%

\*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 54,186 thousand based on the fair value of investment in Al Gharbia.

\*\*\*The 50% interest in Palmera for Dates Cultivation and Trading LLC (incorporated in Jordan) which was acquired in 2020 is treated as an investment in joint venture. The joint venture is accounted for using the equity method in these consolidated financial statements.

The principal activity of the joint venture is agricultural land reclamation, cultivation and production of all types of agricultural products, packing and wrapping vegetables and fruits, agricultural crops development, owning and setting up date farms and trading in their products.

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

	2021 AED'000	2020 AED'000
At 1 January	8,066	65,453
Additions	84,285	-
Long term funding	-	4,849
Share of loss for the year	(32,998)	(37,430)
Impairment loss**	(54,186)	(24,806)
<b>At 31 December</b>	<b>5,167</b>	<b>8,066</b>

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

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

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

	<b>2021</b>	2020
	<b>AED'000</b>	AED'000
Total assets	<b>1,016,784</b>	992,305
Total liabilities	<b>(854,571)</b>	(927,816)
	<hr/>	<hr/>
Net assets	<b>162,213</b>	64,489
SENAAT's share	<b>82,625</b>	32,872
Less: Impairment	<b>(178,635)</b>	(24,806)
Reversal of impairment loss	<b>101,177</b>	-
	<hr/>	<hr/>
Carrying amount of interest in joint ventures	<b>5,167</b>	8,066
	<hr/> <hr/>	<hr/> <hr/>
Revenue	<b>89,338</b>	4,944
	<hr/> <hr/>	<hr/> <hr/>
Net loss	<b>(64,815)</b>	(73,423)
Other comprehensive loss	-	-
	<hr/>	<hr/>
Total comprehensive loss	<b>(64,815)</b>	(73,423)
	<hr/> <hr/>	<hr/> <hr/>
Group's share in total comprehensive loss	<b>(32,998)</b>	(37,430)
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**Notes to the consolidated financial statements  
for the year ended 31 December 2021 (continued)**

**12 Financial assets at fair value through profit or loss (FVTPL)**

Movement during the year was as follows:

	<b>2021</b>	2020
	<b>AED'000</b>	AED'000
As at 1 January	-	-
Transfer from investment in a subsidiary (note 6)	<b>809,630</b>	-
Increase in fair value (note 31)	<b>727,132</b>	-
	<hr/>	<hr/>
<b>As at 31 December</b>	<b>1,536,762</b>	-
	<hr/> <hr/>	<hr/> <hr/>

Financial assets at FVTPL comprise:

	<b>2021</b>	2020
	<b>AED'000</b>	AED'000
Quoted UAE equity securities	<b>1,536,762</b>	-
	<hr/> <hr/>	<hr/> <hr/>

The fair value of the quoted UAE equity securities at the reporting date is based on quoted market prices at 31 December 2021 respectively as per Level 1 valuation as described in note 37.

**13 Accounts and other receivables**

	<b>2021</b>	2020
	<b>AED'000</b>	AED'000
<b>Non-current portion</b>		
Loans receivables from related parties (Note 34)	<b>52,876</b>	50,981
Allowance for expected credit losses from related parties	<b>(52,876)</b>	-
Trade receivables due from third parties (Note 13.1)	<b>84,742</b>	154,371
Allowance for expected credit losses (Note 13.2)	<b>(84,742)</b>	(154,371)
	<hr/>	<hr/>
	-	50,981
	<hr/> <hr/>	<hr/> <hr/>

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

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

	<b>2021</b>	2020
	<b>AED'000</b>	AED'000
<b>Current portion</b>		
Trade receivables due from third parties (Note 13.1)	<b>2,151,530</b>	2,900,984
Allowance for expected credit losses (Note 13.2)	<b>(251,572)</b>	(259,584)
	<b>1,899,958</b>	2,641,400
Due from related parties (Note 34)	<b>1,978,752</b>	1,194,569
Allowance for expected credit losses (Note 13.2)	<b>(16,109)</b>	(16,109)
	<b>1,962,643</b>	1,178,460
Loans receivables from related parties	<b>37,460</b>	38,816
Allowance for expected credit losses (Note 29)	<b>(37,460)</b>	(36,921)
Loans receivables from related parties (net) (Note 34)	-	1,895
Advances to contractors and suppliers	<b>166,012</b>	437,013
Prepayments	<b>70,776</b>	273,618
Government compensation receivable (Note 13.3)	<b>10,283</b>	12,451
Contract assets (Note 13.4)	-	1,395,528
Tax receivables	<b>3,968</b>	80,613
Other receivables	<b>288,915</b>	321,505
	<b>4,402,555</b>	6,342,483

**13.1 Trade receivables due from third parties**

The average credit period on revenue is 30 - 90 days (2020: 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.

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 2021 (continued)**

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

**13.1 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.

**13.2 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.

	Not past due	Trade receivables - days past due					Total
		Less than 90	91 - 180	181 - 270	271 - 360	More than 360	
<b>31 December 2021</b>							
Expected credit loss rate	2.84%	2.49%	24.24%	15.94%	33.34%	71.26%	
Estimated total gross carrying amount at default	1,064,158	594,672	54,550	24,923	39,381	373,846	2,151,530
Lifetime ECL	30,193	14,833	7,769	3,973	13,128	266,418	336,314
	Not past due	Trade receivables - days past due					Total
		Less than 90	91 - 180	181 - 270	271 - 360	More than 360	
<b>31 December 2020</b>							
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	475,887	3,055,355
Lifetime ECL	4,577	11,726	5,960	8,633	21,975	361,084	413,955

Expected credit loss rate applied to the balances not past due increased from 0.2% in 2020 to 2.84% in 2021 mainly due to the disposal of a subsidiary in 2021 with high credit quality receivables.

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

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

**13.2 Allowance for expected credit losses (continued)**

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

	2021 AED'000	2020 AED'000
As at 1 January	413,955	331,633
Charge for the year*	58,366	91,556
Foreign exchange adjustment	(369)	-
Amounts written off	(139,720)	(9,234)
Other adjustments	4,082	-
	<hr/>	<hr/>
<b>As at 31 December</b>	<b>336,314</b>	<b>413,955</b>
	<hr/> <hr/>	<hr/> <hr/>

\* The charge for the year of AED 18,056 thousand is included as part of the discontinued operations.

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

	2021 AED'000	2020 AED'000
As at 1 January	16,109	75,393
Charge for the year	52,876	-
Amounts written off	-	(59,284)
	<hr/>	<hr/>
<b>As at 31 December</b>	<b>68,985</b>	<b>16,109</b>
	<hr/> <hr/>	<hr/> <hr/>

**13.3 Government compensation receivable**

The movement in government compensation receivable are as follows:

	2021 AED'000	2020 AED'000
As at 1 January	12,451	27,782
Compensation for the year	150,708	120,440
Received during the year	(152,876)	(135,771)
	<hr/>	<hr/>
<b>As at 31 December</b>	<b>10,283</b>	<b>12,451</b>
	<hr/> <hr/>	<hr/> <hr/>

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

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

**13.4 Contract assets**

	2021 AED'000	2020 AED'000
Construction contracts	-	1,395,528

**Significant changes in contract assets during the year:**

	2021 AED'000	2020 AED'000
As at 1 January	1,395,528	1,311,431
Add: Acquisition during the year	1,595,194	-
Add: Work in progress	916,335	
Add: Revenue recognized during the year	1,168,456	4,424,373
Add: Movement in expected credit loss provision	24,158	-
Less: Transfer of contract assets recognized to trade receivables	(1,255,740)	(4,340,276)
Less: Disposal (note 6)	(3,843,931)	-
<b>As at 31 December</b>	<b>-</b>	<b>1,395,528</b>

**14 Inventories**

	2021 AED'000	2020 AED'000
Work-in-progress and finished goods	1,448,820	903,413
Raw materials	932,199	811,046
Consumables and stores and spares	614,252	714,953
Goods in transit	165,686	179,344
	<b>3,160,957</b>	<b>2,608,756</b>
Allowance for slow moving and obsolete inventories	<b>(161,097)</b>	<b>(175,221)</b>
	<b>2,999,860</b>	<b>2,433,535</b>

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

**14 Inventories (continued)**

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

	2021 AED'000	2020 AED'000
As at 1 January	175,221	220,152
Charge for the year	53,065	8,795
Reversal of allowance	(303)	(3,241)
Written off	(66,886)	(50,485)
	<hr/>	<hr/>
<b>As at 31 December</b>	<b>161,097</b>	<b>175,221</b>
	<hr/> <hr/>	<hr/> <hr/>

\* The charge for the period of AED 447 thousand is included as part of the discontinued operations.

**15 Cash and bank balances**

	2021 AED'000	2020 AED'000
Cash in hand	5,600	83,530
Cash at banks	657,764	1,075,042
Term deposits	870,057	594,758
Less: Loss allowance	(407)	(407)
	<hr/>	<hr/>
<b>Cash and bank balances</b>	<b>1,533,014</b>	<b>1,752,923</b>
Less: Escrow accounts	(26,154)	(24,996)
Less: Term deposits with original maturity over three months	(870,057)	(595,042)
Add: Loss allowance	407	407
	<hr/>	<hr/>
<b>Cash and cash equivalent in the consolidated statement of cash flows</b>	<b>637,210</b>	<b>1,133,292</b>
	<hr/> <hr/>	<hr/> <hr/>

Term deposits carry interest rates varying from 0.10% - 0.43% (2020: 0.45% - 1.75%).

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.

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

**16 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).

**17 Statutory reserve and restricted reserve**

In accordance with the Articles of Association of the Company and the UAE Federal Law No. 2 of 2015 (as amended), 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.

**18 Dividends**

During the year, the Group declared dividends of AED Nil (2020: AED Nil).

**19 Shareholder's contributions**

	2021 AED'000	2020 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	194,167
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)	(33,342)
Investment in Agthia (Nabeel Food) (l)	393,674	-
	<hr/>	<hr/>
	<b>1,715,498</b>	<b>1,321,824</b>
	<hr/> <hr/>	<hr/> <hr/>

**Notes to the consolidated financial statements  
for the year ended 31 December 2021 (continued)****19 Shareholder's contributions (continued)**

- (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.
- (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.
- (l) In 2021, additional contribution of AED 393,674 thousand has been provided by the Shareholder for the acquisition of Al Nabil Food Industries Limited.

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

**20 Loans and borrowings**

	<b>2021</b>	2020
	<b>AED'000</b>	AED'000
Bank loans		
Unsecured – at amortised cost	<b>5,062,537</b>	3,655,925
Secured – at amortised cost	<b>538,213</b>	2,176,546
Sukuk *	<b>1,101,750</b>	1,101,750
	<b>6,702,500</b>	6,934,221
Non-current	<b>2,824,979</b>	2,932,881
Non-current Sukuk	<b>1,101,750</b>	1,101,750
Non - current	<b>3,926,729</b>	4,034,631
Current	<b>2,775,771</b>	2,899,590
	<b>6,702,500</b>	6,934,221

\* 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 2021 (continued)**

**20 Loans and borrowings (continued)**

	31 December 2021			31 December 2020		
	Current AED'000	Non-current AED'000	Total AED'000	Current AED'000	Non-current AED'000	Total AED'000
Agthia short term loans 1 (a)	62,088	-	62,088	55,936	-	55,936
Agthia credit facilities 1 (a)	344,453	-	344,453	230,651	-	230,651
Agthia term loan 2 (a)	2185	17,481	19,666	2,173	19,556	21,729
Agthia term loan 3 (a)	-	183,670	183,670	-	183,670	183,670
Agthia term loan 4 (a)	9782	24,455	34,237	9,798	34,262	44,060
Agthia term loan 5 (a)	-	1,402,493	1,402,493	-	-	-
Agthia term loan 6 (a)	2,233	7,661	9,894	-	-	-
Agthia term loan	1,483	1,193	2,676	-	-	-
ARKAN term loan 1 (b)	70,827	-	70,827	100,000	-	100,000
ARKAN term loan 2 (c)	118,683	-	118,683	132,100	-	132,100
ARKAN term loan 3 (d)	1,644	1,234	2,878	1,644	2,878	4,522
ARKAN term loan 4 (e)	266,667	268,667	535,334	133,200	400,800	534,000
ARKAN term loan 5 (f)	110,000	-	110,000	105,000	-	105,000
ARKAN term loan 6 (g)	10,000	-	10,000	49,800	-	49,800
ARKAN term loan 7 (h)	-	-	-	7,583	-	7,583
ARKAN (ESI) Working capital facilities 8 (i)	1,592,101	-	1,592,101	1,256,396	-	1,256,396
ARKAN (ESI) term loan 9 (j)	183,625	-	183,625	550,875	-	550,875
NPCC loan	-	-	-	264,434	1,373,590	1,638,024
SENAAT loan (k)	-	918,125	918,125	-	918,125	918,125
<b>Total</b>	<b>2,775,771</b>	<b>2,824,979</b>	<b>5,600,750</b>	<b>2,899,590</b>	<b>2,932,881</b>	<b>5,832,471</b>

**Notes to the consolidated financial statements  
for the year ended 31 December 2021 (continued)****20 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 % - 1.05 % (2020: 0.40 % - 0.95%) for UAE and 0.5 % - 2.85 % (2020: 0.50 % - 2.85 %) for overseas credit facilities and these loans are maturing in 2021; credit facilities are secured by a floating charge over the current assets, inventory and receivables of the Agthia.
  - ii. In 2020, one of the Group's subsidiaries, availed a loan of KWD 1,800 thousand (2020: KWD 1,800 thousand) for a tenure of six years repayable in 2026 and secured by bank guarantee of 50% from the Group and the remaining 50% from the JV partner.
  - iii. 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;
  - iv. 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 % (2020: 0.5 % - 2.85 %).
  - v. During the year, the Group availed four long-term loans of AED 1,402,493 thousand for a tenure of five years repayable in 2026. All loans payment term is a bullet repayment of principal amounts at maturity. Loans are secured against corporate guarantee.
  - vi. Upon the acquisition of Al Nabil Food Industries LLC (note 5), the Agthia has consolidated a liability of bank loan in Jordanian Dinar and US Dollar equivalent to AED 9,894 thousand as of 31 December 2021. The bank carry an interest rate ranging from 3% to 6.5% and are repayable over a period ranging from 48 to 60 months. Loans are guaranteed by a warehouse's land and building. The Group has settled the full balance in the subsequent period and currently in the process of replacing the existing pledge with a corporate guarantee to align with the Group's other borrowing arrangements.;

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 carries variable interest at EIBOR plus 1.5%.
- 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 interest at EIBOR plus 1.5%.
- 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 three-month EIBOR plus 3.0%.

**Notes to the consolidated financial statements  
for the year ended 31 December 2021 (continued)****20 Loans and borrowings (continued)****Summary of borrowing facilities (continued)**Arkan term loans (continued)

- e) Term loan 4 is a 10-year term loan of AED 1,200 million obtained in 2014 by the Group to finance the construction of the Group'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 2.6%. The term loan is secured by assets with a carrying amount of AED 930 million (2020: AED 1,553 million). Subsequent to the 2020-year end, the Group entered into an agreement with its Term Loan 4 lenders for a repayment holiday up to 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. The loan is repayable in 180 days and carries variable interest at three-month EIBOR plus 1.5%.
- 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 interest at EIBOR plus 1.5%.
- h) Term loan 7 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 at EIBOR plus 1.5%.
- i) Working capital balances relate to facilities extended by two local banks to finance the purchases of certain raw materials and spare parts. These facilities mature within one year and carry effective interest rates of 0.60-0.65% over LIBOR.
- j) The term loan was established in November 2018, being a USD 400 million (AED 1,469 million) Commodity Murabaha with a tenor of four years and a profit rate of 0.85% over LIBOR. Repayments are due on a straight-line basis every six-months, each repayment being in an amount of USD 50 million (AED 183.63 million). The facility is unsecured and is subject to a limited guarantee from SENAAAT relating to the availability of gas and electricity.

SENAAT term loans

- k) In 2015 SENAAAT 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 2021. In May 2020 SENAAAT 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.

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

**21 Lease liabilities**

	2021 AED'000	2020 AED'000
Balance as at 1 January	918,236	943,129
Additions	20,803	23,520
Acquisition through business combination	62,779	-
Disposal	(329,634)	(8,611)
Payments	(81,898)	(62,731)
Interest expense*	27,744	37,479
Remeasurement	-	(14,550)
	<hr/>	<hr/>
<b>Total</b>	<b>618,030</b>	<b>918,236</b>
	<hr/> <hr/>	<hr/> <hr/>

\* Interest expense for the period of AED 3,007 thousand is included as part of the discontinued operations.

Lease liabilities are classified in the consolidated statement of financial position as follows.

	2021 AED'000	2020 AED'000
Current	64,090	58,920
Non-current	553,940	859,316
	<hr/>	<hr/>
<b>Total</b>	<b>618,030</b>	<b>918,236</b>
	<hr/> <hr/>	<hr/> <hr/>

**Maturity analysis**

	2021 AED'000	2020 AED'000
Not later than 1 year	64,090	58,920
Later than 1 year and not later than 5 years	413,130	155,881
Later than 5 years	140,810	703,435
	<hr/>	<hr/>
<b>Total</b>	<b>618,030</b>	<b>918,236</b>
	<hr/> <hr/>	<hr/> <hr/>

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

**22 Government grants**

	<b>2021</b>	2020
	<b>AED'000</b>	AED'000
<b>Current portion</b>		
Unamortized government grant relating to property, plant and equipment	<b>11,245</b>	14,937
	<u>          </u>	<u>          </u>
<b>Non-current portion</b>		
Unamortized government grant relating to property, plant and equipment	<b>28,940</b>	26,329
	<u>          </u>	<u>          </u>

**23 Provision for end of service benefits**

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

	<b>2021</b>	2020
	<b>AED'000</b>	AED'000
As at 1 January	<b>617,542</b>	638,282
Acquisition through business combination	<b>145,870</b>	-
Charge during the year	<b>58,069</b>	76,979
Payments during the year	<b>(43,431)</b>	(100,373)
Transfer from a related party	<b>5,752</b>	-
(Loss)/gain on re-measurement	<b>(5,910)</b>	2,654
Disposal of a subsidiary (note 6)	<b>(437,003)</b>	-
Other movements	<b>2,589</b>	-
	<u>          </u>	<u>          </u>
<b>As at 31 December</b>	<b>343,478</b>	617,542
	<u>          </u>	<u>          </u>

**Employees' pension scheme**

Post-employment benefit contributions totaling AED 44,025 thousand (2020: AED 49,182 thousand) have been paid to the Abu Dhabi Retirement Pension and Benefits Fund for UAE national employees.

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

**24 Accounts and other payables**

	<b>2021</b>	2020
	<b>AED'000</b>	AED'000
Accounts payable due to third parties (Note 24.1)	<b>1,467,386</b>	1,331,949
Accrued expenses	<b>438,110</b>	503,482
Current tax liabilities	<b>14,102</b>	120,998
Accounts payable due to related parties (Note 34)	<b>207,706</b>	211,729
Contract liabilities (Note 24.2)	-	71,084
Deferred revenue	-	12,885
Warranty provisions (Note 24.2)	-	60,188
Other payables	<b>568,655</b>	1,597,710
	<b>2,695,959</b>	3,910,025

**24.1 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.

**24.2 Contract liabilities and Warranty provisions**

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. Contract liabilities and warranty provisions were coming from NPCC which has been disposed during the year.

**25 Derivatives financial instruments**

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

	<b>Notional principal amount AED'000</b>	<b>Fair value AED'000</b>	<b>Fair value changes AED'000</b>
<b>2021</b>			
<i>Derivative financial assets</i>			
Interest rate instruments	-	-	-
<i>Derivative financial liabilities</i>			
Interest rate instruments	-	-	-
<b>2020</b>			
<i>Derivative financial assets</i>			
Interest rate instruments	440,724	7,174	7,174
<i>Derivative financial liabilities</i>			
Interest rate instruments	819,012	(11,535)	(11,535)

Further details of derivative financial instruments are provided in note 36.

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

**26 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 35).

	<b>2021</b>	2020
	<b>AED'000</b>	AED'000
<b>Disaggregation of revenue</b>		
Revenue from sale of goods – point in time	<b>11,661,263</b>	8,340,320
Revenue from construction contracts – over time*	-	4,412,912
	<hr/>	<hr/>
	<b>11,661,263</b>	12,753,232
	<hr/> <hr/>	<hr/> <hr/>

\* Revenue from construction contracts recognized over time is AED Nil (2020: AED 4,412,912 thousand) as a result of disposal of subsidiary (note 6)

**27 Staff costs**

	<b>2021</b>	2020
	<b>AED'000</b>	AED'000
Wages and salaries	<b>844,698</b>	1,679,266
Accommodation and other employees' benefits	<b>480,122</b>	746,678
Provision for employees end of service benefits (note 23)	<b>48,176</b>	76,979
Social security contributions	<b>21,010</b>	32,944
	<hr/>	<hr/>
	<b>1,394,006</b>	2,535,867
	<hr/> <hr/>	<hr/> <hr/>

**28 Depreciation and amortization**

	<b>2021</b>	2020
	<b>AED'000</b>	AED'000
Depreciation of property, plant and equipment (note 7)*	<b>674,895</b>	1,000,842
Depreciation of right-of-use assets (note 10) **	<b>61,554</b>	66,954
Depreciation of investment properties (note 9)	<b>709</b>	1,564
Amortization of intangible assets (note 8)	<b>16,573</b>	6,321
	<hr/>	<hr/>
	<b>753,731</b>	1,075,681
	<hr/> <hr/>	<hr/> <hr/>

\* The charge for the period of AED 93,790 thousand are included as part of the discontinued operations.

\*\* The charge for the period of AED 2,851 thousand are included as part of the discontinued operations.

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

**29 Impairment loss**

	<b>2021</b>	2020
	<b>AED'000</b>	AED'000
<b>Impairment loss on non-financial assets</b>		
Impairment loss on property, plant and equipment (note 7)	<b>541,143</b>	1,086,470
Impairment loss on right of use assets (note 10)	<b>44,477</b>	55,400
Impairment loss on investments in equity-accounted investees (note 11)	<b>104,186</b>	53,627
	<hr/>	<hr/>
	<b>689,806</b>	1,195,497
	<hr/>	<hr/>
<b>Impairment loss on financial assets</b>		
Impairment loss on accounts and other receivables (Note 13.2)*	<b>40,310</b>	91,556
Impairment loss on loan receivables with related parties (Note 13)	<b>90,336</b>	36,921
	<hr/>	<hr/>
	<b>130,646</b>	128,477
	<hr/> <hr/>	<hr/> <hr/>

\*Impairment loss on accounts and other receivables of AED 18,056 is included as part of discontinued operations.

**30 Other operating expenses**

	<b>2021</b>	2020
	<b>AED'000</b>	AED'000
Fuel expenses, energy payments and other related expenses	<b>520,612</b>	881,436
Administrative expenses	<b>211,294</b>	217,735
Outsourcing	<b>67,522</b>	131,247
Selling, marketing and distribution	<b>61,814</b>	46,117
Repairs and maintenance	<b>63,777</b>	40,905
Utilities and communication	<b>10,269</b>	17,448
Management and executive fees	<b>4,703</b>	5,328
Training	<b>644</b>	3,298
Provision for slow moving and obsolete inventories (note 14)*	<b>52,618</b>	8,795
Other direct costs	<b>1,298,402</b>	437,459
Other expenses	<b>5,235</b>	266,819
	<hr/>	<hr/>
	<b>2,296,890</b>	2,056,587
	<hr/> <hr/>	<hr/> <hr/>

\*Provision for slow moving and obsolete inventories of AED 447 is included as part of discontinued operations.

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

**31 Other income (net)**

	<b>2021</b>	2020
	<b>AED'000</b>	AED'000
Gain on bargain purchase	<b>49,708</b>	-
Gain on disposal of investments	<b>32,993</b>	-
Gain / (loss) from sale of property, plant and equipment	<b>2,878</b>	(13,367)
Foreign exchange gain	<b>5,228</b>	(140)
Other expenses (net)	<b>(2,122)</b>	88,772
<b>Total other income (net)</b>	<b>88,685</b>	75,265

**32 Finance costs (net)**

	<b>2021</b>	2020
	<b>AED'000</b>	AED'000
Interest income on bank balances	<b>18,179</b>	27,420
Interest on bank overdraft and loans	<b>(121,628)</b>	(207,568)
Interest expense on lease liabilities	<b>(24,737)</b>	(36,905)
Other finance costs	<b>(5,822)</b>	(2,891)
<b>Total finance costs (net)</b>	<b>(134,008)</b>	(219,944)

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

**33 Profit/ (loss) for the year**

Profit/(loss) for the year is stated after charging:

	<b>2021</b>	2020
	<b>AED'000</b>	AED'000
Staff costs	<b>1,394,006</b>	2,535,867
Depreciation of property, plant and equipment, and investment properties*	<b>674,895</b>	1,002,406
Depreciation of right of use assets**	<b>61,554</b>	66,954
Amortization of intangible assets	<b>16,573</b>	6,321

\* The charge for the period of AED 93,790 thousand are included as part of the discontinued operations.

\*\* The charge for the period of AED 2,851 thousand are included as part of the discontinued operations.

**34 Related parties**

**34.1 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 2021 (continued)**

**34 Related parties (continued)**

**34.2 Related party balances**

	2021 AED'000	2020 AED'000
<b>Due from government controlled entities</b>		
Abu Dhabi National Oil Company (Group of entities)*	209,079	583,079
Abu Dhabi Development Holding Company (ADQ) **	1,736,333	470,334
Kottouf & Halla Trading Company	14,490	-
Silal Food and Technology LLC	-	140,862
Dubai Cables Company Limited	18,000	-
Others	850	294
	<hr/>	<hr/>
Total	1,978,752	1,194,569
Less: loss allowance	(16,109)	(16,109)
	<hr/>	<hr/>
<b>Total</b>	<b>1,962,643</b>	<b>1,178,460</b>
	<hr/> <hr/>	<hr/> <hr/>
<b>Loan to a related party</b>		
Al Gharbia Pipe Company LLC***	37,460	36,921
Less: loss allowance	(37,460)	(36,921)
NTS Middle East FZCO (NTS)****	52,876	52,876
Less: loss allowance	(52,876)	-
	<hr/>	<hr/>
<b>Total</b>	<b>-</b>	<b>52,876</b>
	<hr/> <hr/>	<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.

\*\*\*During 2021, the Company has provided a loan to Al Gharbia Pipeline Company LLC amounting to USD 10.2 million (AED 37.5 million) at the interest rate of 3 month LIBOR plus margin of 90 basis points which will be settled in December 2023 in accordance with the agreement.

\*\*\*\* In 2019, the Company provided a loan of AED 7.58 million to NTS Middle East FZCO ("NTS"). The loan carried an interest of LIBOR+2% per annum and was repayable in eight semi-annual installments beginning 31 December 2019. During 2020, the Company provided a loan of USD 12.59 million (AED 46.2 million) to NTS. The loan carried 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 Company an option to convert the loans to shares of new companies at a price to be agreed between the parties. As at 31 December 2021, the conditions for the conversion option to arise have not been met yet and company has recorded the full impairment on loan receivable balance. As at 31 December 2021, an impairment loss against the full outstanding loan balances due from NTS has been recognized in the statement of profit or loss.

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

**34 Related parties (continued)**

**34.2 Related party balances (continued)**

	2021 AED'000	2020 AED'000
<b>Due to government and government controlled entities</b>		
Abu Dhabi National Oil Company (group of entities)	70,000	204,446
Abu Dhabi Power	62,258	-
Abu Dhabi Ports	59,221	-
Silal Food and Technology LLC	14,197	-
National Health Insurance Company PJSC (Daman)	1,985	-
Government of Abu Dhabi	-	1,630
Others	45	5,653
	<u>207,706</u>	<u>211,729</u>

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

	2021 AED'000	2020 AED'000
<b>Deposits with banks</b>		
Entities under common control	280,277	577,414
	<u>280,277</u>	<u>577,414</u>
<b>Interest bearing borrowings</b>		
Entities under common control	2,270,950	4,870,974
	<u>2,270,950</u>	<u>4,870,974</u>

The deposits with banks and borrowings carry interest at prevailing market rates as disclosed in notes 19.

**34.3 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:

	2021 AED'000	2020 AED'000
<b>Transactions with the ultimate controlling party and affiliates</b>		
<b>Revenue from:</b>		
Entities under common control	82,826	2,045,499
	<u>82,826</u>	<u>2,045,499</u>
<b>Finance income received from:</b>		
Entities under common control	396	3,959
	<u>396</u>	<u>3,959</u>
<b>Finance cost paid to:</b>		
Entities under common control	19,273	101,703
	<u>19,273</u>	<u>101,703</u>

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

**34 Related parties (continued)**

**34.3 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:

	<b>2021</b>	2020
	<b>AED'000</b>	AED'000
<b>Significant transactions with other Government of Abu Dhabi controlled entities:</b>		
Abu Dhabi Distribution Company PJSC	-	417,549
Abu Dhabi Terminals	-	33,948
Abu Dhabi National Oil Company PJSC	-	363,878
Ministry of Foreign Affairs	-	153
Crown Prince Court	-	6,488
Higher Corporation of Specialized Economic Zones	-	23,815
	<hr/> <hr/>	<hr/> <hr/>
Net deemed distribution (note 6)	<b>17,000</b>	-
	<hr/> <hr/>	<hr/> <hr/>
Capital contribution (note 19)	<b>393,674</b>	-
	<hr/> <hr/>	<hr/> <hr/>
Gain on disposal of investment in DAC (note 11)	<b>4,348</b>	-
	<hr/> <hr/>	<hr/> <hr/>
Transfer of investment property (note 9)	-	33,343
	<hr/> <hr/>	<hr/> <hr/>
Transfer of net assets to a related party by reduction in capital contribution	-	158,161
	<hr/> <hr/>	<hr/> <hr/>
Transfer of CWIP in PPE to related party	-	16,791
	<hr/> <hr/>	<hr/> <hr/>
Transfer of biological assets	-	45,293
	<hr/> <hr/>	<hr/> <hr/>

Other than above transactions, the Group has significant transactions with the ultimate controlling party and its affiliates such as the transfer of NMDC to ADQ (note 6) and government grants as disclosed in note 22.

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

**34 Related parties (continued)**

**34.4 Transactions with key management personnel**

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

	<b>2021</b>	2020
	<b>AED'000</b>	AED'000
Short-term employment benefits	-	2,382
Board of Directors' remuneration	-	117
<b>35 Capital commitments and contingencies</b>		
	<b>2021</b>	2020
	<b>AED'000</b>	AED'000
Capital commitments	<b>55,774</b>	38,927
Letters of credit and guarantees*	<b>333,576</b>	5,457,101
Raw material purchase commitment	<b>43,778</b>	1,462,476
Contractual commitment	-	59,913

\* The above bank guarantees includes AED 242,964 thousand (AED 346,650) were issued for the loans of joint venture named Al Gharbia Pipe Company LLC wherein the Company is the guarantor.

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

**36 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 2021 (continued)

36 Segment reporting (continued)

Segment revenues and profits

The following is an analysis of the Group's revenue and results by reportable segment in 2021:

	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	3,022,239	5,608,720	3,034,324	-	11,665,283	-	-	11,665,283
Inter-segment sales	-	-	-	-	-	(4,020)	-	4,020
<b>Total revenue</b>	<b>3,022,239</b>	<b>5,608,720</b>	<b>3,034,324</b>	<b>-</b>	<b>11,665,283</b>	<b>(4,020)</b>	<b>-</b>	<b>11,661,263</b>
Loss from operating activities	(690,250)	(81,845)	236,267	-	(535,828)	158,820	(200,612)	(577,620)
Finance income	(163)	578	16,731	-	17,146	(238,113)	238,885	17,918
Finance costs	(43,322)	(22,440)	(20,211)	-	(85,973)	-	(65,953)	(151,926)
<b>Loss before tax</b>	<b>(748,917)</b>	<b>(90,421)</b>	<b>234,981</b>	<b>-</b>	<b>(604,357)</b>	<b>(181,330)</b>	<b>788,285</b>	<b>2,598</b>
Income tax	-	-	(16,997)	-	(16,997)	-	-	(16,997)
Profit/(loss) from continuing operations	(748,917)	(90,421)	217,984	-	(621,354)	(181,330)	788,285	(14,399)
Profit from discontinued operations	-	-	-	26,619	26,619	-	-	26,619
<b>Loss after tax</b>	<b>(748,917)</b>	<b>(90,421)</b>	<b>217,984</b>	<b>26,619</b>	<b>(594,735)</b>	<b>(181,330)</b>	<b>788,285</b>	<b>12,220</b>

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

**36 Segment reporting (continued)**

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
Revenue								
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 2021 (continued)**

**36 Segment reporting (continued)**

\*Eliminated amounts relate to inter-segment sales of AED 4,020 thousand (2020: AED 47,708 thousand) and finance income/expense of AED nil (2020: AED 53,136 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 2021 AED'000</b>	31 December 2020 AED'000
Building materials	<b>12,063,662</b>	3,139,948
Steel industry	-	9,536,529
Food and tannery	<b>6,391,648</b>	3,804,276
Oil and gas	-	7,393,451
	-----	-----
Total segment assets	<b>18,455,310</b>	23,874,204
Unallocated assets	<b>4,327,438</b>	1,481,211
	-----	-----
Consolidated total assets	<b>22,782,748</b>	25,355,415
	=====	=====

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.

**37 Financial instruments**

**37.1 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.

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

**37 Financial instruments (continued)**

**37.1 Capital risk management (continued)**

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.

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>2021</b>	2020
	<b>AED'000</b>	AED'000
Debt	<b>6,702,500</b>	6,934,221
Cash and bank balances	<b>(1,533,014)</b>	(1,752,923)
	<hr/>	<hr/>
Net debt	<b>5,169,486</b>	5,181,298
	<hr/>	<hr/>
Total equity	<b>12,395,272</b>	12,922,590
	<hr/>	<hr/>
Net debt to equity ratio	<b>0.42:1</b>	0.40:1
	<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.

**37.2 Categories of financial instruments**

	<b>2021</b>	2020
	<b>AED'000</b>	AED'000
<i>Financial assets</i>		
Accounts and other receivables net of advances and prepayments	<b>4,165,767</b>	5,631,852
Cash and cash equivalents	<b>1,533,014</b>	1,752,923
Derivative financial assets	-	7,174
	<hr/>	<hr/>
<b>Total</b>	<b>5,698,781</b>	7,391,949
	<hr/> <hr/>	<hr/> <hr/>

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

**37 Financial instruments (continued)**

**37.3 Categories of financial instruments**

	<b>2021</b>	2020
	<b>AED'000</b>	AED'000
<i>Financial liabilities</i>		
Accounts and other payables	<b>2,695,959</b>	3,910,025
Lease liabilities	<b>618,030</b>	918,236
Loans and borrowings including Sukuk	<b>6,702,500</b>	6,934,221
Derivative financial liabilities	-	11,535
	<hr/>	<hr/>
<b>Total</b>	<b>10,016,489</b>	11,774,017
	<hr/> <hr/>	<hr/> <hr/>

**37.4 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.

**37.5 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. 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 2021 (continued)**

**37 Financial instruments (continued)**

**37.6 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 2021</b>				
Accounts and other payables	2,695,959	2,695,959	2,695,959	-
Lease liabilities	618,030	618,030	64,090	553,940
Loans and borrowings	6,702,500	6,702,500	2,775,771	3,926,729
<b>Total</b>	<b>10,016,489</b>	<b>10,016,489</b>	<b>5,535,820</b>	<b>4,480,669</b>
<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>

**Notes to the consolidated financial statements  
for the year ended 31 December 2021 (continued)****37 Financial instruments (continued)****37.7 Currency risk management**

Currency risk is the risk that the value of the Group financial instruments will fluctuate due to changes in foreign exchange rates. Currency risk arises when future commercial transactions and recognised assets and liabilities are denominated in currency that's not the Group's currency. The Group exposure to foreign currency risk is primarily limited to transactions in Turkish Lira ("TRY"), Kuwaiti Dinar ("KWD"), Egyptian Pounds ("EGP"), Euro ("EUR"), United State Dollars ("USD"), Omani Riyals ("OMR"), Jordanian Dinars ("JOD") and Saudi Riyals ("SAR").

Management anticipates that the Group's exposure to currency risk is limited as the Group's currency, Jordanian Dinars ("JOD") and Saudi Riyals ("SAR") are pegged to USD. The fluctuation in exchange rates against TRY, KWD, EGP, Euro, and OMR are monitored on a continuous basis and the Group uses forward currency contracts to eliminate significant currency exposures if required.

A strengthening or weakening of these currencies by 0.5% against all other currencies would not have a material effect to the measurement of the Group's financial instruments denominated in foreign currency and would not have a material effect on the Group's consolidated equity and its consolidated profit and loss.

**Notes to the consolidated financial statements  
for the year ended 31 December 2021 (continued)****37 Financial instruments (continued)****37.8 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 2021 would decrease/ increase by AED 56,008 thousand (2020: AED 58,324 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 capitalization.

*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.

**37.9 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 2021 (continued)**

**37 Financial instruments (continued)**

**37.10 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:

	2021		2020	
	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
<i>Financial assets not measured at fair value</i>				
Loans and receivables net of advances and prepayments	4,165,767	4,165,767	5,631,852	5,631,852
Cash and cash equivalents	1,533,014	1,533,014	1,752,923	1,752,923
	<b>5,698,781</b>	<b>5,698,781</b>	<b>7,384,775</b>	<b>7,384,775</b>
<i>Financial liabilities measured at fair value</i>				
Derivative financial liabilities	-	-	11,535	11,535
<i>Financial liabilities not measured at fair value</i>				
Accounts and other payables	2,695,959	2,695,959	3,910,025	3,910,025
Lease liabilities	618,030	618,030	918,236	918,236
Loans and borrowings including Sukuk	6,702,500	6,702,500	6,934,221	6,934,221
	<b>10,016,489</b>	<b>10,016,489</b>	<b>11,762,482</b>	<b>11,762,482</b>

**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 2021 (continued)**

**37 Financial instruments (continued)**

**37.10 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 2021, 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 2021</b>				
<b>Assets measured at fair value</b>				
Derivative financial assets	-	-	-	-
Loans and receivables net of advances and prepayments	-	-	4,165,767	4,165,767
Cash and cash equivalents	1,533,014	-	-	1,533,014
	<u>1,533,014</u>	<u>-</u>	<u>4,165,767</u>	<u>5,698,781</u>
<b>Liabilities measured at fair value</b>				
Derivative financial liabilities	-	-	-	-
Accounts and other payables	-	-	2,695,959	2,695,959
Lease liabilities	-	-	618,030	618,030
Loans and borrowings including Sukuk	-	-	6,702,500	6,702,500
	<u>-</u>	<u>-</u>	<u>10,016,489</u>	<u>10,016,489</u>

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

**37 Financial instruments (continued)**

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

**Fair value hierarchy (continued)**

	<b>Level 1 AED'000</b>	<b>Level 2 AED'000</b>	<b>Level 3 AED'000</b>	<b>Total AED'000</b>
31 December 2020				
<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>

**38 Subsequent event**

On 12 January 2022, the Group transferred 82,500,000 shares of National Marine Dredging Company PJSC (“NMDC”) to a related party for AED Nil consideration.

**39 Approval of consolidated financial statements**

The consolidated financial statements were approved by management and authorised for issue on 27 April 2022.