Ittihad International Investment LLC

REPORT OF THE BOARD OF DIRECTORS AND
CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2021

Ittihad International Investment LLC

REPORT OF THE BOARD OF DIRECTORS

31 DECEMBER 2021

ITTIHAD INTERNATIONAL INVESTMENT LLC

REPORT OF THE BOARD OF DIRECTORS

The Directors have pleasure in submitting their report and the audited consolidated financial statements for the year ended 31 December 2021.

Principal activities
The main activities of Ittihad International Investment LLC (the "Company") and its subsidiaries (the "Group") are establishing and managing industrial projects and private money investment, management of hospitals, technical and specialised services for maintenance and operation of medical equipment, contracting, manufacturing of building materials, safety and security systems, offshore and onshore gas and oil field services, electrical and mechanical engineering maintenance, precasts, copper rods, clinker grinding, trading of steel bars, cut and bend services, design and execution of fit out works, construction and supply services, manufacturing of cleaning detergents, sales and marketing of medical equipment and apparatus and operation and maintenance of sewerage networks and irrigation systems.

Results for the year
Revenue for the year amounted to AED 9,291,649 thousand (2020: AED 6,818,958 thousand), operating profit for the year amounted to AED 118,351 thousand (2020: AED 153,189 thousand), and net loss for the year amounted to AED 17,091 thousand (2020: net profit of AED 76,080 thousand).

Auditors
A resolution proposing the appointment of the auditors of the Group for the year ending 31 December 2022 will be put to the shareholders at the annual general meeting.

Signed on behalf of the Board of Directors

Chief Executive Officer
Abu Dhabi

Ittihad International Investment LLC

CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2021

EY
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INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF

ITTIHAD INTERNATIONAL INVESTMENT LLC

Report on the Audit of the Consolidated Financial Statements

Opinion
We have audited the consolidated financial statements of Ittihad International Investment LLC (the "Company") and its subsidiaries (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 of other 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 Code of Ethics for Professional Accountants (including International Independence Standards)* (the "IESBA Code") together with the ethical requirements that are relevant to our audit of the 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.

Responsibilities of management and those charged with governance for the consolidated financial statements
Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRSs and in compliance with the applicable provisions of the Company's Articles of Association and the UAE Federal Law No. (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.

Report on the Audit of the Consolidated Financial Statements continued

Auditor's responsibilities for the audit of the consolidated financial statements

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

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional 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 risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

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

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

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

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INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF ITTIHAD INTERNATIONAL INVESTMENT LLC continued

Report on Other Legal and Regulatory Requirements

Further, as required by the UAE Federal Law No. (2) of 2015 (as amended), we report that for the year ended 31 December 2021:

i) the Company has maintained proper books of account;

ii) we have obtained all the information and explanations we considered necessary for the purposes of our audit;

iii) the consolidated financial statements have been prepared and comply, in all material respects, with the applicable provisions of the Company's Articles of Association and the UAE Federal Law No. (2) of 2015 (as amended);

iv) the financial information included in the report of the Board of Directors is consistent with the books of account and records of the Group;

v) investments in shares and stocks are included in note 12 to the consolidated financial statements and include purchases and investments made by the Group during the year ended 31 December 2021;

vi) note 15 reflects the disclosures relating to related party transactions and the terms under which they were conducted; and

vii) 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.

Signed by:
Raed Ahmad
Partner
Ernst & Young
Registration No 811

8 July 2022
Abu Dhabi

CONSOLIDATED STATEMENT OF PROFIT OR LOSS
For the year ended 31 December 2021

	Notes	2021 AED'000	2020 AED'000
Continuing operations			
Revenue	4	**9,291,649**	6,818,958
Direct costs		**(8,895,814)**	(6,450,295)
GROSS PROFIT		**395,835**	368,663
Administrative expenses	5	**(258,290)**	(205,846)
Provision for slow moving inventories	13	**(2,705)**	(413)
Provision for expected credit losses	14	**(16,489)**	(9,215)
OPERATING PROFIT		**118,351**	153,189
Other income	6	**29,521**	85,555
Net foreign exchange (losses) gains		**(4,419)**	6,673
Finance costs	7	**(147,770)**	(134,552)
Change in fair value of derivative financial instruments	17	**(10,387)**	(8,813)
NET (LOSS) PROFIT FOR THE YEAR FROM CONTINUING OPERATIONS		**(14,704)**	102,052
Discontinued operations			
Loss for the year from discontinued operations	27	**(2,387)**	(25,972)
NET (LOSS) PROFIT FOR THE YEAR		**(17,091)**	76,080
Attributable to:			
Equity holders of the parent company:			
Continuing operations		**(15,399)**	101,510
Discontinued operations		**(2,387)**	(25,972)
		(17,786)	75,538
Non-controlling interest:			
Continuing operations		**695**	542
Discontinued operations		**-**	-
		695	542
		(17,091)	76,080

The attached notes 1 to 31 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 December 2021

	Notes	2021 AED'000	2020 AED'000
Net (loss) profit for the year		**(17,091)**	76,080
OTHER COMPREHENSIVE INCOME (LOSS)			
Items that may subsequently be reclassified to profit or loss			
Changes in fair value of cash flow hedges	17	**56,315**	(91,949)
Exchange gain (loss) on subsidiaries		**18**	(57)
		56,333	(92,006)
Items that will not be subsequently reclassified to profit or loss			
Changes in fair value of investment securities		**1,668**	(48,065)
OTHER COMPREHENSIVE INCOME (LOSS) FOR THE YEAR		**58,001**	(140,071)
TOTAL COMPREHENSIVE INCOME (LOSS) FOR THE YEAR		**40,910**	(63,991)
Attributable to:			
Equity holders of the parent company:			
Continuing operations		**42,602**	(38,561)
Discontinued operations		**(2,387)**	(25,972)
		40,215	(64,533)
Non-controlling interest:			
Continuing operations		**695**	542
Discontinued operations		**-**	-
		695	542
		40,910	(63,991)

The attached notes 1 to 31 form part of these consolidated financial statements.

Ittihad International Investment LLC

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2021

	Notes	2021 AED'000	2020 AED'000
ASSETS			
Non-current assets			
Property, plant and equipment	9	**2,077,424**	1,991,394
Right of use assets	10	**89,530**	93,613
Intangible assets	8	**8,469**	13,240
Goodwill	11	**4,406**	4,406
Amounts due from a related party	15	**29,961**	-
Investments carried at fair value through other comprehensive income	12	**49,797**	37,296
Accounts receivable and prepayments	14	**52,779**	28,625
		2,312,366	2,168,574
Current assets			
Inventories	13	**1,186,292**	954,087
Accounts receivable and prepayments	14	**1,358,152**	1,208,118
Amounts due from related parties	15	**207,584**	441,780
Bank balances and cash	16	**520,338**	439,219
		3,272,366	3,043,204
Assets held for sale	27	**46,593**	51,864
		3,318,959	3,095,068
TOTAL ASSETS		**5,631,325**	5,263,642
EQUITY AND LIABILITIES			
Equity			
Share capital	19	**500**	500
Shareholders' accounts	20	**271,795**	390,372
Statutory reserve	21	**9,443**	9,293
Fair value reserve		**(1,865)**	748
Foreign Currency Translation Reserve		**(39)**	(57)
Retained earnings		**438,160**	448,979
Cash flow hedges reserve		**(70,061)**	(126,376)
Attributable to equity holders of the Company		**647,933**	723,459
Non-controlling interests		**-**	4,847
Total equity		**647,933**	728,306
Non-current liabilities			
Warranty provisions	22	**15,977**	17,222
Term loans	23	**1,587,651**	1,595,735
Employees' end of service benefits	24	**64,229**	38,788
Lease liabilities	10	**88,862**	85,479
Bank financing facilities	26	**1,240**	-
Derivative financial instruments	17	**84,641**	123,418
Other non-current liabilities	18	**2,513**	4,194
		1,845,113	1,864,836
Current liabilities			
Accounts payable and accruals	25	**1,419,119**	1,067,744
Term loans	23	**249,862**	199,066
Bank financing facilities	26	**1,397,446**	1,320,983
Derivative financial instruments	17	**8,242**	15,395
Lease liabilities	10	**5,710**	11,087
Amounts due to related parties	15	**1,576**	2,159
Bank overdrafts	16	**39,125**	25,772
		3,121,080	2,642,206
Liabilities directly associated with the assets held for sale	27	**17,199**	28,294
		3,138,279	2,670,500
Total liabilities		**4,983,392**	4,535,336
TOTAL EQUITY AND LIABILITIES		**5,631,325**	5,263,642

Chief Executive Officer

The attached notes 1 to 31 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the year ended 31 December 2021

	Attributable to equity holders of the Company									
	Share capital AED'000	*Shareholders' accounts AED'000*	*Statutory reserve AED'000*	*Fair value reserve AED'000*	*Retained earnings AED'000*	*Cash flow hedge reserve AED'000*	*Foreign currency translation reserve AED'000*	*Total AED'000*	*Non-controlling interests AED'000*	*Total equity AED'000*
Balance at 1 January 2020	500	390,372	9,061	(85,295)	499,658	(34,427)	-	779,869	10,958	790,827
Profit for the year	-	-	-	-	75,538	-	-	75,538	542	76,080
Other comprehensive income (loss)	-	-	-	(48,065)	-	(91,949)	(57)	(140,071)	-	(140,071)
Total comprehensive income (loss) for the year	-	-	-	(48,065)	75,538	(91,949)	(57)	(64,533)	542	(63,991)
Realised loss on disposal of investments carried at fair value through other comprehensive income	-	-	-	134,108	(134,108)	-	-	-	-	-
Transfer to statutory reserve	-	-	232	-	(232)	-	-	-	-	-
Disposal of a subsidiary	-	-	-	-	1,270	-	-	1,270	2,100	3,370
Acquisition of non-controlling interest (note 2)	-	-	-	-	6,853	-	-	6,853	(8,753)	(1,900)
Balance at 31 December 2020	500	390,372	9,293	748	448,979	(126,376)	(57)	723,459	4,847	728,306
Balance at 1 January 2021	500	390,372	9,293	748	448,979	(126,376)	(57)	723,459	4,847	728,306
Profit for the year	-	-	-	-	(17,786)	-	-	(17,786)	695	(17,091)
Other comprehensive income (loss)	-	-	-	1,668	-	56,315	18	58,001	-	58,001
Total comprehensive income (loss) for the year	-	-	-	1,668	(17,786)	56,315	18	40,215	695	40,910
Realised profit on disposal of investments carried at fair value through other comprehensive income	-	-	-	(4,281)	4,281	-	-	-	-	-
Transfer to statutory reserve	-	-	150	-	(150)	-	-	-	-	-
Net movement in shareholders' accounts	-	(118,577)	-	-	-	-	-	(118,577)	-	(118,577)
Acquisition of subsidiaries under common control (note 2)	-	-	-	-	-	-	-	-	839	839
Acquisition of non-controlling interest (note 2)	-	-	-	-	2,836	-	-	2,836	(6,381)	(3,545)
Balance at 31 December 2021	500	271,795	9,443	(1,865)	438,160	(70,061)	(39)	647,933	-	647,933

The attached notes 1 to 31 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2021

	Notes	2021 AED'000	2020 AED'000
OPERATING ACTIVITIES			
Profit for the year from continuing operations		**(14,704)**	102,052
Loss for the year from discontinued operations		**(2,387)**	(25,972)
		(17,091)	76,080
Adjustments for:			
Finance costs	7	**147,770**	134,552
Amortisation of intangible assets	8	**5,403**	4,653
Allowance for expected credit losses, net	14	**16,489**	9,215
Depreciation	9	**150,953**	108,935
Depreciation of right of use of asset	10	**6,935**	7,517
Dividend income		**(50)**	(4,031)
Modification of lease		**-**	6
Provision for warranty	22	**10,943**	6,040
Provision for slow moving inventories, net	13	**2,705**	413
Provision for employees' end of service benefits	24	**15,203**	7,978
(Gain) loss on sale of property, plant and equipment		**(2,194)**	18
Write-off of property, plant and equipment	9	**4**	-
Net changes in fair value of derivative financial instruments	17	**10,387**	8,813
		347,457	360,189
Working capital changes:			
Inventories		**(227,588)**	(261,260)
Accounts receivable and prepayments		**(104,350)**	86,024
Accounts payable and accruals		**290,801**	(155,955)
Amounts due from related parties		**300,245**	(121,982)
Assets and liabilities held for sale		**(5,841)**	-
Amounts due to related parties		**(33,231)**	4,421
Cash from (used in) operations		**567,493**	(88,563)
Employees' end of service benefits paid	24	**(9,782)**	(2,951)
Warranty paid	22	**(13,054)**	(6,158)
Net cash from (used in) operating activities		**544,657**	(97,672)
INVESTING ACTIVITIES			
Purchase of property, plant and equipment	9	**(38,973)**	(89,688)
Purchase of intangible	8	**(632)**	(391)
Dividend income received		**50**	4,031
Net proceeds from investment securities		**(10,469)**	57,543
Proceeds from sale of property, plant and equipment		**2,917**	2,035
Acquisition of non-controlling interest		**(3,545)**	(1,900)
Movement in other non-current assets		**(24,154)**	10,191
Movement in restricted cash		**91,826**	(91,826)
Business combination of entities under common control		**29,036**	-
Movement in term deposits		**-**	1,439
Net cash from (used in) investing activities		**46,056**	(108,566)
FINANCING ACTIVITIES			
Term loans, net	29	**(236,011)**	(99,202)
Bank financing facilities, net		**77,703**	406,033
Net movement in shareholders' accounts		**(118,577)**	-
Movement in other non-current liabilities		**(1,681)**	2,603
Lease rental paid	10	**(10,282)**	(11,163)
Finance cost paid		**(142,334)**	(128,353)
Net cash (used in) from financing activities		**(431,182)**	169,918
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		**159,531**	(36,320)
Foreign currency translation adjustment		**44**	(57)
Cash and cash equivalents at 1 January		**322,105**	358,482
CASH AND CASH EQUIVALENTS AT 31 DECEMBER	16	**481,680**	322,105

Significant non-cash transactions excluded from the consolidated statement of cash flows are as follows:

	Notes	2021 AED'000	2020 AED'000
Recognition of right-of-use-assets & lease liabilities	10	**-**	4,749
Transfer of end of service benefit to a related party	24	**24**	70

The attached notes 1 to 31 form part of these consolidated financial statements.

1 ACTIVITIES

Ittihad International Investment LLC (the "Company") is a limited liability company registered in Abu Dhabi, U.A.E. on 11 September 2008.

The main activities of the Company and its subsidiaries (the "Group") are establishing and managing industrial projects and private money investment, management of hospitals, technical and specialised services for maintenance and operation of medical equipment, contracting, manufacturing of building materials, safety and security systems, offshore and onshore gas and oil field services, electrical and mechanical engineering maintenance, precasts, copper rods, clinker grinding, trading of steel bars, cut and bend services, design and execution of fit out works, construction and supply services, manufacturing of cleaning detergents, sales and marketing of medical equipment and apparatus, tissue manufacturing and operation and maintenance of sewerage networks and irrigation systems.

The registered address of the Company is P O Box 41188, Abu Dhabi, United Arab Emirates.

The consolidated financial statements of the Group for the year ended 31 December 2021 were authorised for issue on 8 July 2022.

2 BASIS OF PREPARATION

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

Federal Law by Decree No 32 of 2021, which repeals and replaces Federal Law No. 2 of 2015 (as amended) on Commercial Companies, was issued on 20 September 2021, and is effective from 2 January 2022. The Group is in the process of reviewing the new law and will apply the requirements thereof no later than one year from the date on which the new Decree Law came into effect.

The consolidated financial statements of the Group are prepared in United Arab Emirates Dirhams (AED), which is the functional currency of the Group and all values are rounded to the nearest thousand (AED '000), except where otherwise indicated.

The consolidated financial statements are prepared under the historical cost convention, except for re-measurement at fair value of derivative financial instruments and investments carried at fair value through other comprehensive income.

Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at 31 December 2021. The financial statements of the subsidiaries are prepared for the same reporting year as the Company, using consistent accounting policies.

Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if, and only if, the Group has:

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

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

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

2 BASIS OF PREPARATION continued

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

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

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

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.

The consolidated subsidiaries and the Company's shareholding are as follows:

Subsidiaries & shareholding companies	*Country of incorporation*	*Activities*	*Percentage of holding* **2021** %	*2020* %
Alternative Investments LLC	United Arab Emirates	Invest in private companies and establishments	**100**	100
Industrial Capital Group LLC	United Arab Emirates	Invest in private companies and establishments	**100**	100
Union Copper Rod LLC	United Arab Emirates	Copper rod manufacturing	**100**	100
Union Rebar Factory LLC	United Arab Emirates	Steel bar cutting & bending	**100**	100
Union Chemicals Factory LLC (1)	United Arab Emirates	Production of chemicals for detergents Industry {Benzene Sulphonic Acid (LABSA) and Sodium Laureth Sulfate (SLES)}	**100**	100
National Cement Factory LLC	United Arab Emirates	Cement Manufacturing	**100**	100
Crown Paper Mill LLC	United Arab Emirates	Tissue Manufacturing and Cutting	**100**	100
Emirates Link Group LLC	United Arab Emirates	Management and support services	**100**	100
Emirates Link Nitco LLC	United Arab Emirates	Water desalination and water treatment	**100**	100
Malegori Landscape General Contracting LLC (2)	United Arab Emirates	Irrigation and environmental services, civil works, afforestation, electromechanical works, landscape, works and facility management.	**100**	100
Emirates Link Technology LLC	United Arab Emirates	On-shore and off-shore Oil & gas field services	**100**	100

2 BASIS OF PREPARATION continued

Basis of consolidation continued

Subsidiaries & shareholding companies	*Country of incorporation*	*Activities*	*Percentage of holding* **2021** %	*2020* %
Elite Intelligent Solutions LLC	United Arab Emirates	Information Technology and Network Services	**100**	100
Advanced Pipeline Services LLC	United Arab Emirates	Cleaning and maintenance of sewerage pipes and water desalination and treatment plants operation and maintenance.	**100**	100
Ittihad International Petroleum Company LLC	United Arab Emirates	Oil and Gas Services	**100**	100
Venture In Investments LLC	United Arab Emirates	Invest in private companies and establishments	**100**	100
ELMC Contracting LLC	United Arab Emirates	Building, contracting and pre-fabricated concrete houses contracting	**100**	100
Ishtar Décor LLC	United Arab Emirates	Interior designing and contracting	**100**	100
Office Inspirations Décor & Furniture Trading LLC	United Arab Emirates	Trading of office furniture	**100**	100
Enma Recruitment LLC	United Arab Emirates	On shore and offshore oil and gas fields and facilities services and on demand labours	**100**	100
Med-In Investments LLC	United Arab Emirates	Invest in private companies and establishments	**100**	100
Abu Dhabi International Medical Services LLC	United Arab Emirates	Provider of pharmaceutical products and medical equipment	**100**	100
Unison Capital Investment LLC	United Arab Emirates	Health services and development	**100**	100
FourMed Medical Supplies LLC	United Arab Emirates	Provider of medical equipment	**100**	70
FourMed - FZ LLC	United Arab Emirates	Provider of medical equipment	**100**	82
Ittihad Gulf Limited	Kingdom of Saudi Arabia	Manufacturing of clearing and disinfecting detergents	**100**	100
Ittihad Paper Mill LLC	United Arab Emirates	Manufacturing and cutting of paper and carton	**100**	100
Ittihad Investments Company LLC	Kingdom of Saudi Arabia	Trading and services	**100**	100
Transportr LTD (3)	United Arab Emirates	Freight requirement services	**100**	100
Peak Capital Management Ltd (4)	United Arab Emirates	Investment management	**100**	-
Metropolic Paper Industries LLC (5)	United Arab Emirates	Manufacturing and trading of paper products	**100**	-
West Coast Group Limited (5)	United Arab Emirates	Cleaning and waste management services	**100**	-
West Coast Cleaning and Environmental Services Company LLC (5)	United Arab Emirates	Cleaning and waste management services	**100**	-
National Environmental Services Company LLC (5)	United Arab Emirates	Cleaning and waste management services	**100**	-
West Coast Saubermacher Environmental Services LLC (5)	United Arab Emirates	Street cleaning and waste management services	**100**	-
West Coast Facility Management LLC (5)	United Arab Emirates	Cleaning and waste management services	**100**	-

2 BASIS OF PREPARATION continued

Basis of consolidation continued

Subsidiaries & shareholding companies	*Country of incorporation*	*Activities*	*Percentage of holding* **2021** %	*2020* %
West Coast General Maintenance LLC (5)	United Arab Emirates	Building maintenance	**100**	-
West Coast International Foods & Catering Services LLC (5)	United Arab Emirates	Building cleaning, disinfection & sterilization services	**100**	-
West Coast Building Cleaning Services LLC (5)	United Arab Emirates	Management and support services	**100**	-
West Coast Autor Repair LLC (5)	United Arab Emirates	Car multi-specialization maintenance workshop	**100**	-
West Coast Advanced Technical Services LLC (5)	United Arab Emirates	Painting contracting, plumbing & sanitary, electromechanical installation and maintenance	**100**	-
Gulf Ittihad for Environmental Services (Sole Proprietorship LLC) (5)	Kingdom of Saudi Arabia	Cleaning and waste management services	**100**	-
Discontinued operations				
Al Ain National Precast Technology LLC	United Arab Emirates	Production and installation of precast concrete for residential, commercial, industrial, municipal, and government customers	**100**	100

1. On 1 September 2020, the ownership interests in an entity, Ittihad Gulf Limited, which was registered on 12 January 2020, were transferred to the Union Chemical Factory LLC from Ittihad International Investment LLC.

2. In October 2020, Emirates Link Nitco LLC acquired the remaining 50% shares in Malegori Landscape General Contracting LLC. As a result, the non-controlling interest was disposed at the Group level.

3. Transportr LTD (the "Company") was established on 15 January 2020 and is a Private Company Limited by Shares incorporated in Abu Dhabi Global Market. The Company is owned 100% by Ittihad International Investment LLC.

4. Peak Capital Management Ltd (the "Company") was established on 19 January 2021 and is a Private Company limited by Shares incorporated in Abu Dhabi Global Market. The Company is owned 100% by Ittihad International Investment LLC.

5. Subsidiaries acquired during the year.

Business combination under common control

During the year ended 31 December 2021, the Group acquired the following entities under common control. These acquisitions are excluded from the scope of International Financial Reporting Standard 3 (IFRS 3) "Business Combinations" as it is business combination of entities under common control, given that the Company and the acquired entities are ultimately controlled by the same party before and after the acquisition. The acquisitions have been accounted for in the consolidated financial statements using the pooling of interest method, which reflects the economic substance of the transaction. The Group has elected to consolidate the income, expenses, assets and liabilities of acquired entities from the date of acquisition.

West Coast Group Limited and its subsidiaries ("WCG")

Effective 1 January 2021, the Group acquired 100% of the shares in West Coast Group Limited and its subsidiaries ("WCG") for a consideration of AED 3,131 thousand. WCG is based in Ras Al Khaimah Free Trade Zone, United Arab Emirates and is involved in street cleaning, building cleaning, construction and demolition concrete waste transportation, disinfection & sterilization services, collection and transportation of garbage, transportation of organic and nonmetallic waste and public health pest control services to various commercial and private customers. From the date of acquisition, WCG contributed revenue and profit to the Group amounting to AED 203,490 thousand and AED 4,628 thousand respectively.

2 BASIS OF PREPARATION continued

Basis of consolidation continued

Business combination under common control continued

Metropolic Paper Industries LLC ("MPI")
Effective 1 January 2021, the Group acquired 100% of the shares in Metropolic Paper Industries LLC ("MPI") for a consideration of AED 2,043 thousand. MPI is based in Dubai, United Arab Emirates and is involved in manufacturing of tissues and napkins and paper products trading. From the date of acquisition, MPI contributed revenue and loss to the Group amounting to AED 49,683 thousand and AED 5,932 thousand respectively.

Assets acquired and liabilities assumed
The fair values of the identifiable assets and liabilities of the acquired entities as at the date of acquisition were as follows:

	WCG AED'000	*MPI AED'000*	*Total AED'000*
Assets			
Property, plant and equipment	128,005	70,760	198,765
Investments in financial assets	-	364	364
Inventories	3,004	4,318	7,322
Due from related parties	99,073	2,087	101,160
Trade and other receivables	46,256	15,917	62,173
Cash and bank balances	26,110	2,926	29,036
Total assets	**302,448**	**96,372**	**398,820**
Liabilities			
Employees' end of service benefits	18,176	1,820	19,996
Term loans	224,723	54,000	278,723
Due to related parties	-	32,648	32,648
Trade and other payables	55,579	5,861	61,440
Total liabilities	**298,478**	**94,329**	**392,807**
Net assets	**3,970**	**2,043**	**6,013**
Less: non-controlling interest	(839)	-	(839)
Proportionate share of identifiable net assets acquired	**3,131**	**2,043**	**5,174**
Consideration payable	**(3,131)**	**(2,043)**	**(5,174)**

Increase in shareholding of subsidiaries
During the year, the Group increased its shareholding in certain subsidiaries for a consideration of AED 3,545 thousand. Following is a summary of the increase in shareholding:

	West Coast Saubermacher Environmental Services – Sole Proprietorship LLC	***FourMed Medical Supplies LLC***	***Total***
Increase in shareholding (%)	**10%**	**30%**	
Carrying value of the shareholding acquired *(AED '000)*	1,534	4,847	6,381
Less: consideration paid	(1,545)	(2,000)	(3,545)
Difference recognised directly in retained earnings *(AED '000)*	**(11)**	**2,847**	**2,836**

3.1 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

New standards, interpretations and amendments adopted by the company

The accounting policies adopted are consistent with those of the previous financial year, except for the following new standards, interpretations and amendments effective as of 1 January 2021. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

- Interest Rate Benchmark Reform - Phase 2: Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16. The amendments include the following practical expedients:
  - A practical expedient to require contractual changes, or changes to cash flows that are directly required by the reform, to be treated as changes to a floating interest rate, equivalent to a movement in a market rate of interest;
  - Permit changes required by IBOR reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued; and
  - Provide temporary relief to entities from having to meet the separately identifiable requirement when an RFR instrument is designated as a hedge of a risk component.

- Amendments to IFRS 16: Covid-19 Related Rent Concessions beyond 30 June 2021.

These amendments did not have a material impact on the consolidated financial statements of the Group. The Group intends to use the practical expedients in future periods if they become applicable.

3.2 STANDARDS ISSUED BUT NOT YET EFFECTIVE

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

- IFRS 17 Insurance Contracts;
- IFRS 1 First-time Adoption of International Financial Reporting Standards - Subsidiary as a first-time adopter;
- IFRS 9 Financial Instruments - Fees in the '10 percent' test for derecognition of financial liabilities;
- IAS 41 Agriculture - Taxation in fair value measurements;
- Amendments to IAS 1: Classification of Liabilities as Current or Non-current;
- Amendments to IFRS 3: Reference to the Conceptual Framework;
- Amendments to IAS 16: Property, Plant and Equipment - Proceeds before Intended Use;
- Amendments to IAS 37: Onerous Contracts - Costs of Fulfilling a Contract;
- Amendments to IAS 8: Definition of Accounting Estimates; and
- Amendments to IAS 1 and IFRS Practice Statement 2: Disclosure of Accounting Policies.

The Group does not expect that the adoption of these new and amended standards and interpretations will have a material impact on its consolidated financial statements.

3.3 SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

Judgements

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

Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows.

3.3 SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES continued

Judgements continued
Determining the lease term of contracts with renewal and termination options – Group as lessee
The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Group has several lease contracts that include extension and termination options. The Group applies judgement in evaluating whether it is reasonably certain whether or not to exercise the option to renew or terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise or not to exercise the option to renew or to terminate.

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

COVID-19 pandemic
The Group has been affected by the pandemic and its consequences. During 2020, a number of the Group's businesses have implemented temporary working from home regimes, reduced staff attendance due to social distancing and quarantine measures and/or shutdowns. In addition, the COVID-19 pandemic has contributed to unprecedented volatility in both equity markets and commodity markets. All of the above has the potential, particularly if the impact is prolonged, to adversely affect the Group's business performance, cash flows and financial position.

The Group has assessed the impact of COVID-19 on its consolidated financial statements. Management forecasts and budgets were updated, where required, after considering the potential detrimental impact of the pandemic on individual businesses. Expected Credit Losses (ECL) on accounts receivable were assessed taking into account COVID-19.

Useful lives of property and equipment
The management determines the estimated useful lives of its property and equipment for calculating depreciation. This estimate is determined after considering the expected usage of the asset or physical wear and tear. Management reviews the residual value and useful lives annually and the future depreciation charge would be adjusted where management believes that the useful lives differ from previous estimates.

Impairment of trade receivables, contract assets and amounts due from related parties
The Group uses a provision matrix to calculate ECLs for trade receivables and contract assets. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns (i.e., by geography, product type, customer type and rating, and coverage by letters of credit and other forms of credit insurance).

The provision matrix is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

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

At the consolidated statement of financial position date, gross trade receivables were AED 1,192,845 thousand (2020: AED 974,426 thousand) with a provision for expected credit losses of AED 74,512 thousand (2020: AED 63,846 thousand). Any difference between the amounts actually collected in future periods and the amounts expected will be recognised in the consolidated statement of comprehensive income.

3.3 SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES continued

Estimation uncertainty continued
At the consolidated statement of financial position date, gross contract assets were AED 91,697 thousand (2020: AED 85,566 thousand) with a provision for expected credit losses of AED 1,607 thousand (2020: nil). Any difference between the amounts actually collected in future periods and the amounts expected will be recognised in the consolidated statement of comprehensive income.

At the consolidated statement of financial position date, gross amounts due from related parties were AED 237,545 thousand (2020: AED 443,963 thousand) with a provision for expected credit losses of nil (2020: AED 2,183 thousand).

Any difference between the amounts actually collected in future periods and the amounts expected will be recognised in the consolidated statement of comprehensive income.

Impairment of inventories
Inventories are held at the lower of cost and net realisable value. When inventories become old or obsolete, an estimate is made of their net realisable value. For individually significant amounts this estimation is performed on an individual basis. Amounts which are not individually significant, but which are old or obsolete, are assessed collectively and a provision applied according to the inventory type and the degree of ageing or obsolescence, based on historical selling prices.

At the consolidated statement of financial position date, gross inventories were AED 1,190,866 thousand (2020: AED 956,460 thousand) with a provision for slow moving and obsolete items of AED 4,574 thousand (2020: AED 2,373 thousand). Any difference between the amounts actually realised in future periods and the amounts expected will be recognised in the consolidated statement of comprehensive income.

Revenue recognition on contracts
The Group applied the following judgements that significantly affect the determination of the amount and timing of revenue from contracts with customers:

- *Identifying performance obligations*

The Group provides certain services that are either sold separately or bundled. The services are a promise to transfer services in the future and are part of the negotiated exchange between the Group and the customer. Where the Group determines that performance obligations are capable of being distinct, transaction price is allocated to each based on relative stand-alone selling prices.

- *Satisfaction of performance obligations*

The Group is required to assess each of its contracts with customers to determine whether performance obligations are satisfied over time or at a point in time in order to determine the appropriate method for recognising revenue. The Group concluded that revenue is to be recognised over time when the customer simultaneously receives and consumes the benefits provided by the Group. The Group recognises revenue on the basis of total costs expended relative to the total expected costs to complete the service.

The Group concluded that revenue is recognised at a point in time upon Group's assessment of each contract to determine when the performance obligation of the Group under the contract is satisfied.

- *Determination of transaction prices*

The Group is required to determine the transaction price in respect of each of its contracts with customers. In making such judgment the Group assesses the impact of any variable consideration in the contract, due to discounts or penalties, the existence of any significant financing component and any non-cash consideration in the contract.

In determining the impact of variable consideration, the Group uses the "most-likely amount" method in IFRS 15 whereby the transaction price is determined by reference to the single most likely amount in a range of possible consideration amounts.

3.3 SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES continued

Estimation uncertainty continued

- *Transfer of control in contracts with customers*

In cases where the Group determines that performance obligations are satisfied at a point in time, revenue is recognised when control over the assets is transferred to the customer or benefits of the services being provided is received and consumed by the customer.

Warranty provisions
Warranty provisions are those liabilities that require a payment to be made to reimburse the customer or repair for a loss it incur for purchase of goods from the Group in accordance with the terms of the sale agreement. After initial recognition and measurement, warranty liabilities are subsequently measured at the higher of the best estimate of the expenditure required to settle the present obligation at the reporting date and the amount recognised. Best estimate is based on management assessment as a result of past experience and vendor quotations for repair against warranty claims.

Leases - estimating the incremental borrowing rate
The Group cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate (IBR) to measure lease liabilities. The IBR 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 asset in a similar economic environment. The IBR therefore reflects what the Group 'would have to pay', which requires estimation when no observable rates are available (such as for subsidiaries that do not enter into financing transactions) or when they need to be adjusted to reflect the terms and conditions of the lease (for example, when leases are not in the subsidiary's functional currency). The Group estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates (such as the subsidiary's stand-alone credit rating.

3.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Revenue recognition
The Group recognises revenue from contracts with customers based on a five step model as set out in IFRS 15:

Step 1: *I*dentify contract(s) with a customer: A contract is defined as an agreement between two or more parties that creates enforceable rights and obligations and sets out the criteria for every contract that must be met.

Step 2: *I*dentify performance obligations in the contract: A performance obligation is a promise in a contract with a customer to transfer a good or service to the customer.

Step 3: *D*etermine the transaction price: The transaction price is the amount of consideration to which the Group expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties.

Step 4: *A*llocate the transaction price to the performance obligations in the contract: For a contract that has more than one performance obligation, the Group allocates the transaction price to each performance obligation in an amount that depicts the amount of consideration to which the Group expects to be entitled in exchange for satisfying each performance obligation.

Step 5: *R*ecognise revenue when (or as) the Group satisfies a performance obligation.

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

3.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

Revenue recognition continued

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

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

When the Group satisfies a performance obligation by delivering the promised goods or services it creates a contract based asset on the amount of consideration earned by the performance. Where the amount of consideration received from a customer exceeds the amount of revenue recognised this gives rise to a contract liability.

Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes and duty. The Group assesses its revenue arrangements against specific criteria to determine if it is acting as principal or agent.

Revenue is recognised to the extent it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably.

Interest income
Interest revenue is recognised as the interest accrues (using the effective interest method, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instruments to the net carrying amount of the financial asset).

Property, plant and equipment
Property, plant and equipment are stated at cost less accumulated depreciation and any impairment in value. Land is not depreciated.

Depreciation is calculated on a straight-line basis over the estimated useful lives of assets as follows:

Leasehold improvements	10 years
Buildings and containers	3 - 30 years
Furniture, computers and IT equipment	2 - 7 years
Machinery and equipment	2 - 25 years
Motor vehicles	2 - 10 years

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 consolidated statement of comprehensive income in the year when the asset is sold or retired.

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets are written down to their recoverable amount, being the higher of their fair value less costs to sell their value in use.

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

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

3.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

Capital work in progress
Capital work in progress is included in property, plant and equipment at cost, on the basis of the percentage completed at the reporting date. The capital work in progress is transferred to the appropriate asset category and depreciated in accordance with the Group's policies when construction of the asset is completed and the asset commissioned.

Intangible assets
Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses. Internally generated intangibles, excluding capitalised development costs, are not capitalised and the related expenditure is reflected in consolidated statement of comprehensive income in the period in which the expenditure is incurred.

The useful lives of intangible assets are assessed as either finite or indefinite. Intangible assets with finite lives are amortised over the useful economic life as follows:

Customer contracts	8 years
Computer software	3 - 5 years

Intangible assets are assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortisation period or method, as appropriate, and are treated as changes in accounting estimates.

The amortisation expense on intangible assets with finite lives is recognised in the consolidated statement of profit or loss in the expense category that is consistent with the function of the intangible assets.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the consolidated statement of comprehensive income when the asset is derecognised.

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

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree. If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date through consolidated statement of comprehensive income.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability will be recognised in accordance with IFRS 9 in the consolidated statement of comprehensive income. If the contingent consideration is classified as equity, it should not be re-measured until it is finally settled within equity.

Goodwill is initially measured at cost being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interest over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognised in profit or loss.

3.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

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

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

Borrowing costs
Borrowing costs that are directly attributable to the design, development, procurement and construction of each part of a plant up to the date when all activities necessary to prepare each part of the plant for its intended use are complete, are capitalised as part of capital work in progress. Borrowing costs in respect of completed parts of the plant are recognised as an expense in the period in which they are incurred.

Fair value measurement
The Group measures financial instruments, such as, derivatives and investment securities, at fair value at each consolidated statement of financial position date. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

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

The principal or the most advantageous market must be accessible to by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

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

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs. All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

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

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

3.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

Foreign currency translation
The consolidated financial statements are presented in UAE Dirhams (AED), which is the Company's functional and presentation currency. Functional currency is the currency of the primary economic environment in which an entity operates. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

Transactions and balances
Transactions in foreign currencies are initially recorded by the Group entities at their respective functional currency rates prevailing at the date of transaction.

Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the reporting date.

All differences are taken to the consolidated statement of comprehensive income with the exception of all monetary items that provide an effective hedge of a net investment in a foreign operation. These are recognised in other comprehensive income until the disposal of the net investment, at which time they are recognised in the consolidated statement of comprehensive income.

Non-monetary items that are measured at historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

Group companies
The assets and liabilities of foreign operations are translated into AED at the rate of exchange ruling at the reporting date and their statements of comprehensive income are translated at the weighted average exchange rates for the year. The exchange differences arising on the translation are recognised in other comprehensive income. On disposal of a foreign entity, the deferred cumulative amount recognised in equity relating to that particular foreign operation is recognised in the consolidated statement of comprehensive income.

Investment in associates and joint ventures
The Group discloses investment in joint ventures and associates as equity accounted investees.

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

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

The considerations made in determining significant influence or joint control are similar to those necessary to determine control over subsidiaries.

The Group's investments in its associate and joint venture are accounted for using the equity method.

Under the equity method, the investment in an associate or a joint venture is initially recognised at cost. The carrying amount of the investment is adjusted to recognise changes in the Group's share of net assets of the associate or joint venture since the acquisition date. Goodwill relating to the associate or joint venture is included in the carrying amount of the investment and is not tested for impairment separately.

3.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

Investment in associates and joint ventures continued
The consolidated statement of comprehensive income reflects the Group's share of the results of operations of the associate or joint venture. Any change in OCI of those investees is presented as part of the Group's OCI. In addition, when there has been a change recognised directly in the equity of the associate or joint venture, the Group recognises its share of any changes, when applicable, in the consolidated statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and the associate or joint venture are eliminated to the extent of the interest in the associate or joint venture.

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

The financial statements of the associate or joint venture are prepared for the same reporting period as the Group. When necessary, adjustments are made to bring the accounting policies in line with those of the Group.

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

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

Impairment of non-financial assets
The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or cash generating unit exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded subsidiaries or other available fair value indicators. Impairment losses of continuing operations are recognised in the consolidated statement of comprehensive income in those expense categories consistent with the function of the impaired asset.

For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Group estimates the assets' or cash-generating units' recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the consolidated statement of comprehensive income.

3.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

Impairment of non-financial assets continued
The following criteria are also applied in assessing impairment of specific assets:

Goodwill
Goodwill is tested for impairment annually during the fourth quarter of each year and when circumstances indicate that the carrying value may be impaired. Impairment is determined for goodwill by assessing the recoverable amount of the cash-generating unit, or group of cash generating units, to which the goodwill relates. Where the recoverable amount of the cash-generating units is less than their carrying amount an impairment loss is recognised.

Financial assets
Initial recognition and measurement
Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income (OCI), and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. The Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs.

In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level. The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

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

a) Financial assets at amortised cost (debt instruments, cash and cash equivalents and trade receivables)
b) Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments)
c) Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments)
d) Financial assets at fair value through profit or loss

The Group's financial assets include bank balances and cash, derivative financial instruments, amounts due from related parties, investments at fair value through other comprehensive income and certain portion of trade and other receivables.

Cash and cash equivalents
Cash and cash equivalents consist of cash at hand and bank balances, and short-term deposits with an original maturity of three months or less, net of outstanding bank overdrafts.

Financial assets at amortised cost
The Group measures financial assets at amortised cost if both of the following conditions are met:

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

Financial assets at amortised cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognised in consolidated statement of comprehensive income when the asset is derecognised, modified or impaired.

3.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

Financial assets continued

Accounts receivable
Accounts receivable are stated at original invoice amount less a provision for expected credit losses.

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

Gains and losses on these financial assets are never recycled to consolidated statement of comprehensive income. Dividends are recognised as other income in the consolidated statement of profit or loss when the right of payment has been established, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at fair value through OCI are not subject to impairment assessment.

Impairment of financial assets
The Group recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For trade receivables and contract assets, the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

The Group considers a financial asset in default when contractual payments are 365 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Derecognition of financial assets
The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire; or 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.

3.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

Financial liabilities
Financial liabilities and equity instruments issued by the Group are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

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.

Initial recognition and measurement
Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

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

The Group's financial liabilities include certain portion of accounts payable and accruals, term loans, short term financing facilities, lease liabilities, amounts due to related parties, bank overdrafts and derivative financial instruments.

Financial liabilities at fair value through profit or loss
Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss. Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by IFRS 9. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

Accounts payable and accruals
Liabilities are recognised for amounts to be paid in the future for goods or services received, whether billed by the supplier or not.

Loans and borrowings
After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the effective interest rate method.

Gains and losses are recognised in the consolidated statement of comprehensive income when the liabilities are derecognised as well as through the amortisation process.

Derecognition
A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the consolidated statement of comprehensive income.

Offsetting of financial instruments
Financial assets and financial liabilities are offset and the net amount reported in the consolidated statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

3.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

Derivative financial instruments and hedge accounting
Initial recognition and subsequent measurement
The Group uses derivative financial instruments, forward currency contracts, to hedge its foreign currency risks. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

Any gains or losses arising from changes in the fair value of derivatives are taken directly to consolidated statement of profit or loss, except for the effective portion of cash flow hedges, which is recognised in OCI and later reclassified to consolidated statements of profit or loss when the hedge item affects profit or loss.

For the purpose of hedge accounting, hedges are classified as:

- Fair value hedges
  - not applicable to the Group

- Cash flow hedges when hedging the exposure to variability in cash flows that is either attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction or the foreign currency risk in an unrecognised firm commitment

- Hedges of a net investment in a foreign operation
  - not applicable to the Group

At the inception of a hedge relationship, the Group formally designates and documents the hedge relationship to which it wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge. The documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the entity will assess the effectiveness of changes in the hedging instrument's fair value in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk. Such hedges are expected to be highly effective in achieving offsetting changes in fair value or cash flows and are assessed on an ongoing basis to determine that they actually have been highly effective throughout the financial reporting periods for which they were designated.

Hedges that meet the strict criteria for hedge accounting are accounted for, as described below:

Cash flow hedges
The effective portion of the gain or loss on the hedging instrument is recognised in OCI in the cash flow hedge reserve, while any ineffective portion is recognised immediately in the consolidated statement of profit or loss as finance costs.

Amounts recognised as OCI are transferred to consolidated statement of profit or loss when the hedged transaction affects profit or loss, such as when the hedged financial income or financial expense is recognised or when a forecast sale occurs.

If the hedging instrument expires or is sold, terminated or exercised without replacement or rollover (as part of the hedging strategy), or if its designation as a hedge is revoked, or when the hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss previously recognised in OCI remains separately in equity until the forecast transaction occurs or the foreign currency firm commitment is met.

3.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

Inventories
Inventories are stated at the lower of cost and net realisable value. Costs are those expenses incurred in bringing each product to its present location and condition, as follows:

Raw materials	-	purchase cost on a weighted average basis.
Consumables and spare parts	-	purchase cost on a weighted average basis.
Finished goods and work in progress	-	costs of direct materials and labour plus attributable overheads based on a normal level of activity.

Net realisable value is based on estimated selling price less any further costs expected to be incurred to completion and disposal.

Warranty provisions
Warranty provisions are those liabilities that require a payment to be made to reimburse the customer or repair for a loss it incur for purchase of goods or services from the Group in accordance with the terms of the sale agreement. After initial recognition and measurement, warranty liabilities are subsequently measured at the higher of the best estimate of the expenditure required to settle the present obligation at the reporting date and the amount recognised. Best estimate is based on management assessment as a result of past experience and vendor quotations for repair or reimbursement against warranty claims.

Provisions
Provisions are recognised when the Group has present obligation (legal or constructive) arising from a past event, and the costs to settle the obligation are both probable and able to be reliably measured.

Staff terminal benefits
The Group provides end of service benefits for its employees. The entitlement to these benefits is based upon the employees' length of service and completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment.

With respect to its UAE national employees, the Group makes contributions to the relevant government pension scheme calculated as a percentage of the employees' salaries. The Group's obligations are limited to these contributions, which are expensed when due.

Current versus non-current classification
The Group presents assets and liabilities in the consolidated statement of financial position based on current/non-current classification. An asset is current when it is:

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

All other assets are classified as non-current.

A liability is current when:

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

The Group classifies all other liabilities as non-current.

3.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

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

Group as a lessee
The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right of use assets representing the right to use the underlying assets.

i). Right of use assets

The Group recognises right of use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right of use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right of use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right of use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. Right of use assets are subject to impairment. If ownership of the leased asset transfers to the Group at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset. The right of use assets are also subject to impairment.

ii). Lease liabilities

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as expense in the period on which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

iii). Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases of property and equipment (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered of low value. Lease payments on short- term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

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

3.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

Non-current assets held for sale and discontinued operations
The Group classifies non-current assets and disposal groups as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. Non-current assets and disposal groups classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell. Costs to sell are the incremental costs directly attributable to the disposal of an asset (disposal group), excluding finance costs.

The criteria for held for sale classification is regarded as met only when the sale is highly probable, and the asset or disposal group is available for immediate sale in its present condition. Actions required to complete the sale should indicate that it is unlikely that significant changes to the sale will be made or that the decision to sell will be withdrawn. Management must be committed to the plan to sell the asset and the sale expected to be completed within one year from the date of the classification.

Property, plant and equipment and intangible assets are not depreciated or amortised once classified as held for sale.

Assets and liabilities classified as held for sale are presented separately as current items in the consolidated statement of financial position.

A disposal group qualifies as discontinued operation if it is a component of an entity that either has been disposed of, or is classified as held for sale, and:

- Represents a separate major line of business or geographical area of operations
- Is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations; or
- Is a subsidiary acquired exclusively with a view to resale

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

All other notes to the consolidated financial statements include amounts for continuing operations, unless indicated otherwise.

4 REVENUE

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

4.1 Type of revenue

	2021 *AED '000*	*2020* *AED '000*
Sale of industrial products (copper, cement, tissue, detergents, steel, paper)	**8,440,301**	6,253,278
Supply and installation of medical equipment and pharmaceutical products	**226,259**	203,019
Fitout, furniture and interior design	**56,495**	64,407
Waste collection and cleaning	**203,490**	-
Operation and maintenance of sewerage network and water drainage services	**187,646**	151,249
Medical services and patient income	**136,838**	95,564
Landscaping services	**15,458**	9,071
Others	**25,162**	42,370
	9,291,649	6,818,958

4.2 Timing of revenue recognition

	2021 *AED '000*	*2020* *AED '000*
Services transferred at a point in time	**8,815,002**	6,373,477
Services transferred over time	**476,647**	445,481
	9,291,649	6,818,958

Geographical markets
Revenues are mainly generated from the Middle East and Africa.

5 ADMINISTRATIVE EXPENSES

	2021 *AED '000*	*2020* *AED '000*
Staff costs	**118,446**	93,575
Freight, insurance and outbound logistics	**62,571**	63,142
Legal and professional fees	**14,746**	5,110
Depreciation (note 9)	**14,817**	10,262
Amortisation of intangible assets (note 8)	**5,403**	4,653
Depreciation on right-of-use assets	**6,935**	7,517
Short term lease expense	**1,725**	1,717
Travelling expenses	**654**	206
Utilities	**2,775**	3,548
Bad debts written off	**3,518**	-
Others	**26,700**	16,116
	258,290	205,846

6 OTHER INCOME

	2021 AED '000	*2020 AED '000*
Dividend income	**50**	4,031
Gain (loss) on sale of property, plant and equipment	**2,194**	(18)
Delay damages*	**-**	52,527
Others	**27,277**	29,015
	29,521	85,555

*During 2020, a subsidiary of the Group had signed the final settlement agreement with the contractor who was engaged for the engineering, construction, installing and commissioning of the plant. Based on the agreement, the contractor compensated an amount of AED 52.53 million (USD 14 million) to the subsidiary for the loss of revenue as a result of delay in completion of the project.

7 FINANCE COSTS

	2021 AED '000	*2020 AED '000*
Interest on bank loans	**113,895**	100,197
Interest on bank overdrafts	**3,053**	2,571
Bank charges and commissions	**25,386**	22,076
Suppliers interest charges	**-**	3,510
Interest on lease liabilities	**5,436**	6,198
	147,770	134,552

8 INTANGIBLE ASSETS

	AED '000
2021	
Cost:	
At 1 January 2021	**36,885**
Additions	**632**
At 31 December 2021	**37,517**
Amortization:	
At 1 January 2021	**23,645**
Amortisation during the year	**5,403**
At 31 December 2021	**29,048**
Net carrying amount:	
At 31 December 2021	**8,469**
2020	
Cost:	
At 1 January 2020	36,494
Additions	391
At 31 December 2020	36,885
Amortization:	
At 1 January 2020	18,992
Amortisation during the year	4,653
At 31 December 2020	23,645
Net carrying amount:	
At 31 December 2020	13,240

Intangible assets mainly include customer contracts acquired in a business combination in prior years. The amortisation is based on the economic life of the contracts of 8 years.

9 PROPERTY, PLANT AND EQUIPMENT

	Lease hold improvements AED'000	*Land, buildings and containers AED'000*	*Capital work in progress AED'000*	*Furniture, computers and IT equipment AED'000*	*Machinery and equipment AED'000*	*Motor vehicles AED'000*	*Total AED'000*
2021							
Cost:							
At 1 January 2021	12,482	636,619	15,881	64,186	1,674,864	50,677	2,454,709
Acquired in business combinations (note 2)	-	69,392	140	7,387	122,147	231,844	430,910
Additions	15	1,708	9,749	4,881	18,732	3,888	38,973
Transfers / reclassification	-	1,150	(3,590)	48	2,759	(367)	-
Write-offs	-	-	(4)	-	-	-	(4)
Exchange differences	-	(11)	(1)	-	(16)	-	(28)
Disposals	-	(10,509)	-	(6,012)	(37,306)	(34,000)	(87,827)
At 31 December 2021	**12,497**	**698,349**	**22,175**	**70,490**	**1,781,180**	**252,042**	**2,836,733**
Depreciation:							
At 1 January 2021	3,684	104,718	-	44,641	272,342	37,930	463,315
Acquired in business combinations (note 2)	-	25,106	-	6,558	58,885	141,596	232,145
Charge for the year	225	28,369	-	6,757	86,434	29,168	150,953
Relating to disposals	-	(10,509)	-	(6,005)	(36,898)	(33,692)	(87,104)
At 31 December 2021	**3,909**	**147,684**	**-**	**51,951**	**380,763**	**175,002**	**759,309**
Net carrying amount:							
At 31 December 2021	**8,588**	**550,665**	**22,175**	**18,539**	**1,400,417**	**77,040**	**2,077,424**
2020							
Cost:							
At 1 January 2020	12,052	392,642	1,141,413	55,853	753,677	49,688	2,405,325
Additions	430	21,331	11,851	6,721	44,913	4,442	89,688
Transfers / reclassification	-	240,041	(1,137,383)	2,896	894,310	136	-
Assets held for sale	-	(17,395)	-	(1,075)	(14,755)	(2,410)	(35,635)
Disposals	-	-	-	(209)	(3,281)	(1,179)	(4,669)
At 31 December 2020	12,482	636,619	15,881	64,186	1,674,864	50,677	2,454,709
Depreciation:							
At 1 January 2020	3,526	83,440	-	38,643	206,890	36,843	369,342
Charge for the year	158	23,866	-	7,042	73,689	4,180	108,935
Asserts held for sale -		(2,588)	-	(892)	(6,572)	(2,294)	(12,346)
Relating to disposals	-	-	-	(152)	(1,665)	(799)	(2,616)
At 31 December 2020	3,684	104,718	-	44,641	272,342	37,930	463,315
Net carrying amount:							
At 31 December 2020	8,798	531,901	15,881	19,545	1,402,522	12,747	1,991,394

At 31 December 2021, capital work in progress mainly comprises costs incurred towards implementation of a new integrated software system for the Group.

Included in work in progress are borrowing costs which have been capitalized amounting to AED nil (2020: AED 74,130 thousand).

Property, plant and equipment with a carrying value of AED 1,576,913 thousand (2020: AED 1,259,010 thousand) are mortgaged as security against term loans (note 23 and note 26).

9 PROPERTY, PLANT AND EQUIPMENT continued

The depreciation charge for the year has been allocated as follows:

	2021 AED '000	2020 AED '000
Direct costs	136,136	98,673
Administrative expenses (note 5)	14,817	10,262
	150,953	108,935

10 RIGHT-OF-USE ASSETS AND LEASE LIABILITIES

Group as a lessee
Set out below are the carrying amounts of right-of-use assets recognised and the movements during the year:

	2021 AED'000	2020 AED'000
At 1 January	93,613	99,903
Depreciation expense	(6,935)	(7,517)
Additions	-	4,749
Modification	2,855	394
Reversals	-	(250)
Assets held for sale	-	(3,666)
Exchange differences	(3)	-
At 31 December	89,530	93,613

Set out below, is the carrying amount of the Group's lease liabilities and the movement during the period:

	2021 AED'000	2020 AED'000
As at 1 January	96,566	100,314
Additions	-	4,749
Accretion of interest	5,436	6,198
Payments	(10,282)	(11,163)
Reversals	-	(250)
Assets held for sale	-	(3,682)
Exchange differences	(3)	-
Modification	2,855	400
As at 31 December	94,572	96,566

10 RIGHT-OF-USE ASSETS AND LEASE LIABILITIES continued

Lease liabilities are analysed in the consolidated statement of financial position as follows:

	2021 AED'000	2020 AED'000
Current	5,710	11,087
Non-current	88,862	85,479
	94,572	96,566

Set out below, are the amounts recognised in the consolidated statement of comprehensive income related to leases:

	2021 AED'000	2020 AED'000
Depreciation expense of right-of-use assets	6,935	7,517
Interest expense on lease liabilities	5,436	6,198

11 GOODWILL

	2021 AED '000	2020 AED '000
At 1 January and 31 December	4,406	4,406

Company	Date of acquisition	Business activity	2021 AED'000	2020 AED'000
Emirates Link NITCO LLC	2008	Water desalination and water treatment	2,890	2,890
Advanced Pipeline Services LLC	2017	Cleaning and maintenance of sewerage pipes and water desalination and treatment plants operation and maintenance	204	204
Abu Dhabi International Medical Services LLC	2005	Provider of pharmaceutical products	40	40
Fourmed Medical Supplies LLC	2015	Provider of medical equipment	1,272	1,272
			4,406	4,406

Impairment testing of goodwill

Goodwill acquired through business combinations is allocated to individual cash generating units for impairment testing. The recoverable amount for impairment testing has been determined based on a value in use calculation using discounted cash flows projections based on financial budgets approved by senior management covering a period of 3 years with a growth rate of 5% to 10% (2020: 5% to 10%). The weighted average capital cost rate applied to cash flow projections is 10% (2020: 10%). As a result of the analysis, management did not identify any impairment.

11 GOODWILL continued

Impairment testing of goodwill continued
The value-in-use is most sensitive to the following assumptions:

- Gross margin
- Discount rates
- Price inflation; and
- Market share during budget period

With regard to assessment of value-in-use, management believes that no reasonably possible change in any of the above key assumptions would cause the carrying value of the unit to materially exceed its recoverable amount.

12 INVESTMENT SECURITIES

Investment securities were classified in accordance with IFRS 9 as follows:

	2021 AED '000	*2020 AED '000*
Quoted equity investments		
At fair value through other comprehensive income	**49,797**	37,296

At 31 December 2020, equity investments included investments of AED 8,208 thousand which were held in the name of the ultimate shareholder for the beneficial interests of the Group.

Investments amounting to AED 48,480 thousand are held as security against syndicated loan (note 23).

13 INVENTORIES

	2021 AED '000	*2020 AED '000*
Finished goods	**419,427**	284,445
Raw materials	**650,721**	562,844
Inventory work in progress	**29,303**	35,914
Goods in transit	**3,355**	1,955
Spare parts and other consumables	**88,060**	71,302
	1,190,866	956,460
Provision for slow moving and obsolete inventories	**(4,574)**	(2,373)
	1,186,292	954,087

Movement in the provision for slow moving and obsolete inventories is as follows:

	2021 AED '000	*2020 AED '000*
At 1 January	**2,373**	2,867
Acquired in business combinations	**457**	-
Reversal during the year	**(961)**	(907)
Provided during the year	**2,705**	413
At 31 December	**4,574**	2,373

14 ACCOUNTS RECEIVABLE AND PREPAYMENTS

	2021	*2020*
	AED '000	*AED '000*
Gross trade receivables	**1,192,845**	974,426
Provision for expected credit losses	**(74,512)**	(63,846)
	1,118,333	910,580
Contract work in progress*	**91,697**	85,566
Retention receivable	**19,233**	21,516
Provision for expected credit losses	**(1,607)**	-
	109,323	107,082
Notes receivable	**9,035**	15,210
Deposits	**19,483**	6,646
Prepaid expenses	**38,509**	45,687
Accrued income	**12,387**	17,254
Margin on guarantees	**13,778**	9,826
Staff receivables	**1,813**	768
Advances to suppliers	**36,498**	84,903
Tax receivable	**10,928**	2,411
Other receivables	**40,844**	36,376
	1,410,931	1,236,743
Less: non-current retention and other receivables	**(52,779)**	(28,625)
	1,358,152	1,208,118

***Contract work in progress and excess billings**		
Cost incurred plus attributable profits less anticipated losses	**325,975**	307,308
Less: progress payments received and receivable	**(234,278)**	(221,742)
Net contract work in progress	**91,697**	85,566

Movements in the provision for expected credit losses were as follows:

	2021	*2020*
	AED '000	*AED '000*
At 1 January	**63,846**	67,625
Acquired in business combinations	**6,444**	-
Reversal of provision	**(10,486)**	(3,406)
Relating to disposal of a subsidiary	**-**	(316)
Written off	**(174)**	(9,272)
Charge for the year	**16,489**	9,215
At 31 December	**76,119**	63,846

14 ACCOUNTS RECEIVABLE AND PREPAYMENTS continued

The ageing of unimpaired trade receivables at 31 December was as follows:

			Past due but not impaired			
	Total AED'000	*Neither past due nor impaired AED'000*	*0-30 days AED'000*	*31 - 60 days AED'000*	*61 - 90 days AED'000*	*> 90 days AED'000*
2021	**1,118,333**	**441,565**	**332,923**	**77,891**	**35,040**	**230,914**
2020	910,580	506,681	77,550	45,485	36,255	244,609

Unimpaired receivables are expected, on the basis of past experience, to be fully recoverable.

15 RELATED PARTY TRANSACTIONS AND BALANCES

These represent transactions with related parties, i.e. shareholders, family members, directors and senior management of the Group, and entities controlled or significantly influenced by such parties. Pricing policies and terms of these transactions are approved by the Group's management.

Significant transaction with related parties included in the consolidated statement of comprehensive income are as follows:

	2021 AED '000	*2020 AED '000*
Revenue	**42,740**	23,259

The Group pays expenses on behalf of related parties. Such expenses are recharged to the respective related parties.

Amounts due to and from related parties included in the consolidated statement of financial position are as follows:

	2021 AED '000	*2020 AED '000*
Amounts due from related parties:		
Etihad International Holding LLC	**48,209**	219,468
Emirates Link Contracting	**154,792**	148,534
West Coast Waste Collection Co. LLC *	**29,961**	-
Metropolics Paper Industries	-	32,804
Emirates Link Maltauro	**4,583**	3,247
West Coast Group	-	4,077
Ittihad International Company (KSA)	-	280
Mr. Samer Mamoun Al Masri	-	3,385
National Marine Alliance (NMA)	-	1,050
Others	-	31,118
	237,545	443,963
Provision for expected credit losses	-	(2,183)
	237,545	441,780

15 RELATED PARTY TRANSACTIONS AND BALANCES continued

Movements in the provision for expected credit losses were as follows:

	2021 AED '000	2020 AED '000
At 1 January	2,183	4,009
Reversal during the year	(2,183)	(1,826)
At 31 December	-	2,183

Balances due from related parties are disclosed in the consolidated statement of financial position as follows:

	2021 AED '000	2020 AED '000
Non-current portion *	29,961	-
Current portion	207,584	441,780
Total	237,545	441,780

* The balance amounting to AED 29,961 thousand will be repaid by West Coast Waste Collection Co. LLC in annual instalments of AED 3,000 thousand along with an interest of 3% plus 12 Months EIBOR per annum, starting from financial year 2023, until the full balance is repaid.

	2021 AED '000	2020 AED '000
Amounts due to related parties:		
Emirates Link Trading	-	131
Emirates Link Contracting LLC	-	47
West Coast Group	-	457
Metropolic Paper Industries LLC	-	1
Emirates Link Maltauro	-	774
Emirates Building Solutions	-	33
Etihad International Holding LLC	-	162
National Environment Services	-	222
Others	1,576	332
	1,576	2,159

Compensation of key management personnel
The remuneration of key management personnel during the year was as follows:

	2021 AED '000	2020 AED '000
Short-term benefits	10,665	10,987
Employees' end of service benefits	436	489
	11,101	11,476

16 BANK BALANCES AND CASH

Cash and cash equivalents included in the consolidated statements of cash flows comprise the following consolidated statement of financial position amounts:

	2021 *AED '000*	*2020* *AED '000*
Bank balances and cash	**520,338**	439,219
Add: cash under assets held for sale (note 27)	**467**	484
Less: bank overdrafts	**(39,125)**	(25,772)
Less: restricted cash*	**-**	(91,826)
Cash and cash equivalents	**481,680**	322,105

*At 31 December 2020, bank balance of AED 91,826 thousand was held as security against the syndicated loan (note 23 and note 26) and accordingly classified as restricted cash.

The Group has utilised bank overdraft facilities of AED 39,125 (2020: AED 25,772 thousand). The bank overdrafts carry interest at commercial rates and secured by guarantees of the Shareholder.

17 DERIVATIVE FINANCIAL INSTRUMENTS

	2021 *AED '000*	*2020* *AED '000*
Change in fair value of derivative financial instruments through profit and loss (FVTPL)		
Foreign exchange and interest rate swaps	**(10,387)**	(8,813)
Change in fair value of derivative financial instruments recorded in other comprehensive income (designated as hedge)		
Interest rate swaps	**56,315**	(91,949)

The details of these derivative financial instruments are as follows:

	Notional amount SAR'000	*Notional amount USD'000*	*Fair value liability AED'000*
31 December 2021			
Designated as a hedge			
Interest rate swap/ Swaptions	**-**	**528,280**	**70,060**
Designated at FVTPL			
Foreign exchange derivatives	**787,080**	**3,363,503**	**22,823**
Total			**92,883**
Non-current portion			**(84,641)**
Current portion			**8,242**

17 DERIVATIVE FINANCIAL INSTRUMENTS continued

	Notional amount SAR'000	*Notional amount USD'000*	*Fair value liability AED'000*
31 December 2020			
Designated as a hedge			
Interest rate swap/ Swaptions	-	565,125	126,376
Designated at FVTPL			
Foreign exchange derivatives	1,349,280	2,660,073	12,437
Total			138,813
Non-current portion			(123,418)
Current portion			15,395

Derivative financial instruments through profit and loss (FVTPL)
Foreign exchange derivatives
During the year, the Group entered into foreign exchange derivatives with banks for the purposes of selling USD, SAR, AED and EUR and buying USD, SAR, AED and EUR at specific dates (2020: selling USD, SAR, AED and EUR and buying USD, SAR, AED and EUR at specified dates).

Derivative financial instruments recorded in other comprehensive income (designated as hedge)
Interest rate swaps.
During 2019 and 2020, the Group entered into interest rate swap and swaptions arrangements with banks to fix its variable interest exposure on its syndicated loan, term loan 3 and its short-term bank financing facilities. The derivatives were designated as a hedge on initial recognition and accordingly any changes in fair value are reported in the other comprehensive income.

There is an economic relationship between the hedged items and the hedging instruments as the terms of the interest rate swaps match the terms of the interest due under the syndicated loan. The Group has hedged 100% of the syndicated loan and 100% of term loan 3 and a portion of its short-term bank financing facilities. To test the hedge effectiveness, the Group uses the hypothetical derivative method and compares the changes in the fair value of the hedging instruments against the changes in fair value of the hedged items attributable to the hedged risk.

18 OTHER NON-CURRENT LIABILITIES

This represents advance received from a customer for a project in a subsidiary company.

19 SHARE CAPITAL

	Authorised, issued and fully paid AED'000
500 shares of AED 1,000 each (2020: 500 shares of AED 1,000 each)	**500**

20 SHAREHOLDERS' ACCOUNTS

The shareholders' accounts are unsecured, interest free and payable at the discretion of the Company.

21 STATUTORY RESERVE

As required by the UAE Federal Law No. 2 of 2015 (as amended) and the Articles of Association of the Company and its subsidiaries, 10% of the profit for the year should be transferred to the statutory reserve. The Company and its subsidiaries may resolve to discontinue such annual transfers when their respective reserve totals 50% of the paid up share capital. The reserve is not available for distribution.

22 WARRANTY PROVISIONS

	2021 ***AED '000***	*2020* *AED '000*
Non-current portion	**15,977**	17,222
Current portion (note 25)	**1,039**	1,905
Balance at 31 December	**17,016**	19,127

The movement on warranty provisions during the year was as follows:

	2021 ***AED '000***	*2020* *AED '000*
Balance at 1 January	**19,127**	19,245
Provision made during the year	**10,943**	6,040
Amount paid during the year	**(13,054)**	(6,158)
Balance at 31 December	**17,016**	19,127

23 TERM LOANS

	2021 ***AED '000***	*2020* *AED '000*
Term loans	**1,892,372**	1,854,533
Unamortised transaction costs	**(54,859)**	(59,732)
	1,837,513	1,794,801

Disclosed in the consolidated statement of financial position as follows

	2021 ***AED '000***	*2020* *AED '000*
Current portion	**249,862**	199,066
Non-current portion	**1,587,651**	1,595,735
Total	**1,837,513**	1,794,801

23 TERM LOANS continued

	2021 *AED '000*	2020 AED '000
Term loan 1	**149,740**	169,992
Term loan 2	**176,221**	217,172
Term loan 3	**543,840**	564,098
Term loan 4	**30,997**	30,997
Term loan 5	**49,000**	-
Term loan 6	**941**	-
Term loan 7	**3,094**	-
Term loan 8	**50,000**	-
Term loan 9	**694**	-
Term loan 10	**39,569**	-
Term loan 11	**52,981**	-
Term loan 12	**25,626**	-
Syndicated loan	**714,810**	812,542
Total	**1,837,513**	1,794,801

Term loan 1
During 2017, the Group entered into a credit facility agreement with the Swedish Export Credit Agency via a commercial bank for an amount of EUR 52.9 million to finance the supply and installation of tissue paper mill machinery and related services in Abu Dhabi. The principal portion of the facility is repayable in a semi-annual instalments over a period of 10 years. The loan carries a fixed interest rate to be charged from 6 months after the first utilization of the loan being 12 June 2017. The loan is secured by the corporate guarantee of the shareholder.

Term loan 2
During 2017, the Group obtained a loan from a commercial bank to finance the construction of printing and writing paper mill machinery and related services. The facility is secured by guarantee of a shareholder, corporate guarantee of subsidiaries and mortgage over property, plant and equipment. The loan carries interest at fixed rate and is repayable in 16 semi-annual installments starting June 2019.

Term loan 3
The loan carries interest at variable rate plus a spread and is repayable in semi-annual instalments in the month of March and September of the calendar year. The syndicated loan is obtained for the construction of an uncoated wood free paper plant in Abu Dhabi which is situated in Industrial City of Abu Dhabi (ICAD).

Total cost of construction is projected to be around AED 1.101 billion (USD 300 million). The Group secured a syndicated loan of AED 716 million (USD 195 million) representing 65% of project costs which is financed via debt while the remaining AED 385 million (USD 105 million) representing 35% of project costs have been financed through equity.

The loan is secured through guarantee of the shareholders, pledge of assets and assignment of assets and insurance.

During the year, the Group entered into a consent request with the bank to defer the repayment instalments and waive the covenant required for the Group. The Group requested that the repayment instalment that would have been due on the following payment dates under the conventional facility be deferred as follows:

a) the repayment instalments payable in September 2021, March 2022 and September 2022 be deferred to and repaid on 1 December 2026; and
b) the repayment instalment payable March 2023 be deferred to and repaid on 1 July 2023.

The consent request was finalised on 13 January 2022 and signed by all parties.

23 TERM LOANS continued

Term loan 4
The loan carries interest at variable market interest rate plus a spread. The loan is repayable in September 2022 in a bullet payment. The purpose of the loan is to fund working capital of the Group. The loan is secured by guarantees from the shareholders.

Term loan 5
This loan was obtained from a bank in UAE to finance the continuation of the business operations and settle the existing indebtedness of a subsidiary of the Group with banks. The loan carries interest at variable rate plus a spread and is repayable in quarterly instalments commencing from February 2021 and maturing in November 2026. The loan is secured by guarantees from the shareholders and first-degree mortgages over vehicles, land and machinery and equipment.

Term loan 6
This loan was obtained from a bank in UAE to finance the construction of new factory and the head office of a subsidiary acquired during the current year. The loan carries interest at prevailing market rates and is repayable in 9 instalments over a period of 4.5 years commencing from July 2018 and maturing on April 2022.

Term loan 7
This loan was obtained from a bank in UAE to finance a subsidiary capital expenditures. The loan carries interest at prevailing market rates and is repayable in 17 quarterly instalments commencing from April 2018. The loan is secured by guarantees from the shareholders and mortgage over vehicles and machinery to be purchased by the subsidiary.

Term loan 8
This loan was obtained from a bank in UAE. The loan carries interest at prevailing market rates and is repayable through two installments of AED 5 million on March 2024 and AED 45 million on March 2025. The loan is secured by corporate guarantees.

Term loan 9
This loan was obtained from a bank in UAE to repay some of the loans in a subsidiary. The loan carried interest at prevailing market rates and is repayable in 9 instalments commencing from March 2018. The loan is secured by guarantees of the shareholders.

Term loan 10
This loan was obtained from a bank in UAE to partially finance vehicles and machinery and mobilization expenses. The loan carries interest at prevailing market rates and is repayable in 54 equal monthly instalments commencing from 31 March 2019. The loan is secured by mortgage of vehicles and corporate guarantee from the shareholder.

Term loan 11
This loan was obtained from a bank in UAE to finance a waste management project carried by a subsidiary. The loan carries interest at variable rate plus a spread and is repayable in 19 equal quarterly instalments commencing from 30 June 2019. The loan is secured by mortgage of vehicles and corporate guarantee from the shareholder.

Term loan 12
This loan was obtained from a bank in UAE to finance the acquisition of certain subsidiaries. The loan carries variable interest plus a spread and is repayable in 12 quarterly instalments of AED 340 thousand starting on March 2021 and the remaining balance of AED 23,132 thousand on 31 December 2023. The loan is secured by guarantees from the shareholder and a pledge of 100 shares of a subsidiary of the Group in favour of the bank.

23 TERM LOANS continued

Syndicated loan
During 2019, the Group entered into a syndicate loan with commercial banks for part of its existing bank facilities. As part of the refinancing, the proceeds of the term facility were used to repay its existing loans with the banks. The syndicated loan facility consists of a term loan facility "Syndicated term loan" of AED 735 million (USD 200 million) (2020: AED 826 million (USD 225 million)), which is recorded in term loans and a revolving term facility "Syndicated loan revolving term facility" of AED 168 million (USD 46 million) (2020: AED 184 million (USD 50 million)) (which is recorded under bank financing facilities in note 26). The principal for the term loan facility is repayable in quarterly instalments starting January 2020 and maturing in April 2026. The loan carries interest at variable rate plus a spread and is secured through corporate guarantees of subsidiaries, and commercial mortgage over plant and machinery of a subsidiary, assignment of insurances and investment securities (note 12).

	2021	*2020*
	AED '000	*AED '000*
Within 1 year	**255,888**	219,164
Between 1 – 2 years	**346,773**	288,355
Between 2 – 5 years	**1,227,960**	744,500
After 5 years	**61,751**	602,514
Total	**1,892,372**	1,854,533

24 EMPLOYEES' END OF SERVICE BENEFITS

Movements in the provision recognised in the consolidated statement of financial position are as follows:

	2021	*2020*
	AED '000	*AED '000*
At 1 January	**38,788**	35,293
Acquired in business combination	**19,997**	-
Provided during the year	**15,821**	8,409
Transfer to a related party	**23**	(70)
Reversal	**(618)**	(431)
Transfer to liabilities directly associated with assets held for sale	**-**	(1,462)
Paid during the year	**(9,782)**	(2,951)
At 31 December	**64,229**	38,788

25 ACCOUNTS PAYABLE AND ACCRUALS

	2021	*2020*
	AED '000	*AED '000*
Trade payables	**1,152,709**	810,735
Accrued salaries and wages	**-**	4,610
Accrued interest	**5,497**	-
Advances from customers	**64,705**	92,954
Retention payable	**728**	1,757
Warranty provisions (note 22)	**1,039**	1,905
Accrual for leave payable	**2,127**	1,475
Bonus payable	**3,467**	5,693
Other accruals	**188,847**	148,615
	1,419,119	1,067,744

26 BANK FINANCING FACILITIES

	2021 AED '000	2020 AED '000
Facility 1	**224,328**	187,570
Facility 2	**10,629**	-
Facility 3	**627,655**	556,307
Facility 4	**84,046**	57,119
Facility 5	**7,336**	8,000
Facility 6	**66,840**	83,365
Facility 7	**51,174**	41,839
Facility 8	**96,587**	90,750
Facility 9	**61,791**	112,408
Syndicated loan revolving term facility	**168,300**	183,625
Total	**1,398,686**	1,320,983

Facility 1
This facility was obtained from a commercial bank to finance working capital and is repayable within 180 days from availment. It carries interest at variable market rate plus a spread and is secured by corporate guarantees of shareholders.

Facility 2
These facilities were obtained for the supply chain financing. The facilities carry fixed interest per annum.

Facility 3
These facilities attract interest at prevailing market rates for such facilities. Bank facilities are secured by receivables and assignment of insurance policy on inventories on pari passu basis.

Facility 4
These facilities from the banks have been obtained to finance the purchase of inventories and are repayable within 180 days of issuance. Further, the Group has obtained local cheque discounting facility against post-dated cheques received from customer. The banking facilities have been provided under agreements including various terms and conditions which, amongst others, include corporate guarantee. These carry interest at prevailing market rates.

Facility 5
These facilities include discounted bills and trust receipts. Discounted bills relate to discounted post-dated cheques drawn in the Group's favour and / or invoices raised for the Group's customers which are accepted by the Bank. Trust Receipts relates to short term import loan provided to the Group to settle goods imported under letter of credit. The discounted bills and trust receipts are secured by corporate guarantees.

Facility 6
These facilities were obtained to finance working capital. The facilities carry an interest rate at prevailing market rates. Facilities are payable as per the agreed payment schedules.

Facility 7
These facilities were obtained to finance working capital. The facilities carry an interest rate at prevailing market rates. Facilities are payable as per the agreed payment schedules.

Facility 8
These facilities were obtained to finance working capital. The facilities carry an interest rate at prevailing market rates. Facilities are payable as per the agreed payment schedules. These facilities are secured by hypothecation of inventories, assignment of insurance policy on inventories on pari passu basis.

26 BANK FINANCING FACILITIES continued

Facility 9
These represent trust receipts obtained to finance working capital requirements. The facilities carry an interest rate at prevailing market rates.

Syndicated loan
This represents the revolving term facility of AED 168 million (USD 46 million) (2020: AED 184 million (USD 50 million)) obtained under the syndicated loan (note 23). Revolving term facility is repayable quarterly. The facility can be rolled over for 3-month periods till October 2022. The facility carries interest at a variable market rate plus a spread. The facility is secured through corporate guarantees of subsidiaries, unregistered pledge and commercial mortgage over plant and machinery of a subsidiary, assignment of insurances and pledge over investments.

The facilities are classified in the consolidated statement of financial position as follows:

	2021 *AED '000*	*2020* *AED '000*
Current portion	**1,397,446**	1,320,983
Non-current portion	**1,240**	-
Total	**1,398,686**	1,320,983

27 ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS

On 1, January 2020, the shareholders resolved to discontinue the operations of a subsidiary of its group, Al Ain National Precast Technology LLC (the "Subsidiary").

As of 31 December 2021, the subsidiary was classified as a disposal group held for sale and as a discontinued operation. The Board considered the subsidiary to meet the criteria to be classified as held for sale at that date for the following reasons:

- The subsidiary is available for immediate sale and can be sold to the buyer in its current condition
- The actions to complete the sale were initiated and expected to be completed within one year from the date of initial classification
- The shareholders approved the plan to sell

Accordingly, the results of the subsidiary have been reclassified as assets held for sale and liabilities directly associated with assets held for sale in the consolidated financial statements in accordance with IFRS 5 *Non-Current Assets Held For Sale And Discontinued Operations.*

The results of the subsidiary for the year is presented below:

	2021 *AED'000*	*2020* *AED'000*
Revenues	**43**	26,340
Direct costs	**(1,170)**	(38,368)
Gross loss	**(1,127)**	(12,028)
General and administrative expenses	**(863)**	(12,470)
Finance costs	**(669)**	(1,635)
Other income	**272**	161
Loss for the year from discontinued operations	**(2,387)**	(25,972)

27 ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS continued

The major classes of assets and liabilities of the Subsidiary classified as held for sale as at 31 December are as follows:

	2021 AED'000	*2020 AED'000*
Assets		
Property, plant and equipment	**22,127**	21,809
Right-of-use asset	**3,480**	3,666
Inventories	**1,212**	1,428
Accounts receivable and prepayments	**19,307**	24,477
Bank balances and cash	**467**	484
Assets held for sale	**46,593**	51,864
Liabilities		
Employees' end of service benefits	**(126)**	(140)
Accounts payable and accruals	**(12,203)**	(14,084)
Amounts due to related parties	**(1,283)**	(6,787)
Lease liability	**(3,587)**	(3,682)
Bank facilities	**-**	(3,601)
Liabilities directly associated with assets held for sale	**(17,199)**	(28,294)
Net assets directly associated with disposal group	**29,394**	23,570

The net cash flows incurred by the Subsidiary are, as follows:

	2021 AED'000	*2020 AED'000*
Operating	**(4,167)**	(3,608)
Investing	**(138)**	(604)
Financing	**4,288**	4,577
Net cash inflow (outflow)	**(17)**	365

28 CONTINGENCIES AND COMMITMENTS

At 31 December 2021, the Group had contingent liabilities in respect of bank and other guarantees and other matters arising in the ordinary course of business from which it is anticipated that no material liabilities will arise, amounting to AED 428,415 thousand (2020: AED 576,890 thousand).

29 FINANCIAL RISK MANAGEMENT POLICIES AND OBJECTIVES continued

Credit risk
Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Group is exposed to credit risk on its bank balances, trade receivables and certain other assets as reflected in the consolidated statement of financial position.

The Group seeks to limit its credit risk with respect to banks by only dealing with reputable banks and with respect to customers by setting credit limits for individual customers and monitoring outstanding receivables.

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on days past due for groupings of various customer segments with similar loss patterns. The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions. The maximum exposure to credit risk at the reporting date is the carrying value of each class of financial assets. The letters of credit and other forms of credit insurance are considered integral part of trade receivables and considered in the calculation of impairment. The Group evaluates the concentration of risk with respect to trade receivables and contract assets as low, as its customers are located in several jurisdictions and industries and operate in largely independent markets.

Set out below is the information about the credit risk exposure on the Group's trade receivables and contract assets using a provision matrix:

Trade receivables:

	Total AED	*Current AED*	*0-30 days AED*	*30 - 60 days AED*	*61 - 90 days AED*	*> 90 days AED*
31 December 2021						
Expected credit loss rate		**0.17%**	**0.93%**	**1.20%**	**17.62%**	**21.21%**
Estimated total gross carrying amount at default	**1,192,845**	**442,335**	**336,043**	**78,841**	**42,533**	**293,093**
Less: expected credit losses	**74,512**	**770**	**3,120**	**950**	**7,493**	**62,179**
	1,118,333	**441,565**	**332,923**	**77,891**	**35,040**	**230,914**
31 December 2020						
Expected credit loss rate		0.3%	2.28%	0.9%	1.93%	19.54%
Estimated total gross carrying amount at default	974,426	508,200	79,363	45,899	36,967	303,997
Less: expected credit losses	63,846	1,519	1,813	414	712	59,388
	910,580	506,681	77,550	45,485	36,255	244,609

Contract assets:
Contract assets include gross contract work in progress of AED 91,697 (2020: AED 85,566 thousand) and retention receivable of AED 19,233 (2020: AED 21,516 thousand). At 31 December 2021, provision for expected losses on contract assets amounted to AED 1,607 (2020: nil).

29 FINANCIAL RISK MANAGEMENT POLICIES AND OBJECTIVES continued

Liquidity risk
The Group limits its liquidity risk by ensuring bank facilities are available.

The table below summarises the maturities of the Group's undiscounted financial liabilities at 31 December 2021 and 31 December 2020, based on contractual payment dates and current market interest rates.

	On demand AED'000	*Less than 3 months AED'000*	*3 to 12 months AED'000*	*1 to 5 years AED'000*	*> 5 years AED'000*	*Total AED'000*
At 31 December 2021						
Trade payables	**8,993**	**566,819**	**576,897**	-	-	**1,152,709**
Amounts due to related parties	-	**1,576**	-	-	-	**1,576**
Bank financing facilities	**10,629**	**854,591**	**532,226**	**1,240**	-	**1,398,686**
Bank overdrafts	**39,125**	-	-	-	-	**39,125**
Lease liabilities	-	**1,833**	**7,456**	**46,783**	**102,356**	**158,428**
Derivative financial instruments	-	**3,455**	**4,787**	**55,075**	**29,566**	**92,883**
Term loans	**30,997**	**69,226**	**215,153**	**1,716,086**	**46,984**	**2,078,446**
Total	**89,744**	**1,497,500**	**1,336,519**	**1,819,184**	**178,906**	**4,921,853**
At 31 December 2020						
Trade payables	9,421	463,390	337,924	-	-	810,735
Amounts due to related parties	-	2,159	-	-	-	2,159
Short term financing facilities	-	699,110	624,252	-	-	1,323,362
Bank overdrafts	25,772	-	-	-	-	25,772
Lease liabilities	-	5,544	7,894	45,773	101,342	160,553
Derivative financial instruments	-	2,234	13,161	123,330	88	138,813
Term loans	-	140,525	244,157	1,274,521	557,673	2,216,876
Total	35,193	1,312,962	1,227,388	1,443,624	659,103	4,678,270

Currency risk
Currency risk comprises of transactions and statement of financial position risk. Transaction risk relates to the Group's cash flow being adversely affected by a change in the exchange rates of foreign currencies against UAE Dirhams. Statement of financial position risk relates to the risk of the Group's monetary assets and liabilities in foreign currencies acquiring a lower or higher value, when translated into UAE Dirhams as a result of currency movements.

The Group's major transactions in foreign currencies are in US Dollars. As the exchange rate of the UAE Dirham is pegged to the US Dollar, the Group is not subject to significant currency risk against balances in US Dollars.

Equity price risk
Equity price risk is the risk that the fair values of equities change as the result of changes in the levels of equity indices and the value of individual stocks. The equity price risk exposure arises from the Group's investment portfolio which amounted to AED 49,797 (2020: AED 37,296 thousand).

Interest rate risk
Interest rate risk arises from the possibility that changes in interest rates will affect the finance income or finance cost of the Group. The Group is exposed to interest rate risk on its interest-bearing loans and borrowings. Management has used interest rate swaps throughout the duration of the term loans to manage the risk. Hedging activities are evaluated regularly to align with interest rate views and defined risk appetite, ensuring the most cost-effective hedging strategies are applied.

29 FINANCIAL RISK MANAGEMENT POLICIES AND OBJECTIVES continued

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

The following table details the notional principal amounts and remaining terms of interest rate swap contracts outstanding at the end of the reporting period:

	Average contracted fixed interest rate %	*Notional principal amount AED'000*	*Fair value AED'000*
31 December 2021			
More than 5 years	**2.35%**	**1,940,108**	**70,061**
31 December 2020			
More than 5 years	2.35%	2,075,422	126,376

The interest rate swaps exchanging floating rate interest for fixed rate interest are designated as cash flow hedges in order to reduce the Group's cash flow exposure resulting from variable interest rate on term loans. The interest rate swaps and interest payments on the loan occurs simultaneously and the amount accumulated in equity is reclassified to profit or loss over the period that the floating interest payments on debt affect profit or loss.

The following table demonstrates the sensitivity to a reasonable possible change in interest rates, with all other variables held constant, of the Group's profit based on the un-hedged floating rate financial assets and liabilities held at 31 December. There is no impact on the Group's equity.

	Effect on profit AED'000
2021	
+ 100 increase in basis points	**(12,961)**
- 100 decrease in basis points	**12,961**
2020	
+ 100 increase in basis points	(10,404)
- 100 decrease in basis points	10,404

Capital management
The primary objective of the Group's capital management is to ensure that it maintains healthy capital ratios in order to support its business and maximize shareholder value. The Group manages its capital structure and makes adjustments to it, in light of changes in business conditions.

No changes were made in the objectives, policies or processes during the years ended 31 December 2021 and 31 December 2020. Capital comprises share capital, shareholders' accounts, statutory reserve, fair value reserve, retained earnings, cash flow hedges reserve and is measured at AED 647,933 as at 31 December 2021 (2020: AED 723,459 thousand).

29 FINANCIAL RISK MANAGEMENT POLICIES AND OBJECTIVES continued

Changes in liabilities arising from financing activities

	1 January 2021 AED'000	***Cash flows AED'000***	***Other AED'000***	***31 December 2021 AED'000***
At 31 December 2021				
Term loans	**1,794,801**	**(235,070)**	**277,782**	**1,837,513**
Bank financing facilities	**1,320,983**	**77,703**	**-**	**1,398,686**
Total	**3,115,784**	**(157,367)**	**277,782**	**3,236,199**

	1 January 2020 AED'000	*Cash flows AED'000*	*Other AED'000*	*31 December 2020 AED'000*
At 31 December 2020				
Term loans	1,894,003	(129,413)	30,211	1,794,801
Bank financing facilities	912,317	408,666	-	1,320,983
Total	2,806,320	279,253	30,211	3,115,784

The 'Other' column includes the effect of unamortised transaction costs for term loans. The Group classifies interest paid as cash flows from operating activities.

30 FAIR VALUES OF FINANCIAL INSTRUMENTS

The fair values of the Group's financial instruments are not materially different from their carrying values at the consolidated statement of financial position date.

For financial instruments that are recognized at fair value on a recurring basis, the Group determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorization (bases on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

	Level 1 AED '000	*Level 2 AED '000*	*Level 3 AED '000*	*Total fair value AED '000*
Assets measured at fair value:				
31 December 2021				
Investment securities	**49,797**	**-**	**-**	**49,797**
31 December 2020				
Investment securities	37,296	-	-	37,296
Liabilities measured at fair value:				
31 December 2021				
Derivative financial instruments	**-**	**92,883**	**-**	**92,883**
31 December 2020				
Derivative financial instruments	-	138,813	-	138,813

During the year ended 31 December 2021 and 2020, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into or out of Level 3 fair value measurements.

31 COMPARATIVE FIGURES

Comparative figures have been reclassified, wherever necessary, to conform to the presentation adopted in the consolidated financial statements. These reclassifications were not significant and have no impact on the total assets, total liabilities, total equity and profit of the Group.