

TROJAN HOLDING LLC

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

TROJAN HOLDING LLC

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

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**Directors' report
for the year ended 31 December 2020**

The Directors have pleasure in submitting their report together with the audited consolidated financial statements of Trojan Holding LLC ("the Company") and its subsidiaries (together referred to as "the Group") for the year ended 31 December 2020.

Principal activities

The principal activities of the Company are investment in and management of commercial, industrial and agricultural enterprises.

The principal activities of the Company's subsidiaries are;

- Engineering and construction contracting relating to commercial and residential buildings, infrastructure development, earth and civil works;
- General contracting of construction and civil works;
- Production and supply of ready-mix concrete;
- Main sewerage networks contracting;
- Main roads, streets and related works contracting;
- Mechanical contracting;
- Onshore and offshore oil and gas fields and facilities services;
- Submain sewerage networks and houses connection contracting;
- Tunnels contracting;
- Transport of materials assembly heavy/light trucks;
- Ready mix and dry-mix concrete and Mortar manufacturing;
- Installation and repair of safety equipment and fire extinguishing systems; and
- Manufacturing, supply, installation and fabrication of aluminium and glass panels.

Results and appropriation of profits

Revenue for the year was AED 3,784.98 million (2019: AED 3,705.7 million) and profit attributable to the Owners of the Group for the year was AED 223.772 million (2019: AED 219.1 million).

The movement in retained earnings for the year is as under:

	AED
Retained earnings at the beginning of the year	757,319,513
Profit for the year attributable to the Owners of the Group	223,771,935
Waiver of related party balances	(253,272,421)
	727,819,027
Retained earnings at the end of the year	727,819,027

Directors

The Directors of the Group throughout the year and as on yearend are as follow:

Ms. Sofia Laski
Mr. Hamad Al Shamsi
Mr. Alejandra Fonseca
Mr. Somar Ajalyaqin

**Directors' report
for the year ended 31 December 2020**

Release

The Directors release from liability the management and the external auditor in connection with their duties for the year ended 31 December 2020.

Auditors

The Directors propose the re-appointment of Deloitte & Touche (M.E.) as the external auditor of the Group for the year ending 31 December 2021.

for and on behalf of the Board of Directors



Director

18/09/2021

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF TROJAN HOLDING LLC

REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Opinion

We have audited the consolidated financial statements of Trojan Holding LLC (“the Company”) and its subsidiaries (together referred to as “the Group”), which comprise the consolidated statement of financial position as at 31 December 2020, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the 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 financial position of the Group as at 31 December 2020, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for Opinion

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

Other Information

Management is responsible for the other information. The other information comprises the Directors’ report which we obtained prior to the date of this auditor’s report. The other information does not include the consolidated financial statements and our auditor’s report thereon.

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor’s report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

**INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDERS OF TROJAN HOLDING LLC (continued)**

Responsibilities of Management and Board of Directors for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards and their preparation in compliance with the Articles of Association of the Company, applicable provisions of UAE Federal Law No. (2) of 2015, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

The Board of Directors is responsible for overseeing the Group's financial reporting process.

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

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risk, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than the one resulting from error, as fraud may involve collusion, forgery, intentional omission, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit 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.

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF TROJAN HOLDING LLC (continued)

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

- 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 the Board of Directors 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.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

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

- We have obtained all the information we considered necessary for the purposes of our audit;
- The consolidated financial statements of the Group have been prepared and comply, in all material respects, with the applicable provisions of the UAE Federal Law No. (2) of 2015;
- The Company has maintained proper books of account;
- The financial information included in the Directors' report is consistent with the Group's books of account;
- Note 8 to the consolidated financial statements discloses the purchases and investments in shares made by the Group during the financial year ended 31 December 2020;
- Note 15 to the consolidated financial statements of the Group discloses material related party balances, transactions and the terms under which they were conducted; and
- Based on the information that has been made available to us nothing has come to our attention which causes us to believe that the Company has contravened during the financial year ended 31 December 2020 any of the applicable provisions of the UAE Federal Law No. (2) of 2015 or of its Articles of Association which would materially affect its activities or its financial position as at 31 December 2020.

Deloitte & Touche (M.E.)



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

TROJAN HOLDING LLC

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Consolidated statement of financial position
as at 31 December 2020

	Notes	2020 AED	2019 AED
ASSETS			
Non-current assets			
Property and equipment	5	595,287,668	477,831,709
Intangible assets	6	274,077	464,070
Investment properties	7	109,687,139	253,825,548
Investment in associates	8	2,706,434	4,092,406
Investment in joint venture	9	7,657,526	-
Right of use assets	13	70,837,913	79,365,954
Deposit with banks		1,893,465	1,880,554
Total non-current assets		788,344,222	817,460,241
Current assets			
Inventories	10	188,986,107	135,302,416
Development work in progress	24	146,760,000	144,500,000
Trade and other receivables	11	2,185,631,601	1,679,035,230
Contract assets	12	1,358,469,382	996,694,568
Due from related parties	15	94,848,702	378,479,196
Cash and cash balance	14	631,828,010	640,459,588
Total current assets		4,606,523,802	3,974,470,998
Total assets		5,394,868,024	4,791,931,239
EQUITY AND LIABILITIES			
Equity			
Share capital	16	300,000	300,000
Contributed capital	18	214,335,312	357,610,312
Statutory reserve	17	150,000	150,000
Restricted reserve	17	72,379,373	72,379,373
Retained earnings		727,819,027	757,319,513
Equity attributable to the Shareholders of the Company		1,014,983,712	1,187,759,198
Non-controlling interests	30	30,476,521	36,508,138
Total equity		1,045,460,233	1,224,267,336
Non-current liabilities			
Provision for employees' end of service benefit	19	120,868,144	107,633,543
Lease liabilities	13	63,289,656	71,195,057
Bank borrowings	23	238,231,284	143,315,930
Loan from a related party	15	13,300,000	18,750,295
Total non-current liabilities		435,689,084	340,894,825
Current liabilities			
Bank overdraft	20	144,519,799	229,618,042
Due to related parties	15	43,651,780	11,513,550
Bank borrowings	23	114,033,564	175,299,827
Contract liabilities	22	1,048,902,449	687,454,851
Trade and other payables	21	2,552,535,471	2,115,327,890
Lease liabilities	13	10,075,644	7,554,918
Total current liabilities		3,913,718,707	3,226,769,078
Total liabilities		4,349,407,791	3,567,663,903
Total equity and liabilities		5,394,868,024	4,791,931,239



Managing Director



Chief Financial Officer

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

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

	Notes	2020 AED	2019 AED
Revenue	25	3,784,984,004	3,705,681,733
Direct costs	26	(3,452,573,266)	(3,329,509,110)
		<hr/>	<hr/>
Gross profit		332,410,738	376,172,623
General and administrative expenses	27	(99,479,788)	(169,977,256)
Impairment loss charge/(reversal) of trade receivables, retention receivables, advances to suppliers and other financial assets	11	(28,199,810)	7,773,125
Impairment loss of contract asset	12	(9,749,065)	(6,978,482)
Impairment loss (charge)/reversal on due from related parties	15	(1,699,950)	15,212,103
Other income	28	28,995,064	20,324,362
Finance income		5,588,589	8,938,557
Finance costs		(18,737,015)	(32,777,873)
Share of profit form joint venture	9	7,657,526	-
Share of profit from associates	8	954,029	143,636
		<hr/>	<hr/>
Profit for the year		217,740,318	218,830,795
Other comprehensive income		-	-
		<hr/>	<hr/>
Total comprehensive income for the year		217,740,318	218,830,795
		<hr/> <hr/>	<hr/> <hr/>
Total profit attributable to:			
Owners of the Company		223,771,935	219,107,722
Non-controlling interests		(6,031,617)	(276,927)
		<hr/>	<hr/>
		217,740,318	218,830,795
		<hr/> <hr/>	<hr/> <hr/>
Total comprehensive income attributable to:			
Owners of the Company		223,771,935	219,107,722
Non-controlling interests		(6,031,617)	(276,927)
		<hr/>	<hr/>
		217,740,318	218,830,795
		<hr/> <hr/>	<hr/> <hr/>

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

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

	Share capital AED	Contributed capital AED	Statutory reserve AED	Restricted reserve AED	Retained earnings AED	Attributable to the Owners of the Company AED	Non-controlling interests AED	Total equity AED
Balance at 1 January 2019	300,000	234,335,312	150,000	71,806,109	563,785,055	870,376,476	36,785,065	907,161,541
Total comprehensive income/(loss) for the year	-	-	-	-	219,107,722	219,107,722	(276,927)	218,830,795
Net movement in capital contribution (note 17)	-	123,274,999	-	-	-	123,274,999	-	123,274,999
Transfer to restricted reserve	-	-	-	573,264	(573,264)	-	-	-
Dividend paid	-	-	-	-	(25,000,000)	(25,000,000)	-	(25,000,000)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Balance at 1 January 2020	300,000	357,610,312	150,000	72,379,373	757,319,513	1,187,759,198	36,508,138	1,224,267,336
Total comprehensive income/(loss) for the year	-	-	-	-	223,771,935	223,771,935	(6,031,617)	217,740,318
Net movement in capital contribution (note 18)	-	(143,275,000)	-	-	-	(143,275,000)	-	(143,275,000)
Waiver of related parties' balances (note 15)	-	-	-	-	(253,272,421)	(253,272,421)	-	(253,272,421)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Balance at 31 December 2020	300,000	214,335,312	150,000	72,379,373	727,819,027	1,014,983,712	30,476,521	1,045,460,233

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

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

	2020 AED	2019 AED
Cash flows from operating activities		
Profit for the year	217,740,318	218,830,795
Adjustments for:		
Depreciation of property, plant and equipment	98,963,294	101,338,630
Amortisation of intangible assets	205,193	444,925
Amortisation of right of use asset	8,528,041	7,155,174
Finance costs	18,737,015	32,777,873
Gain on disposal of property, plant and equipment	(31,810)	(1,040,325)
Provision for employees' end of service benefit	21,143,423	22,756,334
Charge/(reversal) of impairment loss allowance on financial assets	39,648,825	(16,006,746)
Write off of financial assets held at fair value through profit or loss	-	734,493
Depreciation of investment properties	9,583,661	10,127,138
Share of profit from associates	(954,029)	(143,636)
Share of profit from joint venture	(7,657,526)	-
Reversal of allowance for slow moving inventories	(194,071)	(2,061,406)
Operating cash flows before changes in operating assets and liabilities	405,712,334	374,913,249
Increase in inventories	(53,489,620)	(19,260,431)
Increase in trade and other receivables	(399,056,130)	(118,411,408)
Increase in contract assets	(371,523,879)	(71,022,687)
Decrease in due from related parties	23,311,170	166,184,413
Increase in advances, deposits and prepayments	(12,911)	(17,062)
Increase/(decrease) in trade and other payables	293,933,810	(28,363,399)
Increase/(decrease) in contract liabilities	361,447,598	(60,224,287)
Increase/(decrease) in due to related parties	26,687,935	(18,748,587)
Cash generated from operating activities	287,010,307	225,049,801
Employees' end of service benefit paid	(7,908,822)	(10,679,620)
Net cash generated from operating activities	279,101,485	214,370,181
Cash flows from investing activities		
Payments for purchases of property and equipment	(215,477,767)	(82,465,496)
Payments for purchases of investment property	(1,185,303)	(2,223,474)
Payments for purchases of intangible asset	(15,200)	(25,250)
Proceeds from disposal of property, plant and equipment	2,176,050	1,453,180
Dividend received from associates	2,340,000	8,252,419
Net movement in deposits with banks	10,945,111	(2,892,679)
Net cash used in investing activities	(201,217,109)	(77,901,300)
Cash flows from financing activities		
Dividend paid	-	(25,000,000)
Proceeds from bank borrowings	98,279,923	6,215,721
Repayment of bank borrowings	(64,630,832)	(102,051,807)
Receipt of capital contribution	-	69,825,000
Payment of lease liabilities	(10,168,077)	(7,771,153)
Finance cost paid	(13,953,613)	(32,777,873)
Net cash generated from/(used in) from financing activities	9,527,401	(91,560,112)
Net increase in cash and cash equivalents	87,411,777	44,908,769
Cash and cash equivalents at the beginning of the year	387,358,146	342,449,377
Cash and cash equivalents at the end of the year (note 14)	474,769,923	387,358,146
Non-cash transactions:		
Netting off of advances against due to related parties balance (note 18)	-	(20,000,000)
Conversion of balance paid by the Ultimate Owner (from)/into contributed capital (note 18)	(143,275,000)	143,275,000
Waiver of related parties balance (note 15)	(253,272,421)	-

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

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

1 General information

Trojan Holding LLC (“the Company”) is a limited liability company registered in the Emirate of Abu Dhabi, United Arab Emirates. The Company’s registered address is P.O. Box 111059, Abu Dhabi, United Arab Emirates.

The principal activities of the Company and its subsidiaries (together referred to as “the Group”) is general contracting of construction of civil works.

The principal activities of the Company’s subsidiaries are;

- Engineering and construction contracting relating to commercial and residential buildings, infrastructure development, earth and civil works;
- General contracting of construction and civil works;
- Production and supply of ready-mix concrete;
- Main sewerage networks contracting;
- Main roads, streets and related works contracting;
- Mechanical contracting;
- Onshore and offshore oil and gas fields and facilities services;
- Submain sewerage networks and houses connection contracting;
- Tunnels contracting;
- Transport of materials assembly heavy/light trucks;
- Ready mix and dry-mix concrete and Mortar manufacturing;
- Installation and repair of safety equipment and fire extinguishing systems; and
- Manufacturing, supply, installation and fabrication of aluminium and glass panels.

The Group has not purchased or invested in any shares during the financial year ended 31 December 2020.

These consolidated financial statements as at 31 December 2020 include the financial performance and position of the Company and the following subsidiaries (together referred to as “the Group”).

Sr. No.	Name of subsidiary	Percentage of ownership		Accounted for as	Principal activities
		2020	2019		
1	Trojan General Contracting LLC *	99.999%	99.999%	Subsidiary	Building projects contracting
2	National Projects and Construction LLC **	99.99%	99.99%	Subsidiary	Construction
3	Royal Advance Electromechanical LLC *	99%	99%	Subsidiary	Electromechanical services
4	Al Maha Modular Industries LLC *	99%	99%	Subsidiary	Ready-made building manufacturing
5	Hi-Tech Concrete Products LLC	100%	100%	Subsidiary	Building and selling of properties and lands and general contracting
6	Trojan Development LLC * (Dormant)	99.99%	99.99%	Subsidiary	Real estate
7	Reem Emirates Aluminium LLC *	99.99%	99.99%	Subsidiary	Design, manufacture, sell and install unitised aluminum and glass curtain walls, windows, sliding doors and architectural finishes
8	Phoenix Timber Factory LLC *	99%	99%	Subsidiary	Timber products
9	Reem Ready Mix LLC	60%	60%	Subsidiary	Building projects contracting

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

1 General information (continued)

Sr. No.	Name of subsidiary	Percentage of ownership		Accounted for as	Principal activities
		2020	2019		
10	Hi-Tech Emirates for General Contracting * (Dormant)	99%	99%	Subsidiary	Building projects contracting
11	Trojan Commercial Investments LLC * (Dormant)	99.999%	99.999%	Subsidiary	Industrial and commercial enterprises investment, institution and management
12	Trojan Property Investments LLC * (Dormant)	99.99%	99.99%	Subsidiary	Real estate enterprises investment, institution and management
13	Hi-Tech Line Building Construction – Dubai (Dormant)	100%	100%	Subsidiary	Building projects contracting
14	Ersa General Contracting LLC * (Dormant)	99%	99%	Subsidiary	Building projects contracting
15	Swiss Chocolate Co LLC * (Dormant)	-	99.333%	Subsidiary	Chocolate trading
16	Hi-Tech Concrete Products LLC (KSA)	100%	100%	Subsidiary	Construction

* Remaining meager shareholding of the entity has been assigned by the shareholder in favor of the Company, and accordingly effective holding of the Company in this entity is 100%.

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

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

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

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

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

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

The amendments provides practical relief to lessees in accounting for rent concessions occurring as a direct consequence of COVID-19, by introducing a practical expedient to IFRS 16. The practical expedient permits a lessee to elect not to assess whether a COVID- 19-related rent concession is a lease modification. A lessee that makes this election shall account for any change in lease payments resulting from the COVID-19-related rent concession the same way it would account for the change applying IFRS 16 if the change were not a lease modification. The amendment applies to annual reporting periods beginning on or after June 01, 2020.

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

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

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

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

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

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

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

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

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

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

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

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

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

<u>New and revised IFRSs</u>	<u>Effective for annual periods beginning on or after</u>
IFRS 17 <i>Insurance Contracts</i>	1 January 2023
IFRS 17 establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts and supersedes IFRS 4 Insurance Contracts. IFRS 17 outlines a general model, which is modified for insurance contracts with direct participation features, described as the variable fee approach. The general model is simplified if certain criteria are met by measuring the liability for remaining coverage using the premium allocation approach.	
The general model uses current assumptions to estimate the amount, timing and uncertainty of future cash flows and it explicitly measures the cost of that uncertainty. It takes into account market interest rates and the impact of policy holders' options and guarantees.	
In June 2020, the IASB issued Amendments to IFRS 17 to address concerns and implementation challenges that were identified after IFRS 17 was published. The amendments defer the date of initial application of IFRS 17 (incorporating the amendments) to annual reporting periods beginning on or after 1 January 2023. At the same time, the IASB issued Extension of the Temporary Exemption from Applying IFRS 9 (Amendments to IFRS 4) that extends the fixed expiry date of the temporary exemption from applying IFRS 9 in IFRS 4 to annual reporting periods beginning on or after 1 January 2023. IFRS 17 must be applied retrospectively unless impracticable, in which case the modified retrospective approach or the fair value approach is applied.	

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

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

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

New and revised IFRSs

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

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

Effective date not yet decided

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

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

1 January 2023

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

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

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

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

New and revised IFRSs

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

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

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

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

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

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

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

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

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

New and revised IFRSs

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

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

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

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

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

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

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

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

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS).

Basis of preparation

The consolidated financial statements have been prepared on the historical cost basis. Historical cost is generally based on the fair value of the consideration given in exchange for assets. The principal accounting policies adopted are set out below:

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and the entities controlled by the Company. Control is achieved where the Company has power over the investee; is exposed, or has rights, to variable returns from its involvement; and has the ability to use its power to affect its returns.

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

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

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Company gains control until the date when the Company ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance. All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

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

3 Summary of significant accounting policies (continued)

Basis of consolidation (continued)

Changes in the Group's ownership interests in existing subsidiaries

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

When the Group loses control of a subsidiary, a gain or loss is recognised in profit or loss and 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. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable IFRS). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IAS 39, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the effective date of acquisition or up to the effective date of disposal, as appropriate.

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

Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognised in profit or loss as incurred. At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value, except that:

- Liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with IFRS 2 *Share-based Payment at the acquisition date*; and
- Assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* are measured in accordance with that Standard.

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

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at fair value or, when applicable, on the basis specified in another IFRS.

Interests in joint operations

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

Where a Group undertakes its activities under joint operations, the Group as a joint operator recognises in relation to its interest in a joint operation:

- its assets, including its share of any assets held jointly;
- its liabilities, including its share of any liabilities incurred jointly;
- its revenue from the sale of its share of the output arising from the joint operation;
- its share of the revenue from the sale of the output by the joint operations; and
- its expenses, including its share of any expenses incurred jointly.

The Group accounts for the assets, liabilities, revenues and expenses relating to its interest in a joint operation in accordance with the IFRSs applicable to the particular assets, liabilities, revenues and expenses.

When a Group entity transacts with a joint operation in which a group entity is a joint operator (such a sale or contribution of assets), the Group is considered to be conducting the transaction with the other parties to the joint operations, and gains and losses resulting from the transactions are recognised in the Group's consolidated financial statements only to the extent of other parties' interests in the joint operation.

When a Group entity transacts with a joint operation in which a Group entity is a joint operator (such as a purchase of asset), the Group does not recognise its share of the gains and losses until it resells those assets to a third party.

**Notes to the consolidated financial statements
for the year ended 31 December 2020 (continued)****3 Summary of significant accounting policies (continued)****Interests in joint ventures**

A joint venture is a joint arrangement whereby the Group and other parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control. The results and assets and liabilities of joint ventures are incorporated in these financial statements using the equity method of accounting, except when the investment is classified as held for sale, in which case it is accounted for under IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*. Under the equity method, investments in joint venture are carried in the statement of financial position at cost as adjusted for post-acquisition changes in the Group's share of the net assets of the joint venture, less dividends received and less any impairment in the value of individual investments. The Group's share in the joint venture's results is recorded in profit or loss.

Where the Group transacts with its jointly controlled entities, unrealised profits and losses are eliminated to the extent of the Group's interest in the joint venture.

Development work in progress

Development work in progress consists of property being developed principally for sale and is stated at the lower of cost or net realisable value. Cost comprises all direct costs attributable to the design and construction of the property including direct staff costs. Net realisable value is the estimated selling price in the ordinary course of the business less estimated costs to complete and applicable variable selling expenses.

Revenue recognition

Revenue is measured at an amount that reflects the considerations, to which an entity expects to be entitled in exchange for transferring goods or services to customer, excluding amounts collected on behalf of third parties. The Group recognizes revenue when it transfers control over goods or services to its customers.

Revenue from construction contracts

The Group provides construction services to its customers. Such contracts are entered into before rendering of services begins. Under the terms of the contracts, the Group has enforceable right to payment for work done. Revenue from construction is therefore recognised over time on a cost to cost method based the proportion of contract costs incurred for work performed to date relative to the estimated total contract costs. The management consider that this input method is an appropriate measure of the progress towards complete satisfaction of the performance obligations under IFRS 15.

Where the outcome of a construction contract cannot be estimated reliably, revenue is measured based on the consideration to which the Group expects to be entitled in a contract with a customer and excludes amounts collected on behalf of third parties. Contract costs incurred are amortised over the period of service.

When it is possible that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

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

3 Summary of significant accounting policies (continued)

Revenue recognition (continued)

Revenue from construction contracts (continued)

Costs of contracts include all direct costs of labour, materials, depreciation of property and equipment and costs of subcontracted works, plus an appropriate portion of construction overheads and general and administrative expenses of the year allocated to construction contracts in progress during the year at a fixed rate of the value of work done on each contract.

Contract assets and liabilities

The Group has determined that contract assets and liabilities are to be recognised at the performance obligation level and not at the contract level and both contract assets and liabilities are to be presented separately in the consolidated financial statements. The Group classifies its contract assets and liabilities as current and non-current based on the timing and pattern of flow of economic benefits.

Sale of goods

Revenue from sale of goods is recognised when control of the goods has transferred, being when the goods have been shipped to the customer's specific location (delivery) or at the point the customer purchases the goods at the warehouse or outlet. Following delivery, the customer has full discretion over the manner of distribution and/or utilization and price to sell the goods and has the primary responsibility when on selling the goods and bears the risks of obsolescence and loss in relation to the goods.

A receivable is recognised by the Group when the goods are delivered to the customer as this represents the point in time at which the right to consideration becomes unconditional, as only the passage of time is required before payment is due.

Rendering of services

Revenue from provision of concrete pumping services is recognised upon delivery of such services.

Interest income

Interest income from a financial asset is recognised when it is probable that the economic benefit will flow to the Group and the amount of income can be measured reliably. Interest time is accrued on a timely basis by reference to the principal outstanding and at the interest rate applicable.

Dividend income

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

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

3 Summary of significant accounting policies (continued)

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation less impairment losses, if any. The cost of property, plant and equipment is their purchase cost together with any incidental expense of acquisition.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance expenses are charged to the profit or loss during the financial period in which they are incurred.

Depreciation is charged so as to write off the cost of the property and equipment using the straight-line method over their estimated useful lives as follows:

	Years
Machinery and equipment	1 - 6
Motor vehicles	5
Furniture and fixtures	4
Building	15
Office equipment	3

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

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 profit or loss.

Capital work in progress

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

Intangible assets

Intangible assets are reported at cost less accumulated amortisation and accumulated impairment losses, if any. Amortisation is charged on a straight-line basis over the assets' estimated useful lives. The estimated useful lives of the intangible asset is 5 years.

The estimated useful life and amortisation method are reviewed at the end of each annual reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

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

Investment property, which is property, held to earn rentals and/or for capital appreciation, is carried at cost less accumulated depreciation and impairment losses, if any. Depreciation is calculated using the straight-line method over their expected useful life of investment properties ranges from 5 years to 31 years.

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

The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sale proceeds and the carrying amount of the asset and is recognised in profit or loss.

Investments in associates

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.

The results and assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting, except when the investment is classified as held for sale, in which case it is accounted for in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations. Under the equity method, investments in associates are carried in the consolidated statement of financial position at cost as adjusted for post-acquisition changes in the Group's share of the net assets of the associate, less any impairment in the value of individual investments. Losses of an associate in excess of the Group's interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate) are not recognised, unless the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of the associate recognised at the date of acquisition is recognised as goodwill. The goodwill is included within the carrying amount of the investment and is assessed for impairment as part of that investment. Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognised immediately in profit or loss.

Upon disposal of an associate that results in the Group losing significant influence over that associate, any retained investment is measured at fair value at that date and the fair value is regarded as its fair value on initial recognition as a financial asset in accordance with IFRS 9 Financial Instruments. The difference between the previous carrying amount of the associate attributable to the retained interest and its fair value is included in the determination of the gain or loss on disposal of the associate. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that associate on the same basis as would be required if that associate had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that associate would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) when it loses significant influence over that associate.

Where a Company entity transacts with an associate of the Group, profits and losses are eliminated to the extent of the Group's interest in the relevant associate.

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

At the end of each reporting date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any.

Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash generating units, or otherwise they are allocated to the smallest group of cash generating units for which a reasonable and consistent allocation basis can be identified. Recoverable amount is the higher of fair value less costs to sell and value in use.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in the statement of comprehensive income, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

Inventories

Inventories consisting of materials in transit and materials at the sites of projects not used as of the end of the reporting period, are stated at the lower of cost and net realisable value.

Cost comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. Cost is calculated using the weighted average method. Net realisable value represents the estimated selling price less all estimated costs to completion and costs to be incurred in marketing, selling and distribution.

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of each reporting date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows. When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

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

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

Warranties

Provisions for the expected cost of warranty obligations are recognised at the date of sale of the relevant products, to settle the Group's obligation based on past experience of the Group.

Employee benefits

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

A provision is also made for the full amount of end of service benefit due to non-UAE national employees in accordance with the UAE Labour Law, for their period of service up to the end of the year. The accrual relating to annual leave and leave passage is disclosed as a current liability, while the provision relating to end of service benefit is disclosed as a non-current liability.

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

Leases*The Group as a lessee*

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

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

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

- fixed lease payments (including in-substance fixed payments), less any lease incentives;
- variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- the amount expected to be payable by the lessee under residual value guarantees;
- the exercise price of purchase options, if the lessee is reasonably certain to exercise the options; and
- payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

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

The lease liability is presented as a separate line item in the statement of financial position.

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

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

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.
- the lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using the initial discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used).

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

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

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

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

The Group applies IAS36 to determine whether a right-of-use asset is impaired and accounts for an identified impairment loss as described in the 'Property and equipment' policy.

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

As a practical expedient, IFRS16 permits a lessee not to separate non-lease components, and instead account for any lease and associated non-lease components as a single arrangement. The Group has not used this practical expedient.

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

The Group enters into lease agreements as a lessor with respect to some of its investment property.

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

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

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

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

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

Foreign currencies

For the purpose of these consolidated financial statements, the U.A.E. Dirhams (AED) is the functional and presentation currency of the Group.

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

Exchange differences are recognised in profit or loss in the period in which they arise.

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

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation. All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Financial instruments

Financial assets and financial liabilities are recognised in the Group's consolidated statement of financial position when the Group becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in the statement of profit or loss.

Financial assets

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

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

*Classification of financial assets***(i) Debt instruments designated at amortised cost**

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

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

(ii) Debt instrument designated at other comprehensive income

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

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

3 Summary of significant accounting policies (continued)

Financial instruments (continued)

Financial assets (continued)

(ii) Debt instrument designated at other comprehensive income (continued)

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

Amortised cost and effective interest rate method

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

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

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

For purchased or originated credit-impaired financial assets, the Group recognises interest income by applying the credit-adjusted effective interest rate to the amortised cost of the financial asset from initial recognition. The calculation does not revert to the gross basis even if the credit risk of the financial asset subsequently improves so that the financial asset is no longer credit-impaired.

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

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

3 Summary of significant accounting policies (continued)

Financial instruments (continued)

Financial assets (continued)

(iii) Equity instruments designated as at FVTOCI

On initial recognition, the Group may make an irrevocable election (on an instrument-by-instrument basis) to designate investments in equity instruments as at FVTOCI. Designation at FVTOCI is not permitted if the equity investment is held for trading or if it is contingent consideration recognised by an acquirer in a business combination.

Investments in equity instruments at FVTOCI are initially measured at fair value plus transaction costs. Subsequently, they are measured at fair value with gains and losses arising from changes in fair value recognised in other comprehensive income and accumulated in the investments revaluation reserve. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the equity investments, instead, they will be transferred to retained earnings.

Dividends on these investments in equity instruments are recognised in profit or loss in accordance with IFRS 9, unless the dividends clearly represent a recovery of part of the cost of the investment. Dividends are included in the 'finance income' line item in profit or loss.

(iv) Financial assets at FVTPL

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

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

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss.

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

3 Summary of significant accounting policies (continued)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets

The Group recognises a loss allowance for expected credit losses on investments in debt instruments that are measured at amortised cost or at FVTOCI, lease receivables, trade receivables, contract assets, as well as on financial guarantee contracts. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

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

For all other financial instruments, the Group recognises lifetime ECL when there has been a significant increase in credit risk since initial recognition. However, if the credit risk on the financial instrument has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to 12-month ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition instead of on evidence of a financial asset being credit-impaired at the reporting date.

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

(i) Significant increase in credit risk

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

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

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

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

3 Summary of significant accounting policies (continued)

Financial instruments (continued)

Financial assets (continued)

(i) Significant increase in credit risk (continued)

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

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

(ii) Definition of default

The Group employs statistical models to analyse the data collected and generate estimates of probability of default (“PD”) of exposures with the passage of time. This analysis includes the identification for any changes in default rates and changes in key macro-economic factors across various geographies of the Group.

(iii) Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

- significant financial difficulty of the issuer or the borrower;
- a breach of contract, such as a default or past due event (see (ii) above);
- the lender(s) of the borrower, for economic or contractual reasons relating to the borrower’s financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for that financial asset because of financial difficulties.

Write-off policy

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery.

**Notes to the consolidated financial statements
for the year ended 31 December 2020 (continued)****3 Summary of significant accounting policies (continued)****Financial instruments (continued)****Financial assets (continued)***(iv) Measurement and recognition of expected credit losses*

The measurement of expected credit losses is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information as described above. As for the exposure at default, for financial assets, this is represented by the assets' gross carrying amount at the reporting date; for financial guarantee contracts, the exposure includes the amount drawn down as at the reporting date, together with any additional amounts expected to be drawn down in the future by default date determined based on historical trend, the Group's understanding of the specific future financing needs of the debtors, and other relevant forward-looking information.

For financial assets, the expected credit loss is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the original effective interest rate.

Derecognition of financial assets

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

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss. In addition, on derecognition of an investment in a debt instrument classified as at FVTOCI, the cumulative gain or loss previously accumulated in the investments revaluation reserve is reclassified to profit or loss. In contrast, on derecognition of an investment in equity instrument which the Company has elected on initial recognition to measure at FVTOCI, the cumulative gain or loss previously accumulated in the investments revaluation reserve is not reclassified to profit or loss, but is transferred to retained earnings.

Financial liabilities

All financial liabilities are measured subsequently at amortised cost using the effective interest method or at FVTPL.

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

Financial liabilities at FVTPL are stated at fair value, with any gains or losses arising on changes in fair value recognised in the statement of profit or loss to the extent that they are not part of a designated hedging relationship. The net gain or loss recognised in the statement profit or loss incorporates any interest paid on the financial liability.

However, for financial liabilities that are designated as at FVTPL, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is recognised in statement of other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch statement of in profit or loss. The remaining amount of change in the fair value of liability is recognised in statement of profit or loss. Changes in fair value attributable to a financial liability's credit risk that are recognized in statement of other comprehensive income are not subsequently reclassified to statement of profit or loss; instead, they are transferred to retained earnings upon derecognition of the financial liability.

Gains or losses on financial guarantee contracts issued by the Group that are designated by the Group as at FVTPL are recognised in profit or loss.

Financial liabilities measured subsequently at amortised cost

Financial liabilities that are not designated as FVTPL, are measured subsequently at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the amortised cost of a financial liability.

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

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.

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

While applying the accounting policies as stated in note 3, the management of the Group has made certain judgments, estimates and assumptions that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

4.1 Critical judgment in applying accounting policies

The following critical judgment, apart from those involving estimations in note 4.2 below, has been made by management in the process of applying the Group's accounting policies and has the most significant effect on the amounts recognised in the consolidated financial statements.

Revenue recognition

Management considers recognising revenue over time, if one of the following criteria is met, otherwise revenue will be recognised at a point in time:

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

Capitalisation of costs

Management determines whether the Group will recognise an asset from the costs incurred to fulfil a contract and costs incurred to obtain a contract if the costs meet all the following criteria:

- the costs relate directly to a contract or to an anticipated contract that the Group can specifically identify;
- the costs generate or enhance resources of the Group that will be used in satisfying performance obligations in the future; and
- the costs are expected to be recovered.

Such asset will be amortised on a systematic basis that is consistent with the transfer to the customer of the goods or services to which the asset relates

Contract variations

Contract variations are recognised as revenues only to the extent that it is probable that they will not result in a significant reversal of revenue in subsequent periods. Management considers prior experience, application of contract terms and the relationship with the customers in making their judgement.

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

4 Critical accounting judgments and key sources of estimation of uncertainty (continued)

4.1 Critical judgment in applying accounting policies (continued)

Contract claims

Contract claims are recognised as revenue only when management believes that only to the extent that it is probable that they will not result in a significant reversal of revenue in subsequent periods. Management reviews the judgment related to these contract claims periodically and adjustments are made in the future periods, if assessments indicate that such adjustments are appropriate.

Significant increase in credit risk

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

Classification of properties

In the process of classifying properties, management has made various judgments. Judgment is needed to determine whether a property qualifies as an investment property, property plant and equipment and/or property held for resale. The Group develops criteria so that it can exercise that judgment consistently in accordance with the definitions of investment property, property plant and equipment and property held for resale. In making its judgment, management considered the detailed criteria and related guidance for the classification of properties as set out in IAS 2, IAS 16 and IAS 40, in particular, the intended usage of property as determined by management.

Business model assessment

Classification and measurement of financial assets depends on the results of the SPPI and the business model test. The Group determines the business model at a level that reflects how Groups of financial assets are managed together to achieve a particular business objective. This assessment includes judgement reflecting all relevant evidence including how the performance of the assets is evaluated and their performance measured, the risks that affect the performance of the assets and how these are managed and how the managers of the assets are compensated. The Group monitors financial assets measured at amortised cost or fair value through other comprehensive income that are derecognised prior to their maturity to understand the reason for their disposal and whether the reasons are consistent with the objective of the business for which the asset was held. Monitoring is part of the Group's continuous assessment of whether the business model for which the remaining financial assets are held continues to be appropriate and if it is not appropriate whether there has been a change in business model and so a prospective change to the classification of those assets.

**Notes to the consolidated financial statements
for the year ended 31 December 2020 (continued)****4 Critical accounting judgments and key sources of estimation of uncertainty (continued)****4.1 Critical judgment in applying accounting policies (continued)***Contributed capital*

In the process of classifying a financial instrument, management has made various judgments. Judgment is needed to determine whether a financial instrument, or its component parts, on initial recognition is classified as a financial liability, a financial asset or an equity instrument in accordance with the substance of the contractual arrangement and the definitions of a financial liability, a financial asset and an equity instrument. In making its judgment, management considered the detail criteria and related guidance for the classification of financial instruments as set out in IAS 32, in particular, whether the instrument includes a contractual obligation to deliver cash or another financial asset to another entity and whether it may be settled in the Group's own equity instrument. Based on the criteria, management has concluded that contributed capital is the part of the equity.

4.2 Key sources of estimation uncertainty

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

Determining the lease term

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated). Potential future cash outflows have not been included in the lease liability because it is not reasonably certain that the leases will be extended (or not terminated).

Percentage-of-completion

The Group uses the input method to recognise revenue on the basis of entity's efforts or inputs to the satisfaction of a performance obligation in accounting for its construction contracts. This is done by measuring the costs incurred to date relative to the total expected costs to be incurred (forecast final costs).

At each reporting date, the Group is required to estimate stage of completion and costs to complete on its construction contracts. These estimates require the Group to make estimates of future costs to be incurred, based on work to be performed beyond the reporting date. These estimates also include the cost of potential claims by subcontractors and the cost of meeting other contractual obligations to the customers. Effects of any revision to these estimates are reflected in the year in which the estimates are revised. When it is probable that total contract costs will exceed total contract revenue, the total expected loss is recognised immediately, as soon as foreseen, whether or not work has commenced on these contracts. The Group uses its commercial teams together with project managers to estimate the costs to complete of construction contracts. Factors such as delays in expected completion date, changes in the scope of work, changes in material prices, increase in labour and other costs are included in the construction cost estimates based on best estimates updated on a regular basis.

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

4 Critical accounting judgments and key sources of estimation of uncertainty (continued)

4.2 Key sources of estimation uncertainty (continued)

Useful lives and residual values of property and equipment and intangible asset

Management reviews the estimated useful lives and residual values of property and equipment and intangible asset at the end of each annual reporting period in accordance with IAS 16 *Property, Plant and Equipment* and IAS 38 *Intangible Assets*. Management determined that current year expectations do not differ from previous estimates based on its review.

Impairment of investment in associates

Management regularly reviews its investments in associates for indicators of impairment. This determination of whether investments in associates are impaired entails. Management's evaluation of the specific investee's profitability, liquidity, solvency and ability to generate operating cash flows from the date of acquisition and until the foreseeable future. The difference between the estimated recoverable amount and the carrying value of investment is recognised as an expense in profit or loss. Management is satisfied that no impairment provision is necessary on its investments in associates.

Depreciation of asset over the life of the project

In determining the depreciation charge over the useful lives of assets which are acquired with specific requirements of the project and are utilised on those projects, management has considered the principles of IAS 16 *Property, Plant and Equipment*. On that basis, management has considered the capability of these assets to operate in the manner intended by the project team and management. Based on such assessment, management believes that these assets are acquired specifically for the relevant projects and accordingly, those assets are depreciated over the life of the projects. Remaining estimated useful lives and residual values of property and equipment are reassessed at the end of project in accordance with IAS 16 *Property, Plant and Equipment*.

Calculation of loss allowance

When measuring ECL the Group uses reasonable and supportable forward looking information, which is based on assumptions for the future movement of different economic drivers and how these drivers will affect each other. The Group uses estimates for the computation of loss rates. Loss given default is an estimate of the loss arising on default. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, taking into account cash flows from collateral and integral credit enhancements.

Probability of default constitutes a key input in measuring ECL. Probability of default is an estimate of the likelihood of default over a given time horizon, the calculation of which includes historical data, assumptions and expectations of future conditions. As per ECL model, the allowance for doubtful trade receivables, retention receivables, contract assets and due from related parties (including loan to a related party) is AED 126,908,226 (2019: AED 106,751,855), AED 53,665,661 (2019: AED 45,622,222), AED 25,558,288 (2019: AED 15,809,223) and AED 69,700,973 (2019: AED 87,906,519) respectively as on 31 December 2020.

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

4 Critical accounting judgments and key sources of estimation of uncertainty (continued)

4.2 Key sources of estimation uncertainty (continued)

Allowance for slow moving and obsolete inventories

When inventories become old or obsolete, an estimate is made of their net realisable value. Inventory items are categorised based on their ageing and accordingly different proportions of the value of each category are recognised as a provision for impaired inventory. Allowance for slow moving and obsolete inventories at 31 December 2020 is AED 6,010,133 (2019: AED 6,204,204) as at 31 December 2020.

Impact of COVID-19 – Going concern

The Covid-19 pandemic has caused an unprecedented global crisis with the measures necessary to contain the virus triggering a global economic downturn. Despite the pandemic's outbreak in early 2020, the Company has faced no significant disruptions to business and has proactively managed and put in place mitigating measures to limit the impact on the Company's operations whilst ensuring the highest standards of health, safety and asset reliability are maintained.

The Company has performed an assessment of whether it is a going concern in the light of current economic conditions and all available information about future risks and uncertainties. The projections have been prepared covering the Company's future performance and liquidity. Also, management has assessed and concluded that there is no material impact on estimates and judgements due to the nature of revenue and the conduct of operations of the Company.

The impact of COVID 19 may continue to evolve, but as on the date of issuance of these financial statements, the projections show that the Company has ample resources to continue in operational existence and its going concern position remains largely unaffected and unchanged from 31 December 2019. Also, the Company has embedded the impact of COVID 19 while assessing the following key estimates, but not limited to, impairment loss allowance as per expected credit loss and recoverability of its financial assets, allowance of inventory obsolescence and impairment of investment properties and property, plant and equipment. Further, the Company has implemented procedures and ensured to comply with security and safety measures issued by the ministries and Government of Abu Dhabi to combat COVID 19.

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

5 Property and equipment

	Buildings AED	Machinery and equipment AED	Motor vehicles AED	Furniture and fixtures AED	Office equipment AED	Capital work in progress AED	Total AED
Cost							
At 1 January 2019	233,608,820	814,996,415	264,612,374	23,378,717	24,805,223	22,162,746	1,383,564,295
Additions	1,527,269	44,527,201	9,224,833	315,671	1,225,676	25,644,845	82,465,496
Disposals	-	(1,597,217)	(3,471,447)	-	(1,625)	-	(5,070,289)
Transfers	151,552	11,023,069	232,000	-	111,049	(11,517,670)	-
At 1 January 2020	235,287,641	868,949,468	270,597,760	23,694,388	26,140,323	36,289,921	1,460,959,501
Additions	1,282,389	88,113,830	10,307,445	1,600,750	2,775,826	111,397,529	215,477,767
Transfers	-	1,038,446	-	-	-	(1,038,446)	-
Transfer from investment property (note 7)	-	-	-	-	-	3,085,725	3,085,725
Disposals	-	(8,927,075)	(2,467,901)	(439,663)	-	-	(11,834,639)
At 31 December 2020	236,570,030	949,174,669	278,437,304	24,855,475	28,916,149	149,734,729	1,667,688,356
Accumulated depreciation							
At 1 January 2019	121,512,726	549,319,435	170,434,061	21,744,865	23,435,510	-	886,446,597
Charge for the year	11,893,670	63,451,191	24,005,470	930,420	1,057,880	-	101,338,631
Eliminated on disposals	-	(1,597,217)	(3,058,595)	-	(1,625)	-	(4,657,436)
At 1 January 2020	133,406,396	611,173,409	191,380,936	22,675,286	24,491,765	-	983,127,792
Charge for the year	12,019,320	61,646,008	23,314,716	909,361	1,073,890	-	98,963,295
Eliminated on disposals	-	(7,303,950)	(2,043,476)	(342,973)	-	-	(9,690,399)
At 31 December 2020	145,425,716	665,515,467	212,652,176	23,241,674	25,565,655	-	1,072,400,688
Carrying amount							
At 31 December 2020	91,144,315	283,659,202	65,785,128	1,613,801	3,350,494	149,734,729	595,287,668
At 31 December 2019	101,881,245	257,778,904	79,093,605	1,003,937	1,784,096	36,289,921	477,831,709

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

6 Intangible assets

	Computer software AED
Cost	
At 1 January 2019	6,847,107
Additions	25,250
	<hr/>
At 1 January 2020	6,872,358
Additions	15,200
	<hr/>
At 31 December 2020	6,887,558
	<hr/> <hr/>
Accumulated amortization	
At 1 January 2019	5,963,362
Charge for the year	444,925
	<hr/>
At 1 January 2020	6,408,288
Charge for the year	205,193
	<hr/>
At 31 December 2020	6,613,481
	<hr/> <hr/>
Carrying amount	
At 31 December 2020	274,077
	<hr/> <hr/>
At 31 December 2019	464,070
	<hr/> <hr/>

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

7 Investment properties

	AED
Cost	
At 1 January 2019	127,206,318
Transfer (note 10)	139,508,537
Additions during the year	2,223,474
	<hr/>
At 31 December 2019	268,938,329
Transfer to property and equipment (note 5)	(3,085,725)
Transfer to development work in progress (note 24)	(2,260,000)
Transfer to a related party (note 15)	(139,977,987)
Additions during the year	1,185,303
	<hr/>
	124,799,920
	<hr/> <hr/>
Accumulated depreciation	
At 1 January 2019	4,985,643
Charge for the year	10,127,138
	<hr/>
At 31 December 2019	15,112,781
Charge for the year	9,583,661
Transfer to a related party (note 15)	(9,583,661)
	<hr/>
At 31 December 2020	15,112,781
	<hr/> <hr/>
Carrying amount	
At 31 December 2020	109,687,139
	<hr/> <hr/>
At 31 December 2019	253,825,548
	<hr/> <hr/>

Investment properties as on 31 December 2020, comprise of a residential and hospitality property located in Erbil, Iraq. The property was delivered and available to earn rentals from the financial year 2018, and accordingly the property was capitalized and started earning rental income from the year 2018.

Also, the Group had a hotel and retail building at Grozny, Chechnya which was delivered and available to earn rentals in 2019, and accordingly depreciated during the current and prior year. As on 31 December 2020, the Shareholders approved to transfer the hotel at Grozny, Chechnya to Royal Group LLC (a related party and Ultimate Parent Company) and adjust this transfer against the contributed capital of the Group. refer note 15 and 18.

The valuation of the property was determined by reference to straight capitalisation approach (investment method) having regard to market rental potential and transactional evidence, as well as general market knowledge of such investments in the local market. The fair value of investment property is estimated as equal to its carrying value. Investment property was classified as level 3 in the fair value hierarchy. No external independent valuation has been performed for the investment property as at 31 December 2020 and 2019. Management believes that the carrying amount is representative for the fair value at the end of the reporting period and is within level 3 of fair value hierarchy.

The property rental income earned by the Group from its investment properties amounted to AED 17.6 million (2019: AED 16.9 million) and incurred cost of in respect of investment property of AED 7.1 million (2019: AED 13.4 million).

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

8 Investment in associates

	2020	2019
	AED	AED
At 1 January	4,092,406	12,201,189
Share of profit for the year	954,028	143,636
Dividends received	(2,340,000)	(8,252,419)
	<hr/>	<hr/>
At 31 December	2,706,434	4,092,406
	<hr/> <hr/>	<hr/> <hr/>

All of the below associates are accounted for using the equity method in these consolidated financial statements as set out in the Group's accounting policies in note 3. Details of the Group's associates at the statement of financial position date are as follows:

Name of associates	Proportion of ownership interest and voting power held		Place of registration and operation	Principal activities
	2020	2019		
Century Real Estate Management LLC	18%	18%	U.A.E.	Management of labour camps and accommodation, real estate enterprise investment, development institution and management.
Abu Dhabi Mountain Gate Property Investment LLC	18%	18%	U.A.E.	Real estate enterprise investment, development, institution and management.
Al Jazira Technical Solutions & Consulting LLC *	35%	35%	U.A.E.	Consulting in computer device and equipment domain, Wholesale of Computer Outfit and Data Processing Trading Wholesale of Computers And Outfit Trading.

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

8 Investment in associates (continued)

Latest available financial information in respect of the Group's associates are summarised below:

	2020 AED	2019 AED
Non-current assets	1,494,678	2,958,016
Current assets	30,109,087	30,560,215
Total assets	31,603,765	33,518,231
Non-current liabilities	1,248,193	1,092,190
Current liabilities	14,511,188	15,905,125
Total liabilities	15,759,381	16,997,315
Net assets	15,844,384	16,520,916
Group's share of net assets	2,706,434	4,092,406

The share in profit of associates has been recognised as follows:

	2020 AED	2019 AED
Revenue	40,917,420	43,915,455
Profit for the year	7,323,465	5,300,005
Group's share of profit for the year	954,028	143,636

9 Investment in joint venture

	2020 AED	2019 AED
At 1 January	-	-
Share of profit for the year	7,657,526	-
Dividends received	-	-
At 31 December	7,657,526	-

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

9 Investment in joint venture (continued)

The below joint venture is accounted for using the equity method in these consolidated financial statements as set out in the Group's accounting policies in note 3. Details of the Group's joint venture at the consolidated statement of financial position date is as follows:

Name of joint venture	Proportion of ownership interest and voting power held		Place of registration and operation	Principal activities
	2020	2019		
China Railway Construction Corporation Abu Dhabi Branch (CRCC) and National Projects Construction LLC (NPC) Joint venture CRCC-NPC JV"	49%	Nil	U.A.E.	Construction

Latest available financial information in respect of the Group's joint venture are summarised below:

	2020 AED	2019 AED
Non-current assets	96,000	-
Current assets	400,953,513	-
Total assets	401,049,513	-
Non-current liabilities	-	-
Current liabilities	385,421,909	-
Total liabilities	385,421,909	-
Net assets	15,627,603	-
Group's share of net assets	7,657,526	-

The share in profit of joint venture has been recognised as follows:

	2020 AED	2019 AED
Revenue	337,698,083	-
Profit for the year	15,627,603	-
Group's share of profit for the year	7,657,526	-

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

10 Inventories

	2020	2019
	AED	AED
Material and other consumables	167,985,113	116,295,221
Stock in central stores	27,011,127	25,211,399
Less: allowances for inventory obsolescence	(6,010,133)	(6,204,204)
	188,986,107	135,302,416

The movement in the allowance for stock obsolescence during the current and prior years is as follows:

	2020	2019
	AED	AED
At 1 January	6,204,204	8,265,610
Reversed during the year	(194,071)	(2,061,406)
At 31 December	6,010,133	6,204,204

11 Trade and other receivables

	2020	2019
	AED	AED
Trade receivables	1,196,683,495	744,462,316
Less: impairment loss allowance	(126,908,226)	(106,751,855)
Net trade receivables	1,069,775,269	637,710,461
Retention receivables	937,984,969	824,555,124
Less: impairment loss allowance	(53,665,661)	(45,622,222)
Net retention receivable	884,319,308	778,932,902
Advances to suppliers	110,263,604	128,057,042
Less: impairment loss allowance	(1,798,180)	(1,798,180)
Net advances to suppliers	108,465,424	126,258,862
Prepayments	94,096,721	106,714,090
Other receivables	28,974,877	29,418,915
	2,185,631,601	1,679,035,230

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

11 Trade and other receivables (continued)

The average credit period on rendering of services is 30 days. No interest is charged on trade and other receivables. Before accepting any new customer, the Group assesses the potential credit quality of the customer.

Before accepting any new customer, the Group assesses the potential credit quality of this customer. Out of the trade receivables balance at the end of the reporting period, AED 650 million (2019: AED 295 million) representing 54% (2019: 40%) of the trade receivables are due from the five (2019: five) major customers of the Group.

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

The following table shows the movement in lifetime ECL that has been recognised for trade receivables and retention receivables in accordance with the simplified approach set out in IFRS 9.

	Collectively assessed AED	Individually assessed AED	Total AED
<i>Trade receivables</i>			
At 1 January 2019	67,811,172	45,036,633	112,847,805
Net re-measurement of loss allowance	(11,112,370)	5,016,420	(6,095,950)
	<hr/>	<hr/>	<hr/>
At 1 January 2020	56,698,802	50,053,053	106,751,855
Net re-measurement of loss allowance	8,804,166	11,352,205	20,156,371
	<hr/>	<hr/>	<hr/>
At 31 December 2020	65,502,968	61,405,258	126,908,226
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
<i>Retention receivables</i>			
At 1 January 2019	45,991,673	3,105,904	49,097,577
Net re-measurement of loss allowance	(11,912,032)	8,436,677	(3,475,355)
	<hr/>	<hr/>	<hr/>
At 1 January 2020	34,079,641	11,542,581	45,622,222
Net re-measurement of loss allowance	2,235,733	5,807,706	8,043,439
	<hr/>	<hr/>	<hr/>
At 31 December 2020	36,315,374	17,350,287	53,665,661
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
<i>Advances to suppliers</i>			
At 1 January 2019 and 2020	-	1,798,180	1,798,180
Net re-measurement of loss allowance	-	-	-
	<hr/>	<hr/>	<hr/>
At 31 December 2020	-	1,798,180	1,798,180
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

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

12 Contract assets

Amounts relating to contract assets are balances due from customers under construction contracts that arise when the Group receives payments from customers in line with a series of performance related milestones. The Group will previously have recognised a contract asset for any work performed. Any amount previously recognised as a contract asset is reclassified to trade receivables at the point at which it is invoiced to the customer.

	2020	2019
	AED	AED
<i>Contract assets</i>		
Contract assets – third parties	1,097,027,693	838,563,185
Contract assets – related parties (note 14)	286,999,977	173,940,606
Less: impairment loss	(25,558,288)	(15,809,223)
	1,358,469,382	996,694,568

Management of the Group always measure the loss allowance on amounts due from customers at an amount equal to lifetime ECL, taking into account the historical default experience and the future prospects of the construction industry.

The following table shows the movement in lifetime ECL that has been recognised for contract assets in accordance with the simplified approach set out in IFRS 9:

	Collectively assessed AED	Individually Assessed AED	Total AED
Balance as at 1 January 2019	8,830,741	-	8,830,741
Net re-measurement of loss allowance	(1,336,295)	8,314,777	6,978,482
Balance as at 1 January 2020	7,494,446	8,314,777	15,809,223
Net re-measurement of loss allowance	(2,018,507)	11,767,572	9,749,065
Balance as at 31 December 2020	5,475,939	20,082,349	25,558,288

All of the contract assets are current as on 31 December 2020 and 2019.

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

13 Leases

Right of use asset

The recognised right-of-use asset relate to following;

- i. a plot of land in Dubai, leased for a period of 3 year commencing from January 2019,
- ii. two plots of land in Abu Dhabi Zone Corporation for a period of 30 years and 18 years commencing from October 2007 and July 2018 respectively,
- iii. a plot of land in Reem Island Abu Dhabi, for a period of 5 years commencing from July 2017,
- iv. a plot of land in Yas Island, Abu Dhabi, for a period of 5 years commencing from November 2017,
- v. a plot of land in DIC, for a period of 30 years commencing from October 2016.

The associated right-of-use asset was measured at the amount equal to the lease liability. There were no onerous lease contracts that would have required an adjustment to the right-of-use asset at the date of initial application. The movement in right of use asset during the year is as follows:

	2020	2019
	AED	AED
At 1 January	79,365,954	74,517,549
Addition during the year	-	12,003,579
Amortisation for the year	(8,528,041)	(7,155,174)
	<hr/>	<hr/>
At 31 December	70,837,913	79,365,954
	<hr/> <hr/>	<hr/> <hr/>

Lease liabilities

Movement of lease liability during the year ended 31 December 2020 is as follows:

	2020	2019
	AED	AED
At 1 January	78,749,975	74,517,549
Add: Additions	4,783,402	12,003,579
Less: payment of lease liabilities	(10,168,077)	(7,771,153)
	<hr/>	<hr/>
At 31 December	73,365,300	78,749,975
	<hr/> <hr/>	<hr/> <hr/>

Lease liabilities as of 31 December 2020 is presented in the consolidated statement of financial position as follows:

	2020	2019
	AED	AED
Amounts due for settlement within 12 months	10,075,644	7,554,918
Amounts due for settlement after 12 months	63,289,656	71,195,057
	<hr/>	<hr/>
	73,365,300	78,749,975
	<hr/> <hr/>	<hr/> <hr/>

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

13 Leases (continued)

Lease liabilities (continued)

The Group does not face a significant liquidity risk with regard to its liabilities. Lease liabilities are monitored within the Group's treasury function.

Amounts recognised in statement of profit and loss and other comprehensive income during the year is as follows:

	2020	2019
	AED	AED
Amortization on right-of-use assets	8,528,041	7,155,174
Finance cost of lease liabilities	4,783,402	1,930,415
	13,311,443	9,085,589

14 Cash and cash equivalents

	2020	2019
	AED	AED
Cash in hand	6,018,093	8,691,409
Cash at bank	611,003,430	606,908,839
Short term deposit	14,811,171	24,864,733
	631,832,694	640,464,981
Less: Impairment loss allowance	(4,684)	(5,393)
Cash and bank balances	631,828,010	640,459,588
Less: bank overdrafts (note 19)	(144,519,799)	(229,618,042)
Less: short term deposit having maturity more than three months	(12,538,288)	(23,483,400)
Cash and cash equivalents	474,769,923	387,358,146

Fixed deposits are held by the banks are restricted deposits for issuance of letters of guarantee and are not available for day to day operations of the Group. Interest is earned on these deposits carries interest ranges from 0.5% to 2% (2019: 0.65% to 2%).

Balances with banks are assessed to have low credit risk of default since these banks are highly regulated by the central banks of the respective countries. Accordingly, management of the Group estimates the loss allowance on balances with banks at the end of the reporting period at an amount equal to 12 month ECL. None of the balances with banks at the end of the reporting period are past due, and taking into account the historical default experience and the current credit ratings of the bank, the management of the Group have assessed that there is no impairment, and hence have not recorded any loss allowances on these balances.

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

15 Related parties

Related parties are the Shareholders, key management and the entities in which the Shareholders have the ability to control or exercise significant influence in the operating and financial decisions. The Group maintains balances with the related parties that arise from commercial transactions at agreed rates between related parties as follows:

	2020 AED	2019 AED
Due from related parties:		
Al Tamouh Investments Company LLC	83,952,616	181,385,169
TSL Properties (ii)	31,027,759	31,027,759
Royal Development Company LLC (i)	21,280,038	29,865,212
Hareb Hashel Saleem Hashe	11,883,783	12,383,783
Royal Group Procurement LLC	4,189,592	-
Barari Forest Management LLC	2,117,434	3,366,058
Royal Technology Solution LLC	1,536,866	2,788,090
Beijing Construction Engineering	1,200,000	1,200,000
Gulf Dunes Landscaping and Agricultural Services LLC (i)	35,094	610,404
Crown Prince Court	-	3,379,140
Royal Group Holding LLC (i)	-	65,000,000
Hydra Properties LLC (i)	-	45,915,296
Al Ajban Poultry Farms LLC (i)	-	42,635,684
Tafseer Contracting and Gen.Maint. CO. LLC (i)	-	19,906,725
Pal Technology Services LLC (i)	-	18,574,352
Royal Group Companies Management (i)	-	7,838,895
Others	7,326,493	509,148
	<hr/>	<hr/>
	164,549,675	466,385,715
Less: impairment loss allowance	(69,700,973)	(87,906,519)
	<hr/>	<hr/>
	94,848,702	378,479,196
	<hr/> <hr/>	<hr/> <hr/>
Due to related parties:		
NPC-CRCC ETIHAD JV	27,060,974	-
Royal Group Holding LLC	11,000,000	3,959,725
Office of HH Sheikh Tahnoon	5,338,343	6,238,344
Multiply Marketing Consultancy	252,463	313,950
Al Jaraf Travel Tourism and Logistics	-	192,064
Zee Stores	-	95,150
H2O Interior Design LLC	-	714,317
	<hr/>	<hr/>
	43,651,780	11,513,550
	<hr/> <hr/>	<hr/> <hr/>
Loan from a related party	13,300,000	18,750,295
	<hr/> <hr/>	<hr/> <hr/>

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

15 Related parties (continued)

	2020	2019
	AED	AED
Loan to a related party:		
Al Shurfa Real Estate Investments LLC	-	5,240,644
Less: impairment allowance	-	(5,240,644)
	-----	-----
	-	-
	=====	=====
Contract assets (note 11)	286,999,977	173,940,606
	-----	-----
Contract liabilities – amounts related to construction contracts (note 21)	15,314,148	3,518,103
	-----	-----

Loan from a related party represents loan provided by Royal Group to finance the working capital requirements of the Group. Loan is subject to interest at the rate of 7.19% per annum (2019: 7.19% per annum). The lender waived the interest accrued on the loan in the current year.

The following table shows the movement in lifetime ECL that has been recognised for due from related parties and loan to a related party in accordance with the simplified approach set out in IFRS 9.

	Collectively assessed AED	Individually Assessed AED	Total AED
Due from related parties			
Balance as at 1 January 2019	4,372,124	98,746,498	103,118,622
Net re-measurement of loss allowance	(662,200)	(14,549,903)	(15,212,103)
	-----	-----	-----
Balance as at 1 January 2020	3,709,924	84,196,595	87,906,519
Net re-measurement of loss allowance	(227,498)	1,927,448	1,699,950
Write off during the year	-	(19,905,496)	(19,905,496)
	-----	-----	-----
Balance as at 31 December 2020	3,482,426	66,218,547	69,700,973
	=====	=====	=====
Loan to a related party			
Balance as at 1 January 2019 and 2020	-	5,240,644	5,240,644
Net re-measurement of loss allowance	-	-	-
Write off during the year	-	(5,240,644)	(5,240,644)
	-----	-----	-----
Balance as at 31 December 2020	-	-	-
	=====	=====	=====

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

15 Related parties (continued)

Significant transactions with related parties during the year comprise:

	2020	2019
	AED	AED
Management and remuneration fees	18,105,653	18,108,909
Revenue from contracts	262,423,656	41,030,275
Subcontracting costs/expenses	6,237,176	8,256,215
General and administration expenses/staff costs	98,233,142	75,390,714
Waiver of related party balances (i)	253,272,421	-
Transfer of investment property (ii) (note 8)	130,394,326	-
Netting off of advances against due to related parties (note 17)	-	20,000,000

(i) As on 31 December 2020, the shareholders of the Group by way of a resolution agreed to waive certain related parties' balances against retained earnings of the Group.

(ii) As on 31 December 2020, the Shareholders approved to transfer the investment property which represents a hotel at Grozny, Chechnya to Royal Group LLC (a related party). Also, it was approved to adjust the transfer of property against the contributed capital of the Group.

Revenue generated from related parties and purchases of goods and services are based on terms and conditions as agreed between the parties.

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

16 Share capital

The share capital of the Company comprises of 1,000 ordinary shares with par value of AED 300 each.

	31 December 2020 and 2019	
	No. of Shares	Value AED
Royal Group Holding LLC	999	299,700
Royal Group Companies Management LLC	1	300
	1,000	300,000
	1,000	300,000

17 Statutory reserve and restricted reserve

In accordance with the UAE Federal Law No. (2) of 2015 concerning Commercial Companies and the Company's Articles of Association, 10% of the Group's net profit is transferred to a non-distributable statutory reserve. The Group may resolve to discontinue such annual transfers when the reserve equals 50% of the capital. This reserve is not available for distribution.

The statutory reserves of the subsidiaries have been transferred to the restricted reserve and this amount is not available for distribution.

18 Contributed capital

	2020 AED	2019 AED
Contributed capital	214,335,312	357,610,312
	214,335,312	357,610,312

In prior years, in accordance with a shareholder's resolution, the Group converted a balance amounting to AED 6.03 million, which was due to the ultimate beneficial owner ("the Owner") of the Group, into contributed capital.

In 2018, a land was transferred by the Owner of Royal Group LLC, ultimate parent company, to the Group. The land was recorded as development work in progress and treated as an asset contribution towards the Group and accordingly recorded as contributed capital of AED 144.5 million (refer note 23).

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

18 Contributed capital (continued)

Also, in 2018, contributed capital of AED 83.8 million on acquisition on subsidiaries under common control was recorded which was given to the Group by the Ultimate Owner.

In 2019, in accordance with a shareholder's resolution, the Group converted an additional balance amounting to AED 143.27 million, which was given to the Group by the Ultimate Owner into contributed capital.

Further in 2019, as per the instruction from Royal Group advance of AED 20 million received in 2013, was netted off against due to related parties balance (note 14).

In 2020, in accordance with a shareholder's resolution, the Group transferred its investment property which represents a Hotel in Grozny, Chechnya to Royal Group LLC (a related party) against capital contribution. The said property was given to the Group by the Ultimate Owner in the year 2019 thru capital contribution of AED 143.27 million refer note 8.

Under the terms of the arrangement with the Owner, there is no obligation on the Group to repay these amounts under any circumstances and any repayment entirely at the discretion of the Group. In addition, the terms of the agreement specify that, on dissolution of the Group, the rights, benefits and obligations in the residual net asset and liabilities, attached to the contributed capital, shall rank pari pasu with those attached to the share capital of the Group. Therefore, these contributed capitals are more akin to equity instrument rather than liabilities, and accordingly are presented within equity.

19 Provision for employees' end of service benefit

	2020	2019
	AED	AED
At 1 January	107,633,543	95,556,829
Charge for the year	21,143,423	22,756,334
Paid during the year	(7,908,822)	(10,679,620)
	<hr/>	<hr/>
At 31 December	120,868,144	107,633,543
	<hr/> <hr/>	<hr/> <hr/>

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

20 Bank overdrafts

	2020	2019
	AED	AED
Bank overdraft	144,519,799	229,618,042

Bank overdraft facilities were availed from various banks. In prior year, bank overdraft facilities were obtained from local banks which are secured by approved payment certificate received from projects. Bank overdrafts are payable on demand. The interest rates payable on bank overdrafts are linked to the inter-bank lending rates.

21 Trade and other payables

	2020	2019
	AED	AED
Trade payables	802,712,413	566,760,692
Accrued liabilities	421,480,421	400,005,081
Provision for project expenses	502,164,049	420,485,693
Retentions payable	306,741,538	261,033,640
Provision for delay penalty	175,856,865	118,200,000
Notes payable	28,999,046	54,082,443
Provision for project anticipated future losses	25,427,602	28,203,706
Other payables	289,153,537	266,556,636
	2,552,535,471	2,115,327,890

The average credit period on purchases is 60 days. The Group has financial risk management policies in place to ensure that all payables are paid within the credit timeframe. No interest is charged on trade and other payables.

Movement in provision for delay penalties during the years is as follows:

	2020	2019
	AED	AED
At 1 January	118,200,000	118,650,000
Transfer from provision for project expenses/ accrued liabilities, net	22,750,000	-
Charge/(reversal) for the year	34,906,865	(450,000)
At 31 December	175,856,865	118,200,000

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

21 Trade and other payables (continued)

Movement in provision for project anticipated future losses during the years is as follows:

	2020	2019
	AED	AED
At 1 January	28,203,706	4,834,611
Charge for the year	-	28,203,706
Transfer during the year	-	-
Reversal during the year	(2,776,104)	(4,834,611)
	<hr/>	<hr/>
At 31 December	25,427,602	28,203,706
	<hr/> <hr/>	<hr/> <hr/>

22 Contract liabilities

	2020	2019
	AED	AED
Amounts related to construction contracts (i)	211,158,062	140,363,706
Amounts received in advances from customers (ii)	837,744,387	547,091,145
	<hr/>	<hr/>
	1,048,902,449	687,454,851
	<hr/> <hr/>	<hr/> <hr/>

- (i) Contract liabilities relating to construction contracts are balances due to customers under construction contracts. These arise if a particular milestone payment exceeds the revenue recognised to date under the input method.
- (ii) Revenue is recognised when control of the goods has transferred to the customer, being at the point the goods are delivered to the customer. When the customer paid for the goods before the promised goods and service provided to the customer, the transaction price received the Group is recognised as contract liability until the control of promised goods and services transferred to the customer.

Allocation of amounts related to construction contracts is as under:

	2020	2019
	AED	AED
<i>Amounts related to construction contracts</i>		
- current	211,158,062	140,363,706
- non-current	-	-
	<hr/>	<hr/>
	211,158,062	140,363,706
	<hr/> <hr/>	<hr/> <hr/>

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

22 Contract liabilities (continued)

Amounts related to construction contracts from external customers and related parties as on yearend are as under;

	2020 AED	2019 AED
<i>Amounts related to construction contracts</i>		
- third parties	195,843,914	136,845,603
- related parties (note 14)	15,314,148	3,518,103
	211,158,062	140,363,706

23 Bank borrowings

Bank borrowings included in the statement of financial position comprise the following:

	2020 AED	2019 AED
Term loan facility	127,299,827	151,299,827
Conventional financing facility	98,352,021	16,702,930
Other facilities	126,613,000	150,613,000
	352,264,848	318,615,757
<i>Allocation of bank borrowings is as under;</i>		
Non-current	238,231,284	143,315,930
Current	114,033,564	175,299,827
	352,264,848	318,615,757

Term loan facility

In prior years, the Group obtained two term loan facilities from a commercial bank in Abu Dhabi, United Arab Emirates. The facilities carries interest at prevailing market rates ranges from 2% to 3% plus 6 months EIBOR.

- The first loan of AED 55.3 million is repayable in various instalments with no fixed maturity date, and the same will be settled from the retention proceeds of the specific projects for which this loan was obtained.
- The second loan of AED 72 million is repayable in fixed instalments on quarterly basis and final maturity of the remaining balance will be due on December 2023.

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

23 Bank borrowings (continued)

The term loans are secured by irrecoverable corporate guarantees from the Shareholders and irrecoverable assignment of project proceeds.

Conventional financing facilities

During the current and prior year, Group obtained several heavy equipment loans for purchase of vehicles. The total facility amount is repayable within 48 months at agreed profit. All vehicles purchased under the Conventional financing facilities are pledged in favour of the bank.

Other facilities

During September 2018, both loans renegotiated with the bank and rescheduled with the remaining principal amount i.e. 174,613,000 and payable in quarterly installments of AED 6 million each commencing 31 December 2018 with final settlement due on 30 September 2023 with remaining balance. The loan bear interest at the rate of 3 months EIBOR plus 2.5% per annum and total AED 24 million loan repayment over 4 installments will be due by 31st December 2021.

24 Development work in progress

Development in work progress represents a plot of land in Sharjah, United Arab Emirates. Management has intentions to develop and resale the land, and accordingly this has been classified as development work in progress. Movement of the year is as follows:

	2020	2019
	AED	AED
At 1 January	144,500,000	144,500,000
Transfer from investment property (note 7)	2,260,000	-
	<hr/>	<hr/>
At 31 December	146,760,000	144,500,000
	<hr/> <hr/>	<hr/> <hr/>

Above transfer from ultimate owner of land is made as an asset contribution towards the Group and recorded as contributed capital of AED 144.5 million (refer note 18).

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

25 Revenue

The Group derives its revenue from contracts with customers in respect of construction contracts overtime and sales of goods at point in time as follow:

	2020	2019
	AED	AED
<i>Disaggregation of revenue – over time</i>		
Construction contracts	3,577,106,678	3,467,867,185
<i>Disaggregation of revenue – point in time</i>		
Sales of goods	207,877,326	237,814,548
	3,784,984,004	3,705,681,733

The transaction price allocated to (partially) unsatisfied performance obligations at 31 December 2020 and 2019 are as set out below.

	2020	2019
	AED	AED
Construction contracts - unsatisfied performance obligations	10,218,600,095	10,330,546,140

26 Direct costs

	2020	2019
	AED	AED
Material costs	1,421,468,564	1,146,450,695
Subcontractor costs	798,749,211	993,692,685
Staff costs	653,684,394	658,083,244
Depreciation of property, plant and equipment (note 5)	92,038,177	95,360,378
Amortization of right of use asset (note 13)	5,776,417	5,683,630
Amortisation of intangible assets	-	132,134
Other direct costs	480,856,503	430,106,344
	3,452,573,266	3,329,509,110

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

27 General and administrative expenses

	2020	2019
	AED	AED
Staff costs	61,339,001	86,029,958
Management fee	19,517,781	18,917,257
Depreciation of property, plant and equipment (note 5)	6,925,118	5,978,252
Utilities- Fuel for vehicles	646,834	2,520,917
Maintenance	2,471,514	1,958,255
Amortisation of intangible assets (note 6)	205,193	312,791
Amortisation of right of use asset (note 13)	2,751,625	1,471,544
Others	5,622,722	52,788,282
	99,479,788	169,977,256

28 Other income

	2020	2019
	AED	AED
Scrap sales	9,301,769	6,694,090
Investment income, net	9,536,601	5,921,617
Gain on sale of property, plant and equipment	31,810	1,040,325
Others	10,124,884	6,668,330
	28,995,064	20,324,362

29 Contingent liabilities

	2020	2019
	AED	AED
Bank guarantees	4,347,759,424	3,305,478,177
Letters of credit	478,853,238	61,083,367
Capital commitment	106,300,665	209,414,275

The above bank guarantees, and letters of credit are issued in the normal course of business.

Capital commitments is in respect of construction of Trojan labour camp at Al Qudra International Village, Al Khatim Abu Dhabi.

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

30 Material non-controlling interests

Summarised financial information of the Group's subsidiary that has material non-controlling interests is set out below. The summarized financial information below represents amounts before intragroup eliminations.

	-----Reem Ready mix-----	
	2020	2019
	AED	AED
Current Assets	136,762,104	145,558,653
Non-current assets	60,019,073	64,001,850
Current liabilities	114,887,337	112,352,601
Non-current liabilities	4,573,482	5,750,479
Net equity	77,320,358	91,457,423
Revenue	159,758,028	193,942,307
Expenses	(174,837,061)	(194,634,675)
Loss for the year	(15,079,033)	(692,368)
Total comprehensive loss for the year	(15,079,033)	(692,368)
Net cash inflow from operating activities	14,095,272	9,758,094
Net cash outflow from investing activities	(9,041,810)	(14,788,736)
Net cash outflow from financing activity	(509,931)	(2,011,062)
Net cash inflow/(outflow)	4,543,531	(7,041,704)

**Notes to the consolidated financial statements
for the year ended 31 December 2020 (continued)****31 Financial instruments****Significant accounting policies**

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset, financial liability and equity instrument are disclosed in note 3 to the consolidated financial statements.

Financial risk management objectives

The Group's finance department monitors and manages the financial risks relating to the operations of the Group. These risks include credit risk and liquidity risk. The Group does not enter into or trade in derivative financial instruments for speculative or risk management purposes.

The Group does not have significant exposure to foreign currency risk as all of its monetary assets and liabilities are denominated in UAE Dirhams.

Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Group's income or the value of its holdings of financial instruments. The Group enters into a variety of derivative financial instruments to manage its exposure to foreign currency risk and interest rate risk. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return. The Group's activities expose it primarily to the financial risks of changes in foreign currency exchange rates and interest rates.

Credit risk management

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. As at 31 December 2020, the Group's maximum exposure to credit risk without taking into account any collateral held or other credit enhancements, which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties and financial guarantees provided by the Group arises from the carrying amount of the respective recognised financial assets as stated in the statement of financial position.

In order to minimise credit risk, the management develop and maintain the Group's credit risk gradings to categorise exposures according to their degree of risk of default. The credit rating information is supplied by independent rating agencies where available and, if not available, management uses other publicly available financial information and the Group's own trading records to rate its major customers and other debtors. The Group's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties.

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

31 Financial instruments (continued)

Credit risk management (continued)

The tables below detail the credit quality of the Group's financial assets, contract assets and financial guarantee contracts, as well as the Group's maximum exposure to credit risk by credit risk rating grades.

	Note	External credit ratings	Internal credit ratings	12 month or lifetime ECL	Gross carrying amount	Loss allowance	Net carrying amount
31 December 2020							
Trade receivables	11	N/A	(i)	Lifetime ECL	1,196,683,495	(126,908,226)	1,069,775,269
Retention receivables	11	N/A	(i)	Lifetime ECL	937,984,969	(53,665,661)	884,319,308
Contract assets	12	N/A	(i)	Lifetime ECL	1,358,369,373	(25,558,288)	1,332,811,085
Due from related parties	15	N/A	(i)	12-month ECL	164,549,675	(69,700,973)	94,848,702
Bank balances	14	BB	N/A	12-month ECL	631,832,694	(4,684)	631,828,010
Other receivables	11	N/A	(i)	12-month ECL	28,974,877	-	28,974,877
31 December 2019							
Trade receivables	11	N/A	(i)	Lifetime ECL	744,462,316	(106,751,855)	637,710,461
Retention receivables	11	N/A	(i)	Lifetime ECL	824,555,124	(45,622,222)	778,932,902
Contract assets	12	N/A	(i)	Lifetime ECL	1,012,503,791	(15,809,223)	996,694,568
Due from related parties	15	N/A	(i)	12-month ECL	466,385,715	(87,906,519)	378,479,196
Bank balances	14	BB	N/A	12-month ECL	640,464,981	(5,393)	640,459,588
Other receivables	11	N/A	(i)	12-month ECL	29,418,915	-	29,418,915

- (i) For trade receivables, retention receivables and contract assets, the Group has applied the simplified approach in IFRS 9 to measure the loss allowance at lifetime ECL. The Group determines the expected credit losses on these items by using a provision matrix, estimated based on historical credit loss experience based on the past due status of the debtors, adjusted as appropriate to reflect current conditions and estimates of future economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecast direction of conditions at the reporting date. Accordingly, the credit risk profile of these assets is presented based on their past due status in terms of the provision matrix.

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

31 Financial instruments (continued)

Credit risk management (continued)

The impairment loss allowance for trade and retention receivables as at 31 December 2020 (on adoption of IFRS 9) was determined as follows:

Trade receivables and retention receivables

	Government t customers	Major Developers	Others	Individually assessed	Total
	<i>Collectively assessed</i>	<i>Collectively assessed</i>	<i>Collectively assessed</i>	<i>Individually assessed</i>	AED
	AED	AED	AED	AED	AED
31 December 2020					
Expected credit loss rate	0.05%	0.85%	26.3%	100%	
Trade and retention receivables	218,285,183	1,499,644,513	337,983,223	78,755,545	2,134,668,464
Less: loss allowance	106,438	12,805,524	88,906,379	78,755,545	180,573,887
31 December 2019					
Expected credit loss rate	0.03%	0.43%	20.17%	100%	
Trade and retention receivables	193,254,037	882,944,431	431,223,338	61,595,634	1,569,017,440
Less: loss allowance	49,685	3,768,088	86,960,670	61,595,634	152,374,077

As per ECL model, the allocation of above allowances for doubtful trade receivables and retention receivables is AED 126,908,226 (2019: AED 106,751,855) and AED 53,665,661 (2019: AED 45,622,222) respectively as on year-end.

The following table details the risk profile of trade receivables based on the Group's provision matrix.

	Trade receivables - days past due					Total AED
	Not past due AED	31-90 AED	91-180 AED	181-365 AED	> 365 AED	
31 December 2020						
Trade receivables	357,024,129	301,309,689	177,957,632	97,907,161	262,484,885	1,196,683,495
31 December 2019						
Trade receivables	113,201,805	356,042,728	91,951,811	41,721,673	141,544,299	744,462,316

**Notes to the consolidated financial statements
for the year ended 31 December 2019 (continued)**

31 Financial instruments (continued)

Credit risk management (continued)

The impairment loss allowance for due from related parties as at 31 December 2020 (on adoption of IFRS 9) was determined as follows:

Due from related parties

	Collectively assessed AED	Individually assessed AED	Total AED
31 December 2020			
Expected credit loss rate	3.54%	100%	
<i>Due from related parties</i>	98,331,128	66,218,547	164,549,675
Less: loss allowance	3,482,426	66,218,547	69,700,973
	<hr/>	<hr/>	<hr/>
31 December 2019			
Expected credit loss rate	0.97%	100%	
<i>Due from related parties</i>	382,189,120	84,196,595	466,385,715
Less: loss allowance	3,709,924	84,196,595	87,906,519
	<hr/>	<hr/>	<hr/>

Liquidity risk

Ultimate responsibility for liquidity risk rests with the Shareholders' team, which has built an appropriate liquidity risk management framework for the planning of the Group's short, medium and long-term funding and liquidity management requirements.

The Group manages liquidity risk by maintaining adequate reserves by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities. The following tables detail the Group's remaining contractual maturity for its non-derivative financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay.

	Current less than 1 year AED	Non-current greater than 1 year AED
31 December 2020		
Trade and other payables	2,552,535,471	-
Bank borrowings	114,033,564	238,231,284
Bank overdraft	144,519,799	-
Due to related parties	43,651,780	-
Lease liabilities	10,075,644	63,289,656
	<hr/>	<hr/>
	2,864,816,258	301,520,940
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**Notes to the consolidated financial statements
for the year ended 31 December 2019 (continued)**

31 Financial instruments (continued)

Liquidity risk (continued)

	Current less than 1 year AED	Non-current greater than 1 year AED
31 December 2019		
Trade and other payables	2,115,327,891	-
Bank borrowings	175,299,827	143,315,930
Bank overdraft	229,618,042	
Due to related parties	11,513,550	-
Lease liabilities	7,554,918	71,195,057
	<hr/>	<hr/>
	2,539,314,228	214,510,987
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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 cash flow interest rate risk on its bank overdraft at floating interest rates.

Interest rate sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to interest rates for interest bearing financial instruments at the end of the reporting period. For variable rate liabilities, the analysis is prepared assuming the amount of liability outstanding at the end of the reporting period was outstanding for the whole year.

If interest rates had been 75 basis points more/lower throughout the year and all other variables were held constant, the Group's profit and equity for the year ended 31 December 2020 would decrease/increase by approximately AED 3,725,885 (2019: decrease/increase AED 2,982,156).

Fair value of financial assets and liabilities

Management considers that the carrying amounts of the financial assets and financial liabilities as stated in the consolidated financial statements approximate their fair values.

**Notes to the consolidated financial statements
for the year ended 31 December 2019 (continued)**

32 Reconciliation of liabilities arising from financing activities

The table below details changes in the Group's liabilities arising from financing activities. Liabilities arising from financing activities are those which cash flows were, or future cash flows will be, classified in the Group's consolidated financial statements of cash flows as cash flows from financing activities.

	Bank borrowings AED
Balance at 1 January 2020	318,615,757
Proceeds from bank borrowings	98,279,923
Repayment of bank borrowings	(64,630,832)
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Balance at 31 December 2020	352,264,848
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33 Subsequent events

- i. The Federal Decree-Law No. 26 of 2020 on the amendment of certain provisions of Federal Law No. 2 of 2015 on Commercial Companies was issued on 27 September 2020 and shall take effect starting from the 2 January 2021. The Establishment shall apply and adjust their status in accordance with the provisions thereof by no later than one year from the date on which this Decree-Law takes effect.
- ii. Subsequent to the year end, the Board has approved to change the name of the Company to Alpha Dhabi Holding LLC. The registration of the change in name and legal status of the Company is under process with the legal authorities as on the date of the issuance of these consolidated financial statements.

34 Approval of consolidated financial statements

The consolidated financial statements were approved by the Directors and authorised for issue on 20 April 2021.