

ALPHA DHABI HOLDING PJSC
(formerly “Trojan Holding LLC”)

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

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for the year ended 31 December 2021**

	Pages
Directors’ report	1
Independent auditor’s report	2 - 7
Consolidated statement of financial position	8 - 9
Consolidated statement of profit or loss	10
Consolidated statement of comprehensive income	11
Consolidated statement of changes in equity	12
Consolidated statement of cash flows	13 - 14
Notes to the consolidated financial statements	15 - 142

Directors’ report for the year ended 31 December 2021

The Directors have pleasure in submitting their report together with the audited consolidated financial statements of Alpha Dhabi Holding PJSC (“the Company”) and its subsidiaries (together referred to as “the Group”) for the year ended 31 December 2021.

Principal activities

The Group is one of the fastest growing Abu Dhabi based investment holding conglomerates, with more than 100 businesses spread across healthcare, agriculture and other industries as well as real estate, construction and hospitality. With over 57,000 employees, ADH is a strategic contributor to the UAE economy and is committed to drive continuous growth for its stakeholders through investments in emerging businesses, supporting innovation and diversity.

Results and appropriation of profits

Revenue for the year was AED 18,848 million (2020: AED 3,803 million) and profit attributable to the Owners of the Company for the year was AED 3,182 million (2020: AED 224 million). The movement in retained earnings for the year is as follows:

	AED ‘000
At 1 January 2021	727,819
Profit for the year attributable to the Owners of the Company	3,181,752
Increase in share capital	(33,294)
Transfer to statutory reserve	(245,796)
Acquisition of non-controlling interests	1,345
Transfer of fair value reserve of equity instruments designated at FVTOCI	332,607
At 31 December 2021	3,964,433

Directors

The Directors of the Company are as follows:

Mr. Mohamed Thani Murshed Alrumaithi	Chairman
Mr. Syed Basar Shueb	Vice Chairman
Mr. Hamad Salem Alameri	Managing Director
Mr. Sultan Dahi Alhemeiri	Member
Ms. Sofia Lasky	Member

To the best of our knowledge, the financial information included in these consolidated financial statements fairly presents in all material respects the financial condition, results of operation and cash flows of the Group as of, and for, the periods presented therein. The consolidated financial statements were approved by the Board of Directors and authorised for issue on 15 March 2022.

Release

The Directors release the management and the external auditor from any liability in connection with their duties for the year ended 31 December 2021.

Auditors

Deloitte & Touche (M.E.) have expressed their willingness to be re-appointed as external auditor of the Group for the year ending 31 December 2022.

for and on behalf of the Board of Directors



Managing Director

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF ALPHA DHABI HOLDING PJSC (formerly "Trojan Holding LLC")

REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Opinion

We have audited the consolidated financial statements of Alpha Dhabi Holding PJSC (formerly "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 2021, and the consolidated statement of profit or loss, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2021, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for Opinion

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

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of consolidated financial statements of the current period. These matters were discussed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. The key audit matters are stated below:

**INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDERS OF ALPHA DHABI HOLDING PJSC
(formerly "Trojan Holding LLC") (continued)**

Key audit matters (continued)**Revenue recognition**

The Group recognised revenue of AED 18,848 million for the year ended 31 December 2021. Revenue recognition is considered to be a key area of focus given there are multiple revenue streams associated with the Group which come from various decentralized operational locations.

The Group's business involves entering into contractual relationships with customers to provide a range of services with a significant proportion of the Group's revenues and profits derived from long term contracts. Also, revenue is quantitatively significant to the consolidated financial statements and requires management to apply significant judgements and make significant estimates when determining the amount of revenue to be recognised.

The significant judgements applied and estimates made include determining the stage of completion, the timing of revenue recognition and the calculation of the percentage of completion in applying the Group's revenue recognition policies to long-term contracts entered into by the Group.

The nature of these judgements results in them being susceptible to management override and risk that revenue being recognised in an incorrect period.

The Group's revenue recognition accounting policy is included in note 3 to the consolidated financial statements.

How our audit addressed the key audit matters

We performed the following procedures, inter alia, in respect of revenue recognition:

- We obtained an understanding of the business process flow and performed walkthroughs to understand the key processes and identify key controls;
- We assessed the key controls over revenue to determine if they had been designed and implemented appropriately and tested these controls to determine if they were operating effectively;
- We performed a range of audit procedures which included obtaining a sample of contracts, reviewing for variation orders, retrospectively reviewing estimated profit and costs to complete and enquiring of key personnel regarding potential contract losses;
- For material contracts identified, we have reviewed the contract terms and verified assumptions made in determining the amount of revenue to be recognised, including consideration of discounts, performance penalties and other cost implications of the contract;
- We performed analytical procedures by comparing the gross margins for the different types of revenue streams to the prior year. If we identified an unexpected margin, we carried out more focused testing on these revenue streams;
- We performed procedures to assess whether the revenue recognition criteria adopted by Group is appropriate and is in accordance with the Group's accounting policy and the requirements of IFRSs;
- We performed testing over manual journal entries posted to revenue to assist us in identifying unusual or irregular transactions; and
- Assessed the disclosure in the consolidated financial statements relating to revenue recognition against the requirements of IFRSs.

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF ALPHA DHABI HOLDING PJSC (formerly "Trojan Holding LLC") (continued)

Key audit matters (continued)

Recoverability and impairment of trade receivables and contract assets

At 31 December 2021, gross trade receivables and contract assets were AED 4,332 million and AED 5,174 million against which expected credit loss ("ECL") allowances of AED 216 million thousand and AED 96.3 million respectively were recorded. These assets represent 20.07% of the total assets presented in the consolidated financial statements and include balances of AED 1,086 million which has been outstanding more than 120 days. Further, contract assets include AED 527 million balances which represents revenue recognised on unsigned/verbal contracts.

The Group assesses at each reporting date whether the financial assets carried at amortised cost are credit-impaired. Management has applied the simplified approach for measurement of ECL allowances for trade receivables and contract assets. The ECL model involves the use of various assumptions, macro-economic factors and study of historical trends relating to the Group's trade collections experience.

The directors exercise significant judgement when determining both when and how much to record as the ECL allowance. Because of the significance of these judgements and the size of trade receivables and contract assets, the audit of the allowance for ECL is a key area of focus for management.

We have considered the above matter as a Key Audit Matter due to the identification of significant delays in the collection of receivables which results in the application of significant auditor judgement regarding the accounting estimates made by management in determining the ECL allowance.

The Group disclosures are included in notes 3 and 4 of consolidated financial statements which outline the accounting policy and critical estimates and judgement for determining the allowance for ECL.

How our audit addressed the key audit matters

We performed the following procedures in relation to the allowance for expected credit loss:

- We obtained an understanding of the process of measurement of the allowance for ECL;
- We identified the relevant controls over the determination of the allowance for ECL;
- We assessed the design of these controls and determined if they had been implemented appropriately;
- We compared the ECL model developed by management to that required by IFRSs and reviewed the methodology against accepted best practice;
- We tested the arithmetical accuracy of the model;
- We tested key assumptions, such as those used to calculate the likelihood of default and the subsequent loss on default, by comparing to historical data. We also considered the incorporation of forward-looking factors to reflect the impact of future events on expected credit losses;
- We agreed the results of the output of the ECL model developed by management to the amounts reported in the consolidated financial statements; and
- We assessed the disclosure in the consolidated financial statements relating to this matter against the requirements of IFRSs.

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF ALPHA DHABI HOLDING PJSC (formerly "Trojan Holding LLC") (continued)

Key audit matters (continued)

Major Businesses transfer under common control transaction

During the year, the ownership interest of certain entities/subgroups, including their subsidiaries, was transferred to the Group. The transfer was accounted for as a business combination under common control using the pooling of interest method.

We have identified the transfer of entities/subgroups under common control as a key audit matter due to its financial significance and the significant impact on the composition of the Group's businesses and activities.

Details of the business combination under common control are disclosed in Note 42 to the consolidated financial statements

How our audit addressed the key audit matters

We performed the following procedures in relation to the business combination under common control:

- We reviewed the controls over the accounting for the business combinations to determine if they had been appropriately designed and implemented;
- We discussed the business combinations under common control with those charged with governance and Group management in order to understand the details of the transaction;
- We reviewed the sale and purchase agreements to assist us in forming a view of the accounting treatment of the acquisition;
- We assessed if the business acquired were under the control of the same owners before and after the acquisition;
- We assessed if the acquisition date of the transaction had been correctly identified;
- We compared the accounting policies of the entities transferred against those of the Group and determined if the adjustments made on consolidation to align those accounting policies were valid, accurate and complete; and
- We assessed the disclosure in the consolidated financial statements relating to this matter against the requirements of IFRSs.

Other Information

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

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

When we will read the Group's Annual Report, if we conclude that there is material misstatement therein, we will be required to communicate the matter to those charged with governance and consider whether a reportable irregularity exists in terms of the auditing standards, which must be reported.



**INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDERS OF ALPHA DHABI HOLDING PJSC
(formerly "Trojan Holding LLC") (continued)**

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

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

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

Those Charged with Governance are responsible for overseeing the Group's financial reporting process.

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

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

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

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

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF ALPHA DHABI HOLDING PJSC (formerly "Trojan Holding LLC") (continued)

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

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

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law and regulations preclude public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

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

- 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 (as amended);
- The Group has maintained proper books of accounts;
- The financial information included in the Directors' report is consistent with the Group's books of account;
- Note 13 to the consolidated financial statements discloses the purchases and investments in shares made by the Group during the financial year ended 31 December 2021;
- Note 19 to the consolidated financial statements of the Group discloses material related party balances, transactions and the terms under which they were conducted;
- Based on the information that has been made available to us nothing has come to our attention which causes us to believe that the Company has contravened during the financial year ended 31 December 2021 any of the applicable provisions of the UAE Federal Law No. (2) of 2015 (as amended) or of its Articles of Association which would materially affect its activities or its consolidated financial position as at 31 December 2021; and
- Note 48 reflects the disclosure related to social contributions made during the year.

Deloitte & Touche (M.E.)



Mohammad Khamees Al Tah
Registration No. 717
15 March 2022
Abu Dhabi
United Arab Emirates

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

	Notes	2021 AED ‘000	2020 AED ‘000
ASSETS			
Non-current assets			
Property, plant and equipment	5	6,365,210	595,288
Intangible assets	6	1,211,193	274
Goodwill	7	451,672	-
Biological assets		25,273	-
Investment properties	8	434,713	109,687
Right-of-use assets	9	588,642	70,838
Investment in associates	10	11,617,762	2,706
Investment in joint ventures	11	70,886	7,658
Investment in financial assets	13	1,650	-
Contract assets	14	687,978	-
Deferred tax assets	15	16,935	-
Retention receivables	16	35,778	-
Total non-current assets		21,507,692	786,451
Current assets			
Inventories	17	697,981	188,986
Development work-in-progress	18	147,012	146,760
Trade and other receivables	16	6,717,679	2,185,632
Contract assets	14	5,055,762	1,358,469
Due from related parties	19	1,326,790	94,849
Investment in financial assets	13	1,000,424	-
Cash and bank balances	21	7,755,403	633,721
Total current assets		22,701,051	4,608,417
Assets of group held-for-sale	22	3,138,608	-
		25,839,659	4,608,417
Total assets		47,347,351	5,394,868
EQUITY AND LIABILITIES			
Equity			
Share capital	23	10,000,000	300
Statutory reserve	24	318,325	150
Contributed capital	25	-	214,335
Merger reserve	25	8,723,368	-
Restricted reserve	26	-	72,379
Other reserves	27	(2,908)	-
Reserves of a group held-for-sale		13,788	-
Retained earnings		3,964,433	727,819
Equity attributable to the Owners of the Company		23,017,006	1,014,983
Non-controlling interests		2,954,575	30,477
Total equity		25,971,581	1,045,460

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

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

	Notes	2021 AED ‘000	2020 AED ‘000
Non-current liabilities			
Lease liabilities	9	545,581	63,290
Loan from a related party	19	13,300	13,300
Provision for employees’ end of service benefits	29	658,645	120,868
Borrowings	30	4,277,302	238,231
Derivative financial instruments	31	19,559	-
Trade and other payables	33	25,693	-
Total non-current liabilities		5,540,080	435,689
Current liabilities			
Contract liabilities	32	1,634,318	1,048,902
Trade and other payables	33	9,888,946	2,552,535
Borrowings	30	1,306,425	258,554
Lease liabilities	9	41,858	10,076
Due to related parties	19	749,811	43,652
Derivative financial instruments	31	26,005	-
Total current liabilities		13,647,363	3,913,719
Liabilities of group held-for-sale	22	2,188,327	-
		15,835,690	3,913,719
Total liabilities		21,375,770	4,349,408
Total equity and liabilities		47,347,351	5,394,868



Group Chief Financial Officer



Managing Director



Chairman

**Consolidated statement of profit or loss
for the year ended 31 December 2021**

	Notes	2021 AED ‘000	2020 AED ‘000
Revenue	34	18,847,724	3,802,585
Direct costs	35	(13,202,053)	(3,462,157)
		<hr/>	<hr/>
Gross profit		5,645,671	340,428
General, administrative and selling expenses	36	(1,014,871)	(99,480)
Share of results of joint ventures	11	37,240	7,658
Share of results of associates	10	(27,940)	954
Net change in fair value of investments carried at FVTPL		229,880	-
Impairment of trade & retention receivables, due from related parties, contract assets and other assets		(408,169)	(39,649)
Other income	37	788,036	20,978
Finance income	39	23,277	5,588
Finance costs	38	(117,301)	(18,737)
Foreign exchange gain		17,632	-
		<hr/>	<hr/>
Profit before tax		5,173,455	217,740
Income tax	15	(6,086)	-
		<hr/>	<hr/>
Profit for the year		5,167,369	217,740
		<hr/> <hr/>	<hr/> <hr/>
Profit for the year attributable to:			
Owners of the Company		3,181,752	223,772
Non-controlling interests		1,985,617	(6,032)
		<hr/>	<hr/>
Profit for the year		5,167,369	217,740
		<hr/> <hr/>	<hr/> <hr/>
Earnings per share	40	0.45	0.90
		<hr/> <hr/>	<hr/> <hr/>

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

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

	2021 AED ‘000	2020 AED ‘000
Profit for the year	5,167,369	217,740
Other comprehensive income:		
<i>Items that may be reclassified subsequently to profit or loss:</i>		
Fair value gain arising on hedging instruments during the year	5,523	-
Foreign exchange differences on translation of foreign operations	(7)	-
<i>Items that will not be reclassified subsequently to profit or loss:</i>		
Fair value gain on investments in equity instruments designated as at FVTOCI	312,424	-
Other comprehensive income from assets held-for-sale	48,553	-
	<hr/>	<hr/>
Total other comprehensive income	366,493	-
	<hr/>	<hr/>
Total comprehensive income for the year	5,533,862	217,740
	<hr/>	<hr/>
Total comprehensive income for the year attributable to:		
Owners of the Company	3,525,239	223,772
Non-controlling interests	2,008,623	(6,032)
	<hr/>	<hr/>
	5,533,862	217,740
	<hr/> <hr/>	<hr/> <hr/>

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

	Share capital AED '000	Statutory reserve AED '000	Contributed capital AED '000	Merger reserve AED '000	Restricted reserve AED '000	Other reserves AED '000	Reserves of a group held-for- sale AED '000	Retained earnings AED '000	Equity attributable to the Owners of the Company AED '000	Non- controlling interests AED '000	Total equity AED '000
Balance at 1 January 2020	300	150	357,610	-	72,379	-	-	757,319	1,187,758	36,509	1,224,267
Net movement in capital contribution (Note 25)	-	-	(143,275)	-	-	-	-	-	(143,275)	-	(143,275)
Total comprehensive income / (loss) for the year	-	-	-	-	-	-	-	223,772	223,772	(6,032)	217,740
Waiver of related parties' balances (Note 19)	-	-	-	-	-	-	-	(253,272)	(253,272)	-	(253,272)
Balance at 1 January 2021	300	150	214,335	-	72,379	-	-	727,819	1,014,983	30,477	1,045,460
Profit for the year	-	-	-	-	-	-	-	3,181,752	3,181,752	1,985,617	5,167,369
Other comprehensive income for the year	-	-	-	-	-	343,487	-	-	343,487	23,006	366,493
Total comprehensive income for the year	-	-	-	-	-	343,487	-	3,181,752	3,525,239	2,008,623	5,533,862
Equity arising from business combination under common control (Note 42)	-	-	-	17,183,306	-	-	-	-	17,183,306	2,639,770	19,823,076
Acquisition of non-controlling interests (Note 25 and 42)	-	-	-	452,087	-	-	-	1,345	453,432	(452,468)	964
Increase in share capital (Note 25)	9,999,700	-	(214,335)	(9,752,071)	-	-	-	(33,294)	-	-	-
Non-controlling interests arising from business combination under common control (Note 42)	-	-	-	-	-	-	-	-	-	212,525	212,525
Transfer of fair value reserve of equity instruments designated at FVTOCI	-	-	-	-	-	(321,600)	(11,007)	332,607	-	-	-
Dividend	-	-	-	-	-	-	-	-	-	(1,957,772)	(1,957,772)
Transfer to statutory reserve	-	318,175	-	-	(72,379)	-	-	(245,796)	-	-	-
Non-controlling interests arising on incorporation of a new subsidiary	-	-	-	-	-	-	-	-	-	59	59
Payment to non-controlling interests towards contributed capital	-	-	-	-	-	-	-	-	-	(20,000)	(20,000)
Contribution in kind from a shareholder (Note 43)	-	-	-	840,046	-	-	-	-	840,046	493,361	1,333,407
Transfers arising from assets held-for-sale	-	-	-	-	-	(24,795)	24,795	-	-	-	-
Balance at 31 December 2021	10,000,000	318,325	-	8,723,368	-	(2,908)	13,788	3,964,433	23,017,006	2,954,575	25,971,581

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

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

	Notes	2021 AED ‘000	2020 AED ‘000
Cash flows from operating activities			
Profit before tax		5,173,455	217,740
Adjustment for non-cash charges:			
Depreciation of property, plant and equipment	5	512,019	98,963
Amortisation of intangible assets	6	93,263	205
Amortisation of right-of-use assets	9	31,625	8,528
Depreciation of investment properties	8	10,217	9,584
Provision for employees’ end of service benefits	29	122,876	21,143
Re-measurement of biological assets	37	(5,314)	-
Share of loss/(profit) from associates	10	27,940	(954)
Loss on partial disposal of an associate		6,658	-
Share of profit from joint ventures	11	(37,240)	(7,658)
Loss on derivative financial instruments		(4,611)	-
Interest expense on lease liabilities	9	15,760	4,783
Gain on disposal of property, plant and equipment		(1,531)	(225)
Loss on lease cancellation		2,446	-
Impairment of property, plant and equipment	22	32,021	-
Impairment of right-of-use assets	22	3,502	-
Impairment of investment properties	22	646	-
Net changes in fair value of investments carried at FVTPL	13	(232,042)	-
Finance income	39	(23,277)	(5,588)
Finance costs	38	101,597	13,954
Provision for slow moving and obsolete inventories	36	3,493	-
Amortisation of borrowing costs		799	-
Impairment of financial assets		470,895	39,649
Operating cashflows before movement in working capital		6,305,197	400,124
Increase in inventories		(12,004)	(53,490)
Decrease/(increase) in trade and other receivables		3,272,923	(399,069)
Increase in contract assets		(283,078)	(371,524)
Decrease in due from related parties		100,190	23,311
Increase in Islamic financing assets		(606,342)	-
Increase in development work-in-progress		(252)	-
Increase in contract liabilities		585,416	361,448
Increase in trade and other payables		399,640	293,934
(Decrease)/increase in due to related parties		(1,678,674)	26,688
Decrease in deferred tax		(3,492)	-
Decrease in margins against letters of guarantee		(257,941)	-
Decrease in Wakala deposits		138,009	-
Cash generated from operating activities		7,959,592	281,422
Employees’ end of service benefits paid	29	(129,673)	(7,909)
Income tax paid		(15,439)	-
Net cash generated from operating activities		7,814,480	273,513

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

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

	Notes	2021 AED ‘000	2020 AED ‘000
Cash flows from investing activities			
Payments for purchases of property, plant and equipment	5	(410,321)	(215,478)
Payments for acquisition of subsidiaries	43	(22,690)	-
Payments for investment in associates	10	(248,211)	-
Cash inflow on business combination of entities under common control		1,732,524	-
Proceeds from disposal of property, plant and equipment		14,376	2,176
Payments for purchases of investment properties	8	-	(1,185)
Payments for purchases of intangible assets	6	(3,465)	(15)
Payments for purchases of biological assets		(114)	-
Dividend received from associates	10	2,455	2,340
Payments for purchases of investments in financial assets	13	(324,174)	-
Proceeds from disposal of investments in financial assets		104,948	-
Proceeds from partial disposal of an associate		18,800	-
Payment for right-of-use assets		(1,943)	-
Deposit placed with banks		(211,460)	(411,752)
Movement in restricted cash		(38,274)	-
Finance income received		23,017	5,588
Net cash generated from/(used in) investing activities		635,468	(618,326)
Cash flows from financing activities			
Repayment of borrowings		(1,051,592)	(64,631)
Proceeds from borrowings		850,076	98,279
Dividend paid to non-controlling shareholders		(1,201,772)	-
Movement in non-controlling interests		1,023	-
Finance costs paid		(66,664)	(13,954)
Payment of lease liabilities	9	(39,053)	(10,167)
Repayment of contributed capital		(20,000)	-
Payment for derivative financial instruments		(16,925)	-
Net cash (used in)/generated from financing activities		(1,544,907)	9,527
Net increase/(decrease) in cash and cash equivalents		6,905,041	(335,286)
Effect of foreign exchange rate changes		9,936	-
Cash and cash equivalents at the beginning of the year		52,072	387,358
Cash and cash equivalents at the end of the year	21	6,967,049	52,072
Non-cash transactions:			
Net assets transferred under common control business combinations	42	19,823,076	-
Dividend declared to non-controlling interests		756,000	-
Additional contribution through a subsidiary	43	1,333,407	-

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

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

1 General information

Alpha Dhabi Holding PJSC (the “Company”) (formerly “Trojan Holding LLC”) is a Public Joint Stock Company registered in the Emirate of Abu Dhabi, United Arab Emirates. Its ultimate controlling party is International Holding Company. The Company’s registered address is P.O. Box 111059, Abu Dhabi, United Arab Emirates.

Before April 2021, the Company, then known as Trojan Holding LLC, was a limited liability company registered in Abu Dhabi. During April 2021, the shareholders approved to change the name of the Company to Alpha Dhabi Holding LLC and to increase its paid-up share capital to AED 10,000,000,000 (UAE Dirhams 10 billion). Additionally, in May 2021, the shareholders approved changing the Company's legal status from a limited liability company to a public joint-stock company. The registration of the name change and the increase of share capital was completed during the year.

The Company’s ordinary shares were listed on the Abu Dhabi Securities Exchange (“ADX”) on 27 June 2021.

The principal activities of the Company and its subsidiaries (together referred to as “the Group”) carried out both in the UAE and abroad include:

- Medical services including management of hospitals, testing laboratories and medical clinics;
- Engineering and construction contracting of buildings, infrastructure development, earth and civil works;
- Engineering, procurement and dredging contracts and associated land reclamation work in the territorial waters of different countries;
- Islamic banking and financial services, including Shariah-compliant loans and deposits;
- Tourism-related investments, development and management;
- Industrial production-related investments, development and management;
- Forestry and natural vegetation management including farming, agricultural-related investments and management;
- Oil and gas engineering and operation management services;
- Production and supply of ready-mix concrete;
- Investment in a diverse range of industries;
- Ready-mix and dry-mix concrete and mortar manufacturing;
- Manufacturing, supply, installation and fabrication of aluminium and glass panels;
- Security services;
- Manufacturing of motor vehicles; and
- Facilities management services and medical billing services.

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 2021, 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.

**Notes to the consolidated financial statements
for the year ended 31 December 2021 (continued)****2 Application of new and revised International Financial Reporting Standards (IFRS)
(continued)****2.1 New and revised IFRSs applied with no material effect on the consolidated financial
statements (continued)****• Amendments to *Interest Rate Benchmark Reform in IFRS 9 and IFRS 7*:**

In the prior year, the Group adopted the Phase 1 amendments Interest Rate Benchmark Reform—Amendments to IFRS 9, IAS 39 and IFRS 7. These amendments modify specific hedge accounting requirements to allow hedge accounting to continue for affected hedges during the period of uncertainty before the hedged items or hedging instruments are amended as a result of the interest rate benchmark reform.

In the current year, the Group adopted the Phase 2 amendments Interest Rate Benchmark Reform—Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16. Adopting these amendments enables the Group to reflect the effects of transitioning from interbank offered rates (IBOR) to alternative benchmark interest rates (also referred to as ‘risk free rates’ or RFRs) without giving rise to accounting impacts that would not provide useful information to users of consolidated financial statements.

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

In the prior year, the Group early adopted Covid-19-Related Rent Concessions (Amendment to IFRS 16) that provided practical relief to lessees in accounting for rent concessions occurring as a direct consequence of COVID-19, by introducing a practical expedient to IFRS 16. This practical expedient was available to rent concessions for which any reduction in lease payments affected payments originally due on or before 30 June 2021.

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

In the current financial year, the Group has applied the amendment to IFRS 16 (as issued by the IASB in May 2021) in advance of its effective date.

The practical expedient permits a lessee to elect not to assess whether a COVID-19-related rent concession is a lease modification. A lessee that makes this election shall account for any change in lease payments resulting from the COVID-19-related rent concession applying IFRS 16 as if the change were not a lease modification.

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

- The change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
- Any reduction in lease payments affects only payments originally due on or before 30 June 2022 (a rent concession meets this condition if it results in reduced lease payments on or before 30 June 2022 and increased lease payments that extend beyond 30 June 2022); and
- There is no substantive change to other terms and conditions of the lease.

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

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

2.2 New and revised IFRS in issue but not yet effective

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

<u>New and revised IFRSs</u>	<u>Effective for annual periods beginning on or after</u>
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 2021 (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 re-measurement 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 consolidated 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 for annual periods beginning on or after 1 January 2023, with early application permitted.

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

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

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

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

New and revised IFRSs

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. Early application is permitted if an entity also applies all other updated references (published together with the updated Conceptual Framework) at the same time or earlier

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 consolidated statement of 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 consolidated statement of comprehensive income, the consolidated financial statements shall disclose the amounts of proceeds and cost included in consolidated statement of 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 consolidated 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 consolidated 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.

The amendments are effective for annual periods beginning on or after 1 January 2022, with early application permitted.

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

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

2.2 New and 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.

The amendments are effective for annual periods beginning on or after 1 January 2022, with early application permitted.

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 Annual Improvements include amendments to four Standards:

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

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

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

New and revised IFRSs

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

IFRS 9 Financial Instruments

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

The amendment is applied prospectively to modifications and exchanges that occur on or after the date the entity first applies the amendment.

The amendment is effective for annual periods beginning on or after 1 January 2022, with early application permitted.

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

IFRS 16 Leases

The amendment removes the illustration of the reimbursement of leasehold improvements.

As the amendment to IFRS 16 only regards an illustrative example, no effective date is stated.

IAS 41 Agriculture

The amendment removes the requirement in IAS 41 for entities to exclude cash flows for taxation when measuring fair value. This aligns the fair value measurement in IAS 41 with the requirements of IFRS 13 Fair Value Measurement to use internally consistent cash flows and discount rates and enables preparers to determine whether to use pre-tax or post-tax cash flows and discount rates for the most appropriate fair value measurement.

The amendment is applied prospectively, i.e. for fair value measurements on or after the date an entity initially applies the amendment.

The amendment is effective for annual reporting periods beginning on or after 1 January 2022, with earlier application permitted.

**Notes to the consolidated financial statements
for the year ended 31 December 2021 (continued)****2 Application of new and revised International Financial Reporting Standards (IFRS)
(continued)****2.2 New and revised IFRS in issue but not yet effective (continued)****New and revised IFRSs****Effective for
annual periods
beginning on or after***Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2 Making Materiality Judgements—Disclosure of Accounting Policies*

1 January 2023

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

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

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

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

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

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

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

New and revised IFRSs

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

Amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors—Definition of Accounting Estimates

1 January 2023

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

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

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

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

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

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

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

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

New and revised IFRSs

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

Amendments to IAS 12 Income Taxes—Deferred Tax related to Assets and Liabilities arising from a Single Transaction

1 January 2023

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

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

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

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

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

- A deferred tax asset (to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised) and a deferred tax liability for all deductible and taxable temporary differences associated with:
 - Right-of-use assets and lease liabilities; and
 - Decommissioning, restoration and similar liabilities and the corresponding amounts recognised as part of the cost of the related asset.
- The cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings (or other component of equity, as appropriate) at that date.

The amendments are effective for annual reporting periods beginning on or after 1 January 2023, with earlier application permitted

**Notes to the consolidated financial statements
for the year ended 31 December 2021 (continued)****2 Application of new and revised International Financial Reporting Standards (IFRS)
(continued)****2.2 New and revised IFRS in issue but not yet effective (continued)**

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.

3 Summary of significant accounting policies**Accounting convention**

These consolidated financial statements have been prepared on the historical cost basis except for financial assets carried at fair value through other comprehensive income, fair value through profit and loss, derivative financial instruments and biological assets that have been measured at fair value at the end of each reporting period, as explained in the accounting policies given below. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received on sale of an asset or paid on transfer of a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of a financial asset or liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of IFRS 2, leasing transactions that are within the scope of IFRS 16, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in IAS 2 or value in use in IAS 36.

Statement of compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) and applicable provisions of the U.A.E. Federal Law No. (2) of 2015 (as amended).

Federal Law No. 32 of 2021 on Commercial Companies (the “New Companies Law”) was issued on 20 September 2021 and will come into effect on 2 January 2022, to entirely replace Federal Law No. 2 of 2015 on Commercial Companies, as amended (the “2015 Law”). The Company is in the process of reviewing the new provisions and will apply the requirements thereof no later than one year from the date on which the amendments came into effect.

**Notes to the consolidated financial statements
for the year ended 31 December 2021 (continued)****3 Summary of significant accounting policies (continued)****Functional and presentation currency**

These consolidated financial statements are presented in United Arab Emirates Dirhams (AED) which is the functional and presentation currency of the Group and all values are rounded to the nearest thousand except when otherwise indicated.

Going concern

The directors have, at the time of approving the consolidated financial statements, a reasonable expectation that the Group have adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the consolidated financial statements.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and the entities controlled by the Company (its subsidiaries) made up to 31 December each year. 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.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Group 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 Group considers all relevant facts and circumstances in assessing whether or not its voting rights in an investee are sufficient to give it power, including:

- the size of the Group's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Group, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Group 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 Group obtains control over the subsidiary and ceases when the Group 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 Group gains control until the date when the Group ceases to control the subsidiary.

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

Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with the Group’s accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between the members of the Group are eliminated on consolidation.

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

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.

Changes in the Group’s ownership interests in existing subsidiaries

Changes in the Group’s interests in subsidiaries that do not result in a loss of control are accounted for as equity transactions. The carrying amount 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 the owners of the Company.

When the Group loses control of a subsidiary, a gain or loss is recognised in consolidated statement of 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 consolidated statement of 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 consolidated statement of 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 IFRS 9, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

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

3 Summary of significant accounting policies (continued)

Basis of consolidation (continued)

These consolidated financial statements include the financial performance and position of the following subsidiaries, all of which are incorporated in the UAE:

Name of subsidiaries	Effective ownership		Principal activities
	2021	2020	
Alpha Dhabi Commercial Investment – Sole Proprietorship LLC (formerly Trojan Commercial Investments LLC)	100%	100%	Investment holding
Alpha Dhabi Construction Holding LLC	100%	-	Investment holding
Alpha Dhabi Health Holding LLC	100%	-	Investment holding
Alpha Dhabi Hospitality Holding LLC	100%	-	Investment holding
Alpha Dhabi Industries Holding LLC	100%	-	Investment holding
Alpha Dhabi Partners Holding LLC	100%	-	Investment holding
Trojan Construction Group – Sole Proprietorship LLC	100%	-	Investment holding
Mawarid Holding Investment LLC	70%	-	Investment holding
Murban Energy Limited	100%	-	Investment holding
Sogno Commercial Investment – Sole Proprietorship LLC	100%	-	Investment holding
W A S TWO Commercial Investment – Sole Proprietorship LLC	100%	-	Investment holding
Sublime Commercial Investment – Sole Proprietorship LLC	100%	-	Investment holding
Pure Health Medical Supplies LLC	63%	-	Health care technology and management services
C D Properties - Sole Proprietorship LLC	100%	-	Investment holding
Emirates Gateway Securities Services LLC	95%	-	Security services
Sogno Two Sole Proprietorship LLC	100%	-	Investment holding
Sogno Three Sole Proprietorship LLC	100%	-	Investment holding
Sublime Two Investment Sole Proprietorship LLC	100%	-	Investment holding

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

3 Summary of significant accounting policies (continued)

Basis of consolidation (continued)

Name of subsidiaries	Effective ownership		Principal activities
	2021	2020	
Branch of Trojan General Contracting LLC	100%	-	Activities of hotels and other places of temporary residence
Trojan General Contracting LLC	100%	100%	Building projects contracting
National Projects and Construction LLC	100%	100%	Infrastructure construction and related projects
Royal Advance Electromechanical LLC	100%	100%	Electromechanical services
Al Maha Modular Industries LLC	100%	100%	Pre-cast structure manufacturing
Hi-Tech Concrete Products LLC	100%	100%	Building of projects and general contracting
Reem Emirates Aluminum LLC	100%	100%	Manufacture and installation of aluminium and glass products
Phoenix Timber Factory LLC	100%	100%	Manufacture of timber products
Reem Ready Mix LLC	60%	60%	Concrete mixing and supply
Hi-Tech Concrete Products LLC (KSA)	100%	100%	Construction
Telal Resort LLC	70%	-	Management of resorts and operation of recreational preservations
Aqua Power Technology LLC	70%	-	Trading in agricultural machinery and equipment
Mawarid Services Company LLC	70%	-	Facilities management services, agricultural land reclamation, wholesale of plants and trees, agricultural investment and management
Barari Natural Resources LLC	70%	-	Forest and park management, parks construction and maintenance
Mawarid Center for Research and Scientific Laboratories LLC	70%	-	Veterinarian hospital and research activities
Mawarid Al Mutahida Investment owned by Mawarid Holding Investment – Sole Proprietorship LLC	70%	-	Investment and management of tourist, commercial, industrial and agricultural enterprises.
Mawarid Nurseries LLC	70%	-	Growers and importers of all types of plants

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

3 Summary of significant accounting policies (continued)

Basis of consolidation (continued)

Name of subsidiaries	Effective ownership		Principal activities
	2021	2020	
Pure Health (FZE)	63%	-	Trading in pharmaceuticals and related products
Pure Health Medical Supplies (FZE)	63%	-	General trading including pharmaceuticals related products
Pure CS IT Infrastructure LLC	63%	-	IT Infrastructure
Aafaq Islamic Finance P.S.C. *	56.14%	-	Islamic financing and investing activities
Mawarid Security Services LLC	70%	-	General security services
Emirates Safety Laboratory LLC	70%	-	Compliance certification for building construction products
Dicon Investment LLC	70%	-	Investment in industrial, agricultural and commercial enterprises and management
Twasol Business Men Service LLC – Dubai	70%	-	Administrative and business services
Twasol Business Men Services LLC – Ajman	70%	-	Administrative and business services
Info Nine Smart Solutions LLC	56%	-	Designing computer systems and communication equipment
Twasol Business Men Services LLC – Br Abu Dhabi	70%	-	Administrative and business services
Best Twasol Government Services LLC	70%	-	Administrative and business services
Al Forsan Tadbeer Center LLC – Dubai	70%	-	Administrative and business services
Dicon of Twafouq Services LLC	70%	-	Operating Twafouq service centres
Magenta International Investment LLC	56%	-	Holding company activities
Magenta Pharma Medical Trading LLC	56%	-	Trading of paper products, medical and surgical articles & requisites
Al Forsan Tadbeer Center LLC – Abu Dhabi	70%	-	Administrative and business services
Al Forsan Tadbeer Center LLC - Ajman	70%	-	Administrative and business services
Two Five 55 Healthcare Investment LLC	63%	-	Investment in commercial and healthcare enterprises & development
Pure Health Medical Billing Services LLC	63%	-	Medical billing services
Union Health Facilities Management LLC	63%	-	Facilities management
Campaign facilities Management Services LLC	70%	-	Facilities management

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

3 Summary of significant accounting policies (continued)

Basis of consolidation (continued)

Name of subsidiaries	Effective ownership		Principal activities
	2021	2020	
Mawarid Hotels and hospitality LLC	70%	-	Management of hotels, tourist resorts and hotel apartments
Mawarid International Development Company LLC	70%	-	Real estate development construction, consultancy project development and project management services.
Magenta Investments LLC	56%	-	Healthcare enterprises and management
Pure Capital Investment LLC	63%	-	Investment in commercial enterprises management
Magenta Medical Investment LLC	56%	-	Investment in healthcare enterprises development
Magenta Medical Requisites Trading LLC	56%	-	Trading of paper products, medical and surgical articles
Abu Dhabi United Hospitality – Sole Proprietorship LLC	100%	-	Tourism investments, restaurants management, real estate, management services, foodstuff catering
St. Regis Saadiyat Island Resort Abu Dhabi	100%	-	Hotels and resort ownership
Al Wathba A Luxury Collection Desert Resort & Spa – Sole Proprietorship LLC	100%	-	Hotel resort
Le Noir Cafe – Sole Proprietorship LLC	100%	-	Foodstuff catering, hospitality services and restaurants
Etihad International Hospitality LLC – Sole Proprietorship LLC	100%	-	Hospitality services, cleaning services, onshore and offshore gas field and facilities services and foodstuff catering
M Commodities – Sole Proprietorship LLC	100%	-	General trading
Int'l Fresh Harvest Fruits and Vegetables Trading - Sole Proprietorship LLC	100%	-	Trading of foodstuff
National Marine Dredging Company PJSC **	68.48%	-	Execution of engineering, procurement and construction contracts, dredging contracts and associated land reclamation works

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

3 Summary of significant accounting policies (continued)

Basis of consolidation (continued)

Name of subsidiaries	Effective ownership		Principal activities
	2021	2020	
National Petroleum Construction Company PJSC (“NPCC”)	68.48%		- Execution of engineering, procurement and construction contracts
Emarat Europe Fast Building Technology System Factory LLC	68.48%		- Manufacturing and supply of precast concrete
National Marine Dredging Company (Industrial) LLC	68.48%		- Manufacturing of steel pipes and fittings
ADEC Engineering Consultancy LLC	68.48%		- Consultancy services in the fields of civil, architectural, drilling and marine engineering along with related laboratory services
Pure Health Investment – Sole Proprietorship LLC	63%		- Health services investment and management
Rafed Healthcare Supplies LLC	63%		- Group procurement services
Union71 Medical Facilities Management LLC	63%		- Lab managements services
Pure Investment LLC	63%		- Health services investment and management
Pure Health Capital LLC	63%		- Health services investment and management
Pure Lab LLC	63%		- Health services investment and management
One Health LLC	63%		- Health services investment and management
The Medical Office Facilities Management LLC	63%		- Health services investment and management
Pure Care Facilities Management LLC	63%		- Health services investment and management
Union Health Facilities Management LLC	63%		- Health services investment and management
Pure Health Facilities Management LLC	63%		- Health services investment and management
Dawak Healthcare Supplies LLC	63%		- Health services investment and management

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

3 Summary of significant accounting policies (continued)

Basis of consolidation (continued)

Name of subsidiaries	Effective ownership		Principal activities
	2021	2020	
Telldoc Technology LLC	63%	-	Health services investment and management
Medclaim Billing Services LLC	63%	-	Health services investment and management
Sandstorm Motor Vehicles Manufacturing LLC	65%	-	Motor vehicles manufacturing

These consolidated financial statements also include the financial performance and position of the following overseas subsidiaries:

Name of subsidiaries	Effective ownership		Place of incorporation	Principal activities
	2021	2020		
Hill View (Seychelles) Limited	100%	-	Seychelles	Hotel resort
I&T Management Private Limited	100%	-	Maldives	Tourist resort operation
Abu Dhabi Marine Dredging Co S.P.C.	68.48%	-	Bahrain	Offshore reclamation contracts, services for fixing water installation for marine facilities and excavation contracts
National Marine and Infrastructure India Private Limited	68.48%	-	India	Dredging and associated land reclamation works, civil engineering, port contracting and marine construction
National Petroleum Construction Co. (Saudi) LTD.	68.48%	-	Saudi Arabia	Engineering construction and procurement
NPCC Engineering Limited	68.48%	-	India	Engineering
ANEWA Engineering Private Limited	54.78%	-	India	Engineering

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

3 Summary of significant accounting policies (continued)

Basis of consolidation (continued)

Name of Subsidiaries	Effective ownership		Place of incorporation	Principal activities
	2021	2020		
National Bank of Sudan *	43.62%	-	Sudan	Financing and investing activities,
Murban Investment Limited	100%	-	British Virgin Islands	Investment in international market

The Group includes the follow dormant subsidiaries, which had no operations in the current or prior year:

Name of subsidiaries	Effective ownership		Principal activities
	2021	2020	
Lindere Villas (Seychelles) Limited	100%	-	Seychelles based holding company
Murban BVI Holding Inc. (BVI)	100%	-	BVI based holding company
Sitax Investment Ltd (BVI)	100%	-	BVI based holding company
Sitax Holding Ltd (BVI)	100%	-	BVI based holding company
Al Twasol Al Mutamiz Guidance LLC	70%	-	Worker/employee guidance centre
Trojan Commercial Investments LLC	100%	100%	Industrial and commercial investment
Trojan Property Investments LLC	100%	100%	Real estate investment
Hi-Tech Line Building Construction – Dubai	100%	100%	Building projects contracting
Ersa General Contracting LLC	100%	100%	Building projects contracting
Trojan Development LLC	100%	100%	Real estate holding
Hi-Tech Emirates for General Contracting LLC	100%	100%	Building projects contracting

* These entities are classified as held for sale under IFRS 5 as at 31 December 2021.

** include branches in Saudi Arabia, Egypt and Maldives.

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

3 Summary of significant accounting policies (continued)

Basis of consolidation (continued)

The following joint ventures and joint operations together with their effective ownership is detailed below, the financials of which are reflected in these consolidated financial statements.

Name of Joint ventures	Percentage of ownership		Country of incorporation	Principal activities
	2021	2020		
The Challenge Egyptian Emirates Egypt Marine Dredging Company	49%	-	Egypt	Dredging and associated land reclamation works, civil engineering, port contracting and marine construction
China Railway Construction Corporation Abu Dhabi Branch (CRCC) and National Projects Construction LLC (NPC) Joint venture CRCC-NPC JV”	49%	49%	UAE	Construction
Trojan General Contracting and Six Construct Limited – Guggenheim Museum	50%	-	UAE	Construction
Trojan General Contracting and Six Construct Limited –Zayed National Museum	50%	-	UAE	Construction

Name of Joint Operations	Percentage of ownership		Principal activities
	2021	2020	
Technip – NPCC Satah Full Field	50%	-	Engineering, procurement and construction
NPCC – Technip UZ-750 (EPC-1)	40%	-	Engineering, procurement and construction
NPCC – Technip UL -2	50%	-	Engineering, procurement and construction
NPCC – Technip AGFA	50%	-	Engineering, procurement and construction
NPCC – Technip JV – US GAS CAP FEED	50%	-	Engineering, procurement and construction

There are certain joint operations which are inoperative and have insignificant balances at year end.

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

- Deferred tax assets or liabilities and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with IAS 12 and IAS 19 respectively;
- 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*; 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.

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 consolidated statement profit or loss as a bargain purchase gain.

When the consideration transferred by the Group in a business combination includes a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with corresponding adjustments against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the ‘measurement period’ (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not re-measured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Other contingent consideration is re-measured to fair value at subsequent reporting dates with changes in fair value recognised in consolidated statement of profit or loss.

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

When a business combination is achieved in stages, the Group’s previously held interests (including joint operations) in the acquired entity are re-measured to its acquisition-date fair value and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in consolidated statement of comprehensive income are reclassified to consolidated statement of profit or loss, where such treatment would be appropriate if that interest were disposed of.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see above), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognised as of that date.

Business combinations under common control

A business combination involving entities or businesses under common control is a business combination in which all the combining entities or businesses are ultimately controlled by the same party or parties both before and after the combination and that control is not transitory.

Transactions giving rise to transfer of interests in entities, which are under the common control of the Group are accounted for using the pooling of interest method of accounting at the date of transfer and presented in these consolidated financial statements without restatement of prior periods and, therefore, outside the scope of IFRS 3 Business Combinations. The assets and liabilities acquired are recognised at the carrying amounts recognised previously in the books of transferor entity at transferred date. The components of equity of the acquired entities are added to the same components within Group equity, except those which are eliminated on consolidation and for reserves which are added to restricted reserve. Any difference between the consideration paid and capital of the acquiree is recognised directly in equity.

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 its 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 consolidated statement of profit or loss during the financial period in which they are incurred.

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

3 Summary of significant accounting policies (continued)

Property, plant and equipment (continued)

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

	Years
Buildings and base facilities	5-47
Dredgers, machinery and equipment	1-30
Barges, support vessels and vehicles	1-40
Furniture, equipment and leasehold improvements	2-15

Land is not depreciated.

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

The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the consolidated statement of 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 property including related staff costs, and for qualifying assets, borrowing costs capitalised in accordance with the Group’s accounting policy. When the assets are ready for intended use, the capital work-in-progress is transferred to the appropriate property, plant and equipment category and is depreciated in accordance with the Group’s accounting policies.

Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortisation and accumulated impairment losses (if any). Amortisation is recognised on a straight-line basis over their estimated useful lives as follows:

	Years
Software	2-5
Customer related intangibles	3-20
Trademarks	5

The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are carried at cost less accumulated impairment losses (if any).

Intangible assets acquired in a business combination

Intangible assets acquired in a business combination and recognised separately from goodwill are recognised initially at their fair value at the acquisition date (which is regarded as their cost).

**Notes to the consolidated financial statements
for the year ended 31 December 2021 (continued)****3 Summary of significant accounting policies (continued)****Intangible assets acquired separately (continued)**

Subsequent to initial recognition, intangible assets acquired in a business combination are reported at cost less accumulated amortisation and accumulated impairment losses (if any), on the same basis as intangible assets that are acquired separately.

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in consolidated statement of profit or loss when the asset is derecognised.

Borrowing costs

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

To the extent that variable rate borrowings are used to finance a qualifying asset and are hedged in an effective cash flow hedge of interest rate risk, the effective portion of the derivative is recognised in other comprehensive income and reclassified to the consolidated statement of profit or loss when the qualifying asset affects it. To the extent that fixed rate borrowings are used to finance a qualifying asset and are hedged in an effective fair value hedge of interest rate risk, the capitalised borrowing costs reflect the hedged interest rate.

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 the consolidated statement of profit or loss in the period in which they are incurred.

Goodwill

Goodwill is initially recognised and measured as set out above in the business combination policy.

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

On disposal of a cash-generating unit, the attributable amount of goodwill is included in the determination of the consolidated statement of profit or loss on disposal.

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

3 Summary of significant accounting policies (continued)

Biological assets

Biological assets are recognised only when the Group controls the asset as a result of past events, it is probable that future economic benefits associated with the asset will flow to the Group; and the fair value or cost of the net asset can be measured reliably.

Biological assets, for which fair values cannot be measured reliably; are measured at cost less depreciation and any accumulated impairment losses. The cost of a biological asset consists of its purchase price and other direct expenses directly attributable to the assets.

Investment properties

Investment property, which is property held to earn rentals and/or for capital appreciation (including property under construction for such purposes), is measured initially at cost, including transaction costs.

Depreciation is calculated using the straight-line method over their expected useful life ranges from 15 to 47 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

Subsequent to initial recognition, investment properties are stated at cost less accumulated depreciation less impairment losses, if any.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from the disposal. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in consolidated statement of profit or loss in the period in which the property is derecognised.

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.

Lease liabilities

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.

The incremental borrowing rate depends on the term, currency and start date of the lease and is determined based on a series of inputs including: the risk-free rate based on government bond rates; a country-specific risk adjustment; a credit risk adjustment based on bond yields; and an entity-specific adjustment when the risk profile of the entity that enters into the lease is different to that of the Group and the lease does not benefit from a guarantee from the Group.

**Notes to the consolidated financial statements
for the year ended 31 December 2021 (continued)****3 Summary of significant accounting policies (continued)****Leases (continued)***The Group as a lessee (continued)**Lease liabilities (continued)*

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

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

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

- The lease term has changed or there is a significant event or change in circumstances resulting in a change in the assessment of exercise of a purchase option, in which case the lease liability is re-measured by discounting the revised lease payments using a revised discount rate.
- the lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is re-measured by discounting the revised lease payments using the initial discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used).
- A lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is re-measured based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification

The Group has such adjustments during the periods in its subsidiary which is presented in note 9.

Right-of-use assets

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day, less any lease incentives received and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses. Whenever the Group incurs an obligation for costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease, a provision is recognised and measured under IAS 37. To the extent that the costs relate to a right-of-use asset, the costs are included in the related right-of-use asset, unless those costs are incurred to produce inventories.

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

3 Summary of significant accounting policies (continued)

Leases (continued)

The Group as a lessee (continued)

Right-of-use assets (continued)

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

Depreciation is charged so as to write off the cost of the assets using the straight-line method over their estimated useful lives or lease term, whichever is shorter, as follows:

	Years
Buildings	3-50
Land	10-38
Machinery	10

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

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

As a practical expedient, IFRS 16 permits a lessee not to separate non-lease components, and instead account for any lease and associated non-lease components as a single arrangement. The Group has not used this practical expedient. For contracts that contain a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

The Group as a lessor

The Group enters into lease agreements as a lessor with respect to some of its investment properties. 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 sub-lease as two separate contracts. The sub-lease 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.

**Notes to the consolidated financial statements
for the year ended 31 December 2021 (continued)****3 Summary of significant accounting policies (continued)****Leases (continued)***The Group as a lessor (continued)*

Subsequent to initial recognition, the Group regularly reviews the estimated unguaranteed residual value and applies the impairment requirements of IFRS 9, recognising an allowance for expected credit losses on the lease receivables.

Finance lease income is calculated with reference to the gross carrying amount of the lease receivables, except for credit-impaired financial assets for which interest income is calculated with reference to their amortised cost (i.e. after a deduction of the loss allowance).

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

Impairment of non-financial assets excluding goodwill

At each reporting date, the Group reviews the carrying amounts of its non-financial assets including property, plant and equipment, investment property, right-of-use assets and intangible assets to determine whether there is any indication that those non-financial assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When 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.

Intangible assets with an indefinite useful life are tested for impairment at least annually and whenever there is an indication at the end of a reporting period that the asset may be impaired.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

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 consolidated statement of 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 and to the extent that the impairment loss is greater than the related revaluation surplus, the excess impairment loss is recognised in consolidated statement of profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss to the extent that it eliminates the impairment loss which has been recognised for the asset in prior years. Any increase in excess of this amount is treated as a revaluation increase.

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

3 Summary of significant accounting policies (continued)

Investments in associates and joint ventures

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

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

The results and assets and liabilities of associates or joint ventures are incorporated in these 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.

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

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

The requirements of IAS 36 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group’s investment in an associate or a joint venture. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with IAS 36 as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognised is not allocated to any asset, including goodwill that forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with IAS 36 to the extent that the recoverable amount of the investment subsequently increases.

The Group discontinues the use of the equity method from the date when the investment ceases to be an associate or a joint venture. When the Group retains an interest in the former associate or a joint venture and the retained interest is a financial asset, the Group measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition in accordance with IFRS 9. The difference between the carrying amount of the associate or a joint venture at the date the equity method was discontinued, and the fair value of any retained interest and any proceeds from disposing of a part interest in the associate or a joint venture is included in the determination of the gain or loss on disposal of the associate or joint venture.

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

3 Summary of significant accounting policies (continued)

Investments in associates and joint ventures (continued)

In addition, the Group accounts for all amounts previously recognised in consolidated statement of 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 consolidated statement of comprehensive income by that associate or joint venture would be reclassified to consolidated statement of profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to consolidated statement of profit or loss (as a reclassification adjustment) when the associate or joint venture is disposed of.

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

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

The Group applies IFRS 9, including the impairment requirements, to long-term interests in an associate or joint venture to which the equity method is not applied and which form part of the net investment in the investee. Furthermore, in applying IFRS 9 to long-term interests, the Group does not take into account adjustments to their carrying amount required by IAS 28 (i.e. adjustments to the carrying amount of long-term interests arising from the allocation of losses of the investee or assessment of impairment in accordance with IAS 28).

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.

When a Group entity 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.

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

3 Summary of significant accounting policies

Interests in joint operations (continued)

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.

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, except for trade receivables that do not have a significant financing component which are measured at transaction price. 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 consolidated 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

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.

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

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

By default, all other financial assets are measured subsequently at fair value through profit or loss (“FVTPL”).

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

3 Summary of significant accounting policies (continued)

Financial instruments (continued)

Financial assets (continued)

Despite the foregoing, the Group may make the following irrevocable election / designation at initial recognition of a financial asset:

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

(i) Amortised cost and effective interest method

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

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

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

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

3 Summary of significant accounting policies (continued)

Financial instruments (continued)

Financial assets (continued)

(ii) *Debt instruments classified as at FVTOCI*

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

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

By default, all other financial assets are measured subsequently at 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.

(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 investment revaluation reserve. The cumulative gain or loss is not reclassified to consolidated statement of profit or loss on disposal of the equity investments, instead, it is transferred to retained earnings.

Dividends on these investments in equity instruments are recognised in consolidated statement of profit or loss in accordance with IFRS 9, unless the dividends clearly represent a recovery of part of the cost of the investment.

The Group designated all investments in equity instruments that are not held for trading as at FVTOCI on initial recognition. A financial asset is held for trading if either:

- It has been acquired principally for the purpose of selling it in the near term;
- On initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has evidence of a recent actual pattern of short-term profit-taking; and
- It is a derivative (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument).

**Notes to the consolidated financial statements
for the year ended 31 December 2021 (continued)****3 Summary of significant accounting policies (continued)****Financial instruments (continued)***Financial assets (continued)**(iv) Financial assets at FVTPL*

Financial assets that do not meet the criteria for being measured at amortised cost or FVTOCI (see (i) to (iii) above) 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 (see (iii) above); and
- Debt instruments that do not meet the amortised cost criteria or the FVTOCI criteria (see (i) and (ii) above) 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 the consolidated statement of profit or loss to the extent they are not part of a designated hedging relationship (see hedge accounting policy). The net gain or loss recognised in the consolidated statement of profit or loss includes any dividend or interest earned on the financial asset and is included in ‘Dividend income’. Fair value is determined in the manner described in Note 45.

Foreign exchange gains and losses

The carrying amount of financial assets that are denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the end of each reporting period. Specifically:

- For financial assets measured at amortised cost that are not part of a designated hedging relationship, exchange differences are recognised in consolidated statement of profit or loss in the foreign exchange gain;
- For debt instruments measured at FVTOCI that are not part of a designated hedging relationship, exchange differences on the amortised cost of the debt instrument are recognised in consolidated statement of profit or loss in foreign exchange gain. As the foreign currency element recognised in profit or loss is the same as if it was measured at amortised cost, the residual foreign currency element based on the translation of the carrying amount (at fair value) is recognised in other comprehensive income in the investment revaluation reserve;
- For financial assets measured at FVTPL that are not part of a designated hedging relationship, exchange differences are recognised in consolidated statement of profit or loss in the foreign exchange gain; and
- For equity instruments measured at FVTOCI, exchange differences are recognised in consolidated statement of comprehensive income in the investment revaluation reserve.

**Notes to the consolidated financial statements
for the year ended 31 December 2021 (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, trade receivables, contract assets and other financial 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 expected credit losses (ECL) for trade receivables, contract assets and lease receivables. The expected credit losses on these financial assets are estimated using a provision matrix based on the Group’s historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

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

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

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

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

- An actual or expected significant deterioration in the financial instrument’s external (if available) or internal credit rating;
- Significant deterioration in external market indicators of credit risk for a particular financial instrument, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor, or the length of time or the extent to which the fair value of a financial asset has been less than its amortised cost;

**Notes to the consolidated financial statements
for the year ended 31 December 2021 (continued)****3 Summary of significant accounting policies (continued)****Financial instruments (continued)***Financial assets (continued)***Impairment of financial assets (continued)***i) Significant increase in credit risk (continued)*

- Existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor’s ability to meet its debt obligations;
- An actual or expected significant deterioration in the operating results of the debtor;
- Significant increases in credit risk on other financial instruments of the same debtor; and
- An actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor’s ability to meet its debt obligations.

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

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

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

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

For financial guarantee contracts, the date that the Group becomes a party to the irrevocable commitment is considered to be the date of initial recognition for the purposes of assessing the financial instrument for impairment. In assessing whether there has been a significant increase in the credit risk since initial recognition of a financial guarantee contract, 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 2021 (continued)****3 Summary of significant accounting policies (continued)****Financial instruments (continued)***Financial assets (continued)***Impairment of financial assets (continued)***ii) Definition of default*

The Group considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that financial assets that meet either of the following criteria are generally not recoverable:

- When there is a breach of financial covenants by the debtor; and
- Information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collateral held by the Group).

Irrespective of the above analysis, the Group considers that default has occurred when a financial asset is past due for 365 days unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

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 reorganization; and
- The disappearance of an active market for that financial asset because of financial difficulties.

iv) Write-off policy

The Group writes off a financial asset when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of trade receivables, when the amounts are over two years past due, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under the Group’s recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in consolidated statement of profit or loss.

**Notes to the consolidated financial statements
for the year ended 31 December 2021 (continued)****3 Summary of significant accounting policies (continued)****Financial instruments (continued)***Financial assets (continued)***Impairment of financial assets (continued)***(v) 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 of guaranteed debt that has been drawn down as at the reporting date, together with any additional guaranteed amounts expected to be drawn down by the borrower in the future by default date determined based on historical trend, the Group's understanding of the specific future financing needs of the debtors, and other relevant forward-looking information.

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

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

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

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

**Notes to the consolidated financial statements
for the year ended 31 December 2021 (continued)****3 Summary of significant accounting policies (continued)****Financial instruments (continued)****Derecognition of financial assets**

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralized 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 consolidated statement of 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 investment revaluation reserve is reclassified to consolidated statement of profit or loss. In contrast, on derecognition of an investment in an equity instrument which the Group has elected on initial recognition to measure at FVTOCI, the cumulative gain or loss previously accumulated in the investment revaluation reserve is not reclassified to consolidated statement of profit or loss, but is transferred to retained earnings.

Financial liabilities and equity*Classification as debt or equity*

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

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

Repurchase of the Company's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in consolidated statement of profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

Financial liabilities

All financial liabilities are measured subsequently at amortised cost using the effective interest method or at FVTPL. However, financial liabilities that arise when a transfer of a financial asset does not qualify for derecognition or when the continuing involvement approach applies, and financial guarantee contracts issued by the Group, are measured in accordance with the specific accounting policies set out below.

Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL when the financial liability is (i) contingent consideration of an acquirer in a business combination, (ii) held for trading or (iii) it is designated as at FVTPL.

**Notes to the consolidated financial statements
for the year ended 31 December 2021 (continued)****3 Summary of significant accounting policies (continued)****Financial instruments (continued)****Financial liabilities***Financial liabilities at FVTPL (continued)*

A financial liability is classified as held for trading if either:

- It has been acquired principally for the purpose of repurchasing it in the near term;
- On initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; and
- It is a derivative, except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument.

A financial liability other than a financial liability held for trading or contingent consideration of an acquirer in a business combination may be designated as at FVTPL upon initial recognition if either:

- Such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise;
- The financial liability forms part of a group of financial assets or financial liabilities or both, which is managed, and its performance is evaluated on a fair value basis, in accordance with the Group’s documented risk management or investment strategy, and information about the grouping is provided internally on that basis; and
- It forms part of a contract containing one or more embedded derivatives, and IFRS 9 permits the entire combined contract to be designated as at FVTPL.

Financial liabilities at FVTPL are measured at fair value, with any gains or losses arising on changes in fair value recognised in consolidated statement of profit or loss to the extent that they are not part of a designated hedging relationship (see Hedge accounting policy). The net gain or loss recognised in 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 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 in the consolidated statement of profit or loss. The remaining amount of change in the fair value of liability is recognised in the consolidated statement of profit or loss. Changes in fair value attributable to a financial liability’s credit risk that are recognised in the consolidated statement of comprehensive income are not subsequently reclassified to consolidated 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 the consolidated statement of profit or loss.

Fair value is determined in the manner described in Note 45.

**Notes to the consolidated financial statements
for the year ended 31 December 2021 (continued)****3 Summary of significant accounting policies (continued)****Financial instruments (continued)****Financial liabilities (continued)***Financial liabilities measured subsequently at amortised cost*

Financial liabilities that are not (i) contingent consideration of an acquirer in a business combination, (ii) held-for trading, or (iii) designated as at 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.

Financial guarantee contract liabilities

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due in accordance with the terms of a debt instrument.

Financial guarantee contract liabilities are measured initially at their fair values and, if not designated as at FVTPL and do not arise from a transfer of an asset, are measured subsequently at the higher of:

- The amount of the loss allowance determined in accordance with IFRS 9 (see financial assets above); and
- The amount recognised initially less, where appropriate, cumulative amortisation recognised in accordance with the revenue recognition policies set out above.

Foreign exchange gains and losses

For financial liabilities that are denominated in a foreign currency and are measured at amortised cost at the end of each reporting period, the foreign exchange gains and losses are determined based on the amortised cost of the instruments. These foreign exchange gains and losses are recognised in the ‘Foreign exchange gain/(loss)’ line item in consolidated statement of profit or loss for financial liabilities that are not part of a designated hedging relationship. For those which are designated as a hedging instrument for a hedge of foreign currency risk foreign exchange gains and losses are recognised in consolidated statement of comprehensive income and accumulated in a separate component of equity.

The fair value of financial liabilities denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the end of the reporting period. For financial liabilities that are measured as at FVTPL, the foreign exchange component forms part of the fair value gains or losses and is recognised in consolidated statement of profit or loss for financial liabilities that are not part of a designated hedging relationship.

**Notes to the consolidated financial statements
for the year ended 31 December 2021 (continued)****3 Summary of significant accounting policies (continued)****Financial instruments (continued)****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 consolidated statement of profit or loss. When the Group exchanges with the existing lender one debt instrument into another one with substantially different terms, such exchange is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. Similarly, the Group accounts for substantial modification of terms of an existing liability or part of it as an extinguishment of the original financial liability and the recognition of a new liability. It is assumed that the terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective interest rate is at least 10 per cent different from the discounted present value of the remaining cash flows of the original financial liability. If the modification is not substantial, the difference between: (1) the carrying amount of the liability before the modification; and (2) the present value of the cash flows after modification is recognised in consolidated statement of profit or loss as the modification gain or loss within other gains and losses.

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.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the consolidated statement of profit or loss because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group’s liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period. A provision is recognised for those matters for which the tax determination is uncertain but it is considered probable that there will be a future outflow of funds to a tax authority. The provisions are measured at the best estimate of the amount expected to become payable. The assessment is based on the judgement of tax professionals within the Group supported by previous experience in respect of such activities and in certain cases based on specialist independent tax advice.

Deferred tax

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. In addition, a deferred tax liability is not recognised if the temporary difference arises from the initial recognition of goodwill.

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

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised based on tax laws and rates that have been enacted or substantively enacted at the reporting date.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Current tax and deferred tax for the year

Current and deferred tax are recognised in the consolidated statement of profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case the current and deferred tax is also recognised in consolidated statement of comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

Value added tax (VAT)

Expenses and assets are recognised net of the amount of VAT, except:

- When VAT incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case, VAT is recognised as part of the cost of acquisition of the asset or as part of the expense item, as applicable; and
- When receivables and payables are stated with the amount of VAT included

The net amount of VAT recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the consolidated statement of financial position.

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

3 Summary of significant accounting policies (continued)

Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

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

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

All assets and liabilities for which fair value is measured or disclosed in the consolidated financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities;

Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable;

Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

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

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy, as explained above.

Fair-value related disclosures for financial instruments and non-financial assets that are measured at fair value or where fair values are disclosed, are summarised in note 45.

Inventories

Inventories 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 cost method. Net realisable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

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

Non-current assets held-for-sale

Non-current assets (and disposal groups) classified as held-for-sale are measured at the lower of carrying amount and fair value less costs to sell.

Non-current assets and disposal groups are classified as held-for-sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition.

Management must be committed to the sale which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

When the Group is committed to a sale plan involving loss of control of a subsidiary, all of the assets and liabilities of that subsidiary are classified as held-for-sale when the criteria described above are met, regardless of whether the Group will retain a non-controlling interest in its former subsidiary after the sale.

When the Group is committed to a sale plan involving disposal of an investment in an associate or, a portion of an investment in an associate, the investment, or the portion of the investment in the associate, that will be disposed of is classified as held-for-sale when the criteria described above are met. The Group then ceases to apply the equity method in relation to the portion that is classified as held-for-sale. Any retained portion of an investment in an associate that has not been classified as held-for-sale continues to be accounted for using the equity method.

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.

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

3 Summary of significant accounting policies (continued)

Employee benefits (continued)

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

Derivative financial instruments

The Group enters into derivative financial instruments to manage exposure to variable interest rate fluctuations. Further details of derivative financial instruments are disclosed in Note 31.

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

A derivative with a positive fair value is recognised as a financial asset whereas a derivative with a negative fair value is recognised as a financial liability. Derivatives are not offset in the consolidated financial statements unless the Group has both a legally enforceable right and intention to offset. The impact of the master netting agreements on the Group’s financial position is disclosed in note 31. A derivative is presented as a non-current asset or a non-current liability if the remaining maturity of the instrument is more than 12 months and it is not due to be realised or settled within 12 months. Other derivatives are presented as current assets or current liabilities

Hedge accounting

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

At the inception of the hedge relationship, the Group documents the relationship between the hedging instrument and the hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. Furthermore, at the inception of the hedge and on an ongoing basis, the Group documents whether the hedging instrument is effective in offsetting changes in fair values or cash flows of the hedged item attributable to the hedged risk, which is when the hedging relationships meet all of the following hedge effectiveness requirements:

- There is an economic relationship between the hedged item and the hedging instrument;
- The effect of credit risk does not dominate the value changes that result from that economic relationship; and
- The hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the Group actually hedges and the quantity of the hedging instrument that the Group actually uses to hedge that quantity of hedged item.

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

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

3 Summary of significant accounting policies (continued)

Hedge accounting (continued)

Note 31 sets out details of the fair values of the derivative instruments used for hedging purposes.

Cash flow hedges

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

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

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

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 that 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 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 the effect of the time value of money is material).

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

**Notes to the consolidated financial statements
for the year ended 31 December 2021 (continued)****3 Summary of significant accounting policies (continued)****Provisions (continued)***Contingent liabilities acquired in a business combination*

Contingent liabilities acquired in a business combination are initially measured at fair value at the acquisition date.

At the end of subsequent reporting periods, such contingent liabilities are measured at the higher of the amount that would be recognised in accordance with IAS 37 and the amount recognised initially less cumulative amount of income recognised in accordance with the principles of IFRS 15.

Onerous contracts

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

Warranties

Provisions for the expected cost of warranty obligations under local sale of goods legislation are recognised at the date of sale of the relevant products, at the directors’ best estimate of the expenditure required to settle the Group’s obligation.

Revenue recognition

Revenue from contracts with customers is recognised when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services. The Group has generally concluded that it is the principal in its revenue arrangements because it typically controls the goods or services before transferring to the customer.

The Group recognises revenue from the following major sources:

- construction contracts, Industrial service, laboratory and other services which is recognised over period of time, and
- Laboratory and hospital management services, revenue from hotel operations, sale of goods and investment income which is recognised at point of time.

Revenue from construction, industrial and dredging contracts

The Group provides construction and dredging activities and associated land reclamation works 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 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.

**Notes to the consolidated financial statements
for the year ended 31 December 2021 (continued)****3 Summary of significant accounting policies (continued)****Revenue recognition (continued)***Revenue from construction, industrial and dredging contracts (continued)*

In case of contracts, where revenue is recognised on the basis of surveys of work performed, revenue is measured by applying contractual rates, or the minimum recoverable rates expected, to the actual quantities dredged or the related works performed. Revenue is adjusted subsequently based on final customer approval if rates approved are different from those originally used.

When the outcome of a contract cannot be estimated reliably, revenue is recognised only to the extent of contract costs incurred that it is probable will be recoverable; and contract costs should be recognised as an expense in the period in which they are incurred.

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

Costs of contracts include all direct costs of labour, materials, depreciation of property, plant 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.

Laboratory diagnostics distribution

The Group sells medical equipment and consumables to end-user laboratories across the UAE. Revenue is recognised when control of the goods has transferred, being when goods have been delivered to end-user laboratories location. 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.

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.

**Notes to the consolidated financial statements
for the year ended 31 December 2021 (continued)****3 Summary of significant accounting policies (continued)****Revenue recognition (continued)***Rendering of services*

The Group provides certain specialized services like laboratory management services, hospital management services, manpower supply and other maintenance and operational support services. Revenue from such services are recognised as a performance obligation satisfied at a point in time or over the contract period or period of service, as applicable in accordance with the requirements of IFRS 15.

Rental income

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

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 income 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 right to receive payment has been established.

Revenue from hotel operations

Hotel operations represents the sale of hotel rooms, food and beverages, catering and other ancillary services. These are invoiced upon provision of the service or delivery of goods. Revenue is stated net of allowances and rebates.

Foreign currencies

In preparing the financial statements of the Group entities, transactions in currencies other than the entity’s functional currency (foreign currencies) are recognised at the rates of exchange prevailing on the dates of the transactions. At each reporting date, monetary assets and liabilities that are 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 translated at the rates prevailing at the date when the fair value was determined. Nonmonetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

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

Exchange differences are recognised in profit or loss in the period in which they arise except for:

- Exchange differences on foreign currency borrowings relating to assets under construction for future productive use, which are included in the cost of those assets when they are regarded as an adjustment to interest costs on those foreign currency borrowings;
- Exchange differences on transactions entered into to hedge certain foreign currency risks (see below under financial instruments/hedge accounting); and
- Exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur in the foreseeable future (therefore forming part of the net investment in the foreign operation), which are recognised initially in other comprehensive income and reclassified from equity to consolidated statement of profit or loss on disposal or partial disposal of the net investment

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group’s foreign operations are translated at exchange rates prevailing on the reporting date. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during that period, in which case the exchange rates at the date of transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in a foreign exchange translation reserve (attributed to non-controlling interests as appropriate).

On the disposal of a foreign operation (i.e. a disposal of the Group’s entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation or a partial disposal of an interest in a joint arrangement or an associate that includes a foreign operation of which the retained interest becomes a financial asset), all of the exchange differences accumulated in a foreign exchange translation reserve in respect of that operation attributable to the owners of the Company are reclassified to profit or loss.

In addition, in relation to a partial disposal of a subsidiary that includes a foreign operation that does not result in the Group losing control over the subsidiary, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests and are not recognised in consolidated statement of profit or loss. For all other partial disposals (i.e. partial disposals of associates or joint arrangements that do not result in the Group losing significant influence or joint control), the proportionate share of the accumulated exchange differences is reclassified to consolidated statement of profit or loss.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate. Exchange differences arising are recognised in consolidated statement of comprehensive income.

Notes to the consolidated financial statements for the year ended 31 December 2021 (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 revenue only to the extent that the Group is confident of realising the economic benefits of the variation in accordance with its interpretation of the underlying circumstances. The Group considers prior experience, application of contract terms and the relationship with the customers in making its judgement.

**Notes to the consolidated financial statements
for the year ended 31 December 2021 (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 the Group is confident of realising the economic benefits of the claim in accordance with its assessment of the underlying circumstances. The Group reviews judgments 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 since initial recognition. IFRS 9 does not define what constitutes an 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, the Group makes 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, the Group 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 at the reporting date.

Classification and measurement of financial assets (Business model assessment)

Classification and measurement of financial assets depends on the results of the sole payments of principal and interest (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 FVTOCI 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 2021 (continued)****4 Critical accounting judgments and key sources of estimation of uncertainty (continued)****4.1 Critical judgment in applying accounting policies (continued)***Merger reserve*

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 IAS 32. In making its judgment, the Group considered, 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. Accordingly, it was concluded that merger reserve should be part of equity.

Joint arrangements

For assessing joint control, the Group has considered the contractual agreement of sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control. For the purpose of assessing whether a joint arrangement is a joint venture or joint operation, the Group has considered whether it has joint control on the rights to the net assets of the arrangements, in which case these are treated as joint ventures, or rights to the assets and obligations for the liabilities relating to the arrangement, in which case these are treated as joint operations.

The Group has concluded that its interest in “The Challenge Egyptian Emirates Marine Dredging Company” is a joint venture due to equal representation on the Board, unanimous consent being required for any resolution and the Group’s right to the net assets of the joint arrangement.

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, the Group 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).

**Notes to the consolidated financial statements
for the year ended 31 December 2021 (continued)****4 Critical accounting judgments and key sources of estimation of uncertainty (continued)****4.2 Key sources of estimation uncertainty (continued)***Discount rate used for initial measurement of lease liability*

The Group, as a lessee, measures the lease liability at the present value of the unpaid lease payments at the commencement date. The lease payments are discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the Group, on initial recognition of the lease, uses its incremental borrowing rate. Incremental borrowing rate is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use assets in similar economic environment.

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 the stage of completion and costs necessary to complete 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 outstanding contractual obligations to customers. Effects of any revision to these estimates are reflected when 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. Factors such as delays in expected completion date, changes in the scope of work, changes in material prices, changes in labour and other costs, are included in the expected construction cost estimates.

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

Management reviews the estimated useful lives and residual values of property, plant 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 has reassessed the useful life of certain property, plant and equipment and changed it from 5 years to 47 years. The change in accounting estimate has increase the profit for the year by AED 19,873 thousand.

Impairment of investment in associates

In testing for impairment, the Group evaluates the specific investee’s profitability, liquidity, solvency and ability to generate operating cash flows for the foreseeable future. Any shortfall between the estimated recoverable amount and the carrying value of investment is recognised as an expense in the consolidated statement of profit or loss. Management is satisfied that no impairment provision is necessary on its investments in associates.

**Notes to the consolidated financial statements
for the year ended 31 December 2021 (continued)****4 Critical accounting judgments and key sources of estimation of uncertainty (continued)****4.2 Key sources of estimation uncertainty (continued)***Fair value measurements and valuation processes*

Some of the Group’s assets and liabilities are measured at fair value for financial reporting purposes. The management of each legal entity determine the appropriate valuation techniques and inputs for fair value measurements.

In estimating the fair value of an asset or a liability, the Group uses market-observable data to the extent it is available. Where Level 1 inputs are not available, the Group engages third party qualified valuers to perform the valuation. Management works closely with the qualified external valuers to establish the appropriate valuation techniques and inputs to the model. The valuation findings are reported to the leadership of each entity to explain the cause of fluctuations in the fair value of the assets and liabilities.

The valuations of private equity investments, contingent consideration in business combinations and nonderivative financial assets held for trading are particularly sensitive to changes in one or more unobservable inputs which are considered reasonably possible within the next financial year. Further information on the carrying amounts of these assets and the sensitivity of those amounts to changes in unobservable inputs are provided in Note 45.

Derivative financial instruments

The fair values of derivative financial instruments measured at fair value are generally obtained by reference to quoted market prices, discounted cash flow models and recognised pricing models as appropriate. When independent prices are not available, fair values are determined by using valuation techniques which refer to observable market data. These include comparison with similar instruments where market observable prices exist, discounted cash flow analysis, option pricing models and other valuation techniques commonly used by market participants

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 216,039 thousand (2020: AED 126,908 thousand), AED 45,493 thousand (2020: AED 53,666 thousand), AED 96,336 thousand (2020: AED 25,558 thousand) and AED 42,854 thousand (2020: AED 69,701 thousand) respectively as on 31 December 2021.

**Notes to the consolidated financial statements
for the year ended 31 December 2021 (continued)****4 Critical accounting judgments and key sources of estimation of uncertainty (continued)****4.2 Key sources of estimation uncertainty (continued)***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, plant and equipment are reassessed at the end of project in accordance with IAS 16 *Property, Plant and Equipment*.

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 movements during the year, their physical condition and their expected future use, and accordingly an allowance for impairment of slow moving and obsolete inventories. Based on the factors, management has identified inventory items as slow and not moving to calculate the allowance for slow moving inventories. Revisions to the allowance for slow moving inventories would be required if the outcome of these indicative factors differ from the estimates. The Group believes that allowance for slow moving and obsolete inventories at 31 December 2021 is AED 62,747 thousand (2020: AED 6,010 thousand) is adequate.

Impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate present value which necessarily involves making numerous estimates and assumptions regarding revenue growth, operating margins, appropriate discount rates and working capital requirements. These estimates will likely differ from future actual results of operations and cash flows, and it is possible that these differences could be material. The carrying amount of goodwill at the reporting date is AED 451,672 thousand (2020: nil) [Note 7]. No impairment was recorded in the current year.

Impairment of non-financial assets

Property, plant and equipment, right of use assets, biological assets and investment property are assessed for impairment based on assessment of cash flows on individual cash generating units when there is indication of impairment. Cash flows are determined based on contractual agreements and estimations over the useful life of the assets and discounted using a range of discounting rates representing the rate of return on such cash generating units. The net present values are compared to the carrying amounts to assess any probable impairment. Management is satisfied that no impairment against property, plant and equipment and investment properties is noted as on year end.

**Notes to the consolidated financial statements
for the year ended 31 December 2021 (continued)****4 Critical accounting judgments and key sources of estimation of uncertainty (continued)****4.2 Key sources of estimation uncertainty (continued)***Legal claims and contingencies*

When assessing the possible outcomes of legal claims and contingencies, the Group gathers all available facts, and seeks to ascertain the likely outcome using opinions of legal counsel where appropriate. The opinion of legal counsel is based on their professional judgment, interpretation of facts, current stage of proceedings and legal experience accumulated with respect to similar matters. As the results of the claims may ultimately be determined by courts or otherwise settled, they may be different from the Group’s estimates.

Performance obligations

In October 2017, the Group entered into an agreement with MOHAP to operate the laboratories of their hospitals and primary healthcare centres. Management identified its performance obligations under this contract as a series of distinct services (laboratory tests) that are substantially the same and that have the same pattern of transfer to the customer.

The Group has an agreement dated 31 July 2020 with SEHA to operate the laboratories of SEHA’s hospitals and primary healthcare centres. Management has identified its performance obligations under this contract as a series of distinct services (laboratory tests) that are substantially the same and that have the same pattern of transfer to the customer.

The Group signed a long-term contract effective 1 January 2021, to operate and manage hospitals and healthcare facilities on behalf of “The Committee for Follow-Up on Implementing Initiatives for H.H. The President of UAE”. Management has identified its performance obligations under this contract as series of funds and operations management activities that are substantially the same and that have the same pattern of transfer to the customer.

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

5 Property, plant and equipment

	Land AED '000	Buildings and base facilities AED '000	Dredgers, machinery and equipment AED '000	Barges, support vessels and vehicles AED '000	Furniture, equipment and leasehold improvements AED '000	Capital work-in- progress AED '000	Total AED '000
Cost							
At 1 January 2020	-	235,288	868,949	270,598	49,834	36,291	1,460,960
Additions	-	1,282	88,114	10,307	4,377	111,398	215,478
Transfers	-	-	1,038	-	-	(1,038)	-
Transfers from investment property (Note 8)	-	-	-	-	-	3,085	3,085
Disposals	-	-	(8,926)	(2,467)	(440)	-	(11,833)
At 31 December 2020	-	236,570	949,175	278,438	53,771	149,736	1,667,690
Additions	-	17,220	58,441	78,560	36,603	219,497	410,321
Acquired in common control business combinations (Note 42)	225,234	1,654,980	1,558,563	6,602,217	555,063	287,484	10,883,541
Assets arising on acquisitions of subsidiaries during the year (Note 43)	-	763	9,206	-	2,321	-	12,290
Foreign currency translation	-	160	-	(12)	(348)	-	(200)
Assets of group held-for-sale (Note 22)	-	(27,417)	-	(831)	(25,979)	-	(54,227)
Transfers	-	23,986	70,546	(1,411)	4,213	(97,334)	-
Disposals	-	(33,887)	(17,205)	(51,932)	(18,811)	-	(121,835)
At 31 December 2021	225,234	1,872,375	2,628,726	6,905,029	606,833	559,383	12,797,580
Accumulated depreciation							
At 1 January 2020	-	133,406	611,173	191,381	47,167	-	983,127
Charge for the year	-	12,019	61,646	23,315	1,983	-	98,963
Eliminated on disposals	-	-	(7,303)	(2,042)	(343)	-	(9,688)
At 31 December 2020	-	145,425	665,516	212,654	48,807	-	1,072,402
Acquired in common control business combinations (Note 42)	-	711,015	234,713	3,636,046	397,566	-	4,979,340
Charge for the year	-	47,913	191,586	228,456	40,287	-	508,242
Charge for the year for assets held-for-sale	-	1,866	-	130	1,781	-	3,777
Assets of group held-for-sale (Note 22)	-	(7,288)	-	(390)	(14,528)	-	(22,206)
Foreign currency translation adjustment	-	32	25	9	(261)	-	(195)
Eliminated on disposals	-	(29,148)	(16,900)	(49,950)	(12,992)	-	(108,990)
At 31 December 2021	-	869,815	1,074,940	4,026,955	460,660	-	6,432,370
Carrying amount							
At 31 December 2021	225,234	1,002,560	1,553,786	2,878,074	146,173	559,383	6,365,210
At 31 December 2020	-	91,145	283,659	65,784	4,964	149,736	595,288

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

5 Property, plant and equipment (continued)

The Group owns plots of land in the UAE and overseas on which assets are being constructed and/or operated.

Capital work-in-progress includes the costs incurred on construction of labour camps, buildings and other major assets, which will be capitalised to the respective assets categories on completion.

Depreciation for the year has been allocated as follows:

	2021	2020
	AED'000	AED'000
Direct costs (Note 35)	464,978	92,038
General, administrative and selling expenses (Note 36)	43,264	6,925
	<hr/> 508,242 <hr/>	<hr/> 98,963 <hr/>

Assets pledged as security

Freehold land, buildings, vehicles, vessels and dredgers with a carrying amount of AED 2,241 million (2020: nil) have been pledged to secure borrowings of the Group (Note 30).

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

6 Intangible assets

	Software AED ‘000	Customer related intangible AED ‘000	Trademark AED ‘000	Total AED ‘000
Cost				
At 1 January 2020	6,872	-	-	6,872
Additions	15	-	-	15
At 31 December 2020	6,887	-	-	6,887
Additions	3,465	-	-	3,465
Acquired in common control business combinations (Note 42)	23,000	146,300	736	170,036
Assets arising on acquisition of subsidiaries during the year (Note 43)	-	1,139,800	-	1,139,800
At 31 December 2021	33,352	1,286,100	736	1,320,188
Accumulated amortisation				
At 1 January 2020	6,408	-	-	6,408
Charge for the year	205	-	-	205
At 31 December 2020	6,613	-	-	6,613
Charge for the year	3,089	90,100	74	93,263
Acquired in common control business combinations (Note 42)	8,750	-	369	9,119
At 31 December 2021	18,452	90,100	443	108,995
Carrying amount				
At 31 December 2021	14,900	1,196,000	293	1,211,193
At 31 December 2020	274	-	-	274

Amortisation for the year has been allocated as follows:

	2021 AED’000	2020 AED’000
Direct costs (Note 35)	90,148	-
General, administrative and selling expenses (Note 36)	3,115	205
	93,263	205

**Notes to the consolidated financial statements
for the year ended 31 December 2021 (continued)****7 Goodwill**

Goodwill of AED 451,672 thousand (2020: Nil) is allocated to the following cash-generating units:

Murban BVI Holding Inc. (BVI)

Goodwill of AED 404.7 million has been recognised on the acquisition of Sitax Holding Limited, Sitax Investment Ltd and I&T Management Private Limited. Fair value of the net assets acquired was AED 69.3 million against purchase consideration of AED 474 million.

Hill View Resorts (Seychelles) Limited

Goodwill of AED 46.9 million has been recognised on the acquisition of Hill View Resorts (Seychelles) Limited for a total consideration of AED 143.8 million. Fair value of the net assets acquired was AED 96.9 million.

The Group performed its annual impairment review using a discounted cash flow model and trading multiples of comparable companies approach and assessed no impairment loss is required to be recognised against goodwill as on 31 December 2021.

The following key assumptions were used in the discounted cash flow model:

- Terminal growth rate: 2%
- Discount rate: 8.1%

Sensitivity analysis

The Group has conducted a sensitivity analysis of the impairment test by changing key assumptions used to determine the recoverable amount of cash-generating units to which goodwill is allocated. It concluded that any reasonably possible change in the key assumptions on which the recoverable amount of Goodwill is based would not cause the aggregate carrying amount to exceed the aggregate recoverable amount of the related cash-generating units.

At the beginning of the financial year the recoverable amount of Goodwill was substantially in excess of its carrying amount. Due to market conditions at the year-end, as discussed in Note 4, the recoverable amount exceeds the carrying amount by AED 986.34 million.

If forecasted revenue is determined to be equal to 2021 results without any forecasted growth rate, and no perpetual growth rate is determined, the headroom would reduce to AED 124.95 million but would not result in any impairment charge.

All things being constant, if the forecasted sales are 5% less than expected, and no perpetual growth rate is determined, the headroom will reduce to AED 110.0 million, and would still not result in any impairment charge.

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

8 Investment properties

	Land AED ‘000	Commercial and residential properties AED ‘000	Total AED ‘000
Cost			
At 1 January 2020	-	268,938	268,938
Transfer to property, plant and equipment (Note 5)	-	(3,085)	(3,085)
Transfer to development work-in-progress (Note 18)	-	(2,260)	(2,260)
Transfer to a related party (Note 19)	-	(139,978)	(139,978)
Additions during the year	-	1,185	1,185
	<hr/>	<hr/>	<hr/>
At 31 December 2020	-	124,800	124,800
Acquired in common control business combinations (Note 42)	62,475	610,011	672,486
Assets of group held-for-sale (Note 22)	-	(252,102)	(252,102)
	<hr/>	<hr/>	<hr/>
At 31 December 2021	62,475	482,709	545,184
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
Accumulated depreciation			
At 1 January 2020	-	15,113	15,113
Charge for the year	-	9,584	9,584
Transfer to a related party (Note 19)	-	(9,584)	(9,584)
	<hr/>	<hr/>	<hr/>
At 31 December 2020	-	15,113	15,113
Charge for the year	-	8,869	8,869
Charge for the year from assets of group held- for-sale	-	1,348	1,348
Acquired in common control business combinations (Note 42)	-	119,405	119,405
Assets of group held-for-sale (Note 22)	-	(34,264)	(34,264)
	<hr/>	<hr/>	<hr/>
At 31 December 2021	-	110,471	110,471
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
Carrying amount			
At 31 December 2021	62,475	372,238	434,713
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
At 31 December 2020	-	109,687	109,687
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

Investment properties comprise plots of land as well as commercial and residential properties in the United Arab Emirates, Iraq and Seychelles.

The Group performed fair valuations for its investment properties which are carried out as at 31 December 2021 and supported the carrying amount as being representative of fair value and is within level 3 of the fair value hierarchy.

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

8 Investment properties (continued)

A description of the valuation techniques used and key inputs to the valuations of investment properties as at 31 December 2021 is as follows:

<u>Property</u>	<u>Valuation technique</u>	<u>Significant unobservable inputs</u>	<u>Sensitivity</u>
Plots of land	Comparable method	Comparable transactions Current market prices of similar assets	Change in micro and macro-economic conditions would cause a significant impact
Commercial and residential properties	Straight capitalisation approach having regard to market rental potential and transactional evidence, as well as general market knowledge of such investments.	Capitalisation approach, annual market rent, discount rate	A slight change in one of the inputs may not have a significant impact, however, a change in multiple inputs could result in a significant impact on the value.

Details of rental income relating to investment properties are as follows:

	2021	2020
	AED'000	AED'000
Rental income (Note 44)	46,726	17,601
Direct operating costs	16,469	9,584

9 Right-of-use assets and lease liabilities

Right-of-use assets

The Group leases several assets including land and buildings in the UAE. The approximate lease terms range from 2 to 50 years (2020: 3 to 20 years).

The associated right-of-use assets were measured at the amount equal to the lease liability. There were no onerous lease contracts that would have required an adjustment to any right-of-use assets at the date of initial application.

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

9 Right-of-use assets and lease liabilities (continued)

Right-of-use assets (continued)

Set out below are the carrying amounts and movement of right-of-use assets:

Cost	Land AED ‘000	Building AED ‘000	Machinery AED ‘000	Total AED ‘000
At 1 January 2020	86,520	-	-	86,520
At 31 December 2020	86,520	-	-	86,520
Additions	5,902	61,794	-	67,696
Acquired in common control business combinations (Note 42)	379,916	52,733	19,011	451,660
Assets arising on acquisitions of subsidiaries during the year (Note 43)	-	80,980	-	80,980
Modification for the year	(19)	137	-	118
Cancellation *	-	-	(19,011)	(19,011)
Leases related to assets held-for-sale (Note 22)	-	(4,866)	-	(4,866)
At 31 December 2021	472,319	190,778	-	663,097
Accumulated depreciation				
At 1 January 2020	7,154	-	-	7,154
Charge for the year	8,528	-	-	8,528
At 31 December 2020	15,682	-	-	15,682
Acquired in common control business combinations (Note 42)	8,234	21,096	3,066	32,396
Charge for the year	18,672	11,013	818	30,503
Charge for the year on assets held-for-sale	-	1,122	-	1,122
Cancellation *	-	-	(3,884)	(3,884)
Leases related to assets held-for-sale (Note 22)	-	(1,364)	-	(1,364)
At 31 December 2021	42,588	31,867	-	74,455
Carrying amount				
At 31 December 2021	429,731	158,911	-	588,642
At 31 December 2020	70,838	-	-	70,838

*During the year, the Group purchased some equipment previously leased for a period of 7 years and which were classified as right-of-use assets. Accordingly, when the lease agreement was terminated, the acquired equipment was classified under property, plant and equipment.

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

9 Right-of-use assets and lease liabilities (continued)

Amounts recognised in relation to right-of-use assets in the consolidated statement of profit or loss during the year is as follows:

	2021	2020
	AED ‘000	AED ‘000
Depreciation	30,503	8,528
Depreciation of assets held-for-sale	1,122	-
Expense relating to short-term lease and low value assets	187,616	93,032
Cancellation costs	2,446	-
Finance costs (Note 38)	15,704	4,783
Finance cost for assets held-for-sale	56	-
	<hr/> 237,447 <hr/>	<hr/> 106,343 <hr/>

Depreciation for the year has been allocated as follows:

	2021	2020
	AED’000	AED’000
Direct costs (Note 35)	7,417	5,776
General, administrative and selling expenses (Note 36)	23,086	2,752
	<hr/> 30,503 <hr/>	<hr/> 8,528 <hr/>

Lease liabilities

Set below are the carrying amount of lease liabilities and movements during the year;

	2021	2020
	AED ‘000	AED ‘000
At 1 January	73,366	78,750
Acquired in common control business combinations (Note 42)	403,809	-
Additions	65,753	-
Liabilities arising on acquisition of subsidiaries during the year (Note 43)	82,359	-
Finance costs	15,704	4,783
Interest expense on assets held-for-sale	56	-
Modification of leases during the year	117	-
Cancellations	(12,681)	-
Less: payment of lease liabilities	(39,053)	(10,167)
Less: assets of group held-for-sale (Note 22)	(1,991)	-
	<hr/> 587,439 <hr/>	<hr/> 73,366 <hr/>

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

9 Right-of-use assets and lease liabilities (continued)

Lease liabilities (continued)

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

	2021	2020
	AED ‘000	AED ‘000
Amounts due for settlement within 12 months	41,858	10,076
Amounts due for settlement after 12 months	545,581	63,290
	<hr/> 587,439 <hr/>	<hr/> 73,366 <hr/>

10 Investment in associates

The movement in investment in associates is as follows:

	2021	2020
	AED ‘000	AED ‘000
At 1 January	2,706	4,092
Acquired in common control business combinations (Note 42)	2,080,404	-
Transfer from investment in financial assets (Note 13)	9,341,779	-
Additions	248,211	-
Share of results	(27,940)	954
Partial disposal	(25,458)	-
Dividends received	(2,455)	(2,340)
Foreign exchange translation differences	515	-
	<hr/> 11,617,762 <hr/>	<hr/> 2,706 <hr/>
At 31 December	11,617,762	2,706

Additions during the year comprise of:

- (i) a 40% equity stake in Response Plus Medical Services LLC (represented by Burjeel Medical Centre (Yas Mall) LLC and D Club Cleaning Services LLC) for a consideration of AED 241.6 million in April 2021. In September 2021, the Group disposed 4% out of that equity stake, upon its listing on ADX as Response Plus Holding PrJSC (“RPH”); and
- (ii) a 30% equity stake in Al Bustan Farms Limited for a consideration of AED 6.6 million on 31 December 2021.

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

10 Investment in associates (continued)

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
	2021	2020		
Aldar Properties PJSC	29.78%	-	U.A.E.	Real estate development, management and investment company
Al Qudra Holding PJSC	25.24%	-	U.A.E.	Real estate, hospitality and investments
Canal Sugar S.A.E.	33%	-	Egypt	Sugar farming and production
Response Plus Holding PrJSC (formerly Response Plus Medical Services LLC)	36%	-	U.A.E.	Healthcare services
Century Real Estate Management LLC	13%	18%	U.A.E.	Management of labour camps and accommodation
Abu Dhabi Mountain Gate Property Investment LLC (under liquidation)	13%	18%	U.A.E.	Real estate investment
Al Jazira Technical Solutions & Consulting LLC	35%	35%	U.A.E.	Consulting in computer devices and equipment
Principia SAS	33%	-	France	Engineering and consultancy
Al Bustan Farms Limited	30%	-	Mozambique	Agriculture investment

The Group acquired 12.78% of Aldar Properties PJSC (“Aldar”) in April 2021, initially accounting for it as a financial asset at FVTOCI. On 31 December 2021, an additional 17% was acquired resulting in the interest being categorised under investment in associates, arising from the achievement of significant influence. Both acquisitions were common control transactions (Note 42). The fair value of the Group’s interest based on the quoted price of Aldar, which is listed on ADX, is AED 9,342 million as at 31 December 2021.

Al Qudra Holding PJSC (“AQH”) shares are also listed on ADX. The fair value based on quoted price of AQH as at 31 December 2021 is AED 6,284 million.

Response Plus Holding PrJSC (“RPH”) shares are also listed on ADX with the fair value based on the quoted price of RPH as at 31 December 2021 being AED 694.8 million.

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

10 Investment in associates (continued)

The latest available financial information in respect of the Group’s associates is summarised below:

	Aldar Properties PJSC	Al Qudra Holding PJSC	Canal Sugar S.A.E.	Response Plus Holding PJSC	Others*	Total	Total
	-----31 Dec 2021-----						31-Dec- 2020
	AED ‘000	AED ‘000	AED ‘000	AED ‘000	AED ‘000	AED ‘000	AED ‘000
Non-current assets	22,573,338	8,062,634	2,960,240	14,375	25,877	33,636,464	1,495
Current assets	26,969,399	4,517,911	147,477	292,287	74,043	32,001,117	30,109
Non-current liabilities	(10,581,683)	(2,255,945)	(392,364)	(7,003)	(7,217)	(13,244,212)	(1,248)
Current liabilities	(11,324,271)	(2,679,614)	(1,728,211)	(50,556)	(32,622)	(15,815,274)	(14,511)
Attributable to Owners of the company	26,921,570	6,611,888	987,142	249,103	60,081	34,829,784	15,845
Attributable to non controlling interests	715,213	1,033,098	-	-	-	1,748,311	-
Total net equity	27,636,783	7,644,986	987,142	249,103	60,081	36,578,095	15,845
Group’s share of net assets	9,341,779	1,668,624	334,870	239,480	33,009	11,617,762	2,706

The share of results from associates for has been recognised as follows:

	Aldar Properties PJSC	Al Qudra Holding PJSC	Canal Sugar S.A.E.	Response Plus Holding PJSC	Others*	Total	Total
	-----31 Dec 2021-----						31-Dec- 2020
	AED ‘000	AED ‘000	AED ‘000	AED ‘000	AED ‘000	AED ‘000	AED ‘000
Revenue	-	-	68,008	277,658	35,770	381,436	40,917
(Loss)/profit for the year	-	-	(160,078)	62,824	7,258	(89,996)	7,323
Group’s share of (loss)/profit for the year	-	-	(52,826)	23,351	1,535	(27,940)	954
Dividend received	-	-	-	-	2,455	2,455	2,340

No share of result of either Aldar or AQH has been included in these consolidated financial statements as significant influence over these entities has arisen on 31 December 2021.

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

10 Investment in associates (continued)

Reconciliation of the above summarised financial information to the carrying amount of the Group’s interest in associates recognised in these consolidated financial statements:

	Aldar Properties PJSC	Al Qudra Holding PJSC	Canal Sugar S.A.E.	Response Plus Holding PJSC	Others*	Total	Total
	-----31 Dec 2021-----					31-Dec-2020	
	AED ‘000	AED ‘000	AED ‘000	AED ‘000	AED ‘000	AED ‘000	AED 000
Net asset to the owners of the Company	26,921,570	6,611,888	987,142	249,103	60,081	34,829,784	15,845
Proportion of the Group’s ownership interest in the associate	8,016,582	1,668,624	325,756	89,677	24,209	10,124,848	2,706
Goodwill	1,325,197	-	9,114	149,803	8,800	1,492,914	-
Other adjustments	-	-	-	-	-	-	-
At 31 December	9,341,779	1,668,624	334,870	239,480	33,009	11,617,762	2,706

* Others include Century Real Estate Management LLC, Abu Dhabi Mountain Gate Property Investment LLC, Al Jazira Technical Solutions & Consulting LLC and Principia SAS.

Contingencies and Commitments:

The Group’s share in material contingencies and commitments of associates are as follows:

	2021 AED ‘000	2020 AED ‘000
Capital commitments	3,408,852	-
Operating lease commitments	1,520,532	-
Letters of guarantee	76,619	-
Contingencies	220,412	-

The investments in Aldar and RPH are accounted for based on provisional fair values/net asset value of investment in associates which, will be finalised within 12 months from the date of acquisition. The finalisation of the purchase price allocation may result in a bifurcation of the investment in associate between net assets and goodwill.

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

11 Investment in joint ventures

The movement in the Group’s investment in joint ventures are as follows:

	2021	2020
	AED ‘000	AED ‘000
At 1 January	7,658	-
Share of results	37,240	7,658
Acquired in common control business combinations (Note 42)	25,988	-
	<hr/>	<hr/>
At 31 December	70,886	7,658
	<hr/> <hr/>	<hr/> <hr/>

The below joint ventures 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 joint ventures is as follows:

Name of joint venture	Proportion of ownership interest and voting power held		Place of registration and operation	Principal activities
	2021	2020		
China Railway Construction Corporation Abu Dhabi Branch (CRCC) and National Projects Construction LLC (NPC) Joint venture (“CRCC-NPC”)	49%	49%	UAE	Construction
The Challenge Egyptian Emirates Marine Dredging Company (“CEEMDC”)	49%	-	Egypt	Construction
Trojan General Contracting and Six Construct Limited – Guggenheim Museum (“GM”)	50%	-	UAE	Construction
Trojan General Contracting and Six Construct Limited – Zayed National Museum (“ZNM”)	50%	-	UAE	Construction

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

11 Investment in joint ventures (continued)

The financial information in respect of the Group’s interest in joint ventures are summarised below:

	CRCC-NPC	CEEMDC	GM*	ZNM*	Total	Total
	31-December-2021					31-Dec-2020
	AED ‘000	AED ‘000	AED ‘000	AED ‘000	AED ‘000	AED ‘000
Non-current assets	385	-	-	-	385	96
Current assets	934,269	542,227	191,770	238,177	1,906,443	400,953
Non-current liabilities	-	-	-	-	-	-
Current liabilities	(855,385)	(476,832)	(191,770)	(238,177)	(1,762,164)	(385,422)
Net assets	79,269	65,395	-	-	144,664	15,627
Owners of the company	79,269	65,395	-	-	144,664	15,627
Group’s share of net assets	38,842	32,044	-	-	70,886	7,658

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

	CRCC-NPC	CEEMDC	GM*	ZNM*	Total	Total
	31-December-2021					31-Dec-2020
	AED ‘000	AED ‘000	AED ‘000	AED ‘000	AED ‘000	AED ‘000
Revenue	1,375,232	349,070	12,889	273,589	2,010,780	337,698
Profit for the year	63,641	12,359	-	-	76,000	15,627
Group’s share of profit for the year	31,184	6,056	-	-	37,240	7,658

*These joint ventures started during the year and are therefore at initial stages.

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

11 Investment in joint ventures (continued)

Reconciliation of the above summarised financial information to the carrying amount of the interest in joint ventures recognised in the consolidated financial statements:

	CRCC-NPC	CEEMDC	GM	ZNM	Total	Total
	-----31 Dec 2021-----					2020
	AED ‘000	AED ‘000	AED ‘000	AED ‘000	AED ‘000	AED 000
Net assets of joint venture	79,269	65,395	-	-	144,664	15,627
Proportion of the Group’s ownership interest in the joint venture	38,842	32,044	-	-	70,886	7,658
	<u>38,842</u>	<u>32,044</u>	<u>-</u>	<u>-</u>	<u>70,886</u>	<u>7,658</u>
At 31 December 2021	<u><u>38,842</u></u>	<u><u>32,044</u></u>	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>70,886</u></u>	<u><u>7,658</u></u>

12 Joint operations

These consolidated financial statements include the Group’s proportionate share (50%) of the assets, liabilities, revenue and expenses of jointly controlled operations as disclosed in the Note 3, based in the UAE. Details of the Group's share of interests in the jointly controlled operations are provided below.

	2021	2020
	AED ‘000	AED ‘000
Current assets	118,737	539
Current liabilities	(47,653)	(21,801)
Net assets/(liabilities)	71,084	(21,262)

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

13 Investment in financial assets

	2021 AED '000	2020 AED '000
<u>Quoted securities</u>		
<i>FVTPL investments</i>		
At 1 January	-	-
Acquired in common control business combinations (Note 42)	411,020	-
Additions	300,060	-
Unrealised fair value gain	232,042	-
Assets of group held-for-sale (Note 22)	(119,855)	-
At 31 December	823,267	-
<i>FVTOCI investments</i>		
At 1 January	-	-
Acquired in common control business combinations (Note 42)	9,603,731	-
Additions	11,581	-
Unrealised fair value gain	350,794	-
Assets of group held-for-sale (Note 22)	(518,282)	-
Disposals	(104,458)	-
Reclassification to investment in associates (Note 10)	(9,341,779)	-
At 31 December	1,587	-
<u>Unquoted securities</u>		
<i>FVTPL investments</i>		
At 1 January	-	-
Acquired in common control business combinations (Note 42)	444,669	-
Additions	12,488	-
Assets of group held-for-sale (Note 22)	(280,000)	-
At 31 December	177,157	-
<i>FVTOCI investments</i>		
At 1 January	-	-
Acquired in common control business combinations (Note 42)	667	-
Additions	45	-
Disposals	(490)	-
Assets of group held-for-sale (Note 22)	(140)	-
Foreign exchange loss	(19)	-
At 31 December	63	-
Loss allowance (Note 42)	(1,848)	-
Assets of group held-for-sale (Note 22)	1,848	-
Total	1,002,074	-

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

13 Investment in financial assets (continued)

Financial assets carried at FVTPL and at FVTOCI are as follows:

	Quoted AED ‘000	Unquoted AED ‘000	Total AED ‘000
31 December 2021			
<i>Financial assets carried at FVTPL</i>			
Equity instruments	823,267	164,669	987,936
Investment in funds	-	12,488	12,488
	<hr/>	<hr/>	<hr/>
	823,267	177,157	1,000,424
<i>Financial assets carried at FVTOCI</i>			
Equity instruments	1,587	63	1,650
	<hr/>	<hr/>	<hr/>
	824,854	177,220	1,002,074
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

No such investments existed as at 31 December 2020.

All financial assets carried at FVTPL are classified as current, whereas those carried at FVTOCI are classified as non-current.

	2021 AED ‘000	2020 AED ‘000
Non-current	1,650	-
Current	1,000,424	-
	<hr/>	<hr/>
Total	1,002,074	-
	<hr/> <hr/>	<hr/> <hr/>
	2021 AED ‘000	2020 AED ‘000
Geographical markets:		
UAE	806,010	-
Outside the UAE	196,064	-
	<hr/>	<hr/>
	1,002,074	-
	<hr/> <hr/>	<hr/> <hr/>

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

14 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.

	2021	2020
	AED ‘000	AED ‘000
Amounts due from customer – third parties	4,195,105	1,097,027
Amounts due from customers – related parties (Note 19)	978,508	287,000
Less: allowance for ECL	(96,336)	(25,558)
	<hr/>	<hr/>
	5,077,277	1,358,469
Contract cost	666,463	-
	<hr/>	<hr/>
At 31 December	5,743,740	1,358,469
	<hr/> <hr/>	<hr/> <hr/>

Contract cost represents costs incurred on projects for which the Group is required to meet specific contractual obligations such as joint inspections, milestone completion and customer acceptance/handover, prior to billing the customer. Those obligations are expected to progressively be met beginning in 2022, resulting in a winding down of the balance throughout the remaining contractual period.

Included in contract assets is a balance of AED 527 million which pertains to unsigned/verbal contracts and are yet to be formally executed.

The contract assets on which revenue is expected to be earned after one year from the reporting date are presented as non-current as follows:

	2021	2020
	AED ‘000	AED ‘000
Current	5,055,762	1,358,469
Non-current	687,978	-
	<hr/>	<hr/>
At 31 December	5,743,740	1,358,469
	<hr/> <hr/>	<hr/> <hr/>

The Group measures 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 contracts.

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

14 Contract assets (continued)

There has been no change in the estimation techniques or significant assumptions made during the current reporting period in assessing the loss allowance for the amounts due from customers under construction contracts.

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:

	Total AED ‘000
At 1 January 2020	15,809
Net re-measurement of ECL	9,749
	<hr/>
At 31 December 2020	25,558
Net re-measurement of ECL	362,228
Acquired in common control business combinations	779
Written off	(292,229)
	<hr/>
At 31 December 2021	96,336
	<hr/> <hr/>

There has not been any significant change in the gross amounts of contract assets that has affected the estimation of the loss allowance.

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

	2021	2020
31 December 2021		
Expected credit loss rate	1.86%	1.85%
Estimated total gross carrying amount at default – AED ‘000	5,173,613	1,384,027
Lifetime ECL – AED ‘000	96,336	25,558
	<hr/> <hr/>	<hr/> <hr/>

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

15 Taxation

	2021	2020
	AED ‘000	AED ‘000
Income tax		
Current year	16,468	-
Reversal of prior year provisions relating to foreign operations	(10,000)	-
Deferred tax		
Origination and reversal of temporary differences	(382)	-
	<u>6,086</u>	<u>-</u>

The average rate of income tax applied on taxable profit ranges from 10% to 20%. The charge for the year reconciled to profit before tax is as follows:

	2021	2020
	AED ‘000	AED ‘000
Profit before tax *	5,158,108	217,740
Profit not subject to tax	(4,980,156)	(217,740)
Expenses not deductible for tax purposes	7,341	-
	<u>185,293</u>	<u>-</u>
Profit subject to tax		
Income tax	16,498	-
Deferred tax	(382)	-
Prior year adjustments	(10,030)	-
	<u>6,086</u>	<u>-</u>
Tax expense for the year	6,086	-

Net deferred tax presented in the consolidated statement of financial position is as under:

	2021	2020
	AED ‘000	AED ‘000
Income tax		
Deferred tax assets	17,157	-
Deferred tax liabilities	(222)	-
	<u>16,935</u>	<u>-</u>

* Profit before tax excludes profit for the year from discontinued operations of AED 15,347 thousand (refer Note 37).

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

16 Trade and other receivables

	2021	2020
	AED ‘000	AED ‘000
Trade receivables	4,331,780	1,196,683
Less: allowance for ECL	(216,039)	(126,908)
Net trade receivables	4,115,741	1,069,775
Retention receivables	474,124	937,985
Less: allowance for ECL	(45,493)	(53,666)
Net retention receivables	428,631	884,319
Advances to suppliers	1,198,129	110,264
Less: allowance for ECL	(1,798)	(1,798)
Net advances to suppliers	1,196,331	108,466
Prepayments and deposits	337,072	94,097
Other receivables	675,682	28,975
Less: retention receivables - non-current	(35,778)	-
	6,717,679	2,185,632

The average credit period on sale of goods and rendering of services is 30 to 90 days. No interest is charged on trade and other receivables. Before accepting new customers, the Group generally assesses their credit quality.

Out of the trade receivables balance at the end of the reporting period, AED 2,930 million (2020: AED 650 million) representing 68% (2020: 54%) of trade receivables are amounts due from five (2020: five) major customers of the Group.

The Group measures the provision for impairment loss allowance for trade receivables at an amount equal to lifetime expected credit loss. 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 Group writes off a trade receivable when there is information indicating that the debtor is in financial difficulty and there is no realistic prospect of recovery, e.g., when the debtor has been placed under liquidation or has entered into bankruptcy proceedings. None of the trade receivables that have been written off is subject to enforcement activities.

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

16 Trade and other receivables (continued)

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

	Collectively assessed AED ‘000	Individually assessed AED ‘000	Total AED ‘000
<i>Trade receivables</i>			
At 1 January 2020	56,699	50,053	106,752
Net re-measurement of ECL	8,804	11,352	20,156
	<hr/>	<hr/>	<hr/>
At 31 December 2020	65,503	61,405	126,908
Acquired in common control business combinations	26,135	40,230	66,365
Net re-measurement of ECL	58,206	3,119	61,325
Written off	(29,026)	(8,610)	(37,636)
Additions due to acquisition of subsidiaries	2,634	-	2,634
Disposal assets as held-for-sale	-	(3,557)	(3,557)
	<hr/>	<hr/>	<hr/>
At 31 December 2021	123,452	92,587	216,039
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
<i>Retention receivables</i>			
At 1 January 2020	34,080	11,542	45,622
Net re-measurement of ECL	2,236	5,807	8,043
	<hr/>	<hr/>	<hr/>
At 31 December 2020	36,316	17,349	53,665
Net re-measurement of ECL	1,148	(9,320)	(8,172)
	<hr/>	<hr/>	<hr/>
At 31 December 2021	37,464	8,029	45,493
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
<i>Advances to suppliers</i>			
At 1 January 2020 and 2021	-	1,798	1,798
Net re-measurement of ECL	-	-	-
	<hr/>	<hr/>	<hr/>
At 31 December 2021	-	1,798	1,798
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

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

16 Trade and other receivables (continued)

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

	Collective and individual assessment					Total
	Not past due	31-60 days	61-90 days	91-120 days	> 120 days	
31 December 2021						
Expected credit loss rate	0.4%	0.6%	3%	7%	17%	5%
Estimated total gross carrying amount at default (AED ‘000)	2,274,283	701,220	165,481	104,542	1,086,254	4,331,780
Lifetime ECL (AED ‘000)	9,924	3,911	5,033	7,372	189,799	216,039
	=====	=====	=====	=====	=====	=====
31 December 2020						
Expected credit loss rate	0.9%	0.7%	0.5%	1.1%	25.4%	10.6%
Estimated total gross carrying amount at default (AED ‘000)	357,024	180,786	120,524	62,285	476,064	1,196,683
Lifetime ECL (AED ‘000)	3,265	1,212	637	687	121,107	126,908
	=====	=====	=====	=====	=====	=====

17 Inventories

	2021 AED ‘000	2020 AED ‘000
Raw materials	47,306	94,551
Finished goods	124,050	-
Spare parts and oil	203,903	-
Operating and maintenance supplies	17,858	-
Other consumables	367,611	100,445
Less: allowance for inventories obsolescence	(62,747)	(6,010)
	=====	=====
	697,981	188,986
	=====	=====

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

17 Inventories (continued)

The movement in the allowance for inventories obsolescence is as follows:

	2021	2020
	AED ‘000	AED ‘000
At 1 January	6,010	6,204
Provision arising on transactions under common control	53,835	-
Charge for the year, net of reversals	2,902	(194)
At 31 December	62,747	6,010

Charge for the year has been included in general, administrative and selling expenses.

18 Development work-in-progress

Development work-in-progress represents land in the United Arab Emirates which the Group intends to develop, disaggregate and sell as individual smaller properties. Movement during the year is as follows:

	2021	2020
	AED ‘000	AED ‘000
At 1 January	146,760	144,500
Transfer from investment properties (Note 8)	-	2,260
Addition during the year	252	-
At 31 December	147,012	146,760

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

19 Related party balances and transactions

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

	2021 AED ‘000	2020 AED ‘000
Due from related parties:		
Associates	647,200	-
Entities managed by key management personnel	389,715	-
Joint ventures	198,079	-
Others	134,650	164,550
	<hr/>	<hr/>
	1,369,644	164,550
Less: allowance for ECL	(42,854)	(69,701)
	<hr/>	<hr/>
	1,326,790	94,849
	<hr/> <hr/>	<hr/> <hr/>
Due to related parties:		
Entities managed by key management personnel	489,344	-
Entities under common control	226,040	27,061
Others	34,427	16,591
	<hr/>	<hr/>
	749,811	43,652
	<hr/> <hr/>	<hr/> <hr/>
Loan from a related party	13,300	13,300
	<hr/> <hr/>	<hr/> <hr/>
Contract assets (Note 14)	978,508	287,000
	<hr/> <hr/>	<hr/> <hr/>
Contract liabilities (Note 32)	25,831	15,314
	<hr/> <hr/>	<hr/> <hr/>

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

19 Related party balances and transactions (continued)

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

	Collectively assessed AED ‘000	Individually assessed AED ‘000	Total AED ‘000
At 1 January 2020	3,709	84,197	87,906
Net re-measurement of ECL	(227)	1,927	1,700
Written off	-	(19,905)	(19,905)
	<hr/>	<hr/>	<hr/>
At 31 December 2020	3,482	66,219	69,701
Net re-measurement of ECL	9,419	(17,868)	(8,449)
Written off	(4,622)	(13,776)	(18,398)
	<hr/>	<hr/>	<hr/>
At 31 December 2021	8,279	34,575	42,854
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

Remuneration of key management personnel of the Group is set out below in aggregate for each of the categories specified in IAS 24.

	2021 AED ‘000	2020 AED ‘000
Short-term employee benefits	5,085	2,846
	<hr/> <hr/>	<hr/> <hr/>

Transactions and balances with a financial institution:

	2021 AED ‘000	2020 AED ‘000
Balances with a financial institution	4,166,917	351,521
	<hr/> <hr/>	<hr/> <hr/>
Borrowings	2,502,153	341,825
	<hr/> <hr/>	<hr/> <hr/>
Finance costs	42,165	10,927
	<hr/> <hr/>	<hr/> <hr/>
Interest income	12,241	1,909
	<hr/> <hr/>	<hr/> <hr/>
Drawdowns	364,383	88,355
	<hr/> <hr/>	<hr/> <hr/>
Repayment of borrowings	720,856	48,442
	<hr/> <hr/>	<hr/> <hr/>

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

19 Related party balances and transactions (continued)

Significant transactions with related parties include:

	2021	2020
	AED ‘000	AED ‘000
Capital contribution arising from common control transaction (Note 42)	19,823,076	-
Revenue from contracts		
- Joint ventures	742,408	41,089
- Others	432,575	166,948
- Entities under common control	916	54,387
Subcontracting costs/expenses		
- Entities under common control	52,602	6,198
- Associates	4,004	-
- Others	70	39
General, administrative and selling expenses / staff costs	947	98,233
Management and remuneration fees	-	18,106
Waiver of related parties balances (i)	-	253,272
Transfer of investment property (Note 8) (ii)	-	130,394

(i) In 2020, the Group agreed to waive certain related party balances against retained earnings of the Group.

(ii) At the end of 2020, the Group also approved to transfer some investment property to a related party against contributed capital of the Group.

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

20 Wakala deposits

Wakala deposits are invested in financial institutions in the UAE. These deposits carry profit at rates agreed between the parties. There is no impairment allowance on such deposits.

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

21 Cash and cash equivalents

	2021 AED ‘000	2020 AED ‘000
Cash in hand and bank	6,756,802	196,592
Short term deposits and treasury bills	856,234	437,134
Wakala deposits	173,272	-
	<u>7,786,308</u>	<u>633,726</u>
Less: impairment loss allowance	(30,905)	(5)
	<u>7,755,403</u>	633,721
Cash and bank balances	7,755,403	633,721
Less:		
<i>Bank overdrafts (Note 30)</i>	(379,651)	(144,520)
<i>Restricted cash</i>	(38,274)	-
<i>Short term deposit having maturity more than three months</i>	(473,428)	(437,134)
<i>Wakala deposits</i>	(173,272)	-
Add:		
<i>Cash at banks and short-term deposits attributable to disposal group held-for-sale (Note 22)</i>	245,366	-
<i>Impairment loss allowance</i>	30,905	5
	<u>6,967,049</u>	<u>52,072</u>
Cash and cash equivalents	<u>6,967,049</u>	<u>52,072</u>

Cash and cash equivalents comprise cash and short-term bank deposits with an original maturity of three months or less, net of outstanding bank overdrafts. The carrying amount of these assets is approximately equal to their fair value. Above cash and cash equivalents at the end of the reporting period as shown in the consolidated statement of cash flows are reconciled to the related items in the consolidated reporting position.

Fixed deposits held by banks are restricted deposits for issuance of letters of guarantee and are not available for operations of the Group. Interest earned on these deposits ranges from 0.2% to 1.2% (2020: 0.5% to 2%). Movement of impairment loss allowance is as follows:

	Total AED ‘000
At 1 January 2020 and 31 December 2020	5
Net re-measurement of loss allowance	44,226
Acquired in common control business combinations	38,558
Other adjustments	(11,977)
Relating to assets as held-for-sale	(39,907)
At 31 December 2021	<u>30,905</u>

Balances with banks are assessed to have low credit risk of default since they are highly regulated by the central banks of the respective countries. Accordingly,, 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 impairment loss allowances of AED 30,905 thousand is required as on year end on these balances.

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

22 Disposal group held for sale

On 24 November 2021, the Group publicly announced the decision of its Board of Directors to sell its interests in Aafaq Islamic Finance P.S.C. (“Aafaq”), a partially owned subsidiary. The sale of Aafaq is expected to be complete within a year from the reporting date. At 31 December 2021, Aafaq was classified as a disposal group held for sale and as a discontinued operation. The net assets of Aafaq classified as held for sale were as follows:

		As at 31 December 2021 AED’000	Impairment AED’000	Eliminations AED’000	Net balance held for sale AED’000
<i>Total assets</i>	Note				
Property, plant and equipment	5	32,021	(32,021)	-	-
Right-of-use assets	9	3,502	(3,502)	-	-
Investment properties	8	217,838	(646)	-	217,192
Investment in financial assets	13	916,429	-	-	916,429
Islamic financing assets		1,657,097	-	(39,178)	1,617,919
Trade and other receivables		32,201	-	(109)	32,092
Due from related parties		66,293	-	(419)	65,874
Wakala deposits		43,736	-	-	43,736
Cash and bank balances	21	245,366	-	-	245,366
		<hr/>	<hr/>	<hr/>	<hr/>
Assets of group held-for-sale		3,214,483	(36,169)	(39,706)	3,138,608
		<hr/>	<hr/>	<hr/>	<hr/>
<i>Total liabilities</i>					
Bank borrowings	30	(200,000)	-	-	(200,000)
Margins against letter of guarantees		(901,440)	-	-	(901,440)
Lease liabilities	9	(1,991)	-	-	(1,991)
Provision for employees’ end of service benefits	29	(5,908)	-	-	(5,908)
Trade and other payables		(1,075,710)	-	-	(1,075,710)
Provision for impairment		-	(3,278)	-	(3,278)
		<hr/>	<hr/>	<hr/>	<hr/>
Liabilities of group held-for-sale		(2,185,049)	(3,278)	-	(2,188,327)
		<hr/>	<hr/>	<hr/>	<hr/>
Net assets of group held-for-sale		1,029,434	(39,447)	(39,706)	950,281
		<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

Impairment represents the adjustment to the net assets of Aafaq to make it equal to the selling price. Islamic financing assets was netted off with provision of AED 146,832 thousand.

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

22 Disposal group held for sale (continued)

The results of the discontinued operations, which have been included in the profit for the year, were as follows:

	2021 AED'000	2020 AED'000
Profit on investments, deposits, bank balances, and financing assets	111,949	-
Net fees and commission income	74,587	-
Other income	30,854	-
Depositors share of profit	(13,760)	-
General, administrative and selling expenses	(79,804)	-
Net impairment loss on financial assets	(62,726)	-
	<hr/>	<hr/>
Profit before tax and zakat	61,100	-
Tax and zakat expense	(6,306)	-
Impairment loss	(39,447)	-
	<hr/>	<hr/>
Profit attributable to discontinued operations	15,347	-
	<hr/> <hr/>	<hr/> <hr/>

During the year, Aafaq paid AED 281 million to the Group’s net operating activities, contributed AED 84 million in respect of investing activities and contributed AED 160 million in respect of financing activities.

23 Share capital

The share capital of the Company as at 31 December 2020 comprised of 1,000 ordinary shares with a par value of AED 300 each.

In April 2021, the shareholders approved an increase in the share capital of the Company to AED 10 billion comprising of 10 billion authorised, issued and fully paid-up ordinary shares with par a value of AED 1 each, by capitalising the contributed capital and merger reserve which arose under common control business combinations by the Group as detailed in Note 42.

24 Statutory reserve

In accordance with the UAE Federal Commercial Companies Law No. 2 of 2015 (as amended), and the Articles of Association, the Company has established a statutory reserve by appropriation of 10% of its net profits. Such transfers have to be made until the reserve equals 50% of the share capital. This reserve is not available for distribution except in the circumstances stipulated by the law.

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

25 Contributed capital and merger reserve

Contributed capital

	2021 AED ‘000	2020 AED ‘000
At 1 January	214,335	357,610
Increase in share capital	(214,335)	-
Transfer	-	(143,275)
	<hr/>	<hr/>
At 31 December	-	214,335
	<hr/> <hr/>	<hr/> <hr/>

Merger reserve

	2021 AED ‘000	2020 AED ‘000
At 1 January	-	-
Contribution arising from business combinations under common control (Note 42)	17,183,306	-
Increase in share capital	(9,752,071)	-
Acquisition of non-controlling interests	452,087	-
Contribution from shareholder of a subsidiary (Note 43)	840,046	-
	<hr/>	<hr/>
At 31 December	8,723,368	-
	<hr/> <hr/>	<hr/> <hr/>

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

26 Restricted reserve

Restricted reserve comprises statutory reserves established by subsidiaries in accordance with local requirements in countries where they operate and is not available for distribution. General reserve established by subsidiaries as appropriations from profit by a resolution of the shareholders may be used at their discretion.

27 Other reserves

Other reserves includes investment revaluation reserve, foreign exchange translation reserve and hedging reserve.

Investment revaluation reserve represents the net unreleased gains or losses that are recognised on financial assets carried at FVTOCI.

	2021	2020
	AED ‘000	AED ‘000
At 1 January	-	-
Fair value gain arising during the year	343,487	-
Transfer of fair value reserve of equity instruments designated at FVTOCI	(321,600)	-
Transfers arising from assets held-for-sale	(24,795)	-
	<hr/>	<hr/>
At 31 December	(2,908)	-
	<hr/> <hr/>	<hr/> <hr/>

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

28 Material non-controlling interests

Summarised financial information of the Group’s subsidiaries that have material non-controlling interests is set out below, before intragroup eliminations:

	-----31-Dec-2021 -----			2020
	AED ‘000			AED ‘000
	National Marine Dredging Company PJSC	Pure Health Medical Supplies LLC	Mawarid Holding Investment LLC	Total
Current assets	7,805,390	4,252,538	4,358,131	136,762
Non-current assets	5,111,899	1,393,493	1,081,908	60,019
Current liabilities	(5,373,788)	(3,362,511)	(3,001,007)	(114,887)
Non-current liabilities	(2,025,116)	(147,437)	(570,913)	(4,573)
Net equity	5,518,385	2,136,083	1,868,119	77,321
Revenue	5,653,274	6,714,701	1,132,463	159,758
Expenses	(4,738,653)	(3,197,539)	(927,767)	(174,837)
Profit/(loss) for the year	914,621	3,517,162	204,696	(15,079)
Total comprehensive income/(loss) for the year	920,357	3,517,162	270,413	(15,079)
Net cash inflow/(outflow) from operating activities	1,429,893	5,567,549	(422,070)	14,095
Net cash (outflow)/inflow from investing activities	(117,037)	226,206	289,079	(9,042)
Net cash (outflow)/inflow from financing activities	(422,834)	(3,776,187)	201,536	(510)
Net cash inflow	890,022	2,017,568	68,545	4,544

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

29 Provision for employees’ end of service benefits

	2021	2020
	AED ‘000	AED ‘000
At 1 January	120,868	107,634
Acquired in common control business combinations (Note 42)	541,799	-
On acquisition of subsidiaries during the year (Note 43)	8,683	-
Charge for the year	122,876	21,143
Paid during the year	(129,673)	(7,909)
Liabilities of group held-for-sale (Note 22)	(5,908)	-
	<hr/>	<hr/>
At 31 December	658,645	120,868
	<hr/> <hr/>	<hr/> <hr/>

30 Borrowings

Borrowings included in the consolidated statement of financial position comprise the following:

	2021	2020
	AED ‘000	AED ‘000
Term loan facilities	4,655,876	127,300
Other facilities	548,200	224,965
Bank overdrafts (Note 21)	379,651	144,520
	<hr/>	<hr/>
At 31 December	5,583,727	496,785
	<hr/> <hr/>	<hr/> <hr/>

Movement in bank borrowing during the year is as follows;

	2021	2020
	AED ‘000	AED ‘000
At 1 January	496,785	548,234
Acquired in common control business combinations (Note 42)	6,058,549	-
Drawdowns during the year	922,226	93,342
Repayment during the year	(1,678,452)	(144,791)
Foreign exchange differences	(16,181)	-
Amortisation of transaction costs	800	-
Liabilities of group held-for-sale (Note 22)	(200,000)	-
	<hr/>	<hr/>
At 31 December	5,583,727	496,785
	<hr/> <hr/>	<hr/> <hr/>

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

30 Borrowings (continued)

Borrowings are classified as follows :

	2021	2020
	AED ‘000	AED ‘000
Non-current	4,277,302	238,231
Current	1,306,425	258,554
	<hr/>	<hr/>
At 31 December 2021	5,583,727	496,785
	<hr/> <hr/>	<hr/> <hr/>

Details of Group borrowings are as follows:

Loan type	Security	Annual interest rates	Currency	Year of maturity	2021	2020
					AED ‘000	AED ‘000
Term loan 1	Personal guarantee	EIBOR + 2.25%	AED	2023	54,000	72,000
Term loan 2	Personal guarantee	EIBOR + 2.65%	AED	2028	573,417	-
Term loan 3	Mortgage of property, plant and equipment	LIBOR + 0.9%	USD	2027	1,373,589	-
Term loan 4	Unsecured	EIBOR + 1.3%	AED	2022	16,667	-
Term loan 5	Mortgage of property, plant and equipment	EIBOR + 1.13%	AED	2026	249,414	-
Term loan 6	Mortgage of property	2.75%	USD	2025	234,018	-
Term loan 7	Unsecured	2.50%	USD	2028	367,500	-
Term loan 8	Pledge of assets	EIBOR + 1.85 %	AED	2028	274,459	-
Term loan 9	Pledge of financial instruments having fair value of AED 4.01 billion	2.0%	AED	2024	1,500,000	-
Term loan 10	Personal guarantee	EIBOR + 2.25%	AED	2023	12,812	55,300
Term loan 11	Personal guarantee	EIBOR + 2.5%	AED	2023	102,613	224,965
Term loan 12	Personal guarantee	LIBOR + 1.9%	AED	2022	317,496	-
Term loan 13	Personal guarantee	EIBOR + 2%	AED	2026	30,727	-
Conventional financing facilities	Personal guarantee	Various rates	AED	Various	97,364	-
Bank overdrafts	Partially secured against approved payment certificates	Various	AED	2022	379,651	144,520
					<hr/>	<hr/>
					5,583,727	496,785
					<hr/> <hr/>	<hr/> <hr/>

Borrowings are secured against various types of collateral provided to lenders including, but not limited to, mortgage over certain non-financial assets of the Group. The facilities may also stipulate that the borrower maintain certain financial and/or non-financial covenants including minimum net worth requirements, maximum leverage ratios or other financial ratios.

**Notes to the consolidated financial statements
for the year ended 31 December 2021 (continued)****30 Borrowings (continued)****Term loan 1**

In prior years, the Group obtained a term loan facility of AED 72 million from a commercial bank in the United Arab Emirates. The loan is payable in fixed instalments on a quarterly basis with final maturity due in December 2023.

Term loan 2

This loan was obtained during 2018 and represents an Islamic Term Facility of AED 835 million obtained from a local bank. The loan is repayable in 9 years with a 1 year grace period and is repaid in quarterly instalments with the final instalment due in December 2027.

Term loan 3

In March 2020, a syndicated loan agreement was executed with a 7-year tenor from March 2020 to March 2027. The loan was taken to refinance an asset purchase, originally for AED 1.8 billion. The loan is repayable in quarterly instalments with final payment due in February 2027.

Term loan 4

In January 2021, the Group entered into a loan agreement with a commercial bank in the UAE with one-year tenor from January 2021 to January 2022. The original loan amount was AED 200 million, with instalments payable on a monthly basis.

Term loan 5

During the year, the Group entered into a term loan agreement amounting to AED 249 million for a tenor of 5 years ending in December 2026. The loan was taken to repay a Euro denominated loan from another bank.

Term loan 6

The Group entered into a term loan agreement amounting to USD 86 million for a tenor of 8 years from September 2017 until December 2025. The loan is repayable in annual instalments with final payment due in December 2025.

Term loan 7

The Group entered into a term loan agreement for USD 100 million for a tenor of 10 years from January 2019 to August 2029. It is payable after a three-year grace period by semi-annual instalments.

**Notes to the consolidated financial statements
for the year ended 31 December 2021 (continued)****30 Borrowings (continued)****Term loan 8**

The Group obtained a loan of AED 498 million for the acquisition of a property which was restructured in June 2021. During the year, the outstanding balance was converted into a new loan of AED 299 million.

Term loan 9

During the year, the Group entered into a term loan agreement for AED 1.5 billion for a total tenor of 3 years from April 2021 to April 2024. The loan was used for investments with interest payable annually. The principal amount will be repaid in a single bullet payment at the end of the tenor.

Term loan 10

In prior years, the Group obtained a term loan facility of AED 55.3 million from a commercial bank in the United Arab Emirates. The loan is payable in periodic instalments with final repayment due in 2022.

Term loan 11

This facility is for initial capital funding and overdraft with remaining principal of AED 174.6 million, payable in quarterly instalments up to 30 September 2023.

Term loan 12

The Group has availed a Mudaraba financing facility from a local bank amounting to AED 658 million for the import and sale of medical supplies.

Term loan 13

A loan of AED 40 million was obtained from a local bank to procure assets and is repayable in quarterly instalments up to September 2026.

Conventional financing facilities

During the current and prior years, the Group entered into several loans for the purchase of assets. The total facilities are repayable within 48 months at various interest rates. All assets purchased under the conventional financing facilities are pledged in favour of the lender.

Bank overdrafts

The Group has overdrafts with commercial banks which carry interest at prevailing market interest rates.

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

31 Derivative financial instruments

In order to reduce the Group exposure to interest rate fluctuations on variable interest-bearing loans and borrowings the Group has entered into interest rate swap arrangements and forward currency contracts with counter-party banks excluding margins for a notional amount that matches the outstanding interest-bearing loans and borrowings. The Group is required to pay a fixed rate of 3.15% to 4.27% per annum and receive a EIBOR per annum and required to pay a fixed rate of 0.80% per annum and receive a 3-month LIBOR per annum. The derivative instruments had a negative fair value of AED 39.9 million on 31 December 2021 in the consolidated statement of financial position.

	Notional amount		Derivative liabilities		Derivative assets		Fix leg on instrument	
	2021	2020	2021	2020	2021	2020	2021	2020
	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000
Financial instruments	1,506,334	-	45,564	-	6,403	-	0.80% to 3.85%	-

Allocation of derivative financial instruments as on year end is as follows:

	2021	2020
	AED '000	AED '000
Non-current liability	19,559	-
Current liability	26,005	-
Current asset *	(6,403)	-
At 31 December	39,161	-

*Classified under “others” in trade and other receivables.

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

32 Contract liabilities

	2021	2020
	AED ‘000	AED ‘000
Amounts related to construction contracts	351,538	211,158
Amounts received in advances from customers	1,282,780	837,744
	<hr/>	<hr/>
At 31 December	1,634,318	1,048,902
	<hr/> <hr/>	<hr/> <hr/>

Amounts related to construction contracts arise if milestone payments exceed the revenue recognised to date under the input method.

Amounts received in advance are carried as a contract liability until the control of goods and services are transferred to the customer.

All amounts related to construction contracts are current as on 31 December 2021 and 2020.

There was no revenue recognised in the current reporting period that related to performance obligations that were satisfied in a prior year. Revenue recognised from brought forward contract liabilities related to construction contracts was AED 200,206 thousands (2020: Nil).

Amounts related to construction contracts with external customers and related parties as on year-end are as under:

	2021	2020
	AED ‘000	AED ‘000
- Third parties	325,707	195,844
- Related parties (Note 19)	25,831	15,314
	<hr/>	<hr/>
At 31 December	351,538	211,158
	<hr/> <hr/>	<hr/> <hr/>

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

33 Trade and other payables

	2021 AED ‘000	2020 AED ‘000
Trade payables	3,768,269	831,711
Accruals and other payables	4,234,597	710,633
Accruals for project costs	844,432	502,164
Retention payables	441,328	306,742
Provision for project delays	214,483	175,857
Dividend payables	292,268	-
Provision for onerous contracts	119,262	25,428
	9,914,639	2,552,535
	<hr/>	<hr/>
Less: trade and other payables - non-current	(25,693)	-
	<hr/>	<hr/>
	9,888,946	2,552,535
	<hr/> <hr/>	<hr/> <hr/>

The average credit period on purchases is 30 to 90 days. The Group has financial risk management policies in place to ensure that payables are paid within agreed timeframes. No interest is charged on trade and other payables.

Movement in provision for project delays is as follows:

	2021 AED ‘000	2020 AED ‘000
At 1 January	175,857	118,200
Transfers from provision for project expenses or accrued liabilities, net	-	22,750
Charge for the year	38,626	34,907
	<hr/>	<hr/>
At 31 December	214,483	175,857
	<hr/> <hr/>	<hr/> <hr/>

Movement in provision for onerous contracts is as follows:

	2021 AED ‘000	2020 AED ‘000
At 1 January	25,428	28,204
Charge for the year	43,205	-
Acquired in common control business combinations	50,629	-
Reversal during the year	-	(2,776)
	<hr/>	<hr/>
At 31 December	119,262	25,428
	<hr/> <hr/>	<hr/> <hr/>

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

34 Revenue

	2021	2020
	AED ‘000	AED ‘000
Medical and related services	6,714,701	-
Commercial and industrial services	5,652,967	-
Construction contracts	4,550,442	3,577,107
Management and related services	1,332,416	-
Sale of goods	291,490	207,877
Others	305,708	17,601
	18,847,724	3,802,585
Timing of revenue recognition:		
Revenue at a point in time	7,108,104	3,577,107
Revenue over time	11,739,620	225,478
	18,847,724	3,802,585
Geographical markets:		
UAE	15,791,726	3,726,853
Outside the UAE	3,055,998	75,732
	18,847,724	3,802,585

The transaction price allocated to (partially) unsatisfied performance obligations are as set out below:

	2021	2020
	AED ‘000	AED ‘000
<i>Unsatisfied performance obligations</i>		
Medical and related services	7,097,957	-
Commercial and industrial services	19,177,323	-
Construction contracts	19,278,000	10,218,600
Management and related services	7,501,192	-
	53,054,472	10,218,600

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

34 Revenue (continued)

The Group expects that 27% of the transaction price allocated to unsatisfied contracts at 31 December 2021 will be recognised as revenue during 2022, amounting AED 14,389 million. AED 10,026 million will be recognised in the year 2023 with AED 28,638 million in future years.

35 Direct costs

	2021	2020
	AED ‘000	AED ‘000
Material costs and inventory consumed	3,551,494	1,421,469
Subcontractor costs	3,213,254	798,749
Staff costs	2,233,213	653,684
Other project costs	1,559,479	-
Hospital management expenses	1,084,821	-
Depreciation of property, plant and equipment, right-of-use asset and investment properties (Notes 5, 8 and 9)	481,264	107,398
Amortisation of intangible assets (Note 6)	90,148	-
Other direct costs	988,380	480,857
	<hr/> 13,202,053 <hr/>	<hr/> 3,462,157 <hr/>

36 General, administrative and selling expenses

	2021	2020
	AED ‘000	AED ‘000
Staff costs	365,525	61,339
Management fees	306,291	19,518
Depreciation of property, plant and equipment (Note 5)	43,264	6,925
Utilities	31,482	647
Maintenance	20,064	2,472
Amortisation of intangible assets (Note 6)	3,115	205
Depreciation of right-of-use assets (Note 9)	23,086	2,752
Allowance for stock obsolescence (Note 17)	3,493	-
Other expenses	218,551	5,622
	<hr/> 1,014,871 <hr/>	<hr/> 99,480 <hr/>

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

37 Other income

	2021	2020
	AED ‘000	AED ‘000
Recovery of bad debts	518,685	-
Dividend income	146,096	-
Scrap sales	52,250	9,302
Profit for the year from discontinued operations (Note 22)	15,347	-
Fair value gain on biological assets	5,314	-
Re-measurement gain on derivative financial instruments	4,611	-
Gain on disposal of property, plant and equipment	1,531	32
Others	44,202	11,644
	<hr/> 788,036 <hr/>	<hr/> 20,978 <hr/>

38 Finance costs

	2021	2020
	AED ‘000	AED ‘000
Interest on borrowings	101,597	13,954
Interest on lease liabilities (Note 9)	15,704	4,783
	<hr/> 117,301 <hr/>	<hr/> 18,737 <hr/>

39 Finance income

	2021	2020
	AED ‘000	AED ‘000
Bank deposits	15,172	5,588
Other financial assets measured at amortised cost	8,105	-
	<hr/> 23,277 <hr/>	<hr/> 5,588 <hr/>

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

40 Earnings per share

The following reflects the profit and share data used in to calculate earnings per share:

	2021	2020
Profit for the year attributable to equity holders of the Company – AED ‘000	3,181,752	223,772
Weighted average number of ordinary shares issued (‘000)	7,135,106	247,929
Basic earnings per share (AED)	0.45	0.90

Diluted earnings per share is not applicable as the Group has not issued any instruments which would have an impact on earnings per share.

41 Contingent liabilities and commitments

	2021	2020
	AED ‘000	AED ‘000
Letter of guarantees	12,077,243	4,347,759
Letters of credit	722,803	478,853
Capital commitment	2,243,330	106,301
Purchase commitments	1,678,572	-

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

Capital commitments comprise mainly of capital expenditure which generally have been contractually agreed with suppliers for future periods for construction and refurbishment of vessels, construction of properties within UAE and outside UAE and certain financial investments.

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

42 Business combinations under common control

During the year, the ownership interest of the following entities, along with their subsidiaries (if any), was transferred to the Group. The transfer was accounted for as a business combination under common control using the pooling of interest method as detailed in Note 3:

Name of subsidiary	Date of Acquisition	Proportion of equity acquired %	Principal activity
Mawarid Holding Investment LLC	1 April 2021	70%	Investment holding
Murban Energy Limited	1 April 2021	100%	Investment holding
Sublime Commercial Investment – Sole Proprietorship.	1 April 2021	100%	Investment holding
Pure Health Medical Supplies LLC	1 April 2021 and 1 July 2021	63%	Health care technology and management services
Sogno Commercial Investment – Sole Proprietorship LLC	1 June 2021	100%	Investment holding
W A S TWO Commercial Investment – Sole Proprietorship LLC	1 June 2021	100%	Investment holding
Emirates Gateway Securities Services LLC	1 July 2021	95%	Security services
C D Properties - Sole Proprietorship LLC	1 July 2021	100%	Investment holding
Branch of Trojan General Contacting LLC	1 July 2021	100%	Hotels and other short term residences
Sogno Two Sole Proprietorship LLC	31 December 2021	100%	Investment holding
Sogno Three Sole Proprietorship LLC	31 December 2021	100%	Investment holding
Sublime Two Investment Sole Proprietorship LLC	31 December 2021	100%	Investment holding

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

42 Business combinations under common control (continued)

Details of the assets and liabilities recognised at the date of transfer of ownership are as follows:

		Murban Energy Limited	Mawarid Holding Investment LLC	Sogno Commercial Investment and W A S Two Commercial Investment LLC	Sublime Commercial Investment – Sole Proprietorship LLC	Pure Health Medical Supplies LLC	Emirates Gateway Securities Services LLC	Sogno Two Sole Proprietorship LLC	Sogno Three Sole Proprietorship LLC	Sublime Two Investment Sole Proprietorship LLC	Others *	Total
		AED ‘000	AED ‘000	AED ‘000	AED ‘000	AED ‘000	AED ‘000	AED ‘000	AED ‘000	AED ‘000	AED ‘000	AED ‘000
Assets acquired and liabilities assumed at the date of the acquisition												
Non-current assets	Notes											
Property, plant and equipment	5	1,157,256	163,119	4,492,980	-	89,213	183	-	-	-	1,450	5,904,201
Intangible assets	6	-	3,309	146,300	-	10,941	-	-	-	-	367	160,917
Goodwill	7	451,672	-	-	-	-	-	-	-	-	-	451,672
Biological assets		-	19,848	-	-	-	-	-	-	-	-	19,848
Right-of-use assets	9	58,494	26,340	317,346	-	15,944	-	-	-	-	1,140	419,264
Investment in associates	10	387,574	-	24,206	-	-	-	-	-	1,668,624	-	2,080,404
Investment in joint ventures	11	-	-	25,988	-	-	-	-	-	-	-	25,988
Investment properties	8	333,896	219,185	-	-	-	-	-	-	-	-	553,081
Deferred tax assets		8,182	-	5,261	-	-	-	-	-	-	-	13,443
Islamic financing assets		-	1,070,975	-	-	-	-	-	-	-	-	1,070,975
Investment in financial assets	13	-	977,917	-	3,688,350	-	63	2,589,854	2,494,922	247,053	-	9,998,159
Retention receivables		-	66,671	34,703	-	-	-	-	-	-	-	101,374
Contract assets		-	-	-	-	254,262	-	-	-	-	-	254,262
Current assets												
Inventories		15,364	51,607	320,589	-	85,144	2,497	-	-	-	13,162	488,363
Trade and other receivables		144,011	572,274	3,200,220	-	1,967,588	156,681	-	-	-	23,202	6,063,976
Contract assets		-	77,070	4,106,004	-	27,085	-	-	-	-	-	4,210,159
Due from related parties		1,203,417	41,951	-	-	72,769	-	-	-	-	19,226	1,337,363
Cash and bank balances		604,059	555,143	671,119	5,081	112,566	24,802	-	-	371,776	5,934	2,350,480
Investment in financial assets	13	429,227	-	30,853	-	-	-	-	-	-	-	460,080
Wakala deposits		-	181,023	-	-	-	-	-	-	-	-	181,023
Total assets		4,793,152	4,026,432	13,375,569	3,693,431	2,635,512	184,226	2,589,854	2,494,922	2,287,453	64,481	36,145,032

* Others include C D Properties – Sole Proprietorship LLC and Chechnya Hotel.

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

42 Business combinations under common control (continued)

		Murban Energy Limited	Mawarid Holding Investment LLC	Sogno Commercial Investment and W A S Two Commercial Investment LLC	Sublime Commercial Investment – Sole Proprietorship LLC	Pure Health Medical Supplies LLC	Emirates Gateway Securities Services LLC	Sogno Two Sole Proprietorship LLC	Sogno Three Sole Proprietorship LLC	Sublime Two Investment Sole Proprietorship LLC	Others *	Total
	Notes	AED '000	AED '000	AED '000	AED '000	AED '000	AED '000	AED '000	AED '000	AED '000	AED '000	AED '000
Non-current liabilities												
Provision for employees' end of service benefits	29	8,406	69,890	438,176	-	5,326	19,940	-	-	-	61	541,799
Lease liabilities	9	40,172	23,479	307,669	-	9,502	-	-	-	-	149	380,971
Borrowings	30	798,827	597,610	1,556,876	1,500,000	62,940	-	-	-	-	-	4,516,253
Other non-current liabilities		-	61,461	-	-	-	-	-	-	-	-	61,461
Loan from a related party		-	-	-	-	82,833	-	-	-	-	-	82,833
Trade and accounts payables		18,374	-	-	-	-	-	-	-	-	-	18,374
Current liabilities												
Lease liabilities	9	7,138	1,935	8,403	-	4,385	-	-	-	-	977	22,838
Borrowings	30	130,274	113,634	1,271,117	-	27,271	-	-	-	-	-	1,542,296
Due to related parties		186,687	8,605	-	34,892	1,264,774	36,267	-	-	-	-	1,531,225
Margins against letter of guarantees		-	1,159,381	-	-	-	-	-	-	-	-	1,159,381
Trade and other payables		43,269	1,101,804	4,730,781	-	345,531	28,325	-	-	-	2,290	6,252,000
Total liabilities		1,233,147	3,137,799	8,313,022	1,534,892	1,802,562	84,532	-	-	-	3,477	16,109,431
Net assets at the date of transfer		3,560,005	888,633	5,062,547	2,158,539	832,950	99,694	2,589,854	2,494,922	2,287,453	61,004	20,035,601
Less: net assets attributable to non- controlling interest		-	(209,701)	(2,824)	-	-	-	-	-	-	-	(212,525)
Net assets attributable to owners of the Group		3,560,005	678,932	5,059,723	2,158,539	832,950	99,694	2,589,854	2,494,922	2,287,453	61,004	19,823,076

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

42 Business combinations under common control (continued)

	2021 AED ‘000
The assets as on the date of transfer under common control were allocated as follows:	
Merger reserve (Note 25)	17,183,306
Non-controlling interests	2,639,770
	<hr/>
	19,823,076
	<hr/> <hr/>

During the year, the Group acquired an additional equity stake of 31.5% amounting to AED 255 million in Pure Health Medical Supplies LLC with effect from 1 July 2021. Further, it also acquired an additional 3.38% of National Marine Dredging Company PJSC for AED 197 million from 31 December 2021.

43 Acquisition of subsidiaries

On 1 October 2021, the Group acquired the following subsidiaries which were accounted for using the acquisition method under IFRS 3 *Business Combinations*.

Acquisition of Rafed Healthcare Supplies LLC (“Rafed”).

Effective 1 October 2021, the Group acquired a 100% equity interest in Rafed, for a consideration of AED 4,539 thousand. Rafed is a limited liability company, registered and incorporated in the Emirate of Abu Dhabi and is engaged in wholesale trading of medical related items and medical goods storage. From the date of acquisition, Rafed contributed revenue and profit to the Group amounting to AED 584,821 thousand and AED 49,459 thousand respectively. If the acquisition had taken place at the beginning of the year, Rafed would have contributed revenue and profit to the Group amounting to AED 2,790,589 thousand and AED 147,418 thousand respectively.

Acquisition of Union 71 Medical Facilities Management LLC (“Union 71”)

Effective 1 October 2021, the Group acquired a 100% equity interest in Union 71 for a consideration of AED 18,151 thousand. Union 71 is a limited liability company, registered and incorporated in the Emirate of Abu Dhabi and is engaged in the management of medical facilities. From the date of acquisition, Union 71 contributed revenue and profit to the Group amounting to AED 170,094 thousand and AED 19,008 thousand respectively. If the acquisition had taken place at the beginning of the year, Union 71 would have contributed revenue and profit to the Group amounting to AED 652,471 thousand and AED 123,763 thousand respectively.

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

43 Acquisition of subsidiaries (continued)

Identifiable assets acquired and liabilities assumed

The provisional fair values of the identifiable assets and liabilities of Rafed and Union 71 as at the date of acquisition were as follows:

	Notes	Rafed AED'000	Union 71 AED'000	Total AED'000
ASSETS				
Property, plant and equipment	5	1,304	10,986	12,290
Intangible assets	6	178,600	961,200	1,139,800
Right-of-use assets	9	-	80,980	80,980
Inventories		-	12,120	12,120
Trade and other receivables		1,255,289	395,644	1,650,933
Due from related parties		95,591	150	95,741
Cash and bank		169,953	116,523	286,476
		<hr/>	<hr/>	<hr/>
Total assets		1,700,737	1,577,603	3,278,340
		<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
LIABILITIES				
Trade and other payables		1,422,601	311,037	1,733,638
Lease liabilities	9	-	82,359	82,359
Due to related parties		-	97,563	97,563
Provision for employees' end of service benefits	29	1,427	7,256	8,683
		<hr/>	<hr/>	<hr/>
Total liabilities		1,424,028	498,215	1,922,243
		<hr/>	<hr/>	<hr/>
Net assets acquired		276,709	1,079,388	1,356,097
Less: purchase consideration		(4,539)	(18,151)	(22,690)
		<hr/>	<hr/>	<hr/>
Additional contribution through a subsidiary*		272,170	1,061,237	1,333,407
		<hr/>	<hr/>	<hr/>
				2021
Net assets as on the date of acquisition of subsidiaries is allocated as:				AED '000
Merger reserve (Note 25)				840,046
Non-controlling interests				493,361
				<hr/>
				1,333,407
				<hr/> <hr/>

*The additional contribution represents a contribution in kind from a shareholder of a subsidiary.

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

43 Acquisition of subsidiaries (continued)

The Group measured the acquired lease liabilities using the present value of the remaining lease payments at the date of acquisition. The right-of-use assets were measured at an amount equal to the lease liabilities and adjusted to reflect the favourable terms of the lease relative to market terms, if any. The Group has recognised intangible assets of AED 1,139,800 thousand as a result of the aforementioned acquisitions, which comprises largely of customer contracts. The provisional fair value measurement is based on significant inputs that are not observable in the market, which IFRS 13 "Fair Value Measurement" refers to as level 3 inputs. The provisional fair value estimate is based on an assumed discount rate of 10%.

In accordance with IFRS 3 *Business Combinations*, the acquisition is accounted for based on provisional fair values of the identifiable assets acquired and liabilities assumed which will be finalised within 12 months from the date of acquisition. The finalisation of the purchase price allocation may result in a change in fair value of assets and liabilities acquired.

Analysis of cashflow on acquisition is as follows:

	Rafed AED'000	Union 71 AED'000	Total AED'000
ASSETS			
Net asset acquired on business combination	169,853	116,523	286,376
Cash paid for the acquisition	(4,539)	(18,151)	(22,690)
	<hr/>	<hr/>	<hr/>
Acquisition of operating business – net of cash acquired (included in cashflows from investing activities)	165,314	98,372	263,686
Transaction costs of the acquisition (included in cashflows from operating activities)	(147)	(147)	(294)
	<hr/>	<hr/>	<hr/>
Net cash acquired on acquisition	165,167	98,225	263,392
	<hr/>	<hr/>	<hr/>

**Notes to the consolidated financial statements
for the year ended 31 December 2021 (continued)****44 Segment information**

IFRS 8 *Operating Segments* requires operating segments to be identified on the basis of financial performance and internal reports about components of the Group in order to allocate resources to the segment and to assess its performance. For operating purposes, the Group is organised into the following business segments or revenue streams:

- (i) Industrial, which relates to the providing of dredging and associated land reclamation works;
- (ii) Construction, which provides contracting services relating to commercial and residential buildings, infrastructure development and civil construction works;
- (iii) Real estate, which includes rental income from properties and income from investment in real estate companies or sale of real estate;
- (iv) Healthcare, which includes hospital and medical laboratory management services and laboratory diagnostic services; and
- (v) Services which comprise management services, hospitality income as well as a variety of smaller ancillary activities. This includes investment and Islamic finance income.

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

44 Segment information (continued)

The following table presents revenue and profit information for the Group's operating segments for 2021:

	Industrial AED '000	Construction AED '000	Real estate AED '000	Healthcare AED '000	Services AED '000	Eliminations AED '000	Total AED '000
External sales	5,695,843	4,719,018	46,726	6,748,721	1,637,416	-	18,847,724
Inter-segment sales*	307	2,045	-	-	6,024	(8,376)	-
Total revenue	5,696,150	4,721,063	46,726	6,748,721	1,643,440	(8,376)	18,847,724
Segment gross profit	427,098	354,705	30,257	4,240,051	593,677	(117)	5,645,671
General, administrative and selling expenses	(164,121)	(128,087)	(12,146)	(407,766)	(302,751)	-	(1,014,871)
Share of profit of joint ventures	6,055	31,185	-	-	-	-	37,240
Share of profit/(loss) from associates	1,065	470	-	23,351	(52,826)	-	(27,940)
Net movement in the fair value through profit and loss	(1,750)	-	-	-	231,630	-	229,880
Impairment losses on financial assets and contract assets	(85,333)	7,500	(73)	(323,448)	(6,815)	-	(408,169)
Other income	591,107	26,091	145,725	(2,654)	27,957	(190)	788,036
Finance income	12,196	2,830	-	275	7,976	-	23,277
Finance costs	(32,979)	(12,346)	(23,927)	(11,570)	(36,479)	-	(117,301)
Foreign exchange gain/(loss)	20,251	-	-	(241)	(2,378)	-	17,632
Profit before tax	773,589	282,348	139,836	3,517,998	459,991	(307)	5,173,455
Income tax	(8,529)	-	-	-	2,443	-	(6,086)
Profit after tax	765,060	282,348	139,836	3,517,998	462,434	(307)	5,167,369

*Inter-segment sales are charged at prevailing market prices.

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

44 Segment information (continued)

The following table presents revenue and profit information for the Group's operating segments for 2020:

	Industrial AED '000	Construction AED '000	Real estate AED '000	Healthcare AED '000	Services AED '000	Eliminations AED '000	Total AED '000
External sales	-	3,784,984	17,601	-	-	-	3,802,585
Inter-segment sales	-	-	-	-	-	-	-
Total revenue	-	3,784,984	17,601	-	-	-	3,802,585
Segment gross profit	-	332,411	8,017	-	-	-	340,428
General, administrative and selling expenses	-	(99,480)	-	-	-	-	(99,480)
Share of profit of joint ventures	-	7,658	-	-	-	-	7,658
Share of profit/(loss) from associates	-	954	-	-	-	-	954
Impairment losses on financial assets and contract assets	-	(39,649)	-	-	-	-	(39,649)
Other income	-	20,978	-	-	-	-	20,978
Finance income	-	5,588	-	-	-	-	5,588
Finance costs	-	(18,737)	-	-	-	-	(18,737)
Profit before tax	-	209,723	8,017	-	-	-	217,740
Income tax	-	-	-	-	-	-	-
Profit after tax	-	209,723	8,017	-	-	-	217,740

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

44 Segment information (continued)

The following table presents segment assets and liabilities of the Group's operating segments as at 31 December 2021.

	Industrial AED ‘000	Construction AED ‘000	Real estate AED ‘000	Healthcare AED ‘000	Services AED ‘000	Eliminations AED ‘000	Total AED ‘000
Non-current assets	5,455,603	733,370	11,445,116	1,633,853	2,240,057	(307)	21,507,692
Current assets	7,848,639	4,558,463	520,896	6,148,081	3,913,360	(288,388)	22,701,051
Assets related to discontinued operations	-	-	-	-	3,138,608	-	3,138,608
Total assets	13,304,242	5,291,833	11,966,012	7,781,934	9,292,025	(288,695)	47,347,351
Non-current liabilities	2,025,237	385,549	1,500,000	148,124	1,481,170	-	5,540,080
Current liabilities	5,392,401	3,672,615	57,575	3,786,310	1,026,850	(288,388)	13,647,363
Liabilities related to discontinued operations	-	-	-	-	2,188,327	-	2,188,327
Total liabilities	7,417,638	4,058,164	1,557,575	3,934,434	4,696,347	(288,388)	21,375,770

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

44 Segment information (continued)

The following table presents segment assets and liabilities of the Group's operating segments as at 31 December 2020.

	Industrial AED '000	Construction AED '000	Real estate AED '000	Healthcare AED '000	Services AED '000	Eliminations AED '000	Total AED '000
Non-current assets	-	676,764	109,687	-	-	-	786,451
Current assets	-	4,608,417	-	-	-	-	4,608,417
Total assets	-	5,285,181	109,687	-	-	-	5,394,868
Non-current liabilities	-	435,689	-	-	-	-	435,689
Current liabilities	-	3,913,719	-	-	-	-	3,913,719
Total liabilities	-	4,349,408	-	-	-	-	4,349,408

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

44 Segment information (continued)

The following table presents other segment information:

	Industrial AED ‘000	Construction AED ‘000	Real estate AED ‘000	Healthcare AED ‘000	Services AED ‘000	Eliminations AED ‘000	Total AED ‘000
At 31 December 2021							
Depreciation and amortisation	425,790	112,144	8,869	23,982	70,092	-	640,877
Addition to non- current assets	143,737	137,764	-	324,416	123,558	(307)	729,168
At 31 December 2020							
Depreciation and amortisation	-	107,696	9,584	-	-	-	117,280
Addition to non- current assets	-	215,493	-	-	-	-	215,493

Information about major customers

Included in revenues arising from Healthcare are revenues of approximately AED 4.358 billion (2020: AED nil) which arose from sales to the Group’s largest customer. No other single customers contributed 10 per cent or more to the Group’s revenue in either 2021 or 2020.

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

44 Segment information (continued)

The Group has aggregated its geographical segments into the UAE and international. International includes operations in Egypt, Saudi Arabia, Bahrain, India, Kuwait, Maldives, Seychelles and Sudan:

The following table shows the Group’s geographical segment analysis:

	UAE AED ‘000	International AED ‘000	Total AED ‘000
31 December 2021			
Revenue	15,981,392	2,866,332	18,847,724
Gross profit	5,528,331	117,340	5,645,671
Non-current assets	20,518,219	989,473	21,507,692
31 December 2020			
Revenue	3,726,853	75,732	3,802,585
Gross profit	325,559	14,869	340,428
Non-current assets	774,540	11,911	786,451

45 Fair value measurement

The fair values of financial assets and financial liabilities are determined as follows:

- The fair values of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market bid prices at the close of the business on the reporting date.
- The fair values of other financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions and dealer quotes for similar instruments.

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

45 Fair value measurement

Fair value of the Group’s assets that are measured at fair value on recurring basis

Some of the Group’s financial assets are measured at fair value at the end of the reporting period. The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable and gives information about how the fair value of these financial assets are determined:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The following table gives information about how the fair value of the Group’s assets are determined.

Financial assets	Valuation techniques and key inputs	Significant unobservable input	Unobservable inputs to fair value	Level 1	Level 2	Level 3	Total	
							2021 AED ‘000	2020 AED ‘000
Investment in financial assets through profit and loss	Quoted bid prices in an active market	None	Not Applicable	823,267	177,157	-	1,000,424	-
Investment in financial assets through other comprehensive income	Transaction price paid for identical or similar instrument of an investee	None	Not Applicable	1,587	63	-	1,650	-
Derivative financial assets	Significant observable inputs	None	Not Applicable	-	6,403	-	6,403	-
Non-financial assets								
Biological assets	Significant observable inputs	None	Not Applicable	-	25,273	-	25,273	-
Investment properties	Refer to note 8	Refer to note 8	Not Applicable	-	-	434,713	434,713	-

There were no transfers between the levels during the year. There are no financial liabilities which should be measured at fair value and accordingly no disclosure is made in the above table.

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

46 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.

Categories of financial instruments:

	FVTPL – derivatives designated in hedge relationships	FVTPL – mandatorily measured	FVTOCI	FVTOCI – designated	Amortised cost	Total
	-----AED'000-----					
Financial assets						
31 December 2021						
Investments in financial assets	-	1,000,424	63	1,587	-	1,002,074
Trade and other receivables (excluding advances to supplier and prepayments and deposits)	6,403	-	-	-	5,213,651	5,220,054
Due from related parties	-	-	-	-	1,326,790	1,326,790
Cash and bank balances	-	-	-	-	7,755,403	7,755,403
	<u>6,403</u>	<u>1,000,424</u>	<u>63</u>	<u>1,587</u>	<u>14,295,844</u>	<u>15,304,321</u>
31 December 2020						
Trade and other receivables (excluding advances to supplier and prepayments and deposits)	-	-	-	-	1,983,069	1,983,069
Cash and bank balances	-	-	-	-	633,721	633,721
Due from related parties	-	-	-	-	94,849	94,849
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,711,639</u>	<u>2,711,639</u>

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

46 Financial instruments

Categories of financial instruments (continued)

	FVTPL – designated	FVTPL – mandatorily measured	Amortised cost	Total
	-----AED'000-----			
Financial liabilities				
31 December 2021				
Borrowings	-	-	5,583,727	5,583,727
Derivative financial instruments	5,639	39,925	-	45,564
Lease liabilities	-	-	587,439	587,439
Loan from a related party	-	-	13,300	13,300
Trade and other payables	-	-	9,914,639	9,914,639
Due to related parties	-	-	749,811	749,811
	<u>5,639</u>	<u>39,925</u>	<u>16,848,916</u>	<u>16,894,480</u>
31 December 2020				
Borrowings	-	-	496,785	496,785
Lease liabilities	-	-	73,366	73,366
Loan from a related party	-	-	13,300	13,300
Trade and other payables	-	-	2,552,535	2,552,535
Due to related parties	-	-	43,652	43,652
	<u>-</u>	<u>-</u>	<u>3,179,638</u>	<u>3,179,638</u>

Capital risk management

The Group manages its capital to ensure it will be able to continue as a going concern while maximising the return on equity. The Group does not have a formalised optimal target capital structure or target ratios in connection with its capital risk management objectives.

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

46 Financial instruments (continued)

Capital risk management (continued)

At end of the year, the net debt to equity ratio is as follows:

	2021	2020
	AED '000	AED' 000
Debt	6,384,466	496,785
Less: cash and bank balances	(7,755,403)	(633,721)
Net surplus	(1,370,937)	(134,936)
Net equity	25,971,581	1,045,460
Debt to equity ratio (%)	24.58%	47.52%

Financial risk management objectives

The Group monitors and manages the financial risks relating to the operations of the Group. These risks include market risk, 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 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

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 borrowings at floating interest rates.

**Notes to the consolidated financial statements
for the year ended 31 December 2021 (continued)****46 Financial instruments (continued)****Interest rate risk (continued)***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 higher/lower throughout the year and all other variables were held constant, the Group’s profit and equity for the year ended 31 December 2021 would decrease/increase by approximately AED 25,992 thousand (2020: decrease/increase AED 3,726 thousand).

Interest rate swap contracts

Under interest rate swap contracts, the Group agrees to exchange the difference between fixed and floating rate interest amounts calculated on agreed notional principal amounts. Such contracts enable the Group to mitigate the risk of changing interest rates on the fair value of issued fixed rate debt held and the cash flow exposures on the issued variable rate debt held. The fair value of interest rate swaps at the reporting date is determined by discounting the future cash flows using the curves at the reporting date and the credit risk inherent in the contract, and is disclosed below. The average interest rate is based on the outstanding balances at the end of the financial year.

As the critical terms of the interest rate swap contracts and their corresponding hedged items are the same, the Group performs a qualitative assessment of effectiveness and it is expected that the value of the interest rate swap contracts and the value of the corresponding hedged items will systematically change in opposite directions in response to movements in the underlying interest rates. The main source of hedge ineffectiveness in these hedge relationships is the effect of the counterparty and the Group’s own credit risk on the fair value of the interest rate swap contracts, which is not reflected in the fair value of the hedged item attributable to the change in interest rates. No other sources of ineffectiveness emerged from these hedging relationships.

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

46 Financial instruments (continued)

Foreign currency risk

Foreign currency risk is the risk that a financial instrument will fluctuate due to changes in foreign exchange rates. Assets are typically funded in the same currency as that of the business being transacted to eliminate exchange exposures. Management believes that there is a minimal risk of significant loss due to exchange rate fluctuations and consequently the Group does not necessarily hedge its foreign currency exposure.

	2021		2020	
	Liabilities AED ‘000	Assets AED ‘000	Liabilities AED ‘000	Assets AED ‘000
Egyptian Pound (EGP)	520,735	1,378,071	-	-
Euro	56,851	1,453	-	-
Indian Rupees (INR)	13,050	33,646	-	-
Others	349	7,063	-	-

Foreign currency sensitivity analysis

The Company is mainly exposed to Egyptian Pound (EGP), Euro (EUR) and Indian Rupees (INR). The exchange rate of the UAE Dirham is pegged to the US Dollar and therefore the risks associated therewith are considered to be insignificant.

The following paragraph details the Company's sensitivity to a 10% increase or decrease in the UAE Dirham against the relevant foreign currencies. 10% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents the Group's assessment of the reasonably conceivable change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a 10% change in foreign currency rates.

Based on the sensitivity analysis to a 10% (2020: Nil) increase/decrease in the Egyptian Pound against the UAE Dirham with all other variables held constant profit for the year would have been higher or lower by AED 85,734 thousand (2020: Nil) mainly as a result of foreign exchange differences on translation of Egyptian Pound denominated amounts.

Based on the sensitivity analysis to a 10% (2020: Nil) increase/decrease in the Euro against the UAE Dirham with all other variables held constant profit, for the year would have been lower or higher by AED 5,540 thousand (2020: Nil) mainly as a result of foreign exchange differences on translation of Euro denominated amounts.

Based on the sensitivity analysis to a 10% (2020: Nil) increase/decrease in the Indian Rupee against the UAE Dirham with all other variables held constant profit for the year would have been higher or lower by AED 2,060 thousand (2020: Nil) mainly as a result of foreign exchange differences on translation of Indian Rupee denominated amounts.

The Group believes that the sensitivity analysis is unrepresentative of the inherent foreign exchange risk because the exposure at the end of the reporting period does not reflect the exposure during the year.

**Notes to the consolidated financial statements
for the year ended 31 December 2021 (continued)****46 Financial instruments (continued)****Other price risks**

The Group is exposed to equity price risks arising from equity investments.

Equity investments in unlisted entities (see Note 13) are held for strategic rather than trading purposes. The Group does not actively trade these investments.

The Group invested in a portfolio of listed shares which are held for trading (see Note 13). This type of investment is approved by the Board as the alternative to investment in money market funds in order to generate higher investment return on the spare funds. In accordance with its strategy, the Group invests mainly in entities listed on ADX.

Equity price sensitivity analysis

The Group’s listed equity securities are susceptible to market price arising from uncertainties about future values of the investment securities. The Group manages equity price risk through diversification and placing limits on individual and total equity investments.

The sensitivity analyses below have been determined based on the exposure to equity price risks at the reporting date. If equity prices had been 5 per cent higher/lower:

- Net profit for the year ended 31 December 2021 would increase/decrease by AED 41,163 thousand (2020: Nil) as a result of the changes in fair value of the investments in listed shares.
- Other comprehensive income would increase by AED 79 thousand (2020: Nil) as a result of the changes in fair value of the investments in equity instruments.

Credit risk management

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Group. As at 31 December 2021, 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 consolidated statement of financial position.

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

46 Financial instruments (continued)

Credit risk management (continued)

In order to minimise credit risk, the Group develops and maintains its credit risk grading to categorise exposures according to their degree of risk of default. The credit rating information is based on 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. 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.

	Notes	External credit ratings	Internal credit ratings	12 month or lifetime ECL	Gross carrying amount AED ‘000	Loss allowance AED ‘000	Net carrying amount AED ‘000
31 December 2021							
Trade receivables	16	N/A	(i)	Lifetime ECL	4,331,780	(216,039)	4,115,741
Retention receivables	16	N/A	(i)	Lifetime ECL	474,124	(45,493)	428,631
Contract assets	14	N/A	(i)	Lifetime ECL	5,840,076	(96,336)	5,743,740
Due from related parties	19	N/A	(i)	12-month ECL	1,369,644	(42,854)	1,326,790
Bank balances	21	BB	NA	12-month ECL	7,786,308	(30,905)	7,755,403
Financial investments	13	N/A	(i)	12-month ECL	1,002,074	-	1,002,074
Other receivables	16	N/A	(i)	12-month ECL	675,682	-	675,682

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

46 Financial instruments (continued)

Credit risk management (continued)

	Notes	External credit ratings	Internal credit ratings	12 month or lifetime ECL	Gross carrying amount AED ‘000	Loss allowance AED ‘000	Net carrying amount AED ‘000
31 December 2020							
Trade receivables	16	N/A	(i)	Lifetime ECL	1,196,683	(126,908)	1,069,775
Retention receivables	16	N/A	(i)	Lifetime ECL	937,985	(53,666)	884,319
Contract assets	14	N/A	(i)	Lifetime ECL	1,384,027	(25,558)	1,358,469
Due from related parties	19	N/A	(i)	12-month ECL	164,550	(69,701)	94,849
Bank balances	21	BB	N/A	12-month ECL	633,726	(5)	633,721
Other receivables	16	N/A	(i)	12-month ECL	28,975	-	28,975

For trade receivables, retention receivables and contract assets, the Group has applied the simplified approach under IFRS 9 to measure the loss allowance at lifetime ECL. The Group determines the ECL 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 2021 (continued)**

46 Financial instruments (continued)

Liquidity risk

Ultimate responsibility for liquidity risk rests with the management, 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 ‘000	Non-current greater than 1 year AED ‘000	Total AED ‘000
31 December 2021			
Trade and other payables (excluding provision for onerous projects)	9,769,684	25,693	9,795,377
Bank borrowings	1,325,378	4,528,155	5,853,533
Due to related parties	749,811	-	749,811
Derivative financial instruments	26,005	19,559	45,564
Loan from a related party	-	14,257	14,257
Lease liabilities	51,802	735,501	787,303
	11,922,680	5,323,165	17,245,845
31 December 2020			
Trade and other payables (excluding provision for onerous projects)	2,527,107	-	2,527,107
Bank borrowings	270,900	261,569	532,469
Due to related parties	43,652	-	43,652
Loan from a related party	-	15,214	15,214
Lease liabilities	10,234	66,757	76,991
	2,851,893	343,540	3,195,433

At 31 December 2021, the Group had available AED 1,732 million (2020: AED 306 million) of undrawn committed borrowing facilities in respect of which all conditions precedent have been met.

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

47 Reconciliation of liabilities arising from financing activities

The table below details changes in the Group's liabilities arising from the financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

Particulars	Borrowings AED '000	Loan from a related party AED '000	Lease liabilities AED '000	Derivate financial instruments AED '000
At 1 January 2021	496,784	13,300	73,365	-
Recognition of lease liability	-	-	65,753	-
Acquisition of entities under common control	6,076,923	-	403,809	66,220
Disposal group classified as held- for-sale	(200,000)	-	(1,991)	-
Financing cashflows	(756,226)	-	(39,053)	(16,925)
Other changes	(33,755)	-	85,556	(3,731)
At 31 December 2021	5,583,726	13,300	587,439	45,564
At 1 January 2020	318,616	13,300	78,750	-
Financing cashflows	33,648	-	(10,167)	-
Interest / profit accrued (non – cash changes)	-	-	4,783	-
At 31 December 2020	352,264	13,300	73,366	-

48 Other general, administrative and selling expenses

Other general, administrative and selling expenses include social contributions amounting to AED 7,408 thousand (2020: Nil).

**Notes to the consolidated financial statements
for the year ended 31 December 2021 (continued)****49 Impact of COVID-19 pandemic**

The business outlook for 2022 may be impacted by significant risks and uncertainties caused by a diverse range of factors, some of which will be beyond the Group’s control. In this context, the Group highlights the COVID-19 pandemic, caused by the rapid global spread of the coronavirus, as being one such factor. Since the World Health Organization proclaimed this a global pandemic in March 2020, governments around the world, including in the United Arab Emirates, have responded to this outbreak with various temporary restrictions to help contain the spread of the virus and support measures to mitigate the adverse implications on communities and economies.

As it stands, the full impact remains unclear and will be determined by factors that continue to evolve, such as the success of the local vaccination campaigns, worldwide vaccination rate and the timing and manner of the easing of restrictions, including lockdowns, social distancing and travel. Due to some success in the efforts to flatten the infection curve, many countries started easing gradually the restrictions starting mid-2020.

As the effect of COVID-19 on businesses continues to evolve, there are potential risks and uncertainties on future business impact, the Group continues to monitor the global situation and updates its plan accordingly. The Group believes that, as at 31 December 2021, liquidity position of the Group remains strong and its existing balances of cash and cash equivalents, along with undrawn borrowings and revolving credit facilities will be sufficient to satisfy its working capital needs, capital expenditures, debt repayments and other liquidity requirements associated with its existing operations.

The Group is taking proactive measures to monitor and manage the situation to the best of its abilities to support the long-term continuity of its business and make the necessary judgements and estimates as may be required.

50 Subsequent events

Subsequent to year end, the Group has entered into the following transactions:

- a) Acquisition of a 51% interest in WIO Holding Restricted Limited, which owns 65% of WIO Bank PJSC (‘WIO’), which will offer digital banking services;
- b) An agreement with Abu Dhabi Development Holding Company LLC to expand the Group’s medical business by combining it with Abu Dhabi Health Services Company (SEHA), National Health Insurance Company (Daman), Tamouh Healthcare LLC and other medical businesses;
- c) An investment of AED 1 billion in Abu Dhabi Chemicals Derivatives Company RSC Ltd., known as TA’ZIZ;
- d) Acquisition of a 75% ownership interest in W Solar Investment LLC, a clean energy business; and
- e) An investment of AED 1 billion in OCI Clean Fuels Limited.